

SIXTEENTH AMENDMENT TO OFFERING PLAN
for
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

The purpose of this Sixteenth Amendment is to modify and supplement the Offering Plan -- A Plan to Convert to Co-operative Ownership premises located at 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 (the "Plan") as amended by the filing of fifteen prior amendments.

The Plan is hereby amended as follows:

1. Extension of Offering.

The term of the offering made by the Plan is hereby extended for an additional twelve (12) month period commencing on the date this Sixteenth Amendment is accepted for filing by the Department of Law.

2. Financial Disclosure.

The following information is provided in accordance with the regulations of the Attorney General of the State of New York:

(a) The identity of shares owned by sponsor or its designees, including holders of unsold shares, and the apartment to which such shares are allocated, are set forth in the Schedule of Unsold Shares annexed hereto.

(b) The aggregate monthly maintenance payments for all shares owned by the sponsor or holders of unsold shares is \$9,200.33.

(c) The aggregate monthly rents received from tenants of all units owned by the sponsor or holders of unsold shares is approximately \$11,096.03.

(d) The sponsor or holders of unsold shares have no financial obligations to the Apartment Corporation which will become due within twelve months from the date of this amendment, other than payment of maintenance.

(e) None of the unsold shares has been pledged as collateral for any loan or otherwise represents security for financing arrangements.

(f) The maintenance payments due from sponsor or holders of unsold shares are funded by the monthly rents received

from tenants of units owned by sponsor or holders of unsold shares.

(g) The sponsor and holders of unsold shares are current on all financial obligations under the Plan. Sponsor and holders of unsold shares were current on all such obligations during the year prior to the filing of this amendment.

(h) Sponsor or principals of sponsor, as individual holders of unsold shares or as general partner or principal of sponsor, do not hold shares or units in any other building.

(i) The sponsor no longer controls the Board of Directors. As of the date hereof, the total of unsold shares held by the Sponsor, principals of Sponsor or holders of unsold shares aggregates 32.4% of the outstanding shares of the Corporation.

3. Maintenance Charges.

By resolution of the Board of Directors of the Corporation adopted at a meeting duly held November 30, 1994, after reviewing an amended budget of building operations for the calendar year 1995 the per share annual maintenance was fixed at \$10.53 for 1995, effective January 1, 1995, representing a 1.5% increase over the existing budget.

4. Election of Officers and Directors.

At the annual meeting of the shareholders of the Corporation duly held on June 27, 1995, the following officers and directors of the Corporation were elected:

| | |
|---------------------|--------------------------------|
| *Robert Orlofsky | President and Director |
| Katherine Arndt | Vice President and Director |
| Jennifer Stewart | Vice President and Director |
| Caroline N. Saccone | Treasurer and Director |
| Jack Quinlan | Secretary and Director |

*Sponsor designee

5. Financial Statements.

The financial statements for Patricia Gardens Owners, Inc. for the years ended December 31, 1994 and December 31, 1993, prepared by Bloom and Streit, Certified Public Accountants, are attached hereto.

6. Budget

Attached hereto is the budget for the 1995 calendar year, prepared by the Building's managing agent and adopted by the Board of Directors. This budget is contained herein for informational purposes only, and the Sponsor does not in any way adopt such budget as its own or make any representation as to the adequacy, accuracy or completeness of same or any item shown herein and none should be implied. The Sponsor has reviewed the budget and has no knowledge of any matter which would render the budget materially incorrect; however, the Sponsor has not prepared the budget and has not independently verified that information or estimates contained therein.

7. No Other Material Changes in Plan.

There have been no material changes in the Plan, except as set forth in this Sixteenth Amendment. The Plan, as amended hereby, does not knowingly omit any material fact or knowingly contain any untrue statement of any material fact.

Dated: November 9, 1995

1825 PALMER ASSOCIATES
Sponsor and Holder of Unsold Shares

1825palm\102495.190

SCHEDULE OF UNSOLD SHARES
 1825-29-33 PALMER AVENUE
 LARCHMONT, NEW YORK

| <u>UNIT</u> | <u>SHARES</u> |
|------------------------|-------------------------|
| 2B | 630 |
| 3C | 495 |
| 1D | 490 |
| 3F | 640 |
| 3A | 410 |
| 1B | 515 |
| 1C | 640 |
| 2C | 630 |
| 3D | 410 |
| 1F | 650 |
| 2G | 369 |
| 3A | 420 |
| 3B | 490 |
| 3C | 640 |
| 3E | 615 |
| 2F | 507 |
| 2J | 575 |
| 3J | 560 |
| 1K | 585 |
| 3K | <u>560</u> |
| | |
| Total Units | 20 |
| | Total Shares |
| | 10,781 |



BLOOM AND STREIT LLP
Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217
914/636-0210
Fax 914/636-0598

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER D. BERMAN, CPA
WILLIAM J. RANK, CPA CFP
MARK COHEN, CPA

ROBERT B. KRAUS, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying comparative balance sheet of Patricia Gardens Owners, Inc. as of December 31, 1994 and December 31, 1993, and the related comparative statements of loss, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1994 and December 31, 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 6, the Cooperative has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that is required by the American Institute of Certified Public Accountants as a supplement to the basic financial statements.

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.
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Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 audit 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.

Bloom and Streit, LLP

BLOOM AND STREIT LLP
Certified Public Accountants
March 31, 1995

PATRICIA GARDENS OWNERS INC.

COMPARATIVE BALANCE SHEET

December 31, 1994 and December 31, 1993

| | <u>1994</u> | <u>1993</u> |
|--|------------------|------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| - Managing Agent's Operating Account | 124 | 73 |
| in Banks and on Hand | 11,394 | 80,752 |
| Certificates of Deposit | 61,790 | |
| Trusts' Accounts Receivable | 3,292 | 3,714 |
| Accounts Receivable | 250 | 500 |
| Unpaid Escrow Deposits | 56,056 | 56,969 |
| Prepaid Expenses | 13,374 | 14,305 |
| <u>Total</u> | <u>146,280</u> | <u>156,313</u> |
| : Portion allocated to Funds (see below) | 60,000 | 60,000 |
| <u>Total Current Assets</u> | <u>86,280</u> | <u>96,313</u> |
| | | |
| <u>RESERVE</u> | | |
| Reserve for Contingencies (see above) | <u>60,000</u> | <u>60,000</u> |
| | | |
| <u>PROPERTY AND EQUIPMENT</u> - Net Book Value | | |
| (Schedule "A-1") | <u>2,070,797</u> | <u>2,118,046</u> |
| | | |
| <u>OTHER ASSETS</u> | | |
| Accrued Mortgage Financing Expenses | <u>35,700</u> | <u>39,941</u> |
| | | |
| <u>TOTAL ASSETS</u> | <u>2,252,777</u> | <u>2,314,300</u> |

| | <u>1994</u> | <u>1993</u> |
|---|----------------------|----------------------|
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | 10,424 | 16,342 |
| Accrued Taxes | 245 | 90 |
| Accrued Interest Payable | 8,583 | 8,706 |
| Rents Received in Advance | 16 | 16 |
| Security Deposits | 6,926 | 4,686 |
| Mortgage Payable - Amortization payments due within one year (see below) | <u>20,524</u> | <u>18,990</u> |
| <u>Total Current Liabilities</u> | <u>46,718</u> | <u>48,830</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Mortgage Payable | 1,322,053 | 1,341,044 |
| Less: Portion due within one year (see above) | <u>20,524</u> | <u>18,990</u> |
| <u>Total Long-Term Liabilities</u> | <u>1,301,529</u> | <u>1,322,054</u> |
| <u>STOCKHOLDERS EQUITY</u> | | |
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | 33,283 | 33,282 |
| Paid-in Capital | 1,444,908 | 1,444,908 |
| Retained Earnings (Deficit) - Exhibit "C" | (573,661) | (534,774) |
| <u>Total Stockholders' Equity</u> | <u>904,530</u> | <u>943,416</u> |
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>2,252,777</u> | <u>2,314,300</u> |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.

SCHEDULE TO BALANCE SHEET

December 31, 1994

Schedule "A-1" PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|---|------------------|-------------------------------------|---------------------------|------------------|
| Land | 689,960 | | 689,960 | |
| Building | 1,713,000 | 452,232 | 1,260,768 | |
| Building Equipment Fixed | <u>148,264</u> | <u>28,195</u> | <u>120,069</u> | |
| <u>Total Property and Equipment</u> | <u>2,551,224</u> | <u>480,427</u> | | <u>2,070,797</u> |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF LOSSFor The Years ended December 31, 1994 and December 31, 1993

| | <u>1994</u> | <u>1993</u> |
|---|-------------------|-------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 345,264 | 332,451 |
| Parking Spaces | <u>15,930</u> | <u>15,806</u> |
| <u>Total Rent Income</u> | <u>361,194</u> | <u>348,257</u> |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | <u>4,200</u> | <u>4,200</u> |
| <u>OTHER INCOME</u> | | |
| Interest Income | 3,192 | 1,984 |
| Miscellaneous Income | <u>5,631</u> | <u>5,899</u> |
| <u>Total Other Income</u> | <u>8,823</u> | <u>7,883</u> |
| <u>Total Income</u> | <u>374,217</u> | <u>360,340</u> |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 24,000 | 22,723 |
| Utilities Expenses | 37,044 | 40,167 |
| Maintenance Expenses | 64,406 | 75,169 |
| Taxes and Insurance | 125,241 | 118,945 |
| Financial Expenses | <u>103,676</u> | <u>102,979</u> |
| <u>Total Expenses Before Depreciation and Amortization</u> | <u>354,367</u> | <u>359,983</u> |
| <u>NET INCOME BEFORE DEPRECIATION AND AMORTIZATION</u> | 19,850 | 357 |
| Depreciation and Amortization of Mortgage Financing Expenses | (<u>58,737</u>) | (<u>56,631</u>) |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | (<u>38,887</u>) | (<u>56,274</u>) |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF RETAINED EARNINGS (DEFICIT)For the Years ended December 31, 1994 and December 31, 1993

| | <u>1994</u> | <u>1993</u> |
|---|--------------------|--------------------|
| <u>RETAINED EARNINGS (DEFICIT) - Beginning of Year</u> | (534,774) | (478,500) |
| Net Loss for the Year - Exhibit "B" | (<u>38,887</u>) | (<u>56,274</u>) |
| <u>RETAINED EARNINGS (DEFICIT) - End of Year</u> Exhibit "A" | (<u>573,661</u>) | (<u>534,774</u>) |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF CASH FLOWSFor the Years ended December 31, 1994 and December 31, 1993

| | <u>1994</u> | <u>1993</u> |
|---|------------------|---------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Tenants' Charges Collected | 361,615 | 349,718 |
| Service Income Collected | 4,200 | 4,200 |
| Interest Income Collected | 3,192 | 1,984 |
| Miscellaneous Income Collected | 5,631 | 5,899 |
| Deposits and Exchanges Collected | 2,490 | 1,914 |
| Administrative Expenses Paid | (22,976) | (22,753) |
| Utility Expenses Paid | (40,225) | (41,228) |
| Maintenance Expenses Paid | (68,193) | (67,902) |
| Taxes and Insurance Paid | (123,215) | (123,303) |
| Interest Paid | (103,799) | (104,356) |
| <u>Net Cash Provided by Operating Activities</u> | <u>18,720</u> | <u>4,173</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| (Increase) in Reserve Funds | | (17,308) |
| Mortgage Financing Expenses Paid | | (38,375) |
| Net Mortgage Proceeds Received | | 100,000 |
| Amortization Payments on Mortgage | (18,990) | (8,956) |
| <u>Net Cash Provided (Used) by Financing Activities</u> | <u>(18,990)</u> | <u>35,361</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchase of Property and Equipment | (7,248) | (24,778) |
| <u>INCREASE (DECREASE) IN CASH</u> | <u>(7,518)</u> | <u>14,756</u> |
| Cash and Equivalents at Beginning of Year | <u>20,826</u> | <u>6,069</u> |
| <u>CASH AND CASH EQUIVALENTS - End of Year</u> (see below) | <u>13,308</u> | <u>20,825</u> |

PATRICIA GARDENS OWNERS INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year ended December 31, 1994NET FREE ASSETS PROVIDED BY:

| | |
|---|------------|
| Net Surplus for the Year - Schedule "E-2" | 860 |
| Decrease in Mortgagee Escrow Deposits | 913 |
| Decrease in Prepaid Expenses | <u>932</u> |

Total Net Free Assets Provided 2,705

NET FREE ASSETS APPLIED TO:

| | |
|------------------------------------|--------------|
| Purchase of Property and Equipment | <u>7,249</u> |
|------------------------------------|--------------|

DECREASE IN NET FREE ASSETS - Schedule "E-1" (4,544)

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | <u>December 31,</u> 1993 | <u>December 31,</u> 1994 |
|--|-----------------------------|-----------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 96,313 | 86,530 |
| Less: Mortgagee Escrow Deposits and Prepaid Expenses | (<u>71,274</u>) | (<u>69,430</u>) |
| <u>CURRENT ASSETS</u> - Adjusted | <u>25,039</u> | <u>17,100</u> |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | 48,831 | 46,967 |
| Less: Mortgage Payable-due within one year | (<u>18,991</u>) | (<u>20,523</u>) |
| <u>CURRENT LIABILITIES</u> - Adjusted | <u>29,840</u> | <u>26,444</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (4,801) | (9,344) |
| <u>INCREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | (<u>4,544</u>) | _____ |
| | (<u>9,345</u>) | (<u>9,344</u>) |

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years ended December 31, 1994 and December 31, 1993

| | Budget Year Ended December 31, 1994 (Unaudited) | Actual Year Ended December 31, 1994 | Actual Year Ended December 31, 1993 |
|--|---|--|--|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 345,266 | 345,264 | 332,451 |
| Parking Income | 16,020 | 15,930 | 15,806 |
| Laundry Room Income | 4,200 | 4,200 | 4,200 |
| Interest and Miscellaneous Income | 6,500 | 8,823 | 7,883 |
| <u>Total Receipts</u> | <u>371,986</u> | <u>374,217</u> | <u>360,340</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 13,500 | 13,500 | 13,500 |
| Legal Fee and Disbursements | | 1,582 | 102 |
| Auditing | 6,000 | 6,000 | 6,000 |
| Telephone | 1,500 | 1,321 | 1,411 |
| Office and Administrative Expenses | 1,500 | 1,597 | 1,710 |
| <u>Total Administrative Expenses</u> | <u>22,500</u> | <u>24,000</u> | <u>22,723</u> |
| <u>UTILITIES EXPENSES</u> | | | |
| Fuel | 24,500 | 20,996 | 23,440 |
| Electricity | 8,500 | 7,635 | 8,028 |
| Water | 9,500 | 7,572 | 8,094 |
| Gas | 800 | 841 | 605 |
| <u>Total Utilities Expenses</u> | <u>43,300</u> | <u>37,044</u> | <u>40,167</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Superintendent's Payroll | 29,000 | 29,881 | 27,206 |
| Supplies | 4,000 | 6,512 | 5,377 |
| Landscaping and Snow Removal | 6,000 | 9,495 | 6,375 |
| General Repairs and Maintenance | 17,000 | 16,666 | 21,244 |
| Exterminating | 1,500 | 1,852 | 1,420 |
| <u>Total Maintenance Expenses</u> | <u>57,500</u> | <u>64,406</u> | <u>61,622</u> |

PATRICIA GARDENS OWNERS INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTS

For the Years ended December 31, 1994 and December 31, 1993

| | Budget Year Ended December 31, 1994 (Unaudited) | Actual Year Ended December 31, 1994 | Actual Year Ended December 31, 1993 |
|---|---|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 103,000 | 101,435 | 97,606 |
| Payroll Taxes | 2,500 | 2,478 | 2,312 |
| Insurance | 14,000 | 15,533 | 13,754 |
| Union Welfare and Pension Fund | 4,000 | 4,089 | 3,822 |
| Federal Income Tax | 100 | 263 | 90 |
| New York State Franchise Tax | <u>1,300</u> | <u>1,443</u> | <u>1,361</u> |
| <u>Total Taxes and Insurance</u> | <u>124,900</u> | <u>125,241</u> | <u>118,945</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | <u>103,675</u> | <u>103,676</u> | <u>102,979</u> |
| <u>CONTRIBUTIONS TO EQUITY</u> | | | |
| Amortization of Mortgage | <u>18,990</u> | <u>18,990</u> | <u>8,956</u> |
| <u>Total Expenditures</u> | <u>370,865</u> | <u>373,357</u> | <u>355,392</u> |
| <u>NET SURPLUS FOR THE YEAR - Schedule "E"</u> | <u>1,121</u> | <u>860</u> | <u>4,948</u> |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1994

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

The cooperative previously entered into a modification and extension agreement with The Manhattan Savings Bank effective as of December 1, 1991. Such agreement extends the term of the \$1,250,000 mortgage to December 1, 1996. Interest accrued upon the principal at the rate of 9.68% for the first year of the extended term, then such rate was to adjust annually at 470 basis points over the one year U. S. Treasury rate in effect on the first day of November in the years 1992, 1993, 1994 and 1995.

For the period from December 1, 1992 to November 30, 1993, the interest rate was 8.26% per annum. During this period, monthly payments of interest only are required in the amount of \$8,604. No payment of principal was required prior to maturity.

On May 27, 1993, NCB Mortgage Corp. acquired the existing consolidated loan in the amount of \$1,250,000 from Manhattan Savings Bank and loaned an additional amount of \$100,000 thereby creating a new consolidated loan in the amount of \$1,350,000. From June 1, 1993 to May 31, 1998, the loan carries an interest rate of 7.79% per annum with payments of \$10,232 based on a twenty-five (25) year amortization schedule. The interest rate of the loan adjusts on June 1, 1998, to equal the then current weekly average yield for U.S. Treasury Securities adjusted to a constant maturity of five (5) years as of the 25th day of the month preceding the month

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1994

- Note 2 MORTGAGE PAYABLE - continued
in which the adjustment date occurs, plus three (3) per cent per annum rounded to the nearest one-eighth (1/8) per cent. Notwithstanding the aforementioned calculation, the minimum interest rate at the time of adjustment shall be 7.60% per annum. Coincident with this interest rate adjustment, the monthly payment will adjust based on a twenty (20) year amortization schedule from such adjustment date.
- On June 1, 2008, the maturity date, the entire unpaid principal balance and accrued interest will be due and payable. Prepayments are not permitted except for the forty-five (45) day period prior to the maturity date.
- Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Property and equipment is being carried at cost. Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.
- For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION
For the year ended December 31, 1994, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.
- Note 5 SPONSOR'S OWNERSHIP
As of December 31, 1994, the Sponsor owned approximately 32% of the outstanding shares of the corporation's stock, representing twenty apartments. As of that date, the Sponsor was current in the payment of carrying charges.
- The Disclosure Statement, dated October 25, 1994, filed with the Attorney General's office (fifteenth amendment to the Cooperative Offering Plan) indicates that the aggregate monthly maintenance for all unsold shares is \$9,565.06. The aggregate monthly rents received from tenants residing in the apartments owned by the Sponsor is \$11,843.33.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1994

Note 6 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the corporation may borrow, subject to contractual limitations, utilize the Reserve for Contingencies, increase carrying charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

Note 7 CONTINGENCIES

- (A) The corporation is a named defendant in a pending civil action in Supreme Court, Westchester County, which seeks a money judgment for alleged damages. The complaint is based on alleged civil rights violations against a prospective purchaser by the corporation by withholding its consent to the proposed purchase of an apartment.

This matter has been referred to, and is being defended by, the insurance carrier for the cooperative. The amount of loss, if any, which might be sustained by the cooperative cannot be determined at this time. Accordingly, no provision for loss is included in these financial statements.

- (B) The corporation is a named defendant in a pending civil action in Supreme Court, Westchester County, which seeks a money judgment for alleged damages. The complaint is based on the alleged wrongful termination of a shareholder's proprietary lease.

This matter has been referred to the insurance carrier for the cooperative. The insurance carrier has not agreed or rejected to defend this action as of this date. The amount of loss, if any, which might be sustained by the cooperative cannot be determined at this time. Accordingly, no provision for loss is included in these financial statements.

PATRICIA GARDENS OWNERS, INC.

APPROVED OPERATING BUDGET

For the Year ending December 31, 1995

RECEIPTS

| | | |
|---|--------------|-------------------|
| Carrying Charges - Apartments (reflects a 1.5% increase effective 1/1/95) | \$ 350,445 | |
| Parking Spaces | 16,020 | |
| Laundry Room Income | 4,200 | |
| Interest and Miscellaneous Income | <u>7,500</u> | |
| <u>Total Receipts</u> | | <u>\$ 378,165</u> |

EXPENDITURES

ADMINISTRATIVE EXPENSES

| | | |
|--------------------------------------|--------------|--------|
| Management Fee | 13,500 | |
| Auditing | 6,000 | |
| Telephone/Beeper/Boiler Alarm | 1,500 | |
| Office and Misc. Admin. Expenses | <u>1,500</u> | |
| <u>Total Administrative Expenses</u> | | 22,500 |

UTILITIES EXPENSES

| | | |
|---------------------------------|------------|--------|
| Fuel | 24,500 | |
| Electricity | 8,500 | |
| Water | 8,500 | |
| Gas | <u>750</u> | |
| <u>Total Utilities Expenses</u> | | 42,250 |

MAINTENANCE EXPENSES

| | | |
|-----------------------------------|--------------|--------|
| Landscaping and Snow Removal | 7,000 | |
| Payroll | 31,000 | |
| Supplies | 5,500 | |
| Repairs | 17,000 | |
| Exterminating | <u>1,500</u> | |
| <u>Total Maintenance Expenses</u> | | 62,000 |

TAXES AND INSURANCE

| | | |
|----------------------------------|--------------|---------|
| Real Estate Taxes | 106,000 | |
| Payroll Taxes | 2,700 | |
| Insurance | 13,500 | |
| Union Welfare and Pension Fund | 4,500 | |
| Federal Income Tax | 350 | |
| New York State Franchise Tax | <u>1,200</u> | |
| <u>Total Taxes and Insurance</u> | | 128,250 |

FINANCIAL EXPENDITURES

| | | |
|-------------------------------------|---------------|----------------|
| Interest on Mortgage | 102,132 | |
| Amortization of Mortgage | <u>20,524</u> | |
| <u>Total Financial Expenditures</u> | | <u>122,656</u> |

Total Expenditures 377,656

NET SURPLUS \$ 509

Approved by Board of Directors November 30, 1994.

FIFTEENTH AMENDMENT TO OFFERING PLAN
for
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

The purpose of this Fifteenth Amendment is to modify and supplement the Offering Plan -- A Plan to Convert to Co-operative Ownership premises located at 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 (the "Plan") as amended by the filing of fourteen prior amendments.

The Plan is hereby amended as follows:

1. Extension of Offering.

The term of the offering made by the Plan is hereby extended for an additional twelve (12) month period commencing on the date this Fifteenth Amendment is accepted for filing by the Department of Law.

2. Financial Disclosure.

The following information is provided in accordance with the regulations of the Attorney General of the State of New York:

(a) The identity of shares owned by sponsor or its designees, including holders of unsold shares, and the apartment to which such shares are allocated, are set forth in the Schedule of Unsold Shares annexed hereto.

(b) The aggregate monthly maintenance payments for all shares owned by the sponsor or holders of unsold shares is \$9,565.06.

(c) The aggregate monthly rents received from tenants of all units owned by the sponsor or holders of unsold shares is approximately \$11,843.33.

(d) The sponsor or holders of unsold shares have no financial obligations to the Apartment Corporation which will become due within twelve months from the date of this amendment, other than payment of maintenance.

(e) None of the unsold shares has been pledged as collateral for any loan or otherwise represents security for financing arrangements.

(f) The maintenance payments due from sponsor or holders of unsold shares are funded by the monthly rents received

from tenants of units owned by sponsor or holders of unsold shares.

(g) The sponsor and holders of unsold shares are current on all financial obligations under the Plan. Sponsor and holders of unsold shares were current on all such obligations during the year prior to the filing of this amendment.

(h) Sponsor or principals of sponsor, as individual holders of unsold shares or as general partner or principal of sponsor, do not hold shares or units in any other building.

(i) The sponsor no longer controls the Board of Directors. As of the date hereof, the total of unsold shares held by the Sponsor, principals of Sponsor or holders of unsold shares aggregates 32.4% of the outstanding shares of the Corporation.

3. Maintenance Charges.

By resolution of the Board of Directors of the Corporation adopted at a meeting duly held November 17, 1993, after reviewing an amended budget of building operations for the calendar year 1994 the per share annual maintenance was fixed at \$10.37 for 1994, effective January 1, 1994, representing a 1.5% increase over the existing budget.

4. Election of Officers and Directors.

At the annual meeting of the shareholders of the Corporation duly held on June 15, 1994, the following officers and directors of the Corporation were elected:

| | |
|---------------------|-----------------------------|
| *Robert Orlofsky | President and Director |
| Katherine Arndt | Vice President and Director |
| Jennifer Stewart | Vice President and Director |
| Caroline N. Saccone | Treasurer and Director |
| Jack Quinlan | Secretary and Director |

*Sponsor designee

5. Financial Statements.

The financial statements for Patricia Gardens Owners, Inc. for the years ended December 31, 1993 and December 31, 1992, prepared by Bloom and Streit, Certified Public Accountants, are attached hereto.

6. No Other Material Changes in Plan.

There have been no material changes in the Plan, except as set forth in this Fifteenth Amendment. The Plan, as amended hereby, does not knowingly omit any material fact or knowingly contain any untrue statement of any material fact.

Dated: October 25, 1994

1825 PALMER ASSOCIATES
Sponsor and Holder of Unsold Shares

093094.r9

SCHEDULE OF UNSOLD SHARES
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

| | <u>UNIT</u> | <u>SHARES</u> |
|--------------|-------------|-----------------------------|
| | 2B | 630 |
| | 3C | 495 |
| | 1D | 490 |
| | 3F | 640 |
| | 3A | 410 |
| | 1B | 515 |
| | 1C | 640 |
| | 2C | 630 |
| | 3D | 410 |
| | 1F | 650 |
| | 2G | 369 |
| | 3A | 420 |
| | 3B | 490 |
| | 3C | 640 |
| | 3E | 615 |
| | 2F | 507 |
| | 2J | 575 |
| | 3J | 560 |
| | 1K | 585 |
| | 3K | <u>560</u> |
| Total | 20 | Total |
| Units | | Shares 10,781 |



BLOOM AND STREIT
Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217
914/636-0210
Fax 914/636-0598

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER D. BERMAN, CPA
WILLIAM J. RANK, CPA
MARK COHEN, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying comparative balance sheet of Patricia Gardens Owners, Inc. as of December 31, 1993 and December 31, 1992, and the related comparative statements of loss, retained earnings (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1993, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 audit 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.

As discussed in Note 6, the Cooperative has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that is required by the American Institute of Certified Public Accountants as a supplement to the basic financial statements.

Bloom and Streit
BLOOM AND STREIT
Certified Public Accountants
March 18, 1994

PATRICIA GARDENS OWNERS INC.

COMPARATIVE BALANCE SHEET

For The Years ended December 31, 1993 and December 31, 1992

| | <u>1993</u> | <u>1992</u> |
|--|------------------|------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash - Managing Agent's Operating Account | 73 | 46,070 |
| Cash in Money Market Account | | 2,692 |
| Cash in Certificate of Deposit | 80,752 | |
| Tenants' Accounts Receivable | 3,714 | 5,206 |
| Exchanges Receivable | 500 | |
| Mortgagee Escrow Deposits | 56,969 | 30,550 |
| Prepaid Expenses | <u>14,305</u> | <u>36,605</u> |
| <u>Total</u> | <u>156,313</u> | <u>121,123</u> |
| Less: Portion allocated to Funds (see below) | <u>60,000</u> | <u>42,693</u> |
| <u>Total Current Assets</u> | <u>96,313</u> | <u>78,430</u> |
| <u>FUNDS</u> | | |
| Reserve for Contingencies (see above) | <u>60,000</u> | <u>42,693</u> |
| <u>PROPERTY AND EQUIPMENT - Net Book Value</u> (Schedule "A-1") | | |
| | <u>2,118,046</u> | <u>2,149,736</u> |
| <u>OTHER ASSETS</u> | | |
| Deferred Mortgage Financing Expenses | <u>39,941</u> | <u>4,041</u> |
| <u>TOTAL ASSETS</u> | | |
| | <u>2,314,300</u> | <u>2,274,900</u> |

| | <u>1993</u> | <u>1992</u> |
|---|----------------------|----------------------|
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | 16,342 | 12,467 |
| Accrued Taxes | 90 | 360 |
| Accrued Interest Payable | 8,706 | 10,084 |
| Rents Received in Advance | 16 | 48 |
| Security Deposits | 4,686 | 2,251 |
| Mortgage Payable - Amortization payments due within one year (see below) | <u>18,990</u> | <u> </u> |
| <u>Total Current Liabilities</u> | <u>48,830</u> | <u>25,210</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Mortgage Payable | 1,341,044 | 1,250,000 |
| Less: Portion due within one year (see above) | <u>18,990</u> | <u> </u> |
| <u>Total Long-Term Liabilities</u> | <u>1,322,054</u> | <u>1,250,000</u> |
| <u>STOCKHOLDERS EQUITY</u> | | |
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | 33,282 | 33,282 |
| Paid-in Capital | 1,444,908 | 1,444,909 |
| Retained Earnings (Deficit) - Exhibit "C" | (<u>534,774</u>) | (<u>478,501</u>) |
| <u>Total Stockholders' Equity</u> | <u>943,416</u> | <u>999,690</u> |
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>2,314,300</u> | <u>2,274,900</u> |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.

SCHEDULE TO BALANCE SHEET

December 31, 1993

SCHEDULE "A-1" PROPERTY AND EQUIPMENT .

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|---|------------------|-------------------------------------|---------------------------|------------------|
| Land | 689,960 | | 689,960 | |
| Building | 1,713,000 | 402,555 | 1,310,445 | |
| Building Equipment - Fixed | <u>141,017</u> | <u>23,376</u> | <u>117,641</u> | |
| <u>Total Property and Equipment</u> | <u>2,543,977</u> | <u>425,931</u> | | <u>2,118,046</u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF LOSSFor The Years ended December 31, 1993 and December 31, 1992

| | <u>1993</u> | <u>1992</u> |
|---|-------------------|-------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 332,451 | 324,738 |
| Parking Spaces | <u>15,806</u> | <u>16,037</u> |
| <u>Total Rent Income</u> | <u>348,257</u> | <u>340,775</u> |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | <u>4,200</u> | <u>4,125</u> |
| <u>OTHER INCOME</u> | | |
| Interest Income | 1,984 | 2,833 |
| Miscellaneous Income | <u>5,899</u> | <u>4,249</u> |
| <u>Total Other Income</u> | <u>7,883</u> | <u>7,082</u> |
| <u>Total Income</u> | <u>360,340</u> | <u>351,982</u> |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 22,723 | 23,050 |
| Utilities Expenses | 40,167 | 41,016 |
| Maintenance Expenses | 75,169 | 46,791 |
| Taxes and Insurance | 118,945 | 117,172 |
| Financial Expenses | <u>102,979</u> | <u>121,187</u> |
| <u>Total Expenses</u> | <u>359,983</u> | <u>349,216</u> |
| <u>NET INCOME BEFORE DEPRECIATION AND AMORTIZATION</u> | 357 | 2,766 |
| Depreciation and Amortization of Mortgage Financing Expenses | (<u>56,631</u>) | (<u>53,433</u>) |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | (<u>56,274</u>) | (<u>50,667</u>) |

see auditors' report and accompanying
notes to financial statements.

Exhibit "C"

PATRICIA GARDENS OWNERS INC.

COMPARATIVE STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the Years Ended December 31, 1993 and December 31, 1992

| | <u>1993</u> | <u>1992</u> |
|---|--------------------|--------------------|
| <u>RETAINED EARNINGS (DEFICIT) -</u> Beginning of Year | (478,500) | (427,833) |
| Net Loss for the Year - Exhibit "B" | (<u>56,274</u>) | (<u>50,667</u>) |
| <u>RETAINED EARNINGS (DEFICIT) - End of Year</u> Exhibit "A" | (<u>534,774</u>) | (<u>478,500</u>) |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF CASH FLOWSFor the Years ended December 31, 1993 and December 31, 1992

| | <u>1993</u> | <u>1992</u> |
|---|------------------|-----------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | |
| Tenants' Charges Collected | 349,718 | 340,135 |
| Service Income Collected | 4,200 | 4,125 |
| Interest Income Collected | 1,984 | 2,833 |
| Miscellaneous Income Collected | 5,899 | 4,248 |
| Deposits and Exchanges Collected (Paid) | 1,914 | (611) |
| Administrative Expenses Paid | (22,753) | (23,133) |
| Operating Expenses Paid | (73,813) | (67,879) |
| Maintenance Expenses Paid | (35,317) | (17,239) |
| Taxes and Insurance Paid | (123,303) | (126,646) |
| Interest Paid | (104,356) | (121,000) |
| <u>Net Cash Provided (Used) by Operating Activities</u> | <u>4,173</u> | <u>(5,167)</u> |
| <u>CASH FLOWS FROM FINANCING ACTIVITIES</u> | | |
| (Increase) Decrease in Reserve Funds | (17,308) | 14,699 |
| Net Mortgage Proceeds Received | 100,000 | |
| Mortgage Financing Expenses Paid | (38,375) | (4,041) |
| Amortization Payments on Mortgage | (8,956) | |
| <u>Net Cash Provided by Financing Activities</u> | <u>35,361</u> | <u>10,658</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | |
| Purchases of Certificates of Deposit | | (613) |
| Redemptions of Certificates of Deposits | | 52,054 |
| Purchase of Property and Equipment | (24,778) | (3,500) |
| Increase in Portion of Cash Applied to Reserves | | (51,442) |
| <u>Net Cash (Used) by Investing Activities</u> | <u>(24,778)</u> | <u>(3,501)</u> |
| <u>INCREASE IN CASH (carryforward)</u> | <u>14,756</u> | <u>1,990</u> |

Exhibit "D"
(continued)

PATRICIA GARDENS OWNERS INC.

COMPARATIVE STATEMENT OF CASH FLOWS

For the Years ended December 31, 1993 and December 31, 1992

| | <u>1993</u> | <u>1992</u> |
|--|-------------------|-------------------|
| <u>INCREASE IN CASH</u> (brought forward) | 14,756 | 1,990 |
| Cash and Equivalents at Beginning of Year | <u>6,069</u> | <u>4,079</u> |
| <u>CASH AND CASH EQUIVALENTS</u> - End of Year (see below) | <u>20,825</u> | <u>6,069</u> |
| <u>Represented by:</u> | | |
| Cash in Certificate of Deposit (Exhibit "A") | 80,752 | 2,692 |
| Managing Agent's Operating Account (Exhibit "A") | <u>73</u> | <u>46,070</u> |
| <u>Total</u> | <u>80,825</u> | <u>48,762</u> |
| Less: Portion Allocated to Funds (Exhibit "A") | (<u>60,000</u>) | (<u>42,693</u>) |
| <u>CASH AND CASH EQUIVALENTS</u> - (as above) | <u>20,825</u> | <u>6,069</u> |
| <u>RECONCILIATION OF NET (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</u> | | |
| Net (Loss) - Exhibit "B" | (56,274) | (50,667) |
| Adjustments to reconcile net (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and Amortization | 56,631 | 53,433 |
| Decrease (increase) in: | | |
| Tenants' Accounts Receivable | 1,493 | 87 |
| Mortgagee Escrow Deposits | (26,420) | 15,051 |
| Prepaid Expenses | 22,300 | (23,486) |
| Increase (decrease) in: | | |
| Accounts Payable and Accrued Expenses | 6,188 | 2,635 |
| Accrued Interest Payable | (1,378) | 188 |
| Taxes Payable | (269) | (1,050) |
| Rents Received in Advance | (32) | (727) |
| Deposits and Exchanges | <u>1,934</u> | (<u>631</u>) |
| <u>Net cash provided (used) by operating activities</u> | <u>4,173</u> | (<u>5,167</u>) |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1993NET FREE ASSETS PROVIDED BY:

| | | | |
|---|--------------|---------------|--------|
| Net Surplus for the Year - Schedule "E-2" | | 4,948 | |
| Proceeds Received on Refinancing | 1,350,000 | | |
| Less: Repayment of Prior First Mortgage | (1,250,000) | | |
| Mortgage Financing Expenses | (38,375) | | |
| <u>Net Proceeds from Refinancing</u> | | 61,625 | |
| Decrease in Prepaid Expenses | | <u>22,300</u> | |
| <u>Total Net Free Assets Provided</u> | | | 88,873 |

NET FREE ASSETS APPLIED TO:

| | | | |
|---------------------------------------|--|---------------|---------------|
| Increase in Mortgagee Escrow Deposits | | 26,419 | |
| Increase in Reserve for Contingencies | | 17,307 | |
| Non-budgeted Expenditures: | | | |
| Asbestos | | 8,637 | |
| Painting | | 4,911 | |
| Purchase of Property and Equipment | | <u>22,465</u> | |
| <u>Total Net Free Assets Applied</u> | | | <u>79,739</u> |

INCREASE IN NET FREE ASSETS - Schedule "E-1" 9,134

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | <u>December 31,</u> 1992 | <u>December 31,</u> 1993 |
|--|-----------------------------|-----------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 78,430 | 96,313 |
| Less: Mortgagee Escrow Deposits and Prepaid Expenses | (<u>67,154</u>) | (<u>71,274</u>) |
| <u>CURRENT ASSETS</u> - Adjusted | <u>11,276</u> | <u>24,539</u> |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | 25,211 | 48,831 |
| Less: Mortgage Payable-due within one year | _____ | (<u>18,991</u>) |
| <u>CURRENT LIABILITIES</u> - Adjusted | <u>25,211</u> | <u>29,340</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (13,935) | (4,801) |
| <u>DECREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | <u>9,134</u> | _____ |
| | (<u>4,801</u>) | (<u>4,801</u>) |

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years ended December 31, 1993 and December 31, 1992

| | Budget Year Ended December 31, 1993 (Unaudited) | Actual Year Ended December 31, 1993 | Actual Year Ended December 31, 1992 |
|---|---|--|--|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 332,450 | 332,451 | 324,738 |
| Parking Income | 15,500 | 15,806 | 16,037 |
| Laundry Room Income | 4,200 | 4,200 | 4,125 |
| Interest and Miscellaneous Income | 4,395 | 7,883 | 7,082 |
| <u>Total Receipts</u> | <u>356,545</u> | <u>360,340</u> | <u>351,982</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 13,500 | 13,500 | 13,500 |
| Legal Fee and Disbursements | | 102 | |
| Auditing | 6,000 | 6,000 | 6,390 |
| Telephone | 1,500 | 1,411 | 1,824 |
| Office and Miscellaneous Administrative Expenses | 1,000 | 1,710 | 1,336 |
| <u>Total Administrative Expenses</u> | <u>22,000</u> | <u>22,723</u> | <u>23,050</u> |
| <u>UTILITIES EXPENSES</u> | | | |
| Fuel | 23,000 | 23,440 | 22,851 |
| Electricity | 8,000 | 8,028 | 8,172 |
| Water | 10,000 | 8,094 | 9,259 |
| Gas | 800 | 605 | 734 |
| <u>Total Utilities Expenses</u> | <u>41,800</u> | <u>40,167</u> | <u>41,016</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Superintendent's Payroll | 25,400 | 27,206 | 25,229 |
| Supplies | 4,000 | 5,377 | 2,714 |
| Landscaping and Snow Removal | 6,000 | 6,375 | 3,726 |
| General Repairs | 14,000 | 19,193 | 11,046 |
| Exterminating | 2,000 | 1,420 | 1,609 |
| Miscellaneous Maintenance Expenses | 3,000 | 2,051 | 2,467 |
| <u>Total Maintenance Expenses</u> | <u>54,400</u> | <u>61,622</u> | <u>46,791</u> |

BLOOMING STREET

Certified Public Accountants

PATRICIA GARDENS OWNERS INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTS

For the Years ended December 31, 1993 and December 31, 1992

| | Budget Year Ended December 31, 1993 (Unaudited) | Actual Year Ended December 31, 1993 | Actual Year Ended December 31, 1992 |
|---|---|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 102,000 | 97,606 | 95,837 |
| Payroll Taxes | 2,200 | 2,312 | 2,117 |
| Licenses and Permits | | | 150 |
| Insurance | 14,500 | 13,754 | 13,532 |
| Union Welfare and Pension Fund | 4,000 | 3,822 | 3,784 |
| Federal Income Tax | 500 | 90 | 80 |
| New York State Franchise Tax | 500 | 1,361 | 1,672 |
| <u>Total Taxes and Insurance</u> | <u>123,700</u> | <u>118,945</u> | <u>117,172</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | 105,689 | 102,979 | 121,187 |
| <u>CONTRIBUTIONS TO EQUITY</u> | | | |
| Amortization of Mortgage | 8,956 | 8,956 | |
| <u>Total Expenditures</u> | <u>356,545</u> | <u>355,392</u> | <u>349,216</u> |
| <u>NET INCOME FOR THE YEAR - Schedule "E"</u> | <u>-0-</u> | <u>4,948</u> | <u>2,766</u> |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1993

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

The cooperative previously entered into a modification and extension agreement with The Manhattan Savings Bank effective as of December 1, 1991. Such agreement extends the term of the \$1,250,000 mortgage to December 1, 1996. Interest accrued upon the principal at the rate of 9.68% for the first year of the extended term, then such rate was to adjust annually at 470 basis points over the one year U. S. Treasury rate in effect on the first day of November in the years 1992, 1993, 1994 and 1995.

For the period from December 1, 1992 to November 30, 1993, the interest rate was 8.26% per annum. During this period, monthly payments of interest only are required in the amount of \$8,604. No payment of principal was required prior to maturity.

On May 27, 1993, NCB Mortgage Corp. acquired the existing consolidated loan in the amount of \$1,250,000 from Manhattan Savings Bank and loaned an additional amount of \$100,000 thereby creating a new consolidated loan in the amount of \$1,350,000. From June 1, 1993 to May 31, 1998, the loan carries an interest rate of 7.79% per annum with payments of \$10,232 based on a twenty-five (25) year amortization schedule. The interest rate of the loan adjusts on June 1, 1998, to equal the then current weekly average yield for U.S. Treasury Securities adjusted to a constant maturity of five (5) years as of the 25th day of the month preceding the month

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1993

Note 2 MORTGAGE PAYABLE - continued
in which the adjustment date occurs, plus three (3) per cent per annum rounded to the nearest one-eighth (1/8) per cent. Notwithstanding the aforementioned calculation, the minimum interest rate at the time of adjustment shall be 7.60% per annum. Coincident with this interest rate adjustment, the monthly payment will adjust based on a twenty (20) year amortization schedule from such adjustment date.

On June 1, 2008, the maturity date, the entire unpaid principal balance and accrued interest will be due and payable. Prepayments are not permitted except for the forty-five (45) day period prior to the maturity date.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
Property and equipment is being carried at cost. Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION
For the year ended December 31, 1993, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

Note 5 SPONSOR'S OWNERSHIP
As of December 31, 1993, the Sponsor owned approximately 32% of the outstanding shares of the corporation's stock, representing twenty apartments. As of that date, the Sponsor was current in the payment of carrying charges.

The Disclosure Statement, dated September 29, 1993, filed with the Attorney General's office (fourteenth amendment to the Cooperative Offering Plan) indicates that the aggregate monthly maintenance for all unsold shares is \$9,382.39. The aggregate monthly rents received from tenants residing in the apartments owned by the Sponsor is \$10,204.44.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1993

Note 6

FUTURE MAJOR REPAIRS AND REPLACEMENTS

The corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the corporation may borrow, subject to contractual limitations, utilize the Reserve for Contingencies, increase carrying charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

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FOURTEENTH AMENDMENT TO OFFERING PLAN
for
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

The purpose of this Fourteenth Amendment is to modify and supplement the Offering Plan -- A Plan to Convert to Co-operative Ownership premises located at 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 (the "Plan") as amended by the filing of thirteen prior amendments.

The Plan is hereby amended as follows:

1. Extension of Offering.

The term of the offering made by the Plan is hereby extended for an additional twelve (12) month period commencing on the date this Fourteenth Amendment is accepted for filing by the Department of Law.

2. Financial Disclosure.

The following information is provided in accordance with the regulations of the Attorney General of the State of New York:

(a) The identity of shares owned by sponsor or its designees, including holders of unsold shares, and the apartment to which such shares are allocated, are set forth in the Schedule of Unsold Shares annexed hereto.

(b) The aggregate monthly maintenance payments for all shares owned by the sponsor or holders of unsold shares is \$9,382.39.

(c) The aggregate monthly rents received from tenants of all units owned by the sponsor or holders of unsold shares is approximately \$10,204.44.

(d) The sponsor or holders of unsold shares have no financial obligations to the Apartment Corporation which will become due within twelve months from the date of this amendment, other than payment of maintenance.

(e) None of the unsold shares has been pledged as collateral for any loan or otherwise represents security for financing arrangements.

(f) The maintenance payments due from sponsor or holders of unsold shares are funded by the monthly rents received from tenants of units owned by sponsor or holders of unsold shares.

(g) The sponsor and holders of unsold shares are current on all financial obligations under the Plan. Sponsor and holders of unsold shares were current on all such obligations during the year prior to the filing of this amendment.

(h) Sponsor or principals of sponsor, as individual holders of unsold shares or as general partner or principal of sponsor, do not hold shares or units in any other building.

(i) The sponsor no longer controls the Board of Directors. As of the date hereof, the total of unsold shares held by the Sponsor, principals of Sponsor or holders of unsold shares aggregates 32.4% of the outstanding shares of the Corporation.

3. Maintenance Charges.

By resolution of the Board of Directors of the Corporation adopted at a meeting duly held May 10, 1993, after reviewing an amended budget of building operations for the calendar year 1993, including the cost of mortgage refinancing described below, the per share annual maintenance was fixed at \$10.22 for 1993, effective July 1, 1993, representing a 4.75% increase over the existing budget.

4. Election of Officers and Directors.

At the annual meeting of the shareholders of the Corporation duly held on June 16, 1993, the following officers and directors of the Corporation were elected:

| | |
|---------------------|--------------------------------|
| Robert Orlofsky | President and Director |
| Katherine Arndt | Vice President and Director |
| Caroline N. Saccone | Treasurer and Director |
| Jennifer Stewart | Secretary and Director |

5. Financial Statements.

The financial statements for Patricia Gardens Owners, Inc. for the years ended December 31, 1992 and December 31, 1991, prepared by Bloom and Streit, Certified Public Accountants, are attached hereto.

6. Mortgage Refinancing and Reserve Fund.

On May 27, 1993, the Corporation refinanced its first mortgage with the National Consumer Cooperative Bank (NCB), 2 Grand Central Tower, 140 East 45th Street, 35th Floor, New York, NY 10017. The principal amount of the mortgage, which bears interest at a fixed rate of 7.79% per annum, is \$1,350,000. Monthly payments of \$17,985.00 include amortization of principal

based on a 25-year self-liquidating schedule. The interest rate will adjust one time on the fifth anniversary of the loan by adding 300 basis points to an index based on the yield of 5-year U.S. Treasury notes. At maturity on May 27, 2003, the principal balance due will be approximately \$1,086,125.

As a result of funds made available by the mortgage refinancing, the Corporation will increase its reserve fund by approximately \$75,000 for long-term capital improvements. Additional funds from the mortgage loan proceeds will be used in 1993 to finance a program of asbestos removal for which the Corporation has entered into a contract with KKI, Inc., 405 Tarrytown Road, Suite 399, White Plains, NY 10607, for the removal of asbestos pipe covering located in the laundry room, basement passageway, superintendent's workshop and bicycle room.

7. New Managing Agent and Sales Agent.

Effective January 1, 1993, the Corporation has engaged Robert Orlofsky Realty, Inc., 7 Bryant Crescent, Suite 1C, White Plains, New York 10605, to serve as its Managing Agent. The Sponsor has also appointed Robert Orlofsky Realty, Inc. as its exclusive sales agent for the Sponsor-owned apartments.

8. Counsel for Sponsor.

Sponsor has retained the firm of Peck & Heller to prepare this amendment to the Plan and to represent it in connection with all further legal matters relating to this Plan. The address of the firm is 2301 Lincoln Building, 60 East 42nd Street, New York, New York 10165. No member of the firm of Peck & Heller is a partner or principal of Sponsor.

9. No Other Material Changes in Plan.

There have been no material changes in the Plan, except as set forth in this Fourteenth Amendment. The Plan, as amended hereby, does not knowingly omit any material fact or knowingly contain any untrue statement of any material fact.

Dated: September 29, 1993

1825 PALMER ASSOCIATES
Sponsor and Holder of Unsold Shares

SCHEDULE OF UNSOLD SHARES
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

| | <u>UNIT</u> | | <u>SHARES</u> |
|--------------|-------------|---------------|---------------|
| | 2B | | 630 |
| | 3C | | 495 |
| | 1D | | 490 |
| | 3F | | 640 |
| | 3A | | 410 |
| | 1B | | 515 |
| | 1C | | 640 |
| | 2C | | 630 |
| | 3D | | 410 |
| | 1F | | 650 |
| | 2G | | 369 |
| | 3A | | 420 |
| | 3B | | 490 |
| | 3C | | 640 |
| | 3E | | 615 |
| | 2F | | 507 |
| | 2J | | 575 |
| | 3J | | 560 |
| | 1K | | 585 |
| | 3K | | <u>560</u> |
| Total | 20 | Total | 10,781 |
| Units | | Shares | |



BLOOM AND STREIT

Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217
914/636-0210
Fax 914/636-0598

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER D. BERMAN, CPA
WILLIAM J. RANK, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying comparative balance sheet of Patricia Gardens Owners, Inc. as of December 31, 1992 and December 31, 1991, and the related comparative statement of loss for the years then ended and the statements of retained earnings (deficit) and cash flows for the current year then ended. These financial statements are the responsibility of the corporation. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1992, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 audit 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.

As discussed in Note 6, the Cooperative has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented the estimates of future costs of major repairs and replacements that is required by the American Institute of Certified Public Accountants as a supplement to the basic financial statements.

Bloom and Streit
BLOOM AND STREIT
Certified Public Accountants
March 10, 1993

PATRICIA GARDENS OWNERS INC.

COMPARATIVE BALANCE SHEET

| | <u>December 31,</u> <u>1992</u> | <u>December 31,</u> <u>1991</u> |
|--|------------------------------------|------------------------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash in Money Market Account | 2,692 | 5,949 |
| Certificates of Deposit | | 51,442 |
| Cash - Managing Agent's Operating Account | 46,070 | 4,079 |
| Tenants' Accounts Receivable | 5,206 | 5,293 |
| Mortgagee Escrow Deposits | 30,550 | 45,602 |
| Prepaid Expenses | <u>36,605</u> | <u>13,117</u> |
| <u>Total</u> | <u>121,123</u> | <u>125,482</u> |
| Less: Portion allocated to Funds (see below) | <u>42,693</u> | <u>57,391</u> |
| <u>Total Current Assets</u> | <u>78,430</u> | <u>68,091</u> |
| | | |
| <u>FUNDS</u> | | |
| Reserve for Contingencies (see above) | <u>42,693</u> | <u>57,391</u> |
| | | |
| <u>PROPERTY AND EQUIPMENT</u> - Net Book Value (Schedule "A-1") | <u>2,149,736</u> | <u>2,197,357</u> |
| | | |
| <u>OTHER ASSETS</u> | | |
| Unamortized Mortgage Financing Expenses | <u>4,041</u> | <u> </u> |
| | | |
| <u>TOTAL ASSETS</u> | <u>2,274,900</u> | <u>2,322,839</u> |

| | December 31, <u>1992</u> | December 31 <u>1991</u> |
|---|-----------------------------|-----------------------------|
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | 12,467 | 7,519 |
| Accrued Taxes | 360 | 1,409 |
| Accrued Interest Payable | 10,084 | 9,896 |
| Rents Received in Advance | 48 | 775 |
| Exchanges Payable | | 1,031 |
| Security Deposits | <u>2,251</u> | <u>1,852</u> |
| <u>Total Current Liabilities</u> | <u>25,210</u> | <u>22,482</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Mortgage Payable | <u>1,250,000</u> | <u>1,250,000</u> |
| <u>STOCKHOLDERS EQUITY</u> | | |
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | 33,282 | 33,282 |
| Paid-in Capital | 1,444,908 | 1,444,908 |
| Retained Earnings (Deficit) - Exhibit "C" | (478,500) | (427,833) |
| <u>Total Stockholders' Equity</u> | <u>999,690</u> | <u>1,050,357</u> |
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>2,274,900</u> | <u>2,322,839</u> |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.

SCHEDULE TO BALANCE SHEET

December 31, 1992

SCHEDULE "A-1" PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|---|------------------|-------------------------------------|---------------------------|------------------|
| Land | 689,960 | | 689,960 | |
| Building | 1,713,000 | 352,878 | 1,360,122 | |
| Building Equipment Fixed | <u>118,552</u> | <u>18,897</u> | <u>99,655</u> | |
| <u>Total Property and Equipment</u> | <u>2,521,512</u> | <u>371,775</u> | | <u>2,149,737</u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF LOSSFor The Years Ended December 31, 1992 and December 31, 1991

| | <u>1992</u> | <u>1991</u> |
|---|-------------------|-------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 324,738 | 318,349 |
| Fuel Oil Surcharge | | 5,310 |
| Parking Spaces | <u>16,037</u> | <u>15,765</u> |
| <u>Total Rent Income</u> | <u>340,775</u> | <u>339,424</u> |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | <u>4,125</u> | <u>5,600</u> |
| <u>OTHER INCOME</u> | | |
| Interest Income | 2,833 | 2,817 |
| Miscellaneous Income | <u>4,249</u> | <u>2,434</u> |
| <u>Total Other Income</u> | <u>7,082</u> | <u>5,251</u> |
| <u>Total Income</u> | <u>351,982</u> | <u>350,275</u> |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 23,050 | 22,022 |
| Operating Expenses | 70,568 | 62,342 |
| Maintenance Expenses | 17,239 | 19,640 |
| Taxes and Insurance | 117,172 | 112,384 |
| Financial Expenses | <u>121,187</u> | <u>118,750</u> |
| <u>Total Expenses</u> | <u>349,216</u> | <u>335,138</u> |
| <u>NET INCOME BEFORE DEPRECIATION AND AMORTIZATION</u> | 2,766 | 15,137 |
| Depreciation and Amortization of Mortgage Financing Expenses | (<u>53,433</u>) | (<u>57,309</u>) |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | (<u>50,667</u>) | (<u>42,172</u>) |

see auditors' report and accompanying
notes to financial statements.

Exhibit "C"

PATRICIA GARDENS OWNERS INC.

STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1992

| | |
|---|------------------|
| <u>RETAINED EARNINGS (DEFICIT)</u> - Beginning of Year | (427,833 |
| Net Loss for the Year - Exhibit "B" | (<u>50,667</u> |
| <u>RETAINED EARNINGS (DEFICIT)</u> - End of Year Exhibit "A" | (<u>478,500</u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.STATEMENT OF CASH FLOWSFor the Year Ended December 31, 1992CASH FLOWS FROM OPERATING ACTIVITIESCASH FLOWS IN

| | |
|--------------------------------|--------------|
| Tenants' Charges Collected | 340,135 |
| Service Income Collected | 4,125 |
| Interest Income Collected | 2,833 |
| Miscellaneous Income Collected | <u>4,248</u> |

| | |
|----------------------------|----------------|
| <u>Total Cash Flows In</u> | <u>351,341</u> |
|----------------------------|----------------|

CASH FLOWS OUT

| | |
|------------------------------|--------------------|
| Administrative Expenses Paid | (23,133) |
| Operating Expenses Paid | (67,879) |
| Maintenance Expenses Paid | (17,239) |
| Taxes and Insurance Paid | (126,349) |
| Interest Paid | (<u>121,000</u>) |

| | |
|-----------------------------|--------------------|
| <u>Total Cash Flows Out</u> | (<u>355,600</u>) |
|-----------------------------|--------------------|

| | |
|---|----------|
| <u>Cash flows (out) from Operating Activities</u> | (4,259) |
|---|----------|

CASH FLOWS IN (OUT) FROM FINANCING ACTIVITIES

| | |
|----------------------------------|------------------|
| Decrease in Reserve Funds | 14,699 |
| Deposits and Exchanges Paid | (1,011) |
| Mortgage Financing Expenses Paid | (<u>4,041</u>) |

| | |
|--|-------|
| <u>Cash flows in from Financing Activities</u> | 9,647 |
|--|-------|

CASH FLOWS IN (OUT) FROM INVESTING ACTIVITIES

| | |
|---|-------------------|
| Redemptions of Certificates of Deposits | 51,554 |
| Purchase of Property and Equipment | (3,500) |
| Increase in Portion of Cash Applied to Reserves | (<u>51,442</u>) |

| | |
|---|------------------|
| <u>Cash flows (out) from Investing Activities</u> | (<u>3,398</u>) |
|---|------------------|

INCREASE IN CASH

1,990

Cash and Equivalents at Beginning of Year

4,079CASH AND CASH EQUIVALENTS - End of Year (see below)6,069

Exhibit "D"
(continued)

PATRICIA GARDENS OWNERS INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1992

Represented by:

| | | |
|--|-------------------|--------------|
| Cash in Money Market Account (Exhibit "A") | 2,692 | |
| Managing Agent's Operating Accounts (Exhibit "A") | <u>46,070</u> | |
| <u>Total</u> | 48,762 | |
| Less: Portion Allocated to Funds (Exhibit "A") | (<u>42,693</u>) | |
| <u>CASH AND CASH EQUIVALENTS - (as above)</u> | | <u>6,069</u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1992NET FREE ASSETS PROVIDED BY:

| | | |
|---|---------------|--------|
| Net Surplus for the Year - Schedule "E-2" | 2,766 | |
| Decrease in Mortgagee Escrow Deposits | 15,051 | |
| Decrease in Reserve Funds | <u>14,699</u> | |
| <u>Total Net Free Assets Provided</u> | | 32,516 |

NET FREE ASSETS APPLIED TO:

| | | |
|---|--------------|---------------|
| Increase in Prepaid Expenses | 23,487 | |
| Purchase of Property and Equipment | 5,813 | |
| Increase in Mortgage Financing Expenses | <u>4,041</u> | |
| <u>Total Net Free Assets Applied</u> | | <u>33,341</u> |

DECREASE IN NET FREE ASSETS - Schedule "E-1" (825)

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | <u>December 31,</u> <u>1991</u> | <u>December 31</u> <u>1992</u> |
|--|------------------------------------|-----------------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 68,091 | 78,430 |
| Less: Mortgagee Escrow Deposits and Prepaid Expenses | (<u>58,719</u>) | (<u>67,154</u>) |
| <u>CURRENT ASSETS</u> - Adjusted | 9,372 | 11,276 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>22,482</u> | <u>25,211</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (13,110) | (13,935) |
| <u>INCREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | (<u>825</u>) | <u> </u> |
| | (<u><u>13,935</u></u>) | (<u><u>13,935</u></u>) |

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years Ended December 31, 1992 and December 31, 1991

| | Budget Year Ended December 31, 1992 (Unaudited) | Actual Year Ended December 31, 1992 | Actual Year Ended December 31 1991 |
|---|---|--|---|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 324,716 | 324,738 | 318,349 |
| Fuel Oil Surcharge | | | 5,310 |
| Parking Income | 16,000 | 16,037 | 15,765 |
| Laundry Room Income | 4,200 | 4,125 | 5,600 |
| Interest and Miscellaneous Income | 2,500 | 7,082 | 5,251 |
| <u>Total Receipts</u> | <u>347,416</u> | <u>351,982</u> | <u>350,275</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 13,500 | 13,500 | 13,500 |
| Legal Fee and Disbursements | | | 250 |
| Auditing | 6,000 | 6,390 | 6,130 |
| Telephone | 1,400 | 1,824 | 1,495 |
| Office and Miscellaneous Administrative Expenses | 1,000 | 1,336 | 647 |
| <u>Total Administrative Expenses</u> | <u>21,900</u> | <u>23,050</u> | <u>22,022</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 22,500 | 22,851 | 16,658 |
| Superintendent's Payroll | 23,500 | 25,229 | 23,981 |
| Supplies | 3,500 | 2,715 | 1,664 |
| Electricity | 8,000 | 8,171 | 7,897 |
| Water | 9,500 | 9,260 | 9,387 |
| Gas | 800 | 733 | 810 |
| Exterminating | 2,000 | 1,609 | 1,945 |
| <u>Total Operating Expenses</u> | <u>69,800</u> | <u>70,568</u> | <u>62,342</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Expense | 6,000 | 3,432 | 7,310 |
| Repairs | 11,000 | 11,046 | 9,029 |
| Miscellaneous Maintenance Expenses | 1,500 | 2,761 | 3,301 |
| <u>Total Maintenance Expenses</u> | <u>18,500</u> | <u>17,239</u> | <u>19,640</u> |

PATRICIA GARDENS OWNERS INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTS

For the Years Ended December 31, 1992 and December 31, 1991

| | Budget Year Ended December 31, <u>1992</u> (Unaudited) | Actual Year Ended December 31, <u>1992</u> | Actual Year Ended December 31 <u>1991</u> |
|---|--|---|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 98,000 | 95,837 | 92,150 |
| Payroll Taxes | 2,000 | 2,117 | 1,957 |
| Licenses and Permits | | 150 | |
| Insurance | 14,500 | 13,532 | 13,852 |
| Union Welfare and Pension Fund | 3,500 | 3,784 | 3,404 |
| Federal Income Tax | 200 | 80 | 437 |
| New York State Franchise Tax | <u>500</u> | <u>1,672</u> | <u>584</u> |
| <u>Total Taxes and Insurance</u> | <u>118,700</u> | <u>117,172</u> | <u>112,384</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | <u>121,000</u> | <u>121,187</u> | <u>118,750</u> |
| <u>Total Expenditures</u> | <u>349,900</u> | <u>349,216</u> | <u>335,138</u> |
| <u>NET SURPLUS (DEFICIT) FOR THE YEAR - Schedule "E"</u> | (<u>2,484</u>) | <u>2,766</u> | <u>15,137</u> |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1992

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an interest rate of 9.5% per annum. In accordance with the terms of the mortgage Patricia Gardens Owners, Inc. paid interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991.

The cooperative entered into a modification and extension agreement with The Manhattan Savings Bank effective as of December 1, 1991. Such agreement extends the term of the mortgage to December 1, 1996. Interest shall accrue upon the principal at the rate of 9.68% for the first year of the extended term, then such rate shall adjust annually at 470 basis points over the one year U. S. Treasury rates in effect on the first day of November in the years 1992, 1993, 1994 and 1995.

For the period from December 1, 1992 to November 30, 1993, the interest rate is 8.26% per annum. During this period, monthly payments of interest only are required in the amount of \$8,604. No payment of principal is required prior to maturity.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1992

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment is being carried at cost. Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1992, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

Note 5 SPONSOR'S OWNERSHIP

As of December 31, 1992, the Sponsor owned approximately 32% of the outstanding shares of the corporation's stock, representing twenty apartments. As of that date, the Sponsor was current in the payment of carrying charges.

The Disclosure Statement, dated September 1, 1992, filed with the Attorney General's office (thirteenth amendment to the Cooperative Offering Plan) indicates that, as of that date, the aggregate monthly maintenance for all unsold shares is \$9,011.01. The aggregate monthly rents received from tenants residing in the apartments owned by the Sponsor is \$9,974.61 as of September, 1992.

Note 6 FUTURE MAJOR REPAIRS AND REPLACEMENTS

The corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. When replacement funds are needed to meet future needs for major repairs and replacements, the corporation may borrow, subject to contractual limitations, utilize the Reserve for Contingencies, increase carrying charges, pass special assessments or delay repairs and replacements until the funds are available. The effect on future assessments has not been determined at this time.

THIRTEENTH AMENDMENT TO OFFERING PLAN
for
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

The purpose of this Thirteenth Amendment is to modify and supplement the Offering Plan -- A Plan to Convert to Co-operative Ownership premises located at 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 (the "Plan") as amended by the filing of twelve prior amendments.

The Plan is hereby amended as follows:

1. Extension of Offering.

The term of the offering made by the Plan is hereby extended for an additional twelve (12) month period commencing on the date this Thirteenth Amendment is accepted for filing by the Department of Law.

2. Financial Disclosure.

The following information is provided in accordance with the regulations of the Attorney General of the State of New York:

(a) The identity of shares owned by sponsor or its designees, including holders of unsold shares, and the apartment to which such shares are allocated, are set forth in the Schedule of Unsold Shares annexed hereto.

(b) The aggregate monthly maintenance payments for all shares owned by the sponsor or holders of unsold shares is \$9,011.01.

(c) The aggregate monthly rents received from tenants of all units owned by the sponsor or holders of unsold shares is approximately \$9,974.61.

(d) The sponsor or holders of unsold shares have no financial obligations to the Apartment Corporation which will become due within twelve months from the date of this amendment, other than payment of maintenance.

(e) None of the unsold shares has been pledged as collateral for any loan or otherwise represents security for financing arrangements.

(f) The maintenance payments due from sponsor or holders of unsold shares are funded by the monthly rents received from tenants of units owned by sponsor or holders of unsold shares.

(g) The sponsor and holders of unsold shares are current on all financial obligations under the Plan. Sponsor and holders of unsold shares were current on all such obligations during the year prior to the filing of this amendment.

(h) Sponsor or principals of sponsor, as individual holders of unsold shares or as general partner or principal of sponsor, do not hold shares or units in any other building.

(i) The sponsor no longer controls the Board of Directors. As of the date hereof, the total of unsold shares held by the Sponsor, principals of Sponsor or holders of unsold shares aggregates 32.4% of the outstanding shares of the Corporation.

3. Maintenance Charges.

By resolution of the Board of Directors of the Corporation adopted at a meeting duly held November 20, 1991, after reviewing a projected budget of building operations for the fiscal year 1992, the per share annual maintenance was fixed at \$9.756 for the calendar year 1992, representing a 2% increase over the prior year.

4. Election of Officers and Directors.

At the annual meeting of the shareholders of the Corporation duly held on June 10, 1992, the following officers and directors of the Corporation were elected:

| | |
|---------------------|--------------------------------|
| Robert Orlofsky | President and Director |
| Katherine Arndt | Vice President and Director |
| Andrew Orlofsky | Vice President and Director |
| Caroline N. Saccone | Treasurer and Director |
| Jennifer Stewart | Secretary and Director |

5. Financial Statements.

The financial statements for Patricia Gardens Owners, Inc. for the years ended December 31, 1991 and December 31, 1990, prepared by Bloom and Streit, Certified Public Accountants, are attached hereto.

6. Escrow Provision.

The disclosure contained in this amendment replaces and supersedes the former section of the Plan and amendments thereto dealing with the placing of down payments in escrow. As of the date of this Amendment, all down payments being held in escrow

will be placed in or transferred to an account in conformity with the disclosure contained in this amendment.

The Sponsor will comply with the escrow and trust fund requirements of General Business Law Sections 352-e(2-b) and 352-h and the Attorney General's regulations promulgated pursuant thereto ("New Regulations").

Any provision of any contract or agreement, whether oral or in writing, by which a purchaser or subscriber purports to waive or indemnify any obligation of the escrow agent holding trust funds is absolutely void. The provisions of the Attorney General's New Regulations concerning escrow/trust funds shall prevail over any conflicting or inconsistent provision in the offering plan or in a Purchase Agreement. The Escrow Agreement annexed hereto as an exhibit represents Sponsor's and Escrow Agent's effort to comply with the provisions of the Attorney General's New Regulations. Purchasers shall not be obligated to pay any legal or other expense of the Sponsor in connection with the establishment, maintenance or defense of obligations arising from the handling or disposition of trust funds.

All deposits, down payments, or advances made by purchasers prior to closing of each individual transaction delivered by purchaser to Sponsor or Selling Agent to be delivered to the Escrow Agent, will be placed, within five (5) business days after the Purchase Agreement is signed by all necessary parties, for deposit in a segregated special escrow account of Peck & Heller (the "Escrow Agent") whose address is 60 East 42nd Street, Suite 2301, New York, New York 10165 and whose telephone number is 212-682-5675. The signatories on this account authorized to withdraw funds are Frank Heller and Nancy R. Heller, members of the firm of Peck & Heller, neither of whom is a principal of Sponsor. The name of the account is "Peck & Heller Special Trust Account," and it is located in Chase Manhattan Bank, N.A. at 60 East 42nd Street, New York, New York 10165. The Escrow Agent's obligation to perform its responsibilities under the Escrow Agreement is dependent upon the purchaser and the Sponsor delivering to the Escrow Agent in a timely fashion the requisite funds and the executed Purchase Agreement.

Because of the operation of the New Regulations, there may be certain requirements that a down payment check be deposited, if it is not returned, before the Purchase Agreement and all required documentation signed by all necessary parties have been delivered to the Escrow Agent or to either party. Such a deposit shall not by itself be deemed to indicate acceptance of the Purchase Agreement by the Sponsor, which shall not be deemed accepted until a copy of the Purchase Agreement executed on behalf of the Sponsor is delivered to the purchaser or the purchaser's attorney. Purchase Agreements will not be binding on the Sponsor until approved and executed by it, and delivered by

Sponsor to the prospective purchaser. Sponsor will have twenty (20) days after delivery by purchaser of an executed Purchase Agreement and the down payment required thereby, within which to accept or reject such Purchase Agreement. Sponsor's failure to notify the prospective purchaser of its acceptance of the Purchase Agreement within the aforesaid twenty (20) day period shall be deemed a rejection thereof. If any funds are deposited, but the Purchase Agreement is not accepted by the Sponsor, the funds, without interest, shall be returned to the purchaser or the purchaser's attorney promptly after rejection.

Chase Manhattan Bank is covered by Federal Deposit Insurance Corporation ("FDIC") insurance to a maximum of \$100,000, and the account is deemed an individual deposit. If an individual makes a down payment in excess of \$100,000 for the purchase of a unit, it is a special risk of this offer that such deposit will not be federally insured in excess of \$100,000.

Any interest earned on the down payment monies will be deposited with the IOLA fund, the statewide account established pursuant to Judiciary Law Section 497 whereby interest is paid to the State of New York to administer special legal assistance programs.

All instruments shall be made payable to or endorsed to the order of Peck & Heller as escrow agent.

The New Regulations provide that within five (5) business days after tender of the down payment submitted with the Purchase Agreement signed by all necessary parties the down payment funds must be deposited and within ten (10) business days after such "tender" the purchaser must be notified of the deposit, the account number and the initial interest rate. Purchaser will not be notified of the initial interest rate since the down payment will be placed in an IOLA account on which interest is payable to the statewide IOLA fund. Notice to purchasers, mailed to the address of purchaser or purchaser's attorney set forth in the Purchase Agreement, shall be deemed to be delivered hereunder and received by the purchaser whether or not it is actually received, and shall be deemed given on the date mailed. If the purchaser does not receive notice of such deposit within fifteen (15) business days after tender of the deposit, the purchaser may cancel the purchase and rescind so long as the right to rescind is exercised within ninety days after tender of the deposit. Rescission may not be afforded where proof satisfactory to the Attorney General is submitted establishing that the escrowed funds were timely deposited and requisite notice was timely mailed to the purchaser (or his or her attorney) in conformity with the Attorney General's regulations.

The escrow agent will hold funds in escrow until:

(i) otherwise directed by a writing signed by both Sponsor and purchaser and the Sponsor and/or the Escrow Agent may require at each individual closing that the parties (i.e., seller and purchaser) execute such a notice, with the purchasers doing so being a condition of the Sponsor's obligation to close which may be waived at the sole discretion of the Sponsor; or

(ii) otherwise directed by a determination of the Attorney General pursuant to the dispute resolution procedures contained in the Attorney General's regulations; or

(iii) otherwise directed by a judgment or order of a court of competent jurisdiction; or

(iv) the Escrow Agent is changed pursuant to the terms of the Escrow Agreement in connection with a transfer of funds to the new escrow agent, change of which escrow agent shall be disclosed by Sponsor in an amendment to the Plan; or

(v) funds which were deposited prior to the acceptance of the contract are returned to the purchaser because of rejection of the contract by the Sponsor; or

(vi) released in accordance with the next paragraph.

If there is no written agreement between the parties to release the escrowed funds, the escrow agent will not pay the funds to the Sponsor until the escrow agent has given the purchaser written notice of not fewer than ten (10) business days. For purposes of this Amendment, notice of delivery to a purchaser shall be deemed given if actually delivered to the purchaser or purchaser's attorney or if mailed to purchaser or purchaser's attorney at the address set forth in the Purchase Agreement whether or not it is actually received and shall be deemed given five days following mailing. Thereafter, the funds may be paid to the Sponsor unless the purchaser has already made application to the Department of Law pursuant to the dispute resolution provisions of the Attorney General Regulations and has so notified the escrow agent in accordance with such provisions. In accordance with the terms of the Escrow Agreement, the Escrow Agent shall be entitled to act upon any document believed by it, in its reasonable judgment, to be genuine.

The Sponsor will not object to the release of the escrowed funds to a purchaser who timely rescinds in accordance with an offer of rescission contained in the Plan or an amendment to the Plan.

Purchasers and the escrow agent may apply to the Attorney General in the event of a dispute for a determination on the disposition of the down payment and any interest thereon.

The Sponsor must avail itself of this procedure if there is a dispute which needs to be resolved. A form for this purpose is attached as an exhibit to this amendment. The party applying for a determination must send all other parties a copy of the application by certified mail, return receipt requested.

The New Regulations require that pending the determination of the Attorney General to grant or deny the application, the Sponsor, the purchaser and the escrow agent shall abide by any interim directive issued by the Attorney General.

Notwithstanding anything to the contrary set forth above, in the event the Attorney General's New Regulations are modified or changed by the Attorney General or by a court of competent jurisdiction to eliminate some or all of the Escrow Agent's obligations under the Escrow Agreement, the terms of the Escrow Agreement, this Amendment and the Purchase Agreements shall be deemed amended accordingly.

The escrow agent will maintain all records concerning the escrow account for seven years after the release of funds.

7. General Business Law Section 352-e(2-d).

General Business Law ("GBL") Section 352-e(2-d), attached hereto, became law on July 23, 1991. It applied to all cooperative and condominium conversion plans except those where all shares or units have been sold. The law is intended to provide financial protection for a cooperative corporation or condominium association if a sponsor or investor fails to make monthly payments for its units.

In compliance with this new statute, the sponsor and/or holders of unsold shares on behalf of all offerors represent that:

1. In the event payment of maintenance, common charges, assessments or late fees by a sponsor or other investor who does not occupy the unit is more than thirty days late, rental payments from the tenant shall become directly payable to the cooperative corporation or condominium association. When the non-occupying owner resumes payment of maintenance and common charges on a current basis, non-purchasing tenants will be notified within three business days of such payments becoming current and their rental payments will once again be payable to the non-occupying owner.

2. The offeror will provide each non-purchasing tenant with irrevocable notice of the provisions contained in GBL Section 352-e(2-d).

3. Any rights existing under any other laws are

not limited by this statutory requirement.

4. Payment by the non-purchasing tenant to the cooperative corporation or condominium association done pursuant to GBL Section 352-e(2-d) relieves the non-purchasing tenant from the obligation to pay that rent to the non-occupying owner.

5. These requirements apply to the sponsor, its successors or assigns and all purchasers who are owners of occupied units or shares allocated to occupied units.

8. No Other Material Changes in Plan.

There have been no material changes in the Plan, except as set forth in this Thirteenth Amendment. The Plan, as amended hereby, does not knowingly omit any material fact or knowingly contain any untrue statement of any material fact.

Dated: September 1, 1992

1825 PALMER ASSOCIATES
Sponsor and Holder of Unsold Shares

**SCHEDULE OF UNSOLD SHARES
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK**

| | <u>UNIT</u> | | <u>SHARES</u> |
|--------------|-------------|---------------|---------------|
| | 2B | | 630 |
| | 3C | | 495 |
| | 1D | | 490 |
| | 3F | | 640 |
| | 3A | | 410 |
| | 1B | | 515 |
| | 1C | | 640 |
| | 2C | | 630 |
| | 3D | | 410 |
| | 1F | | 650 |
| | 2G | | 369 |
| | 3A | | 420 |
| | 3B | | 490 |
| | 3C | | 640 |
| | 3E | | 615 |
| | 2F | | 507 |
| | 2J | | 575 |
| | 3J | | 560 |
| | 1K | | 585 |
| | 3K | | <u>560</u> |
| Total | 20 | Total | 10,781 |
| Units | | Shares | |



BLOOM AND STREIT

Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217

914/636-0210

Fax 914/636-0598

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER D. BERMAN, CPA
WILLIAM J. RANK, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying comparative balance sheet of Patricia Gardens Owners, Inc. as of December 31, 1991 and December 31, 1990, and the related comparative statement of loss for the years then ended and the statements of retained earnings (deficit) and cash flows for the current year then ended. These financial statements are the responsibility of the cooperative's officers and board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1991, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 audit 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.

BLOOM AND STREIT
Certified Public Accountants
February 28, 1992

PATRICIA GARDENS OWNERS INC.COMPARATIVE BALANCE SHEET

| | <u>December 31,</u> <u>1991</u> | <u>December 31,</u> <u>1990</u> |
|--|------------------------------------|------------------------------------|
| <u>ASSETS</u> | | |
| <u>CURRENT ASSETS</u> | | |
| Cash - Managing Agent's Operating Account | 4,079 | 4,915 |
| Cash in Money Market Account | 5,949 | 2,823 |
| Certificates of Deposit | 51,442 | 57,687 |
| Tenants' Accounts Receivable | 5,293 | 4,698 |
| Mortgagee Escrow Deposits | 45,602 | 39,101 |
| Prepaid Expenses | <u>13,117</u> | <u>11,185</u> |
| <u>Total</u> | <u>125,482</u> | <u>120,409</u> |
| Less: Portion allocated to Funds (see below) | <u>57,391</u> | <u>60,510</u> |
| <u>Total Current Assets</u> | <u>68,091</u> | <u>59,899</u> |
| <u>FUNDS</u> | | |
| Reserve for Contingencies (see above) | <u>57,391</u> | <u>60,510</u> |
| <u>PROPERTY AND EQUIPMENT - Net Book Value</u> (Schedule "A-1") | | |
| | <u>2,197,357</u> | <u>2,247,728</u> |
| <u>OTHER ASSETS</u> | | |
| Unamortized Mortgage Financing Expenses | <u> </u> | <u>3,977</u> |
| <u>TOTAL ASSETS</u> | <u>2,322,839</u> | <u>2,372,114</u> |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | 7,519 | 16,162 |
| Accrued Taxes | 1,409 | 2,064 |
| Accrued Interest Payable | 9,896 | 9,895 |
| Rents Received in Advance | 775 | 532 |
| Exchanges Payable | 1,031 | 932 |
| Security Deposits | <u>1,852</u> | <u> </u> |
| <u>Total Current Liabilities</u> | <u>22,482</u> | <u>29,585</u> |
| <u>LONG-TERM LIABILITIES</u> | | |
| Mortgage Payable | <u>1,250,000</u> | <u>1,250,000</u> |
| <u>STOCKHOLDERS EQUITY</u> | | |
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | 33,282 | 33,282 |
| Paid-in Capital | 1,444,908 | 1,444,908 |
| Retained Earnings (Deficit) - Exhibit "C" | (427,833) | (385,661) |
| <u>Total Stockholders' Equity</u> | <u>1,050,357</u> | <u>1,092,529</u> |
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | <u>2,322,839</u> | <u>2,372,114</u> |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.

SCHEDULE TO BALANCE SHEET

December 31, 1991

Schedule "A-1" PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|---|------------------|-------------------------------------|---------------------------|------------------|
| Land | 689,960 | | 689,960 | |
| Building | 1,713,000 | 303,201 | 1,409,799 | |
| Building Equipment Fixed | <u>112,739</u> | <u>15,141</u> | <u>97,598</u> | |
| <u>Total Property and Equipment</u> | <u>2,515,699</u> | <u>318,342</u> | | <u>2,197,357</u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS INC.COMPARATIVE STATEMENT OF LOSSFor The Years Ended December 31, 1991 and December 31, 1990

| | <u>1991</u> | <u>1990</u> |
|---|-------------------|-------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 318,349 | 309,043 |
| Fuel Oil Surcharge | 5,310 | 1,331 |
| Parking Spaces | <u>15,765</u> | <u>15,720</u> |
| <u>Total Rent Income</u> | <u>339,424</u> | <u>326,094</u> |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | <u>5,600</u> | <u>3,600</u> |
| <u>OTHER INCOME</u> | | |
| Interest Income | 2,817 | 6,237 |
| Miscellaneous Income | <u>2,434</u> | <u>825</u> |
| <u>Total Other Income</u> | <u>5,251</u> | <u>7,062</u> |
| <u>Total Income</u> | <u>350,275</u> | <u>336,756</u> |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 22,022 | 18,913 |
| Operating Expenses | 62,342 | 80,471 |
| Maintenance Expenses | 19,640 | 18,815 |
| Taxes and Insurance | 112,384 | 101,331 |
| Financial Expenses | 118,750 | 118,750 |
| Prior Period Adjustment - Fuel | | <u>7,741</u> |
| <u>Total Expenses</u> | <u>335,138</u> | <u>346,021</u> |
| <u>NET INCOME (LOSS) BEFORE DEPRECIATION AND AMORTIZATION</u> | 15,137 | (9,265) |
| Depreciation and Amortization of Mortgage Financing Expenses | (<u>57,309</u>) | (<u>58,000</u>) |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | (<u>42,172</u>) | (<u>67,265</u>) |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.

STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1991

| | |
|---|--------------------|
| <u>RETAINED EARNINGS (DEFICIT)</u> - Beginning of Year | (385,661) |
| Net Loss for the Year - Exhibit "B" | (<u>42,172</u>) |
| <u>RETAINED EARNINGS (DEFICIT)</u> - End of Year Exhibit "A" | (<u>427,833</u>) |

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.STATEMENT OF CASH FLOWSFor the Year Ended December 31, 1991CASH FLOWS FROM OPERATING ACTIVITIESCASH FLOWS IN

| | |
|--------------------------------|--------------|
| Tenants' Charges Collected | 333,763 |
| Service Income Collected | 5,600 |
| Interest Income Collected | 2,817 |
| Fuel Oil Surcharge Collected | 5,310 |
| Miscellaneous Income Collected | <u>2,434</u> |

| | |
|----------------------------|----------------|
| <u>Total Cash Flows In</u> | <u>349,924</u> |
|----------------------------|----------------|

CASH FLOWS OUT

| | |
|------------------------------|--------------------|
| Administrative Expenses Paid | (21,991) |
| Operating Expenses Paid | (70,486) |
| Maintenance Expenses Paid | (20,204) |
| Taxes and Insurance Paid | (121,439) |
| Interest Paid | (<u>118,750</u>) |

| | |
|-----------------------------|--------------------|
| <u>Total Cash Flows Out</u> | (<u>352,870</u>) |
|-----------------------------|--------------------|

| | |
|---|----------|
| <u>Cash flows (out) from Operating Activities</u> | (2,946) |
|---|----------|

CASH FLOWS IN FROM FINANCING ACTIVITIES

| | |
|----------------------------------|--------------|
| Decrease in Reserve Funds | 3,119 |
| Deposits and Exchanges Collected | <u>1,950</u> |

| | |
|--|-------|
| <u>Cash flows in from Financing Activities</u> | 5,069 |
|--|-------|

CASH FLOWS (OUT) FROM INVESTING ACTIVITIES

| | |
|------------------------------------|------------------|
| Purchase of Property and Equipment | (<u>2,960</u>) |
|------------------------------------|------------------|

DECREASE IN CASH

| | |
|---|--------------|
| Cash and Equivalents at Beginning of Year | <u>4,916</u> |
|---|--------------|

| | |
|--|--------------|
| <u>CASH AND CASH EQUIVALENTS - End of Year (see below)</u> | <u>4,079</u> |
|--|--------------|

Represented by:

| | |
|---|--------------|
| Cash in Money Market Account (Exhibit "A") | 5,949 |
| Managing Agent's Operating Account (Exhibit "A") | <u>4,079</u> |
| <u>Total</u> | 10,028 |

| | |
|----------------------------------|------------------|
| Less: Portion Allocated to Funds | (<u>5,949</u>) |
|----------------------------------|------------------|

| | |
|---|--------------|
| <u>CASH AND CASH EQUIVALENTS - (as above)</u> | <u>4,079</u> |
|---|--------------|

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1991NET FREE ASSETS PROVIDED BY:

| | | |
|---|--------------|--------|
| Net Surplus for the Year - Schedule "E-2" | 15,137 | |
| Release from Reserve Funds | <u>3,119</u> | |
| <u>Total Net Free Assets Provided</u> | | 18,256 |

NET FREE ASSETS APPLIED TO:

| | | |
|---------------------------------------|--------------|---------------|
| Increase in Mortgagee Escrow Deposits | 6,500 | |
| Increase in Prepaid Expenses | 1,934 | |
| Purchase of Property and Equipment | <u>2,960</u> | |
| <u>Total Net Free Assets Applied</u> | | <u>11,394</u> |

| | | |
|---|--|--------------|
| <u>INCREASE IN NET FREE ASSETS - Schedule "E-1"</u> | | <u>6,862</u> |
|---|--|--------------|

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | <u>December 31,</u> 1990 | <u>December 31,</u> 1991 |
|--|-----------------------------|-----------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 59,899 | 68,091 |
| Less: Mortgagee Escrow Deposits and Prepaid Expenses | (<u>50,286</u>) | (<u>58,719</u>) |
| <u>CURRENT ASSETS</u> - Adjusted | 9,613 | 9,372 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>29,584</u> | <u>22,482</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (19,971) | (13,110) |
| <u>DECREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | <u>6,861</u> | <u> </u> |
| | (<u>13,110</u>) | (<u>13,110</u>) |

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years Ended December 31, 1991 and December 31, 1990

| | Budget Year Ended December 31, 1991 (Unaudited) | Actual Year Ended December 31, 1991 | Actual Year Ended December 31, 1990 |
|---|---|--|--|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 318,314 | 318,349 | 309,043 |
| Fuel Oil Surcharge | 10,650 | 5,310 | 1,331 |
| Parking Income | 15,720 | 15,765 | 15,720 |
| Laundry Room Income | 3,600 | 5,600 | 3,600 |
| Interest and Miscellaneous Income | 5,000 | 5,251 | 7,062 |
| <u>Total Receipts</u> | <u>353,284</u> | <u>350,275</u> | <u>336,756</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 13,500 | 13,500 | 11,000 |
| Legal Fee and Disbursements | | 250 | |
| Auditing | 6,000 | 6,130 | 5,679 |
| Telephone | 1,300 | 1,495 | 1,491 |
| Office and Miscellaneous Administrative Expenses | 1,034 | 647 | 743 |
| <u>Total Administrative Expenses</u> | <u>21,834</u> | <u>22,022</u> | <u>18,913</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 35,000 | 16,658 | 30,771 |
| Superintendent's Payroll | 22,000 | 23,981 | 23,010 |
| Supplies | 5,000 | 1,664 | 3,585 |
| Electricity | 9,500 | 7,897 | 8,504 |
| Water | 9,700 | 9,387 | 10,367 |
| Gas | 800 | 810 | 718 |
| Exterminating | 1,200 | 1,945 | 3,516 |
| <u>Total Operating Expenses</u> | <u>83,200</u> | <u>62,342</u> | <u>80,471</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Expense | 6,000 | 7,310 | 5,825 |
| Repairs | 12,000 | 9,029 | 10,827 |
| Miscellaneous Maintenance Expenses | 1,500 | 3,301 | 2,163 |
| <u>Total Maintenance Expenses</u> | <u>19,500</u> | <u>19,640</u> | <u>18,815</u> |

PATRICIA GARDENS OWNERS INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTS

For the Years Ended December 31, 1991 and December 31, 1990

| | Budget Year Ended December 31, 1991 (Unaudited) | Actual Year Ended December 31, 1991 | Actual Year Ended December 31, 1990 |
|---|---|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 89,000 | 92,150 | 80,148 |
| Payroll Taxes | 2,000 | 1,957 | 1,861 |
| Insurance | 14,500 | 13,852 | 14,765 |
| Union Welfare and Pension Fund | 3,500 | 3,404 | 3,244 |
| Federal Income Tax | 500 | 437 | 794 |
| New York State Franchise Tax | 500 | 584 | 519 |
| <u>Total Taxes and Insurance</u> | <u>110,000</u> | <u>112,384</u> | <u>101,331</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | 118,750 | 118,750 | 118,750 |
| <u>Total Expenditures</u> | <u>353,284</u> | <u>335,138</u> | <u>338,280</u> |
| <u>NET SURPLUS (DEFICIT) FOR THE YEAR - Schedule "E"</u> | <u>-0-</u> | <u>15,137</u> | (<u>1,524</u>) |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1991

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an interest rate of 9.5% per annum. In accordance with the terms of the mortgage Patricia Gardens Owners, Inc. paid interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991.

On September 20, 1991, the cooperative notified Manhattan Savings Bank of its intention to extend the date of maturity of the mortgage to December 1, 1996, as provided under its terms. During the extended term, the interest rate will be adjusted annually on the first day of December of each year. The interest rate will be calculated by adding two hundred and fifty (250) basis points to the rate of interest for the latest month set forth in the column designated as "Effective Rate (%)" under the heading "Purchase of Newly-Built Homes", contained in Table 2 - "National Averages for All Major Lenders: Loans Closed" in the PHLBB 1991 News issue published closest in time prior to the first day of November of the years 1992, 1993, 1994 and 1995.

For the period from December 1, 1991 to November 30, 1992, the interest rate is 9.68% per annum. Monthly payments of interest only are required in the amount of \$10,083. No payment of principal is required prior to maturity.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1991

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment is being carried at cost. Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

For purposes of the statement of cash flows, the corporation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1991, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

Note 5 INCOME TAXES

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. This position is being litigated by other taxpayers.

Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability (federal and state) that has resulted from the above for the years ended December 31, 1991 and 1990 is reflected in the attached financial statements. The corporation has not paid income taxes on income subject to Section 277 for taxable years prior to 1990. To the extent that such years are within the Statute of Limitations, the Internal Revenue Service may assess additional taxes if, and when, the tax returns of the corporation are examined. No provision has been made in the financial statements for taxes on prior years Section 277 income.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1991

Note 6 SPONSOR'S OWNERSHIP

As of December 31, 1991, the Sponsor owned approximately 32% of the outstanding shares of the corporation's stock, representing twenty apartments. As of that date, the Sponsor was current in the payment of carrying charges.

The Disclosure Statement, dated July 8, 1991, filed with the Attorney General's office (twelfth amendment to the Cooperative Offering Plan) indicates that, as of that date, the aggregate monthly maintenance for all unsold shares is \$9,332.65. The aggregate monthly rents received from tenants residing in the apartments owned by the Sponsor is \$9,068.19 as of July 1991.

Note 7 FUEL OIL SURCHARGE

On October 17, 1990, as a result of the then existing tensions in the Persian Gulf area and its effects on the cooperative's costs for heating oil, the Board of Directors approved a fuel oil surcharge on the cooperative's shareholders of \$0.04 per share per month for six consecutive months commencing on December 1, 1990.

Due to the favorable and expeditious conclusion of the gulf crisis, the Board of Directors terminated the fuel oil surcharge effective May 1, 1991.

Note 8 SUBSEQUENT EVENTS

The Board of Directors approved a 2% increase in carrying charges effective January 1, 1992.

ESCROW AGREEMENT

AGREEMENT made as of this day of August, 1992, between 1825 Palmer Associates, a New York partnership ("Sponsor") as sponsor of the offering plan and Peck & Heller ("Escrow Agent") as escrow agent.

WHEREAS, 1825 Palmer Associates has been the sponsor of an offering plan to convert to cooperative ownership the premises located at 1825-29-33 Palmer Avenue, Larchmont, New York, which premises are known as Patricia Gardens (the "Premises"); and

WHEREAS, Peck & Heller has been requested to act as an escrow agent hereunder in accordance with General Business Law ("GBL") Section 352-e(2-b) and the Attorney General's regulations promulgated thereunder; and

WHEREAS, Sponsor desires that Escrow Agent act as escrow agent for deposits and payments by purchasers (the "Purchasers") entering into contracts of sale with Sponsor, pursuant to the terms of this agreement.

NOW, THEREFORE, in consideration of the covenants and conditions contained herein and other good and valuable consideration, the parties hereby agree as follows:

1. ESTABLISHMENT OF THE ESCROW ACCOUNT.
 - 1.1 Sponsor and Escrow Agent hereby establish an escrow account with Escrow Agent for the purpose of holding deposits or payments made by purchasers or subscribers. The escrow account has been opened with Chase Manhattan Bank, N.A. at its branch located at 60 East 42nd Street, New York, New York 10165. The account number is 195-1-117819.
 - 1.2 The name of the account is Peck & Heller Special Trust Account (the "Escrow Account").
 - 1.3 Frank Heller and Nancy R. Heller, members of the firm of Escrow Agent, are the sole signatories on the account.
 - 1.4 The escrow account shall be an interest-bearing account as disclosed in the offering plan.
 - 1.5 The escrow account is an IOLA established pursuant to Judiciary Law Section 497. Accordingly, Escrow Agent will arrange for interest earned on monies deposited in the Escrow Account to be paid to the statewide IOLA fund.

2. DEPOSITS INTO THE ESCROW ACCOUNT.

2.1 All funds received from prospective purchasers or subscribers prior to closing, whether in the form of checks, drafts, money orders, wire transfers, or other instruments which identify the payor, shall be deposited in the Escrow Account. All instruments to be deposited into the escrow account shall be made payable to, or endorsed by the Purchaser to the order of Peck & Heller as escrow agent under the offering plan. Any instrument payable or endorsed other than as required hereby, and which cannot be deposited into such Escrow Account, shall be returned to the prospective Purchaser promptly, but in no event more than five (5) business days following receipt of such instrument by Escrow Agent (or within five business days after return by the depository if the deposit was attempted but refused). Delivery shall be deemed made if actual delivery is effectuated or if the check is mailed to the address for Purchasers or attorney for Purchasers on the Contract whether or not it is actually received by Purchaser, delivery shall be deemed made on the date mailed. In the event of such return of funds, the instrument shall be deemed not to have been delivered to Escrow Agent pursuant to the terms of this Agreement.

2.2 Within ten (10) business days after tender of the deposit submitted with the subscription or purchase agreement (the "Purchase Agreement"), Escrow Agent shall notify the Purchaser of the deposit of such funds in the bank indicated in the offering plan and provide the account number. If the Purchaser does not receive notification of such deposit within fifteen (15) business days after tender of the deposit and Purchase Agreement, the Purchaser may cancel the purchase and rescind within ninety (90) days after tender of the deposit, or may apply to the Attorney General for relief. Rescission may not be afforded where proof satisfactory to the Attorney General is submitted establishing that the escrowed funds were timely deposited in accordance with these regulations and requisite notice was timely mailed to the Purchaser.

3. RELEASE OF FUNDS.

3.1 Escrow Agent shall not release the escrowed funds of a defaulting purchaser until after consummation of the plan as defined in the Attorney General's regulations. Consummation of the plan shall not relieve Sponsor of its fiduciary obligations pursuant to GBL Section 352-h. Sponsor confirms to Escrow Agent that the Offering Plan for the Premises has been consummated.

3.2 Escrow Agent shall continue to hold the funds in escrow until a) otherwise directed in a writing signed by both Sponsor and Purchaser; or b) otherwise directed by a determination of the Attorney General; or c) otherwise directed by a judgment or order of a court of competent jurisdiction; or d) this Agreement is terminated and the Escrow Account is transferred in accordance with the provisions of Paragraph 9 hereof; or e) funds which were deposited prior to the acceptance of the Purchase Agreement are returned to the Purchaser after rejection of the Purchase Agreement by the Sponsor; or f) pursuant to the provisions of paragraph 3.4 hereof; or until released pursuant to the regulations of the Attorney General pertaining to release of escrowed funds.

3.3 Sponsor shall not object to the release of the escrowed funds to a) a Purchaser who timely rescinds in accordance with an offer of rescission contained in the plan or an amendment to the plan or b) all Purchasers after an amendment abandoning the plan is accepted for filing by the Department of Law.

3.4 If there is no written agreement between the parties to release the escrowed funds, or release is not otherwise authorized in accordance with the provisions of subparagraphs 3.2 or 3.3 hereof, Escrow Agent shall not pay the funds to Sponsor until Escrow Agent has given the Purchaser written notice of not fewer than ten (10) business days to the last address listed on the Purchase Agreement. Thereafter, the funds may be paid to Sponsor unless Escrow Agent has received prior written notice that the Purchaser has made application to the Department of Law pursuant to the dispute resolution provisions contained in the Attorney General's regulations and has so notified Escrow Agent in accordance with such provisions.

4. RECORD KEEPING.

4.1 Escrow Agent shall maintain all records concerning the escrow account for seven (7) years after release of the funds.

4.2 Upon the dissolution of a law firm which was Escrow Agent, the former partners or members of the firm shall make appropriate arrangements for the maintenance of these records by one of the partners or members of the firm or by the successor firm and shall notify the Department of Law of such transfer.

4.3 Sponsor agrees that Escrow Agent shall make available to the Attorney General, upon his request, all books

and records of Escrow Agent relating to the funds deposited and disbursed hereunder. Sponsor shall pay all costs and expenses incurred by Escrow Agent pursuant to the provisions of this paragraph 4.3.

5. GENERAL OBLIGATIONS OF ESCROW AGENT.

- 5.1 Escrow Agent shall maintain the accounts called for in this Agreement under the direct supervision and control of Escrow Agent.
- 5.2 Escrow Agent is familiar with the provisions of General Business Law Sections 352-h and 352-e(2-b).
- 5.3 Escrow Agent or any member of its firm shall be permitted to act as counsel for Sponsor in any dispute as to the disbursement of any deposits or payments or any other dispute between the parties whether or not Escrow Agent is in possession of such deposits or payments and whether or not Escrow Agent continues to act as Escrow Agent hereunder.

6. RESPONSIBILITIES OF SPONSOR.

- 6.1 Sponsor agrees that Sponsor and its agents, including any selling agents, shall immediately deliver to Escrow Agent all deposits and payments received by them prior to closing of an individual transaction.
- 6.2 Sponsor agrees that it shall not interfere with Escrow Agent's performance of its fiduciary duties and compliance with the Attorney General's regulations.

7. INDEMNITY AND DISPUTES.

- 7.1 In the event Escrow Agent, before the termination of the escrow, receives or becomes aware of conflicting demands or claims with respect to this escrow or the rights of any party with respect thereto, or any funds, securities, property or documents deposited herein or affected hereby or if Sponsor becomes indebted to Escrow Agent or for any reason in its sole discretion, Escrow Agent shall have the right to discontinue any and all further acts on its part until such conflict is resolved to its satisfaction.
- 7.2 Escrow Agent shall have the further right but not the obligation to commence or defend any action or proceedings for the determination of such conflict. Sponsor agrees to indemnify Escrow Agent for and pay all costs, damages, judgments and expenses, including

attorneys' fees and disbursements, suffered or incurred by Escrow Agent in connection with or arising out of this escrow, including, but without limiting the generality of the foregoing, a suit in interpleader brought by Escrow Agent or proceedings or lawsuits brought by any Purchasers or the Department of Law, or the expenses of maintaining or administering the escrow (including but not limited to the aliquot portion of Escrow Agent's expenses for overhead, including staff and equipment in connection with such activities as may be determined by the Escrow Agent). In the event Escrow Agent files a suit in interpleader, Escrow Agent shall thereupon be fully released and discharged from all further obligations to perform any and all duties or obligations imposed upon Escrow Agent by this Agreement.

- 7.3 Escrow Agent is hereby given a lien on all right, title and interest of Sponsor in the escrowed funds, and monies arising therefrom, to protect, indemnify and reimburse Escrow Agent for all costs, expenses and liabilities arising out of this Agreement.

8. LIABILITY OF ESCROW AGENT.

- 8.1 Escrow Agent shall not be liable for any error of judgment or for any act done or omitted by it in good faith, or for anything which it may in good faith do or refrain from doing in connection herewith, nor for any negligence other than its gross negligence nor shall Escrow Agent be answerable for the default or misconduct of its agent, attorneys or employees, if they be selected with reasonable care; nor will any liability be incurred by Escrow Agent if, in the event of any dispute or question as to its duties or obligations hereunder, it acts in accordance with written opinion of legal counsel. Escrow Agent is authorized to act upon any document believed by it to be genuine and to be signed by the proper party or parties, and will incur no liability in so acting.
- 8.2 Escrow Agent shall not be liable to Sponsor for any loss, cost, expense or damage occasioned by any right of rescission arising out of or from Escrow Agent's performance or failure of performance hereunder.

9. TERMINATION OF AGREEMENT.

- 9.1 This Agreement shall remain in effect unless and until it is canceled:

- (a) By written notice given by Sponsor to Escrow Agent of cancellation of designation of Escrow Agent to act in said capacity. Sponsor agrees to file an amendment to the Plan to this effect immediately upon such occurrence, but the failure to file such an amendment shall not prevent the effectiveness of such cancellation, resignation or withdrawal.
- (b) By the resignation of Escrow Agent upon giving notice to Sponsor of its desire to so resign. Sponsor agrees to file an amendment to the Plan to this effect immediately upon such occurrence, but the failure to file such an amendment shall not prevent the effectiveness of such cancellation, resignation or withdrawal.
- (c) By virtue of all shares or units offered pursuant to the plan have been sold and all sales transactions have been consummated.

9.2 Upon termination of the duties of Escrow Agent as described in paragraph 9.1 above, Escrow Agent shall deliver any and all funds held by it in escrow and any and all contracts or documents maintained by Escrow Agent to the new escrow agent or a court of competent jurisdiction.

10. SUCCESSOR AND ASSIGNS.

10.1 This Agreement shall be binding upon Sponsor and Escrow Agent and their successors and assigns.

11. GOVERNING LAW.

11.1 This Agreement shall be construed in accordance with and governed by the laws of the State of New York.

12. ESCROW AGENT'S COMPENSATION.

12.1 Sponsor agrees that Escrow Agent's compensation shall not be paid from escrowed principal nor from any interest accruing thereon and that compensation to Escrow Agent, if any, shall not be deducted from escrowed funds by any financial institution under any circumstance unless and until Sponsor becomes entitled to such funds pursuant to the provisions of this Agreement.

13. SEVERABILITY.

13.1 If any provision of this Agreement or the application thereof to any person or circumstance is determined to be invalid or unenforceable, the remaining provisions of this Agreement or the application of such provision to other persons or to other circumstances shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

14. MISCELLANEOUS.

14.1 In addition to other provisions herein, wherever delivery or receipt is required herein of a notice or check to Purchaser, it shall also be deemed delivered to Purchaser if actually delivered to Purchaser or Purchaser's attorney or if mailed to Purchaser or Purchaser's attorney, whether or not it is actually received, with the date of receipt being deemed to be five (5) days from the date of mailing.

14.2 1825 Palmer Associates and each of the individual holders of unsold shares represent and warrant to Escrow Agent that Earle S. Altman is authorized to enter into, execute and deliver this Agreement on their behalf.

15. ENTIRE AGREEMENT.

15.1 This Agreement, read together with GBL Section 352-e(2-b) and the Attorney General's regulations, constitutes the entire agreement between the parties with respect to the subject matter hereof.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the day and year first written above.

ESCROW AGENT:

PECK & HELLER

By: _____
Nancy R. Heller, Partner

SPONSOR:

1825 PALMER ASSOCIATES

By: _____
Earle S. Altman, Partner

APPLICATION TO THE ATTORNEY GENERAL
FOR A DETERMINATION ON THE
DISPOSITION OF DOWNPAYMENTS

[Send this application to the reviewing attorney assigned to the
subject plan.]

Re: _____
Address of Building or
Name of Project

File Number: _____

Application is made to the Attorney General to consider
and determine the disposition of down payments held pursuant to GBL
Sections 352-e(2-b) and 352-h. The following information is
submitted in support of this application:

1. Name _____
of Applicant

2. Address _____
of Applicant

3. Name, Address, and Telephone Number
of Applicant's Attorney (if any) _____

4. This is an application for
[] return of downpayment.
[] forfeiture of downpayment.
[] other: _____

5. The project is [] a conversion of occupied premises.
[] newly constructed or rehabilitated.
[] vacant (as is).

6. The project is structured as
[] a cooperative.
[] a condominium.
[] a homeowners association.
[] a timeshare.
[] other: _____

7. Name and Address
of Sponsor: _____

8. Name and Address
of Escrow Agent: _____

9. If downpayments are maintained in an escrow account:
(a) Name of account _____
(b) Name and address
of bank _____
(c) Account number (if known) _____
(d) Initial interest rate (if known) _____

10. If downpayments have been secured by bonds:
(a) Name and address of
bond issuer or surety: _____

(b) Copy of bond included in this application. (DO NOT
SEND ORIGINAL BOND.) If not included, explain:

11. If downpayments have been secured by a letter of credit:

(a) Name and address of bank which issued the letter of credit: _____

(b) Date of expiration of the letter of credit, if known:

12. Plan information:

(a) Date of filing of plan: _____

(b) Plan
 has been declared effective. Approximate date: _____

has not been declared effective.

(c) If effective, the plan

has closed or the first unit has closed.
Approximate date: _____

has not closed.

don't know.

(d) Downpayments are secured by

escrow account.

bonds.

letter of credit.

13. Contract information:

(a) Copy of contract and of all riders or modification letters are attached. (DO NOT SEND ORIGINALS.)

(b) Date on which subscription or purchase agreement was signed: _____

(c) Date(s) of downpayment(s): _____

(d) Total amount of downpayment(s): _____

(e) Names and addresses of subscribers or purchasers affected by this application:

14. State the basis for your claim. Please be as specific as possible. You may add additional sheets. Attach copies of any relevant documents.

15. I am contemporaneously sending a copy of this application to the following persons: _____

Note: You are required to mail a copy of this Application to all other affected parties.

In filing this application, I understand that the Attorney General is not my private attorney, but represents the public in enforcing laws designed to protect the public from unlawful business practices. I also understand that if I have any questions concerning my legal rights or responsibilities I may contact a private attorney. The above application is true and accurate to the best of my knowledge. False statements made herein are punishable as a Class A Misdemeanor under Section 175.30 and/or Section 210.45 of the Penal Law.

Signature: _____ **Date:** _____

Name (Printed): _____

Telephone: (Home) _____ (Business) _____

Mailing Address: _____

**BLUE SKY LAW—REAL ESTATE SYNDICATION
OFFERINGS—NON-OCCUPYING OWNER AND
NON-PURCHASING TENANT**

CHAPTER 594

A. 7502-A

Approved July 23, 1991, effective as provided in section 2

AN ACT to amend the general business law, in relation to real estate syndication offerings

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

§ 1. Section 352-e of the general business law is amended by adding a new subdivision 2-d to read as follows:

2-d. (a) "Non-occupying owner" shall mean the owner of shares in a cooperative corporation who does not reside in the apartment assigned to its shares, when the apartment is occupied by a non-purchasing tenant; or the owner of a unit in a condominium who does not reside in the unit, when the unit is occupied by a non-purchasing tenant. "Non-purchasing tenant" shall have the same meaning as that term is defined in paragraph (e) of subdivision one of sections three hundred fifty-two-eee and three hundred fifty-two-eee of this chapter.

(b) The attorney general shall also refuse to issue a letter stating that the offering has been filed, or in the case of a plan already accepted for filing, shall refuse to accept an amendment to the plan unless the offering statement, prospectus, plan or amendment provides that when a non-occupying owner fails to make all payments due on such shares or units, including but not limited to maintenance payments, common charges, assessments or late fees, within thirty days after they are due, upon notice in accordance with paragraph (c) of this subdivision, all rental payments from the non-purchasing tenant residing in such apartment or unit shall be directly payable to the apartment corporation or condominium association. The offeror shall provide each non-purchasing tenant with irrevocable notice of the provisions of this subdivision.

(c) If maintenance payments, common charges or other fees due from the non-occupying owner have not been paid in full, the cooperative corporation board of directors or condominium board of managers shall provide written notice within forty-five days after the earliest due date to the non-purchasing tenant and the non-occupying owner providing that, commencing immediately and until such time as payments are made current, all rental payments due are to be made payable to the cooperative corporation or condominium association at the address listed on the notice. Where a majority of the board of directors or managers has been elected by and from among the shareholders or unit owners who are in occupancy, the board may elect not to require that rental payments be made payable to the cooperative corporation or condominium association. At such time as payments from the non-occupying owner are once again current, notice of such fact shall be given within three business days to the non-purchasing tenant and non-occupying owner. Thereafter all rental payments shall be made payable to the non-occupying owner. A non-occupying owner who disputes the corporation's or association's right to receive rental payments pursuant to this section shall be entitled to present facts supporting its position at the next scheduled meeting of the board of directors or board of managers, which must be held within thirty days.

(d) Nothing in this subdivision shall limit any rights existing under any other law.

(e) Payment by a non-purchasing tenant to the cooperative corporation or condominium association made in accordance with this subdivision shall relieve that non-purchasing tenant from the obligation to pay that rent to the non-occupying owner.

§ 2. This act shall take effect immediately and shall apply to all offering plans not yet accepted for filing and to all plans already accepted for filing except those plans where all of the shares or units have been sold.

TWELFTH AMENDMENT
TO COOPERATIVE OFFERING PLAN
1825-29-33 Palmer Avenue
Larchmont, New York

The Cooperative Offering Plan for premises 1825-29-33 Palmer Avenue, Larchmont, New York (the "Premises") dated August 1, 1984 (the "Plan") is hereby further amended as follows:

1. Unsold Shares and Financial Information.

Of the 33,282 issued and outstanding shares of the Apartment Corporation, 11,288 shares are currently "Unsold Shares" held by Sponsor. The shares allocable to all apartments held by Sponsor as Holder of Unsold Shares, which are offered pursuant to the Plan, are set forth on Exhibit "A".

The aggregate monthly maintenance for all unsold shares is \$9,332.65. There is no outstanding financing against the unsold shares. The aggregate monthly rents received from tenants of all units owned by Sponsor is \$9,068.19. The Sponsor's obligation to pay maintenance shall be funded from the rents received from the tenants of the units.

The Sponsor is current on all financial obligations under the Offering Plan, including, but not limited to, maintenance, reserve or working capital fund payments, assessments, and payments for repairs or improvements promised in the Plan. The Sponsor was current on all such obligations during the year prior to the filing of this amendment.

Sponsor does not hold shares or units in any other building.

2. Annual Meeting and Board of Directors.

At the annual meeting of shareholders which was held June 12, 1991, the following were elected to the Board of Directors:

| | | |
|---------------------|---|----------------|
| Robert Orlofsky | - | President |
| Katherine Arndt | - | Vice-President |
| Andrew Orlofsky | - | Vice-President |
| Caroline N. Saccone | - | Treasurer |
| Jennifer Stewart | - | Secretary |

Robert Orlofsky and Andrew Orlofsky are sponsor-designated; Katherine Arndt, Caroline N. Saccone and Jennifer Stewart are tenant-shareholders; therefore, the Sponsor does not control the Board.

3. Financial Statement.

Annexed hereto as Exhibit "B" is the certified financial statement for the Apartment Corporation for the period ending December 31, 1990. As set forth in said statement, for 1990 there was a net loss before depreciation and amortization of \$9,265.

4. Budget.

Annexed hereto as Exhibit "C" is the Operating Budget for the Apartment Corporation for the period ending December 31, 1991.

5. Maintenance and Special Assessment .

The monthly maintenance charges, as of January 1, 1991, are currently \$9.5641 per share per year, \$0.797 per share per month.

As a result of the Persian Gulf Crisis, a special assessment for a fuel oil surcharge of \$0.04 per share per month was passed by the Board of Directors on October 17, 1990. The assessment was effective December 1, 1990, and terminated May 1, 1991.

6. Negotiability of Price-Related Terms.

The Sponsor reserves the right to negotiate with non-tenant purchasers prior to the Closing Date and all purchasers thereafter in connection with all aspects of the purchase price, including but not limited to: renovations or improvements to the Apartment or the fixtures or equipment contained therein or credits or allowances therefor; treatment of reduced and/or split down payment; financing contingency; extension of period to secure financing; payment of all or part of purchaser's acquisition or financing costs such as, but not limited to: closing costs, attorneys' fees, origination fees, commitment fees and any and all other costs relating to the cost of acquiring title to the shares and proprietary lease allocated to an Apartment. Furthermore, the Sponsor reserves the right to amend the Plan from time to time to add and/or delete negotiable terms or at its sole option to expand the applicability of such negotiable terms to some or all purchasers pursuant to Section 352e of the General Business Law.

7. Incorporation of Plan.

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

8. No Other Material Changes.

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: July 8, 1991

1825 PALMER ASSOCIATES
Sponsor and Holder of
Unsold Shares

UNSOLD SHARES
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

| <u>UNIT</u> | <u>SHARES</u> |
|-------------|---------------|
| 2B | 630 |
| 3C | 495 |
| 1D | 490 |
| 3F | 640 |
| 3A | 410 |
| 1B | 515 |
| 2B | 507 |
| 1C | 640 |
| 2C | 630 |
| 3D | 410 |
| 1F | 650 |
| 2G | 369 |
| 3A | 420 |
| 3B | 490 |
| 3C | 640 |
| 3E | 615 |
| 2F | 507 |
| 2J | 575 |
| 3J | 560 |
| 1K | 585 |
| 3K | 560 |
| | <hr/> |
| | 11,288 |



BLOOM AND STREIT
Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217
814/636-0210
Fax 814/636-0598

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER O. BERMAN, CPA
WILLIAM J. RANK, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying balance sheet of Patricia Gardens Owners, Inc., as of December 31, 1990, and the related statements of loss, retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the cooperative's officers and board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1990, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 audit 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.

Bloom and Streit
BLOOM AND STREIT
Certified Public Accountants
March 12, 1991

PATRICIA GARDENS OWNERS INC.

BALANCE SHEET

December 31, 1990

ASSETS

CURRENT ASSETS

| | |
|--|----------------|
| Cash in Money Market Account | 2,823 |
| Cash - Managing Agent's Operating Account | 4,915 |
| Certificates of Deposit | 57,687 |
| Tenants' Accounts Receivable | 4,698 |
| Mortgagee Escrow Deposits | 39,101 |
| Prepaid Expenses | 11,185 |
| <u>Total</u> | <u>120,409</u> |
| Less: Portion allocated to Funds (see below) | 60,510 |
| <u>Total Current Assets</u> | <u>59,899</u> |

59,899

FUNDS

Reserve for Contingencies (see above)

60,510

PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> |
|---|------------------|-------------------------------------|---------------------------|
| Land | 689,960 | | 689,960 |
| Building | 1,713,000 | 253,524 | 1,459,476 |
| Improvements | 109,779 | 11,487 | 98,292 |
| <u>Total Property and Equipment</u> | <u>2,512,739</u> | <u>265,011</u> | <u>2,247,728</u> |

2,247,728

OTHER ASSETS

Unamortized Mortgage Financing Expenses

3,977

TOTAL ASSETS

2,372,114

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|----------------------------------|--------|-------|
| Accounts Payable | 16.162 | |
| Accrued Taxes | 2,063 | |
| Accrued Interest Payable | 9,896 | |
| Rents Received in Advance | 532 | |
| Exchanges Payable | 932 | |
| <u>Total Current Liabilities</u> | | 29.58 |

LONG-TERM LIABILITIES

| | | |
|------------------|--|----------|
| Mortgage Payable | | 1,250.00 |
|------------------|--|----------|

STOCKHOLDERS EQUITY

| | | |
|---|------------|-----------------|
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | 33,282 | |
| Paid-in Capital | 1,444,908 | |
| Retained Earnings (Deficit) - Exhibit "C" | (385,661) | |
| <u>Total Stockholders' Equity</u> | | <u>1,092.52</u> |

| | | |
|---|--|-----------------|
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | <u>2,372.11</u> |
|---|--|-----------------|

see auditors' report and accompanying
notes to financial statements.

PATRICIA GARDENS OWNERS INC.STATEMENT OF LOSSFor the Year Ended December 31, 1990

| | | |
|---|---------------|------------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 309,043 | |
| Fuel Oil Surcharge | 1,331 | |
| Parking Spaces | <u>15,720</u> | |
| <u>Total Rent Income</u> | | 326.09 |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | | 3.60 |
| <u>OTHER INCOME</u> | | |
| Interest Income | 6,237 | |
| Miscellaneous Income | <u>825</u> | |
| <u>Total Other Income</u> | | <u>7.06</u> |
| <u>Total Income</u> | | 336.75 |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 18,913 | |
| Operating Expenses | 80,471 | |
| Maintenance Expenses | 18,815 | |
| Taxes and Insurance | 101,331 | |
| Financial Expenses | 118,750 | |
| Prior Period Adjustment - Fuel | <u>7,741</u> | |
| <u>Total Expenses</u> | | <u>346.02</u> |
| <u>NET LOSS BEFORE DEPRECIATION AND AMORTIZATION</u> | | (9.265 |
| Depreciation and Amortization of Mortgage Financing Expenses | | (<u>58.000</u> |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | | (<u><u>67.265</u></u> |

see auditors' report and accompanying
notes to financial statements.

Exhibit "C"

PATRICIA GARDENS OWNERS INC.

STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1990

| | |
|---|-----------------|
| <u>RETAINED EARNINGS (DEFICIT) - Beginning of Year</u> | (318.39 |
| Net Loss for the Year - Exhibit "B" | (<u>67.26</u> |
| <u>RETAINED EARNINGS (DEFICIT) - End of Year</u> Exhibit "A" | (<u>385.66</u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM - STREET

PATRICIA GARDENS OWNERS INC.STATEMENT OF CASH FLOWSFor the Year Ended December 31, 1990CASH FLOWS FROM OPERATING ACTIVITIESCASH FLOWS IN

| | |
|--------------------------------|------------|
| Tenants' Charges Collected | 326,390 |
| Service Income Collected | 3,600 |
| Interest Income Collected | 6,951 |
| Fuel Oil Surcharge Collected | 1,332 |
| Miscellaneous Income Collected | <u>825</u> |

| | |
|----------------------------|----------------|
| <u>Total Cash Flows In</u> | <u>339,098</u> |
|----------------------------|----------------|

CASH FLOWS OUT

| | |
|------------------------------|--------------------|
| Administrative Expenses Paid | (18,916) |
| Operating Expenses Paid | (92,283) |
| Maintenance Expenses Paid | (21,481) |
| Taxes and Insurance Paid | (99,493) |
| Interest Paid | (<u>118,750</u>) |

| | |
|-----------------------------|--------------------|
| <u>Total Cash Flows Out</u> | (<u>350,923</u>) |
|-----------------------------|--------------------|

| | |
|---|-----------|
| <u>Cash flows (out) from Operating Activities</u> | (11,825) |
|---|-----------|

CASH FLOWS IN FROM FINANCING ACTIVITIES

| | |
|---------------------------|--------|
| Decrease in Reserve Funds | 19,056 |
|---------------------------|--------|

CASH FLOWS IN (OUT) FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Purchases of Certificates of Deposit - Net | (5,468) |
| Purchase of Property and Equipment | (5,000) |
| Decrease in Portion of Cash Applied to Reserves | <u>5,468</u> |

| | |
|---|------------------|
| <u>Cash flows (out) from Investing Activities</u> | (<u>5,000</u>) |
|---|------------------|

| | |
|--|-------|
| <u>INCREASE IN CASH (carryforward)</u> | 2,231 |
|--|-------|

Exhibit "D"
(continued)

PATRICIA GARDENS OWNERS INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1990

| | |
|--|---------------------|
| <u>INCREASE IN CASH</u> (brought forward) | 2,233 |
| Cash and Equivalents at Beginning of Year | <u>2,685</u> |
| <u>CASH AND CASH EQUIVALENTS</u> - End of Year (see below) | <u><u>4,916</u></u> |

Represented by:

| | |
|---|---------------------|
| Cash in Money Market Account (Exhibit "A") | 2,823 |
| Managing Agent's Operating Account (Exhibit "A") | <u>4,915</u> |
| <u>Total</u> | 7,738 |
| Less: Portion Allocated to Funds | (<u>2,822</u>) |
| <u>CASH AND CASH EQUIVALENTS</u> - (as above) | <u><u>4,916</u></u> |

see auditors' report and accompanying
notes to financial statements.

BLOOM AND STREIT

PATRICIA GARDENS OWNERS INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1990NET FREE ASSETS PROVIDED BY:Decrease in Mortgage Escrow Deposits
Release from Reserve Funds5,979
19,056Total Net Free Assets Provided

25,035

NET FREE ASSETS APPLIED TO:Net Deficit for the Year - Schedule "E-2"
Increase in Prepaid Expenses
Purchase of Property and Equipment
Prior Period Adjustment - Fuel1,524
4,863
5,000
7,740Total Net Free Assets Applied19,127INCREASE IN NET FREE ASSETS - Schedule "E-1"5,908

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | <u>December 31,</u> 1989 | <u>December 31,</u> 1990 |
|--|-----------------------------|-----------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 60,595 | 59,890 |
| Less: Mortgagee Escrow Deposits and Prepaid Expenses | (<u>51,402</u>) | (<u>50,280</u>) |
| <u>CURRENT ASSETS</u> - Adjusted | 9,193 | 9,610 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>35,072</u> | <u>29,580</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (25,879) | (19,970) |
| <u>DECREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | <u>5,908</u> | <u> </u> |
| | (<u>19,971</u>) | (<u>19,970</u>) |

PATRICIA GARDENS OWNERS INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years Ended December 31, 1990 and December 31, 1989

| | Budget Year Ended December 31, 1990 (Unaudited) | Actual Year Ended December 31, 1990 | Actual Year Ende December 3 1989 |
|---|---|--|---|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 309,202 | 309,043 | 300,19 |
| Fuel Oil Surcharge | | 1,331 | |
| Parking Income | 15,000 | 15,720 | 15,52 |
| Laundry Room Income | 3,600 | 3,600 | 3,60 |
| Interest Income | 5,000 | 6,237 | 7,88 |
| Miscellaneous Income | | 825 | |
| <u>Total Receipts</u> | <u>332,802</u> | <u>336,756</u> | <u>327,21</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 11,000 | 11,000 | 11,00 |
| Legal Fee and Disbursements | 500 | | |
| Auditing | 5,500 | 5,679 | 5,50 |
| Telephone/Beeper/Boiler Alarm | 1,300 | 1,491 | 1,46 |
| Office and Miscellaneous Administrative Expenses | 552 | 743 | 80 |
| <u>Total Administrative Expenses</u> | <u>18,852</u> | <u>18,913</u> | <u>18,77</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 25,000 | 30,771 | 25,59 |
| Superintendent's Payroll | 22,000 | 23,011 | 21,13 |
| Supplies | 5,000 | 3,584 | 8,16 |
| Electricity | 7,200 | 8,504 | 9,00 |
| Water | 7,500 | 10,367 | 7,58 |
| Gas | 700 | 718 | 80 |
| Exterminating | 1,200 | 3,516 | 1,51 |
| <u>Total Operating Expenses</u> | <u>68,600</u> | <u>80,471</u> | <u>73,80</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Expense | 6,000 | 5,825 | 8,22 |
| Repairs | 18,000 | 10,827 | 14,70 |
| Miscellaneous Maintenance Expenses | 1,000 | 2,163 | 1,97 |
| <u>Total Maintenance Expenses</u> | <u>25,000</u> | <u>18,815</u> | <u>24,90</u> |

PATRICIA GARDENS OWNERS INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTS

For the Years Ended December 31, 1990 and December 31, 1989

| | Budget Year Ended December 31, 1990 <u>(Unaudited)</u> | Actual Year Ended December 31, 1990 | Actual Year Ended December 31, 1989 |
|--|--|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 82,000 | 80,148 | 72,558 |
| Payroll Taxes | 2,000 | 1,861 | 1,720 |
| Licenses and Permits | | | 250 |
| Insurance | 13,500 | 14,765 | 14,674 |
| Union Welfare and Pension Fund | 3,500 | 3,244 | 3,208 |
| Federal Income Tax | | 794 | |
| New York State Franchise Tax | <u>600</u> | <u>519</u> | <u>500</u> |
| <u>Total Taxes and Insurance</u> | <u>101,600</u> | <u>101,331</u> | <u>92,910</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | <u>118,750</u> | <u>118,750</u> | <u>118,750</u> |
| <u>Total Expenditures</u> | <u>332,802</u> | <u>338,280</u> | <u>329,130</u> |
| <u>NET (DEFICIT) FOR THE YEAR - Schedule "E"</u> | <u>-0-</u> | (<u>1,524</u>) | (<u>1,920</u>) |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1990

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an initial interest rate of 9.5% per annum. Patricia Gardens Owners, Inc. shall pay interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991, on which date all accrued interest and unpaid principal shall be due and payable.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment is being carried at cost. Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1990, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1990

Note 5 INCOME TAXES

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. This position is being litigated by other taxpayers.

Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability (federal and state) that has resulted from the above for the year ended December 31, 1990 is reflected in the attached financial statements. The corporation has not paid income taxes on income subject to Section 277 for taxable years prior to 1990. To the extent that such years are within the Statute of Limitations, the Internal Revenue Service may assess additional taxes if, and when, the tax returns of the corporation are examined. No provision has been made in the financial statements for taxes on prior years Section 277 income.

Note 6 SPONSOR'S OWNERSHIP

As of December 31, 1990, the Sponsor owned approximately 34% of the outstanding shares of the corporation's stock, representing twenty-one apartments. As of that date, the Sponsor was current in the payment of carrying charges.

The Disclosure Statement, dated June 27, 1990, filed with the Attorney General's office (eleventh amendment to the Cooperative Offering Plan) indicates that, as of that date, the aggregate monthly maintenance for all unsold shares is \$9,447.76. The aggregate monthly rents received from tenants residing in the apartments owned by the Sponsor is \$9,258.14 as of June 1990.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1990

Note 7 FUEL OIL SURCHARGE

On October 17, 1990, as a result of the then existing tensions in the Persian Gulf area and its effects on the cooperative's costs for heating oil, the Board of Directors approved a fuel oil surcharge on the cooperative's shareholders of \$0.04 per share per month for six consecutive months commencing on December 1, 1990.

Note 8 SUBSEQUENT EVENTS

The Board of Directors approved a 3% increase in carrying charges effective January 1, 1991.

PATRICIA GARDENS OWNERS, INC.APPROVED OPERATING BUDGET

For the Year ending December 31, 1991

RECEIPTS

| | | |
|--|------------|-------------------|
| Carrying Charges - Apartments (reflects 3% increase effective January 1, 1991) | \$ 318,314 | |
| Fuel Oil Surcharge | 10,650 | |
| Parking Income | 15,720 | |
| Laundry Room Income | 3,600 | |
| Interest Income | 5,000 | |
| <u>Total Receipts</u> | | <u>\$ 353,284</u> |

EXPENDITURESADMINISTRATIVE EXPENSES

| | | |
|--------------------------------------|--------|---------------|
| Management Fee | 13,500 | |
| Auditing | 6,000 | |
| Telephone/Beeper/Boiler Alarm | 1,300 | |
| Office and Misc. Admin. Expenses | 1,034 | |
| <u>Total Administrative Expenses</u> | | <u>21,834</u> |

OPERATING EXPENSES

| | | |
|---------------------------------|--------|---------------|
| Fuel | 35,000 | |
| Superintendent's Payroll | 22,000 | |
| Supplies | 5,000 | |
| Electricity | 9,500 | |
| Water | 9,700 | |
| Gas | 800 | |
| Exterminating | 1,200 | |
| <u>Total Operating Expenses</u> | | <u>83,200</u> |

MAINTENANCE EXPENSES

| | | |
|------------------------------------|--------|---------------|
| Landscaping and Snow Removal | 6,000 | |
| General Repairs | 12,000 | |
| Miscellaneous Maintenance Expenses | 1,500 | |
| <u>Total Maintenance Expenses</u> | | <u>19,500</u> |

TAXES AND INSURANCE

| | | |
|----------------------------------|--------|----------------|
| Real Estate Taxes | 89,000 | |
| Payroll Taxes | 2,000 | |
| Insurance | 14,500 | |
| Union Welfare and Pension Fund | 3,500 | |
| Federal Income Tax | 500 | |
| New York State Franchise Tax | 500 | |
| <u>Total Taxes and Insurance</u> | | <u>110,000</u> |

FINANCIAL EXPENSES

| | | |
|---------------------------|--|----------------|
| Interest on Mortgage | | <u>118,750</u> |
| <u>Total Expenditures</u> | | <u>353,284</u> |

NET SURPLUS (DEFICIT)\$ -0-

Approved by Board of Directors
December 4, 1990

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ELEVENTH AMENDMENT
TO COOPERATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

Cooperative Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York (the "Premises") dated August 1, 1984 (the "Plan"), is hereby further amended as follows:

1. Unsold Shares and Financial Information

Of the 33,282 issued and outstanding shares of the Apartment Corporation, 11,803 shares are currently "Unsold Shares" held by Sponsor. The shares allocable to all apartments held by Sponsor as Holder of Unsold Shares, which are offered pursuant to the Plan, are set forth on Exhibit "A".

The aggregate monthly maintenance for all unsold shares is \$9,447.76. The aggregate monthly rents received from tenants of all units owned by Sponsor is \$9,258.14. No unsold shares are subject to financing. The Sponsor's obligation to pay maintenance shall be funded from the rents received from the tenants of the units and from personal funds.

The Sponsor is current on all financial obligations under the Offering Plan, including, but not limited to, maintenance, reserve or working capital fund payments, assessments, and payments for repairs or improvements promised in the Plan. The Sponsor was current on all such obligations during the year prior to the filing of this amendment.

Sponsor does not hold shares or units in any other building.

2. Sponsor Control of Board of Directors

The Sponsor is no longer in control of the board of directors which control was relinquished in 1988.

At the annual meeting of shareholders which was held June 5, 1990, the following were elected to the Board of Directors:

| | | |
|---------------------|---|----------------|
| Robert Orlofsky | - | President |
| Tina DeLorenzo | - | Vice President |
| Andrew Orlofsky | - | Vice President |
| Caroline N. Saccone | - | Treasurer |
| Catherine Arndt | - | Secretary |

Robert Orlofsky and Andrew Orlofsky are sponsor-designated; DeLorenzo, Saccone and Arndt are tenant-shareholders.

3. Financial Statement

Annexed hereto as Exhibit "B" is the Certified Financial Statement for the Apartment Corporation for the period ending December 31, 1989, which statement sets forth a net loss before depreciation and amortization of \$26,343 for 1989.

4. Budget

Annexed hereto as Exhibit "C" is the Operating Budget for the Apartment Corporation for the period ending December 31, 1990.

5. Maintenance

Maintenance is currently \$9.2904 per share per month.

6. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

7. No Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: June 27, 1990
New York, New York

1825 PALMER ASSOCIATES
Sponsor and Holder of
Unsold Shares

EXHIBIT A
UNSOLD SHARES
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

| <u>UNIT</u> | <u>SHARES</u> |
|-------------|---------------|
| 2B | 630 |
| 3C | 495 |
| 1D | 490 |
| 3F | 640 |
| 3A | 410 |
| 1B | 515 |
| 2B | 507 |
| 1C | 640 |
| 2C | 630 |
| 3D | 410 |
| 1E | 515 |
| 1F | 650 |
| 2G | 369 |
| 3A | 420 |
| 3B | 490 |
| 3C | 640 |
| 3E | 615 |
| 2F | 507 |
| 2J | 575 |
| 3J | 560 |
| 1K | 585 |
| 3K | 560 |
| | <u>11,803</u> |



BLOOM AND STREIT

Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217
914/636-0210
Fax 914/636-0596

BURTON M. BLOOM CPA
THEODORE S. STREIT CPA
ROGER D. BERMAN CPA
WILLIAM J. RANK, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying balance sheet of Patricia Gardens Owners, Inc., as of December 31, 1989, and the related statements of loss, retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the cooperative's officers and board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1989, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 audit 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.

Bloom and Streit

BLOOM AND STREIT
Certified Public Accountants
March 8, 1990

PATRICIA GARDENS OWNERS, INC.

BALANCE SHEET

December 31, 1989

ASSETS

CURRENT ASSETS

| | | |
|--|---------------|-------|
| Cash - Managing Agent's Operating Account | 3,454 | |
| Cash in Money Market Account | 26,577 | |
| Certificates of Deposit | 52,219 | |
| Tenants' Accounts Receivable | 5,794 | |
| Accrued Interest Receivable | <u>715</u> | |
| <u>Total</u> | 88,759 | |
| Less: Portion allocated to Funds (see below) | <u>79,566</u> | |
| <u>Total Current Assets</u> | | 9,193 |

PREPAID EXPENSES

| | | |
|-------------------------------|--------------|-------|
| Hazard Insurance | 1,641 | |
| Real Estate Taxes | <u>4,681</u> | |
| <u>Total Prepaid Expenses</u> | | 6,322 |

MORTGAGEE ESCROW DEPOSITS

45,080

FUNDS

| | | |
|---------------------------------------|--|--------|
| Reserve for Contingencies (see above) | | 79,566 |
|---------------------------------------|--|--------|

PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|---|------------------|-------------------------------------|---------------------------|-----------|
| Land | 689,960 | | 689,960 | |
| Building | 1,713,000 | 203,847 | 1,509,153 | |
| Improvements | <u>104,779</u> | <u>7,936</u> | <u>96,843</u> | |
| <u>Total Property And Equipment</u> | <u>2,507,739</u> | <u>211,783</u> | | 2,295,956 |

OTHER ASSETS

| | | |
|---|--|--------------|
| Unamortized Mortgage Financing Expenses | | <u>8,749</u> |
|---|--|--------------|

TOTAL ASSETS

2,444,866

LIABILITIES AND STOCKHOLDERS' EQUITY
CURRENT LIABILITIES

| | | |
|----------------------------------|--------|------|
| Accounts Payable | 22,942 | |
| Accrued Taxes | 1,302 | |
| Accrued Interest Payable | 9,896 | |
| Exchanges Payable | 932 | |
| <u>Total Current Liabilities</u> | | 35.0 |

LONG-TERM LIABILITIES

| | | |
|------------------|--|---------|
| Mortgage Payable | | 1,250.0 |
|------------------|--|---------|

STOCKHOLDERS' EQUITY

| | | |
|---|------------|----------------|
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | 33,282 | |
| Paid-in Capital | 1,444,908 | |
| Retained Earnings (Deficit) - Exhibit "C" | (318,396) | |
| <u>Total Stockholders' Equity</u> | | <u>1,159,7</u> |

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY2,444.8

see auditors' report and accompanying notes to financial statements.

PATRICIA GARDENS OWNERS, INC.STATEMENT OF LOSSFor the Year Ended December 31, 1989

| | | |
|--|----------------|-------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 300,193 | |
| Parking Spaces | <u>15,529</u> | |
| <u>Total Rent Income</u> | | 315,722 |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | | 3,000 |
| <u>OTHER INCOME</u> | | |
| Interest Income | | <u>7,800</u> |
| <u>Total Income</u> | | 327,522 |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 18,771 | |
| Operating Expenses | 73,802 | |
| Maintenance Expenses | 24,906 | |
| Major Repairs and Maintenance - Painting, Tiling and Wallpapering | 24,415 | |
| Taxes and Insurance | 92,910 | |
| Financial Expenses | <u>118,749</u> | |
| <u>Total Expenses</u> | | <u>353,543</u> |
| <u>NET LOSS BEFORE DEPRECIATION AND AMORTIZATION</u> | | (26,021) |
| Depreciation and Amortization of Mortgage Financing Expenses | | (<u>57,800</u>) |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | | (<u>84,821</u>) |

see auditors' report and accompanying notes to financial statements.

PATRICIA GARDENS OWNERS, INC.
STATEMENT OF RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 1989

| | |
|---|-----------------------|
| <u>DEFICIT BALANCE</u> - Beginning of Year | (234.2 |
| Net Loss for the Year - Exhibit "B" | (<u>84.1</u> |
| <u>RETAINED EARNINGS (DEFICIT)</u> - End of Year - Exhibit "A" | (<u><u>318.3</u></u> |

see auditors' report and accompanying notes to financial statements.

PATRICIA GARDENS OWNERS, INC.STATEMENT OF CASH FLOWSFor the Year Ended December 31, 1989CASH FLOWS FROM OPERATING ACTIVITIESCASH FLOWS IN

| | |
|----------------------------|--------------|
| Tenants' Charges Collected | 312,699 |
| Service Income Collected | 3,600 |
| Interest Income Collected | <u>8,348</u> |

| | |
|----------------------------|----------------|
| <u>Total Cash Flows In</u> | <u>324,647</u> |
|----------------------------|----------------|

CASH FLOWS OUT

| | |
|------------------------------|--------------------|
| Administrative Expenses Paid | (18,899) |
| Operating Expenses Paid | (62,277) |
| Maintenance Expenses Paid | (49,856) |
| Taxes and Insurance Paid | (98,470) |
| Interest Paid | (<u>118,749</u>) |

| | |
|-----------------------------|--------------------|
| <u>Total Cash Flows Out</u> | (<u>348,251</u>) |
|-----------------------------|--------------------|

| | |
|---|---------|
| <u>Cash flows (out) from Operating Activities</u> | (23.6) |
|---|---------|

CASH FLOWS IN (OUT) FROM FINANCING ACTIVITIES

| | |
|-----------------------------|---------------|
| Decrease in Reserve Funds | 27,065 |
| Deposits and Exchanges Paid | (<u>22</u>) |

| | |
|--|------|
| <u>Cash flows in from Financing Activities</u> | 27.0 |
|--|------|

CASH FLOWS (OUT) FROM INVESTING ACTIVITIES

| | |
|------------------------------------|----------------|
| Purchase of Property and Equipment | (<u>5.1</u>) |
|------------------------------------|----------------|

| | |
|-------------------------|--------|
| <u>DECREASE IN CASH</u> | (1.6) |
|-------------------------|--------|

| | |
|---|------------|
| Cash and Equivalents at Beginning of Year | <u>4.3</u> |
|---|------------|

| | |
|--|------------|
| <u>CASH AND CASH EQUIVALENTS - End of Year (see below)</u> | <u>2.6</u> |
|--|------------|

Represented by:

| | |
|--|-------------------|
| Cash in Banks (Exhibit "A") | 78,796 |
| Managing Agent's Operating Account (Exhibit "A") | <u>3,454</u> |
| <u>Total</u> | 82,250 |
| Less: Portion Allocated to Funds (Exhibit "A") | (<u>79,565</u>) |

| | |
|---|------------|
| <u>CASH AND CASH EQUIVALENTS - (as above)</u> | <u>2.6</u> |
|---|------------|

see auditors' report and accompanying notes to financial statements.

PATRICIA GARDENS OWNERS, INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1989NET FREE ASSETS PROVIDED BY:

| | | |
|----------------------------|--|-----|
| Release from Reserve Funds | | 27, |
|----------------------------|--|-----|

NET FREE ASSETS APPLIED TO:

| | | |
|---|--------------|------------|
| Net Deficit for the Year - Schedule "E-2" | 1,928 | |
| Increase in Mortgagee Escrow Deposits | 2,594 | |
| Increase in Prepaid Expenses | 4,115 | |
| Purchase of Equipment and Improvements | 2,650 | |
| Non-budgeted Expenditures: | | |
| Painting | 22,700 | |
| Tiling and Wallpapering | <u>1,715</u> | |
| <u>Total Net Free Assets Applied</u> | | <u>35,</u> |

| | | |
|---|---|------------------|
| <u>DECREASE IN NET FREE ASSETS - Schedule "E-1"</u> | (| <u><u>8,</u></u> |
|---|---|------------------|

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | December 31, 1988 | December 31, 1989 |
|--|-------------------|-------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 10,773 | 9,773 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>28,015</u> | <u>35,015</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (17,242) | (25,242) |
| <u>INCREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | (8,637) | (8,637) |
| | (<u>25,879</u>) | (<u>33,879</u>) |

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years Ended December 31, 1989 and December 31, 1988

| | Budget Year Ended December 31, 1989 (Unaudited) | Actual Year Ended December 31, 1989 | Actual Year End December 1988 |
|---|---|--|--|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 300,196 | 300,193 | 294,3 |
| Parking Income | 15,000 | 15,529 | 14,6 |
| Laundry Room Income | 3,000 | 3,600 | 3,3 |
| Interest Income | 5,000 | 7,888 | 9,7 |
| Miscellaneous Income | | | |
| <u>Total Receipts</u> | <u>323,196</u> | <u>327,210</u> | <u>322,0</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 11,000 | 11,000 | 11,0 |
| Legal Fee and Disbursements | | | 2,9 |
| Auditing | 5,000 | 5,500 | 4,5 |
| Telephone | 1,300 | 1,465 | 1,5 |
| Office and Miscellaneous Administrative Expenses | 796 | 806 | 8 |
| <u>Total Administrative Expenses</u> | <u>18,096</u> | <u>18,771</u> | <u>20,8</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 25,000 | 25,595 | 18,6 |
| Superintendent's Payroll | 21,450 | 21,134 | 20,1 |
| Supplies | 4,000 | 8,168 | 3,3 |
| Electricity | 6,400 | 9,004 | 7,0 |
| Water | 6,500 | 7,583 | 6,2 |
| Gas | 800 | 800 | 6 |
| Exterminating | 2,000 | 1,518 | 1,6 |
| <u>Total Operating Expenses</u> | <u>66,150</u> | <u>73,802</u> | <u>57,7</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Expense | 5,000 | 8,226 | 9,0 |
| Repairs | 17,200 | 14,701 | 9,7 |
| Miscellaneous Maintenance Expenses | | 1,979 | 3,1 |
| <u>Total Maintenance Expenses</u> | <u>22,200</u> | <u>24,906</u> | <u>21,9</u> |

PATRICIA GARDENS OWNERS, INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTS

For the Years Ended December 31, 1989 and December 31, 1988

| | Budget Year Ended December 31, 1989 (Unaudited) | Actual Year Ended December 31, 1989 | Actual Year Ended December 1988 |
|--|---|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 75,000 | 72,557 | 72,4 |
| Payroll Taxes | 1,800 | 1,721 | 1,8 |
| Licenses and Permits | | 250 | |
| Insurance | 17,000 | 14,673 | 16,9 |
| Union Welfare and Pension Fund | 3,000 | 3,208 | 2,7 |
| New York State Franchise Tax | <u>1,200</u> | <u>500</u> | <u>4</u> |
| <u>Total Taxes and Insurance</u> | <u>98,000</u> | <u>92,909</u> | <u>94,4</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | 118,750 | 118,750 | 118,7 |
| Other Interest | | | 2 |
| <u>Total Financial Expenses</u> | <u>118,750</u> | <u>118,750</u> | <u>119,0</u> |
| <u>Total Expenditures</u> | <u>323,196</u> | <u>329,138</u> | <u>314,0</u> |
| <u>NET SURPLUS (DEFICIT) FOR THE YEAR - Schedule "E"</u> | <u>-0-</u> | <u>(1,928)</u> | <u>8,0</u> |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1989

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an initial interest rate of 9.5% per annum. Patricia Gardens Owners, Inc. shall pay interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991, on which date all accrued interest and unpaid principal shall be due and payable.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Property and equipment is being carried at cost. Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1989, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1989

Note 5 FEDERAL INCOME TAXES

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. This position is being litigated by other taxpayers.

Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, such liability will be reflected in future financial statements.

Note 6 SPONSOR'S OWNERSHIP

As of December 31, 1989, the Sponsor owned approximately 37% of the outstanding shares of the corporation's stock, representing twenty-three apartments. As of that date, the Sponsor was current in the payment of carrying charges.

PATRICIA GARDENS OWNERS, INC.

APPROVED OPERATING BUDGET

For the Year ending December 31, 1990

| | | |
|---|--------------|-------------------|
| <u>INCOME</u> | | |
| Carrying Charges - Apartments, reflects a 3% increase effective 1/1/90 | \$ 309,202 | |
| Parking Income | 15,000 | |
| Laundry Room Income | 3,600 | |
| Interest Income | <u>5,000</u> | |
| <u>Total Income</u> | | <u>\$ 332,802</u> |
| <u>EXPENDITURES</u> | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | |
| Management Fee | 11,000 | |
| Legal Fee and Disbursements | 500 | |
| Auditing | 5,500 | |
| Telephone | 1,300 | |
| Office and Miscellaneous Administrative Expenses | <u>552</u> | |
| <u>Total Administrative Expenses</u> | | 18,852 |
| <u>OPERATING EXPENSES</u> | | |
| Fuel | 25,000 | |
| Superintendent's Payroll | 22,000 | |
| Supplies | 5,000 | |
| Electricity | 7,200 | |
| Water | 7,500 | |
| Gas | 700 | |
| Exterminating | <u>1,200</u> | |
| <u>Total Operating Expenses</u> | | 68,600 |
| <u>MAINTENANCE EXPENSES</u> | | |
| Grounds Supplies and Expenses | 6,000 | |
| Repairs | 18,000 | |
| Miscellaneous Maintenance Expenses | <u>1,000</u> | |
| <u>Total Maintenance Expenses</u> | | 25,000 |
| <u>TAXES AND INSURANCE</u> | | |
| Real Estate Taxes | 82,000 | |
| Payroll Taxes | 2,000 | |
| Insurance | 13,500 | |
| Union Welfare and Pension Fund | 3,500 | |
| New York State Franchise Tax | <u>600</u> | |
| <u>Total Taxes and Insurance</u> | | 101,600 |
| <u>FINANCIAL EXPENSES</u> | | |
| Interest on Mortgage | | <u>118,750</u> |
| <u>Total Expenditures</u> | | <u>332,802</u> |
| <u>NET SURPLUS (DEFICIT)</u> | | <u>\$ -0-</u> |

APPROVED BY THE BOARD OF DIRECTORS ON
NOVEMBER 21, 1989.

TENTH AMENDMENT TO
COOPERATIVE OFFERING PLAN

1825-29-33 Palmer Avenue
Larchmont, New York

The Offering Plan to Convert to Cooperative Ownership Premises 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984, as amended (the "Plan"), is hereby further amended as follows:

1. Financial Statement.

Annexed is a copy of the Apartment Corporation's Financial Statement for the year ended December 31, 1988.

2. Current Budget and Maintenance Charges.

Annexed is a copy of the Apartment Corporation's operating budget for 1989. Maintenance charges are \$9.0198 per share annually.

3. Unsold Shares.

A list of Unsold Shares is annexed hereto, which Unsold Shares continue to be held by 1825 Palmer Associates, the Sponsor.

4. Apartment Corporation.

The annual meeting of shareholders was held on July 7, 1988. The current Officers and Directors of the Apartment Corporation are:

| | |
|---------------------|-----------------------------|
| Robert Orlofsky | President and Director |
| Andrew Orlofsky | Vice-President and Director |
| Tina DeLorenzo | Vice-President and Director |
| Caroline N. Saccone | Treasurer and Director |
| Joanne Rice | Secretary and Director |

The Sponsor/Holder of Unsold Shares does not control the Board of Directors.

5. Incorporation of Plan.

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

6. No Material Changes.

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated:

1825 PALMER ASSOCIATES
Sponsor and Holder of Unsold Shares



BLOOM AND STREIT
Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801-5217
914/636-0210
Fax 914/636-0598

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER D. BERMAN, CPA
WILLIAM J. RANK, CPA

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have audited the accompanying balance sheet of Patricia Gardens Owners, Inc., as of December 31, 1988, and the related statements of loss, retained earnings (deficit) and cash flows for the year then ended. These financial statements are the responsibility of the cooperative's officers and board of directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 audit provides 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 Patricia Gardens Owners, Inc. as of December 31, 1988, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules "E" to "E-2" is 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 examinations 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.

Bloom and Streit
BLOOM AND STREIT
Certified Public Accountants
March 20, 1989

PATRICIA GARDENS OWNERS, INC.

BALANCE SHEET

December 31, 1988

ASSETS

CURRENT ASSETS

| | | |
|--|----------------|--------|
| Cash in Money Market Account | 6,837 | |
| Cash in Certificate of Deposit | 106,046 | |
| Tenants Accounts Receivable | 2,770 | |
| Accrued Interest Receivable | <u>1,750</u> | |
| <u>Total</u> | 117,403 | |
| Less: Portion allocated to Funds (see below) | <u>106,630</u> | |
| <u>Total Current Assets</u> | | 10,773 |

PREPAID EXPENSES

| | | |
|------------------|--|-------|
| Hazard Insurance | | 2,207 |
|------------------|--|-------|

MORTGAGEE ESCROW DEPOSITS

42,486

FUNDS

| | | |
|--|--------------|---------|
| Reserve for Contingencies (see above) | 100,000 | |
| Reserve for Capital Expenditures (see above) | <u>6,631</u> | |
| <u>Total Funds</u> | | 106,631 |

PROPERTY AND EQUIPMENT

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|---|------------------|-------------------------------------|---------------------------|-----------|
| Land | 689,960 | | 689,960 | |
| Building | 1,713,000 | 154,170 | 1,558,830 | |
| Improvements | <u>102,129</u> | <u>4,581</u> | <u>97,548</u> | |
| <u>Total Property and Equipment</u> | <u>2,505,089</u> | <u>158,751</u> | | 2,346,338 |

OTHER ASSETS

| | | |
|---|--|---------------|
| Unamortized Mortgage Financing Expenses | | <u>13,521</u> |
|---|--|---------------|

TOTAL ASSETS

2,521,956

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|------------------------------------|------------|--------|
| Cash Overdraft - | | |
| Managing Agent's Operating Account | 1,876 | |
| Accounts Payable | 14,500 | |
| Accrued Taxes | 989 | |
| Accrued Interest Payable | 9,896 | |
| Exchanges Payable | <u>753</u> | |
| <u>Total Current Liabilities</u> | | 28,014 |

LONG-TERM LIABILITIES

| | | |
|------------------|--|-----------|
| Mortgage Payable | | 1,250,000 |
|------------------|--|-----------|

STOCKHOLDERS EQUITY

| | | |
|--|--------------------|------------------|
| Common Stock - \$1.00 par value: 35,000 shares Authorized; 33,282 shares, Issued and Outstanding | 33,282 | |
| Paid-in Capital | 1,444,909 | |
| Retained Earnings (Deficit) - Exhibit "C" | (<u>234,249</u>) | |
| <u>Total Stockholders' Equity</u> | | <u>1,243,942</u> |

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY

2,521,956

see accompanying notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.STATEMENT OF LOSSFor the Year Ended December 31, 1988

| | | |
|---|---------------|-------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | 294,307 | |
| Parking Spaces | <u>14,632</u> | |
| <u>Total Rent Income</u> | | 308,939 |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | | 3,300 |
| <u>OTHER INCOME</u> | | |
| Interest Income | 9,731 | |
| Miscellaneous Income | <u>32</u> | |
| <u>Total Other Income</u> | | <u>9,763</u> |
| <u>Total Income</u> | | 322,002 |
| <u>EXPENSES</u> | | |
| Administrative Expenses | 20,828 | |
| Operating Expenses | 57,768 | |
| Maintenance Expenses | 21,942 | |
| Taxes and Insurance | 94,431 | |
| Financial Expenses | 119,031 | |
| Depreciation and Amortization of Mortgage Financing Expenses | 56,919 | |
| Prior Period Adjustment - Real Estate Taxes | <u>8,429</u> | |
| <u>Total Expenses</u> | | <u>379,348</u> |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | | (<u>57,346</u>) |

see accompanying notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.
STATEMENT OF RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 1988

| | |
|---|------------------|
| <u>DEFICIT BALANCE</u> - Beginning of Year | (176,903 |
| Net Loss for the Year - Exhibit "B" | (<u>57,346</u> |
| <u>RETAINED EARNINGS (DEFICIT)</u> - End of Year Exhibit "A" | (<u>234,249</u> |

see accompanying notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.STATEMENT OF CASH FLOWSFor the Year Ended December 31, 1988CASH FLOWS FROM OPERATING ACTIVITIESCASH FLOWS IN

| | |
|--------------------------------|-----------|
| Tenants' Charges Collected | 306,943 |
| Service Income Collected | 3,300 |
| Interest Income Collected | 8,450 |
| Miscellaneous Income Collected | <u>31</u> |

| | |
|----------------------------|----------------|
| <u>Total Cash Flows In</u> | <u>318,724</u> |
|----------------------------|----------------|

CASH FLOWS OUT

| | |
|------------------------------|--------------------|
| Administrative Expenses Paid | (21,272) |
| Operating Expenses Paid | (60,465) |
| Maintenance Expenses Paid | (20,521) |
| Taxes and Insurance Paid | (100,967) |
| Interest Paid | (<u>118,750</u>) |

| | |
|-----------------------------|--------------------|
| <u>Total Cash Flows Out</u> | (<u>321,975</u>) |
|-----------------------------|--------------------|

| | |
|---|----------|
| <u>Cash flows (out) from Operating Activities</u> | (3,251) |
|---|----------|

CASH FLOWS IN FROM FINANCING ACTIVITIES

| | |
|----------------------------------|-----------|
| Decrease in Reserve Funds | 28,369 |
| Deposits and Exchanges Collected | <u>30</u> |

| | |
|--|--------|
| <u>Cash flows in from Financing Activities</u> | 25,148 |
|--|--------|

CASH FLOWS (OUT) FROM INVESTING ACTIVITIES

| | |
|------------------------------------|-------------------|
| Purchase of Property and Equipment | (<u>25,888</u>) |
|------------------------------------|-------------------|

| | |
|---------------------------|--------|
| <u>(DECREASE) IN CASH</u> | (740) |
|---------------------------|--------|

| | |
|---|--------------|
| Cash and Equivalents at Beginning of Year | <u>5,118</u> |
|---|--------------|

| | |
|--|--------------|
| <u>CASH AND CASH EQUIVALENTS - End of Year (see below)</u> | <u>4,378</u> |
|--|--------------|

PATRICIA GARDENS OWNERS, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 1988

Represented by:

| | | |
|--|--------------------|--------------|
| Cash in Money Market Account and Certificate of Deposit (Exhibit "A") | 112,883 | |
| Managing Agent's Operating Account (Exhibit "A") | (<u>1,876</u>) | |
| <u>Total</u> | 111,007 | |
| Less: Portion Allocated to Funds (Exhibit "A") | (<u>106,631</u>) | |
| <u>CASH AND CASH EQUIVALENTS</u> - (as above) | | <u>4,376</u> |

see accompanying notes to financial statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.SCHEDULE OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1988NET FREE ASSETS PROVIDED BY:

| | |
|---|---------------|
| Net Surplus for the Year - Schedule "E-2" | 8,002 |
| Decrease in Prepaid Expenses | 9,161 |
| Release from Reserve for Capital Expenditures | <u>28,369</u> |

| | |
|---------------------------------------|--------|
| <u>Total Net Free Assets Provided</u> | 45,532 |
|---------------------------------------|--------|

NET FREE ASSETS APPLIED TO:

| | |
|--|--------------|
| Increase in Mortgagee Escrow Deposits | 6,861 |
| Purchase of Property and Equipment | 28,369 |
| Prior Period Adjustment - Real Estate Taxes | <u>8,430</u> |

| | |
|--------------------------------------|---------------|
| <u>Total Net Free Assets Applied</u> | <u>43,660</u> |
|--------------------------------------|---------------|

| | |
|---|--------------|
| <u>INCREASE IN NET FREE ASSETS - Schedule "E-1"</u> | <u>1,872</u> |
|---|--------------|

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITION

| | <u>December 31,</u> <u>1987</u> | <u>December 31</u> <u>1988</u> |
|--|------------------------------------|-----------------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | 6,361 | 10,773 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>25,475</u> | <u>28,015</u> |
| <u>DEFICIENCY IN NET FREE ASSETS</u> | (19,114) | (17,242) |
| <u>DECREASE IN DEFICIENCY IN NET FREE ASSETS</u> - Schedule "E" | <u>1,872</u> | <u> </u> |
| | (<u>17,242</u>) | (<u>17,242</u>) |

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years Ended December 31, 1988 and December 31, 1987

| | Budget Year Ended December 31, 1988 | Actual Year Ended December 31, 1988 | Actual Year Ended December 31, 1987 |
|---|--|--|--|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | 294,312 | 294,307 | 289,953 |
| Parking Income | 15,000 | 14,632 | 14,950 |
| Laundry Room Income | 3,000 | 3,300 | 3,000 |
| Interest Income | 6,000 | 9,731 | 7,725 |
| Miscellaneous Income | | 32 | |
| <u>Total Receipts</u> | <u>318,312</u> | <u>322,002</u> | <u>315,628</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 11,000 | 11,000 | 10,000 |
| Legal Fee and Disbursements | 500 | 2,944 | 1,334 |
| Auditing | 4,500 | 4,500 | 4,000 |
| Telephone | 1,000 | 1,525 | 1,218 |
| Office and Miscellaneous Administrative Expenses | 462 | 859 | 917 |
| <u>Total Administrative Expenses</u> | <u>17,462</u> | <u>20,828</u> | <u>17,464</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 25,000 | 18,631 | 25,402 |
| Superintendent's Payroll | 20,000 | 20,168 | 19,642 |
| Supplies | 3,000 | 3,396 | 3,072 |
| Electricity | 6,000 | 7,062 | 6,164 |
| Water | 6,000 | 6,203 | 5,750 |
| Gas | 1,000 | 669 | 751 |
| Exterminating | 2,000 | 1,639 | 3,247 |
| <u>Total Operating Expenses</u> | <u>63,000</u> | <u>57,768</u> | <u>64,028</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Expense | 4,000 | 9,062 | 4,758 |
| Repairs | 15,000 | 9,721 | 20,601 |
| Miscellaneous Maintenance Expenses | 1,500 | 3,159 | 2,068 |
| <u>Total Maintenance Expenses</u> | <u>20,500</u> | <u>21,942</u> | <u>27,427</u> |

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL OPERATING AMOUNTSFor the Years Ended December 31, 1988 and December 31, 1987.

| | Budget Year Ended December 31, 1988 | Actual Year Ended December 31, 1988 | Actual Year Ended December 31, 1987 |
|--|--|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 70,000 | 72,454 | 66,598 |
| Payroll Taxes | 2,000 | 1,840 | 1,650 |
| Licenses and Permits | 200 | | |
| Insurance | 23,000 | 16,905 | 22,311 |
| Union Welfare and Pension Fund | 2,200 | 2,766 | 2,480 |
| New York State Franchise Tax | 1,200 | 466 | 1,051 |
| <u>Total Taxes and Insurance</u> | <u>98,600</u> | <u>94,431</u> | <u>94,100</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | 118,750 | 118,750 | 118,750 |
| Other Interest | | 281 | |
| <u>Total Financial Expenses</u> | <u>118,750</u> | <u>119,031</u> | <u>118,750</u> |
| <u>Total Expenditures</u> | <u>318,312</u> | <u>314,000</u> | <u>321,760</u> |
| <u>NET SURPLUS (DEFICIT) FOR THE YEAR - Schedule "E"</u> | <u>-0-</u> | <u>8,002</u> | <u>(6,140)</u> |

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1988

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

The sponsor elected to treat the transfer of the real property to the apartment corporation as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the apartment corporation's tax basis of the land and the building is the same as in the hands of the sponsor on the date of transfer. The lower basis of the property will result in lower depreciation deductions for tax purposes, as compared with that shown in the financial statement.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an initial interest rate of 9.5% per annum. Patricia Gardens Owners, Inc. shall pay interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991, on which date all accrued interest and unpaid principal shall be due and payable.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1988, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1988

Note 5 FEDERAL INCOME TAXES

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, such liability will be reflected in future financial statements.

BUDGET

For Year of Co-operative Ownership Beginning January 1, 1989

PROJECTED INCOME

| | |
|---|-------------------|
| Maintenance Charges (<u>33,282</u> shares at <u>\$9.0198</u> per share) | \$ <u>300,196</u> |
| Interest Income | \$ <u>5,000</u> |
| Laundry | \$ <u>3,000</u> |
| Parking | \$ <u>15,000</u> |
| TOTAL: | \$ <u>323,196</u> |
| ===== | ===== |

PROJECTED EXPENSES

| | |
|--|-------------------|
| Labor | \$ <u>26,250</u> |
| Heating | \$ <u>25,000</u> |
| Utilities (Electricity and gas). | \$ <u>7,200</u> |
| Water charges and sewer rents | \$ <u>6,500</u> |
| General repairs | \$ <u>12,500</u> |
| Elevator maintenance | \$ _____ |
| Plumbing | \$ <u>6,000</u> |
| Gardener | \$ <u>5,000</u> |
| Painting | \$ _____ |
| Supplies | \$ <u>4,000</u> |
| Service contracts | \$ <u>2,000</u> |
| Insurance | \$ <u>17,000</u> |
| Management fees | \$ <u>11,000</u> |
| Legal fees and audit fees | \$ <u>5,000</u> |
| Franchise and corporate taxes | \$ <u>1,200</u> |
| Real estate taxes | \$ <u>75,000</u> |
| Mortgage payments | \$ <u>118,750</u> |
| Other | \$ <u>796</u> |
| Contingency | \$ _____ |
| TOTAL: | \$ <u>323,196</u> |
| ===== | ===== |

DATE: 05/01/87

BUILDING-13: PATRICIA GARDENS OWNER

* ONLY CODE/S: Z

PAGE: 1

| ACT | APT# | SA | TENANT SHR/SIZE | MOVE-IN/EXP | RENT/MAIN | PARKING | MTH-RECUR | TOTAL | |
|----------------------|------|----|----------------------|-------------|-----------|----------|-----------|--------|-----------|
| 14 | 2B | Z | UNSOLD SHARES 630 | | 473.53 | 45.00 | | 518.53 | |
| 18 | 3C | Z | UNSOLD SHARES 495 | | 372.06 | | | 372.06 | |
| 19 | 1D | Z | UNSOLD SHARES 440 | | 330.72 | | | 330.72 | |
| 25 | 1F | Z | UNSOLD SHARES 665 | | 499.84 | | | 499.84 | |
| 27 | 3F | Z | UNSOLD SHARES 640 | | 481.05 | 45.00 | | 526.05 | |
| 30 | 3A | Z | UNSOLD SHARES 410 | | 308.17 | | | 308.17 | |
| 31 | 1B | Z | UNSOLD SHARES 515 | | 387.09 | 45.00 | | 432.09 | |
| 32 | 2B | Z | UNSOLD SHARES 507 | | 381.08 | | | 381.08 | |
| 34 | 1C | Z | UNSOLD SHARES 640 | | 481.05 | 20.00 | | 501.05 | |
| 35 | 2C | Z | UNSOLD SHARES 630 | | 473.53 | | | 473.53 | |
| 39 | 3D | Z | UNSOLD SHARES 410 | | 308.17 | 45.00 | | 353.17 | |
| 40 | 1E | Z | UNSOLD SHARES 515 | | 387.09 | 45.00 | | 432.09 | |
| 43 | 1F | Z | UNSOLD SHARES 650 | | 488.57 | | | 488.57 | |
| 47 | 2G | Z | UNSOLD SHARES 369 | | 277.36 | | | 277.36 | |
| 54 | 3A | Z | UNSOLD SHARES 420 | | 315.69 | | | 315.69 | |
| 57 | 3B | Z | UNSOLD SHARES 490 | | 368.30 | | | 368.30 | |
| 60 | 3C | Z | UNSOLD SHARES 640 | | 481.05 | 45.00 | | 526.05 | |
| 66 | 3E | Z | UNSOLD SHARES 615 | | 462.26 | | | 462.26 | |
| 68 | 2F | Z | UNSOLD SHARES 507 | | 381.08 | 20.00 | | 401.08 | |
| 71 | 2J | Z | UNSOLD SHARES 575 | | 432.19 | 45.00 | | 477.19 | |
| 72 | 3J | Z | UNSOLD SHARES 560 | | 420.92 | | | 420.92 | |
| 73 | 1K | Z | UNSOLD SHARES 585 | | 432.71 | 45.00 | | 484.71 | |
| 74 | 2K | Z | UNSOLD SHARES 575 | | 432.19 | | | 432.19 | |
| 75 | 3K | Z | UNSOLD SHARES 560 | | 420.92 | | | 420.92 | |
| ** TOTAL BUILDING ** | | | | | 24 | 9,803.62 | | 0.00 | |
| PARK: 10 | | | | | 13,043 | | 400.00 | | 10,203.62 |

NINTH AMENDMENT TO
COOPERATIVE OFFERING PLAN

1825-29-33 Palmer Avenue
Larchmont, New York

The Offering Plan to Convert to Cooperative Ownership Premises at 1825-29-33 Palmer Avenue, Larchmont, New York dated August 1, 1984, as amended (the "Plan"), is hereby further amended as follows:

1. Updated Financials

Annexed hereto as Exhibit "A" is the Apartment Corporation's Financial Statement for the period ending December 31, 1987.

2. Increase in Maintenance Charges

As of January 1, 1988, maintenance charges were increased to \$8.843 per share annually or .737¢ per share monthly. See Budget for 1988 calendar year, Exhibit B annexed hereto.

3. Unsold Shares

The purchase price for unsold shares is increased to \$248 per share. A list of unsold shares is annexed hereto as Exhibit "C". Sponsor has relinquished control of the Board of Directors.

4. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length. All provisions of the Plan which are consistent with this Amendment shall remain in effect.

5. No Other Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: New York, New York
May 16 , 1988

1825 PALMER ASSOCIATES
Holder of Unsold Shares



BLOOM AND STREIT

Certified Public Accountants

20 Cedar Street, New Rochelle, New York 10801 • 914/636-0210

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER D. BERMAN, CPA
JOEL V. WEINBERG, CPA
WILLIAM J. RANK, CPA

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have examined the balance sheet of Patricia Gardens Owners, Inc. as of December 31, 1987, the related statements of income and expenses, retained earnings (deficit) 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.

In our opinion, the financial statements submitted herein present fairly the financial position of Patricia Gardens Owners, Inc. at December 31, 1987, the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis with that of the preceeding year.

Bloom and Streit

BLOOM AND STREIT
Certified Public Accountants
March 5, 1988

PATRICIA GARDENS OWNERS, INC.

BALANCE SHEET

December 31, 1987

ASSETS

CURRENT ASSETS

| | | | |
|---|----|----------------|-------|
| Cash - Managing Agent's Operating Account | \$ | 1,370 | |
| Cash in Money Market Account | | 38,747 | |
| Cash in Certificate of Deposit | | 100,000 | |
| Tenants Accounts Receivable | | 774 | |
| Accrued Interest Receivable | | 469 | |
| <u>Total</u> | \$ | <u>141,360</u> | |
| Less: Portion allocable to Funds (see below) | | <u>135,000</u> | |
| <u>Total Current Assets</u> | \$ | | 6,360 |

PREPAID EXPENSES

| | | | |
|-------------------------------|----|--------------|--------|
| Hazard Insurance | \$ | 2,939 | |
| Real Estate Taxes | | <u>8,429</u> | |
| <u>Total Prepaid Expenses</u> | | | 11,368 |

MORTGAGEE ESCROW DEPOSITS

35,625

FUNDS

| | | | |
|--|----|---------------|---------|
| Reserve for Contingencies (see above) | \$ | 100,000 | |
| Reserve for Capital Expenditures (see above) | | <u>35,000</u> | |
| <u>Total Funds</u> | | | 135,000 |

FIXED ASSETS

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|-------------------------------|--------------------|-------------------------------------|---------------------------|-----------|
| Land | \$ 689,960 | \$ - | \$ 689,960 | |
| Building and Improvements | <u>1,786,760</u> | <u>106,605</u> | <u>1,680,155</u> | |
| <u>Total Fixed Assets</u> | <u>\$2,476,720</u> | <u>\$ 106,605</u> | | 2,370,115 |

OTHER ASSETS

| | | | |
|--|--|--|---------------|
| Unamortized Mortgage Financing Expense | | | <u>18,293</u> |
|--|--|--|---------------|

TOTAL ASSETS

\$2,576,761

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

| | | |
|----------------------------------|------------|-----------|
| Accounts Payable | \$ 13,733 | |
| Accrued Interest Payable | 9,896 | |
| Accrued Taxes | 1,122 | |
| Changes | <u>724</u> | |
| <u>Total Current Liabilities</u> | | \$ 25,475 |

LONG-TERM LIABILITIES

| | | |
|------------------|--|-------------|
| Mortgage Payable | | \$1,250,000 |
|------------------|--|-------------|

STOCKHOLDERS' EQUITY

| | | |
|---|--------------------|------------------|
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | \$ 33,282 | |
| Additional Paid-in Capital | 1,444,908 | |
| Retained Earnings (Deficit) - Exhibit "C" | <u>(176,904)</u> | |
| <u>Total Stockholders' Equity</u> | | <u>1,301,286</u> |

| | | |
|---|--|--------------------|
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | <u>\$2,576,761</u> |
|---|--|--------------------|

The accompanying notes are an integral part of this statement.

PATRICIA GARDENS OWNERS, INC.STATEMENT OF INCOME AND EXPENSESFor the Year Ended December 31, 1987

| | | |
|--|---------------|--------------------|
| <u>RENT INCOME</u> | | |
| Carrying Charges - Apartments | \$ 289,953 | |
| Parking Spaces | <u>14,950</u> | |
| <u>Total Rent Income</u> | | \$ 304,903 |
| <u>SERVICE INCOME</u> | | |
| Laundry Room Income | | 3,000 |
| <u>OTHER INCOME</u> | | |
| Interest Income | | <u>7,725</u> |
| <u>Total Income</u> | | \$ 315,628 |
| <u>EXPENSES</u> | | |
| Administrative Expenses | \$ 17,464 | |
| Operating Expenses | 64,028 | |
| Maintenance Expenses | 41,877 | |
| Taxes and Insurance | 94,100 | |
| Financial Expenses | 118,750 | |
| Depreciation and Amortization of Mortgage Financing Expense | <u>56,364</u> | |
| <u>Total Expenses</u> | | <u>392,583</u> |
| <u>NET LOSS FOR THE YEAR - Exhibit "C"</u> | | <u>(\$ 76,955)</u> |

The accompanying notes are an integral part of this statement.

Exhibit "C"

PATRICIA GARDENS OWNERS, INC.

STATEMENT OF RETAINED EARNINGS (DEFICIT)

For the Year Ended December 31, 1987

| | |
|---|----------------------|
| <u>BALANCE</u> - Beginning of Year | (\$ 99,949) |
| Net Loss for the Year - Exhibit "B" | (<u>76,955</u>) |
| <u>RETAINED EARNINGS (DEFICIT) -</u> End of Year - Exhibit "A" | (\$ <u>176,904</u>) |

The accompanying notes are an integral part of this statement.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.STATEMENT OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1987

| | | | |
|---|----|--------|-------------------------|
| <u>NET FREE ASSETS PROVIDED BY:</u> | | \$ | -0- |
| <u>NET FREE ASSETS APPLIED TO:</u> | | | |
| Net Deficit for the Year - | | | |
| Schedule "D-2" | \$ | 6,141 | |
| Increase in Mortgagee Escrow Deposits | | 4,280 | |
| Increase in Prepaid Expenses | | 469 | |
| Acquisition of Building Improvements | | 24,260 | |
| Contribution to Reserve for Contingencies | | 85,000 | |
| Contribution to Reserve for Capital | | | |
| Expenditures | | 35,000 | |
| Non-Budgeted Repairs: | | | |
| Brickpointing | | 9,950 | |
| Painting | | 4,500 | |
| <u>Total Net Free Assets Applied</u> | | | <u>169,600</u> |
| <u>DECREASE IN NET FREE ASSETS - Schedule "D-1"</u> | | | <u>(\$ 169,600)</u> |

The accompanying notes are an integral part of this statement.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITON

| | <u>December 31,</u> <u>1986</u> | <u>December 31,</u> <u>1987</u> |
|---|------------------------------------|------------------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | \$ 174,696 | \$ 6,360 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>24,211</u> | <u>25,475</u> |
| <u>NET FREE ASSETS (DEFICIENCY)</u> | \$ 150,485 | (\$ 19,115) |
| <u>DECREASE IN NET FREE ASSETS</u> - Exhibit "D" | (<u>169,600</u>) | <u> </u> |
| | (\$ <u>19,115</u>) | (\$ <u>19,115</u>) |

The accompanying notes are an integral part of this schedule.

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL RECEIPTS AND EXPENDITURESFor the Years ended December 31, 1987 and December 31, 1986

| | Budget Year Ended December 31, 1987 | Actual Year Ended December 31, 1987 | Actual Year Ended December 31, 1986 |
|---|--|--|--|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | \$ 289,953 | \$ 289,953 | \$ 276,773 |
| Parking Income | 15,000 | 14,950 | 14,832 |
| Laundry Room Income | 3,000 | 3,000 | 3,000 |
| Interest Income | 9,000 | 7,725 | 1,372 |
| <u>Total Receipts</u> | <u>316,953</u> | <u>315,628</u> | <u>295,977</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 10,000 | 10,000 | 10,000 |
| Legal Fee and Disbursements | 1,000 | 1,334 | - |
| Auditing | 4,000 | 4,000 | 4,000 |
| Telephone | 1,200 | 1,218 | 1,035 |
| Office and Miscellaneous Administrative Expenses | <u>1,000</u> | <u>912</u> | <u>1,616</u> |
| <u>Total Administrative Expenses</u> | <u>17,200</u> | <u>17,464</u> | <u>16,651</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 25,000 | 25,402 | 26,965 |
| Superintendent's Payroll | 20,000 | 19,642 | 18,305 |
| Supplies | 3,000 | 3,072 | 3,256 |
| Electricity | 5,500 | 6,164 | 5,422 |
| Water | 5,500 | 5,750 | 6,330 |
| Gas | 500 | 751 | 922 |
| Exterminating | <u>1,200</u> | <u>3,247</u> | <u>1,227</u> |
| <u>Total Operating Expenses</u> | <u>60,700</u> | <u>64,028</u> | <u>62,427</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Supplies and Expenses | 4,000 | 4,758 | 4,436 |
| Repairs | 17,000 | 20,601 | 15,498 |
| Miscellaneous Maintenance Expenses | <u>2,520</u> | <u>2,068</u> | <u>1,389</u> |
| <u>Total Maintenance Expenses</u> | <u>23,520</u> | <u>27,427</u> | <u>21,323</u> |

PATRICIA GARDENS OWNERS, INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL RECEIPTS AND EXPENDITURES

For the Years ended December 31, 1987 and December 31, 1986

| | Budget Year Ended December 31, 1987 | Actual Year Ended December 31, 1987 | Actual Year Ended December 31, 1986 |
|---|--|--|--|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 66,083 | 66,598 | 62,111 |
| Payroll Taxes | 2,000 | 1,650 | 1,614 |
| Licenses and Permits | 200 | - | 150 |
| Insurance | 25,000 | 22,313 | 28,325 |
| Union Welfare and Pension Fund | 2,500 | 2,484 | 2,876 |
| New York State Franchise Tax | <u>1,000</u> | <u>1,055</u> | <u>1,250</u> |
| <u>Total Taxes and Insurance</u> | <u>96,783</u> | <u>94,100</u> | <u>96,326</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | <u>118,750</u> | <u>118,750</u> | <u>105,620*</u> |
| <u>CONTRIBUTIONS TO EQUITY AND RESERVES</u> | | | |
| Amortization of Mortgage | <u>-</u> | <u>-</u> | <u>13,676</u> |
| <u>Total Expenditures</u> | <u>316,953</u> | <u>321,769</u> | <u>316,023</u> |
| <u>NET (DEFICIT) FOR THE YEAR - Exhibit "D"</u> | <u>\$ -0-</u> | <u>(\$ 6,141)</u> | <u>(\$ 20,046)</u> |

* Includes costs of approximately \$20,700 in connection with the refinancing of the mortgage.

The accompanying notes are an integral part of this schedule.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1987

Note 1 CORPORATE ORGANIZATION

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an initial interest rate of 9.5% per annum. Patricia Gardens Owners, Inc. shall pay interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991, on which date all accrued interest and unpaid principal shall be due and payable.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. Depreciation on the building improvements is being computed by the straight-line method over periods from twenty-seven and one-half years to thirty-five years.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1987, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1987

ote 5 FEDERAL INCOME TAXES

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, such liability will be reflected in future financial statements.

BUDGET

For Year of Co-operative Ownership Beginning January 1, 1988

PROJECTED INCOME

| | |
|---|------------------|
| Maintenance Charges (<u>33,282</u> shares at <u>\$8.843</u> per share). | <u>\$294,312</u> |
| Other | <u>\$ 6,000</u> |
| Laundry | <u>\$ 3,000</u> |
| Parking | <u>\$ 15,000</u> |
| TOTAL: | <u>\$318,312</u> |
| ===== | ===== |

PROJECTED EXPENSES

| | |
|---|------------------|
| Labor | <u>\$ 24,200</u> |
| Heating | <u>\$ 25,000</u> |
| Utilities (Electricity and gas) | <u>\$ 7,000</u> |
| Water charges and sewer rents | <u>\$ 6,000</u> |
| General repairs | <u>\$ 12,500</u> |
| Elevator maintenance | <u>\$</u> |
| Plumbing | <u>\$ 3,500</u> |
| Gardener | <u>\$ 4,000</u> |
| Painting | <u>\$ 1,500</u> |
| Supplies | <u>\$ 3,000</u> |
| Service contracts | <u>\$ 2,000</u> |
| Insurance | <u>\$ 23,000</u> |
| Management fees | <u>\$ 11,000</u> |
| Legal fees and audit fees | <u>\$ 4,500</u> |
| Franchise and corporate taxes | <u>\$ 1,200</u> |
| Real estate taxes | <u>\$ 70,000</u> |
| Mortgage payments | <u>\$118,750</u> |
| Other | <u>\$ 1,162</u> |
| Contingency | <u>\$</u> |
| TOTAL | <u>\$318,312</u> |
| ===== | ===== |

| APT# | SA | TENANT SHR/SIZE | MOVE-IN/EXP | RENT/MAIN | PARKING | MTM-RECUR | TOTAL |
|--------------------|----|----------------------|-------------|-----------|---------|-----------|-----------|
| B | Z | UNSOLD SHARES 630 | | 464.25 | 45.00 | | 509.25 |
| C | Z | UNSOLD SHARES 507 | | 373.61 | | | 373.61 |
| C | Z | UNSOLD SHARES 495 | | 364.77 | | | 364.77 |
| D | Z | UNSOLD SHARES 440 | | 324.24 | | | 324.24 |
| F | Z | UNSOLD SHARES 665 | | 490.04 | | | 490.04 |
| F | Z | UNSOLD SHARES 640 | | 471.62 | 45.00 | | 516.62 |
| A | Z | UNSOLD SHARES 410 | | 302.13 | | | 302.13 |
| B | Z | UNSOLD SHARES 515 | | 379.50 | 45.00 | | 424.50 |
| B | Z | UNSOLD SHARES 507 | | 373.61 | | | 373.61 |
| C | Z | UNSOLD SHARES 640 | | 471.62 | 20.00 | | 491.62 |
| C | Z | UNSOLD SHARES 630 | | 464.25 | | | 464.25 |
| D | Z | UNSOLD SHARES 410 | | 302.13 | 45.00 | | 347.13 |
| E | Z | UNSOLD SHARES 515 | | 379.50 | 45.00 | | 424.50 |
| F | Z | UNSOLD SHARES 650 | | 478.99 | | | 478.99 |
| G | Z | UNSOLD SHARES 369 | | 271.92 | | | 271.92 |
| A | Z | UNSOLD SHARES 420 | | 309.50 | | | 309.50 |
| B | Z | UNSOLD SHARES 490 | | 361.08 | | | 361.08 |
| C | Z | UNSOLD SHARES 640 | | 471.62 | | | 471.62 |
| E | Z | UNSOLD SHARES 615 | | 453.19 | | | 453.19 |
| F | Z | UNSOLD SHARES 507 | | 373.61 | 20.00 | | 393.61 |
| J | Z | UNSOLD SHARES 575 | | 423.72 | 45.00 | | 468.72 |
| J | Z | UNSOLD SHARES 560 | | 412.66 | | | 412.66 |
| K | Z | UNSOLD SHARES 585 | | 431.09 | 45.00 | | 476.09 |
| K | Z | UNSOLD SHARES 575 | | 423.72 | | | 423.72 |
| K | Z | UNSOLD SHARES 560 | | 412.66 | | | 412.66 |
| TAL BUILDING ** 25 | | | | 9,985.03 | | 0.00 | |
| PK: 9 | | 13,550 | | | 355.00 | | 10,340.03 |

**EIGHTH AMENDMENT TO
COOPERATIVE OFFERING PLAN**

**1825-29-33 Palmer Avenue
Larchmont, New York**

The Offering Plan to Convert to Cooperative Ownership Premises at 1825-29-33 Palmer Avenue, Larchmont, New York dated August 1, 1984, as amended (the "Plan"), is hereby further amended as follows:

1. Asbestos Report

Pursuant to the provisions of 13NYCRR Part 18.7(aa) of the regulations promulgated by the Department of Law, Sponsor is hereby amending the Plan to include the "Asbestos Report" as described in the Seventh Amendment. The Report is appended hereto as Exhibit "A".

Further, pursuant to the terms of the Seventh Amendment, Sponsor hereby revises the representations set forth therein to comply with the decision handed down in Application of Council for Owner Occupied Housing, Inc. v. Robert Abrams (Supreme Court, Albany County, Index Number 9505-86), which invalidated part of the regulations, and which decision was affirmed by the Appellate Division, Third Department. As a result, Sponsor is not required to carry out any recommendation in the Asbestos Report nor to escrow \$2,500.00 per unit.

2. Updated Financials

Annexed hereto as Exhibit "B" is the Apartment Corporation's Financial Statement for the period ending December 31, 1986.

3. New Purchase Prices

The purchase price for unsold shares is hereby increased to \$248 per share. A list of unsold shares is annexed hereto as Exhibit "C".

4. Annual Shareholders Meeting

The Annual Meeting of Shareholders took place on May 21, 1986 at the Larchmont Federal Savings Bank, 1940 Palmer Avenue, Larchmont, New York. The shareholders elected the following Board of Directors:

Robert Orlofsky - President
Andrew Orlofsky - Vice President
Caroline N. Saccone - Treasurer
Tina DeLorenzo - Assistant Treasurer
Joanne Rice - Secretary
Catherine Barbieri - Assistant Secretary

5. Mortgage Refinancing

The mortgages on the property were refinanced with Manhattan Savings Bank on November 5, 1986. The Dime Savings Bank first mortgage and the wraparound mortgage held by Sponsor were satisfied. As a result of the refinancing the Apartment Corporation increased its working capital, after expenses, by \$227,589.77.

6. Increase in Maintenance Charges

As of July 1, 1986, maintenance charges were increased to \$8.712 per share annually or .726¢ per share monthly.

7. Capital Improvements

The Apartment Corporation has installed a new 125 horse power Scotch Marine Boiler and Johnson Burner. The cost of the installation was \$54,000.00. The improvements were paid for from the Reserve Fund with no assessment to the shareholders necessary.

8. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length. All provisions of the Plan which are consistent with this Amendment shall remain in effect.

9. No Other Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: New York, New York
April 3, 1987

1825 PALMER ASSOCIATES
Holder of Unsold Shares



Fume Jet Spray Co., Inc.

253 E. Merrick Road • Freeport, N.Y. 11520
(516) 378-1800 (718) 978-1121

January 7, 1987

Seymour Orlofsky, Inc.
199 Main Street
White Plains, N. Y. 10601

ATTN : Mr. R. Orlofsky

RE : Patricia Gardens
65 units

To Whom It May Concern :

On DECEMBER 11, 1986, a survey consisting of a thorough walk-thru inspection was carried out in order to determine, to the extent possible, the presence of Asbestos Containing Material (ACM) and assess the potential of any health hazard due to ACM fibers into the ambient air.

Our visual inspection and testing program has been prepared as per your request and is limited to only surfaces and areas capable of being observed on the date of our inspection and is not intended as a guarantee.

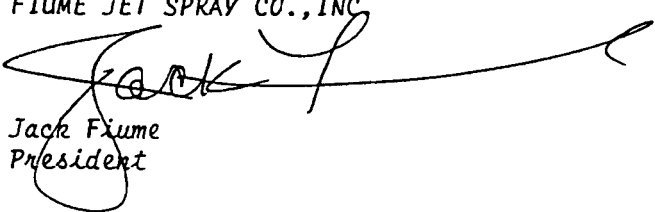
We will assume no responsibility for correction or disposition of ACM at the above noted location as part of this inspection.

Laboratory tests were performed by Polarized Light Microscopy in accordance with EPA guidelines.

Our report is as follows :

Respectfully Submitted,

FIUME JET SPRAY CO., INC


Jack Fiume
President



Fume Jet Spray Co., Inc.

253 E. Merrick Road • Freeport, N.Y. 11520
(516) 378-1800 (718) 978-1121

To Whom It May Concern :

Fume Jet Spray Co., Inc. has been incorporated since 1970, and I, Jack Fume own one hundred per cent (100%) of stock. I have been engaged in general and sub-contracting for in excess of twenty (20) years, specializing in spray on fireproofing, pipe covering, and boiler insulation.

For the past several years I have been active in the area of asbestos abatement, to include asbestos removal, encapsulation, and containment. I, as well as members of my firm have had both classroom and practical experience, all to enable us to successfully complete any and all work within the scope of asbestos abatement.

We are proud to have successfully completed work for such clients as Con Edison Indian Point Nuclear Power Plant, Lilco, Gulf Oil Company, Town of Hempstead, N.Y. Telephone Company, N.Y. Stock Exchange, World Trade Center, N.Y. City Housing Authority, City of N.Y. Dept. of Parks and Recreation, Citibank, N.Y. Daily News, United Airlines, Ciba Geigy, and numerous others.

The members of my staff command almost a century combined experience in the construction industry.

Richard Fume, General Supt., was responsible for more than 25,000,000 square feet of beams and decks fireproofed nationwide as Construction Supt. To his credit are such jobs as General Motors Building, Pan American Building, U.S. Federal Courthouse, Albany State Office Building, Metro Goldwyn Mayer Building, U.S. Court of Claims, North Shore Hospital, American Tobacco Building, Minskoff Cultural Center, 299 Park Avenue Building, 919 Third Avenue Building, and 100 & 111 Wall Street Building.

Ronald Reich, a graduate of New York Tech. for twelve (12) years prior to our association had been engaged in plaster and spray on fireproofing. His capacity at Giombi Brothers Inc. was in estimating, pricing, and Project Manager. While employed by Giombi Brothers he was involved in approx. fifty million dollars of sub-contract work. For the past six (6) years asbestos abatement and fireproofing have remained his area of expertise.

Charles Vosseler has twelve (12) years experience in spray coatings and spray fireproofing.

Steven Fume has been involved in construction for twenty (20) years. Prior to his association with Fume Jet Spray in 1980, he was Executive Vice President of a \$55,000,000 land development company, constructing 50 miles of roads and in excess of 1,000 residential homes. A Queens College graduate, his experience in fireproofing and asbestos abatement has been extensive.

The following is a resume of the contractor which includes background information, education and experience, methods used and completed projects.

**FIREPROOFING • SOUNDPROOFING • INSULATION • ACOUSTIC CEILINGS • STUCCO
ASBESTOS CONTAINMENT, ENCAPSULATION, REMOVAL, REPLACEMENT, CONSULTING & TESTING**



Fume Jet Spray Co., Inc.

253 E. Merrick Road • Freeport, N.Y. 11520
(516) 378-1800 (718) 978-1121

Below is a partial list of projects satisfactorily completed for Asbestos Abatement by Fume Jet Spray Co., Inc.

| | <u>Type of Job</u> |
|--|--|
| <i>Project : Brownsville Boys Club Contact : City of N.Y. Dept. of Parks and Recreation</i> | <i>Asbestos Removal & Respray Fireproofing</i> |
| <i>Project : Penthouse Magazine Int'l New York, N.Y. Contact : Bill Byrnes</i> | <i>Asbestos Encapsulation</i> |
| <i>Project : Various Contact : N.Y.C. Housing Authority</i> | <i>Asbestos Encapsulation</i> |
| <i>Project : United Airlines LaGuardia Airport Contact : Eugene Sewell, AIA</i> | <i>Asbestos Removal & Respray Fireproofing</i> |
| <i>Project : Rochdale Village Queens, N.Y. Contact : Kaswol Corporation</i> | <i>Asbestos Removal & Respray Fireproofing</i> |
| <i>Project : Bethpage U.F.S.D. Amitville U.F.S.D. Half Hollow Hills S.D. Locust Valley Central S.D. Central Islip U.F.S.D. Contact : Phillips Associates</i> | <i>Asbestos Encapsulation Asbestos Removal & Encapsulation Asbestos Encapsulation Asbestos Encapsulation Asbestos Removal & Reinsulation</i> |



Fiume Jet Spray Co., Inc.

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FIELD SURVEY & RECOMMENDATION

Patricia Gardens consists of 65 units. Out of 65, 20 were inspected. The balance of 45 were not home or not accessible during our visit. A notice of our inspection was distributed by the superintendent.

Our recommendations for remedy of ACM in this building inclusive of basement areas as well as any ACM found in the units themselves, is to remove and/or encapsulate all ACM. The areas noted within the survey itself with the remedy of remove/encaps. should be considered a potential health hazard and must be corrected by an approved asbestos abatement contractor and comply with the New York City Local Law 76 of 1985 or any other applicable laws.

ALL GUIDELINES SET FORTH BY EPA AND OTHER AGENCIES HAVING JURISDICTION SHOULD BE COMPLIED WITH IN THE REMOVAL OF, HANDLING, CONTAINING, SHIPPING AND DISPOSAL OF THE FRIABLE ASBESTOS MATERIAL.

ALL ACM LEFT IN BUILDING MUST BE LABELED FOR IDENTIFICATION PURPOSES AS PER EPA GUIDELINES.

NOTE : Regarding vinyl asbestos floor tile or sheeting. Asbestos may be found in this material or in it's backing. Asbestos fibers may be released if the tile or sheeting is sanded or cut. The recommended way to avoid disturbance of this ACM is to place new flooring directly over the old.

PLEASE SEE O & M GUIDELINES CONTAINED WITHIN FOR FURTHER INFO.

SUPP:

| FL | LOCATION | ROOM | ACH | TYPE | AMOUNT | COND. | REVE |
|----|----------|------|------|------|--------|-------|------|
| 3 | A | | n/h | | | | |
| | B | | n/h | | | | |
| | C | | n/h | | | | |
| | D | | n/h | | | | |
| | E | | n/h | | | | |
| | F | | n/h | | | | |
| | G | | n/h | | | | |
| | H | | n/h | | | | |
| 2 | A | | n/h | | | | |
| | B | | n/h | | | | |
| | C | | n/h | | | | |
| | D | | none | | | | |
| | E | | none | | | | |
| | F | | n/h | | | | |
| | G | | n/h | | | | |
| | H | | n/h | | | | |
| 1 | A | | none | | | | |
| | B | | none | | | | |
| | C | | none | | | | |
| | D | | n/h | | | | |
| | E | | n/h | | | | |
| | F | | n/h | | | | |
| | G | | none | | | | |
| | H | | none | | | | |

SUP:

1178

| FL | LOCAT:ON | RCCV | ACM | TYPE | APPROXIMATE AMOUNT | CONDITION | REVE: |
|-------------|----------------------|------|------|----------|-----------------------|-----------|------------|
| BSMT. -1824 | storage -outside 4 | | yes | A | 110 ft. | fair | encaps/n |
| 1829 | entrance | | yes | A | 85 ft. | fair | encaps/nen |
| | meter room | | yes | A | 15 ft. | fair | encaps/nen |
| | storage clst. | | yes | A | 50 ft. | fair | encaps/nen |
| | store room - 5 | | yes | A | 90 ft. | fair-poor | encaps/nen |
| | incinerator | | yes | A | 30 ft. | fair | encaps/nen |
| | storage outside -2 | | yes | A | 110 ft. | fair | encaps/n |
| | entrance | | yes | A | 115 ft. | fair-poor | encaps/nen |
| | incinerator | | none | | | | |
| | meter room | | yes | A | 20 ft. | fair | encaps/re |
| | store room | | yes | A | 225 ft. | poor-fair | encaps/re |
| | storage | | n/a | | | | |
| BSMT. -1825 | boiler room entrance | | yes | A | 15 ft. | fair | encaps/re |
| | boiler room | | yes | A-1178-2 | 335 ft. | poor-fair | encaps/re |
| | | | | | | | |
| | | | | | | | |
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| | | | | | | | |
| | | | | | | | |

ASBESTOS SURVEY

LEGEND FOR ACM SYMBOL

ACM
N/H Inspector could not get into apt.

TYPE

A = Pipe Insulation
B = Molded Elbows
C = Boiler Casing
D = Acoustic Ceiling Tile
E = Acoustical Plaster
F = Spray Applied Insulation
G = Duct Insulation
H = Other



BULK SAMPLING ANALYSIS

Analyzed by: R. Barth Date: 12/19/86 Reference # 86-410

FOR: Fume Jet Spray Company

| Sample I.D. # | 1178-1 | 1178-2 | 1178-3 |
|---------------|--------|--------|--------|
|---------------|--------|--------|--------|

ANALYTICAL METHOD

| | | | |
|---------------------------------|---|---|---|
| 1. PLM | 1 | 1 | 1 |
| 2. PLM with dispersion staining | | | |
| 3. PLM + X-Ray diffraction | | | |

GROSS SAMPLE APPEARANCE

| | | | |
|---------------------|------|------|-------|
| Homogeneous? | no | no | yes |
| obvious layers? Y/N | yes | yes | yes |
| fibrous? Y/N | yes | yes | yes |
| sample color | gray | gray | brown |

SAMPLE TREATMENT

| | | | |
|-------------------|---|---|---|
| 1. none | x | x | x |
| 2. homogenized | | | |
| 3. other, specify | | | |

Does the Sample Contain Asbestos Fibers:

| | | |
|-----|-----|-----|
| yes | yes | yes |
|-----|-----|-----|

ASBESTOS PRESENT

| | | | |
|-------------------|-------|-------|------|
| 1. Amosite | | | |
| 2. Chrysotile | 2-62% | 2-34% | 2-4% |
| 3. Crocidolite | | | |
| 4. Other, specify | | | |

Total % Asbestos present in Sample

| | | |
|----|----|---|
| 62 | 34 | 4 |
|----|----|---|

OTHER FIBROUS MATERIALS PRESENT

| | | | |
|-------------------|-----|------|-----|
| 1. Fibrous glass | | 4 | 10 |
| 2. Cellulose | 30% | 39 % | 60% |
| 3. Other, specify | | | |

NON FIBROUS MATERIALS PRESENT

| | | | |
|-------------------|--------------------|--------------------------|--------------------------------|
| (description & %) | Binders, quartz-8% | Binders, animal hair-23% | Binders, dirt, hair, paint-26% |
|-------------------|--------------------|--------------------------|--------------------------------|



Fume Jet Spray Co., Inc.

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ESTABLISHING A SPECIAL OPERATIONS AND MAINTENANCE (O & M) PROGRAM FOR ACM LEFT IN BUILDING AS NOTED IN EPA560585024

If ACM is found in a building, a special O & M program should be implemented as soon as possible. An O & M program is recommended for each type of ACM: surfacing material, pipe and boiler insulation, and miscellaneous materials. Although many of the procedures are the same, certain steps vary according to the type of ACM.

PURPOSE OF A SPECIAL O & M PROGRAM: *The program is designed to (1) clean up asbestos fibers previously released, (2) prevent future release by minimizing ACM disturbance or damage, and (3) monitor the condition of ACM. The program should continue until all ACM is removed or the building is demolished.*

WHO SHOULD PARTICIPATE: *The asbestos program manager, the manager of building maintenance, and the supervisor of the custodial staff are key participants in the O & M program.*

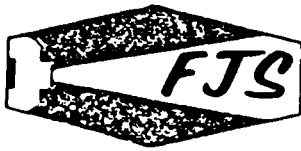
PROGRAM ELEMENTS: *The program should alert workers and building occupants to the location of ACM, train custodial and maintenance personnel in proper cleaning and maintenance, implement initial and periodic cleaning using special methods (for surfacing materials and pipe and boiler insulation only), establish a process that assures ACM is not disturbed during building repairs and renovations, and periodically re-inspect areas with ACM.*

The special O & M program for pipe and boiler insulation focuses on alerting workers to its location, inspecting the protective jacket (and pipe joints or elbows) for damage, and taking precautions prior to building construction activities. The program also includes repair and selected special cleaning practices.

DOCUMENTATION, EDUCATION AND TRAINING

The O & M program coordinator should:

- Record the exact location of asbestos-containing insulation on building documents (plans, specifications, and drawings).*
- Inform maintenance and custodial workers about the location of asbestos-containing insulation, and caution them about disturbing it.*



Fume Jet Spray Co., Inc.

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(516) 378-1800 (718) 978-1121

- Post signs reading, "Caution - Asbestos", on boilers, tanks, pipes, and ducts with asbestos containing insulation.
- Require all maintenance and custodial personnel to wear at least a half-face respirator with disposable HEPA cartridge filters during initial cleaning and whenever they come in contact with asbestos-containing insulation.
- Train custodial workers to clean properly and maintenance workers to handle ACM safely.

INITIAL CLEANING

Custodial staff should:

- Clean carpets in rooms containing heating, cooling, air handling, and similar equipment that has asbestos-containing insulation. Use a HEPA-filtered vacuum cleaner or steam cleaner. Discard filters in sealed plastic bags according to EPA regulations for removal and disposal of asbestos.
- Wet-mop all other floors in rooms with asbestos-containing insulation. Wipe all shelves and other horizontal surfaces with damp cloths. Use a mist spray bottle to keep cloths damp. Discard cloths and mopheads in sealed plastic bags according to EPA regulations for removal and disposal of asbestos.
- HEPA-vacuum all curtains in rooms with asbestos-containing insulation, and discard vacuum filters in sealed plastic bags according to EPA regulations for removal and disposal of asbestos.

SEMIANNUAL CLEANING

Custodial staff should:

- Spray with water any debris found near asbestos-containing insulation, and place the debris in a plastic bag using a dustpan. Clean the pan with water in a utility sink. Report presence of debris immediately to the O & M program coordinator.
- HEPA-vacuum all carpets in rooms with asbestos-containing insulation.
- Wet-mop all other floors and dust all other horizontal surfaces with damp cloths in rooms with asbestos-containing insulation.
- Seal all debris, vacuum bags, vacuum filters, cloths, and mopheads in plastic bags for disposal according to EPA regulations for asbestos waste.



BLOOM AND STREIT
Certified Public Accountants

271 North Avenue, New Rochelle, New York 10801 • 914/636-0210

BURTON M. BLOOM, CPA
THEODORE S. STREIT, CPA
ROGER O. BERMAN, CPA
JOEL V. WEINBERG, CPA

To the Board of Directors and Stockholders
Patricia Gardens Owners, Inc.

We have examined the balance sheet of Patricia Gardens Owners, Inc. as of December 31, 1986, the related statements of income and expenses, paid-in capital, retained earnings (deficit) 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.

In our opinion, the financial statements submitted herein present fairly the financial position of Patricia Gardens Owners, Inc. at December 31, 1986, the results of its operations and the changes in its financial position for the year then ended in conformity with generally accepted accounting principles applied on a consistent basis with that of the preceeding year.

Bloom and Streit

BLOOM AND STREIT
Certified Public Accountants
March 12, 1987

PATRICIA GARDENS OWNERS, INC.

BALANCE SHEET

December 31, 1986

ASSETS

CURRENT ASSETS

| | | | |
|---|----|---------------|------------|
| Cash - Managing Agent's Operating Account | \$ | 46,824 | |
| Cash in Money Market Account | | 139,230 | |
| Tenants Accounts Receivable | | <u>3,642</u> | |
| <u>Total</u> | \$ | 189,696 | |
| Less: Portion allocable to Funds (see below) | | <u>15,000</u> | |
| <u>Total Current Assets</u> | | | \$ 174,696 |

PREPAID EXPENSES

| | | | |
|-------------------------------|----|--------------|--------|
| Hazard Insurance | \$ | 3,087 | |
| Prepaid Real Estate Taxes | | <u>7,812</u> | |
| <u>Total Prepaid Expenses</u> | | | 10,899 |

MORTGAGEE ESCROW DEPOSITS

31,345

FUNDS

| | | | |
|--------------------------------------|--|--|--------|
| Reserve for Contingenies (see above) | | | 15,000 |
|--------------------------------------|--|--|--------|

FIXED ASSETS

| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net Book Value</u> | |
|-------------------------------|--------------------|-------------------------------------|---------------------------|-----------|
| Land | \$ 689,960 | \$ - | \$ 689,960 | |
| Building and Improvements | <u>1,762,500</u> | <u>55,014</u> | <u>1,707,486</u> | |
| <u>Total Fixed Assets</u> | <u>\$2,452,460</u> | <u>\$ 55,014</u> | | 2,397,446 |

OTHER ASSETS

| | | | |
|--|--|--|---------------|
| Unamortized Mortgage Financing Expense | | | <u>23,066</u> |
|--|--|--|---------------|

TOTAL ASSETS

\$2,652,452

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|---|----|--------------------|
| <u>CURRENT LIABILITIES</u> | | |
| Accounts Payable | \$ | 11,523 |
| Accrued Interest Payable | | 9,896 |
| Accrued Taxes | | 2,035 |
| Rents Received in Advance | | 21 |
| Exchanges | | 736 |
| <u>Total Current Liabilities</u> | | <u>24,211</u> |
| | \$ | 24,211 |
| | | |
| <u>LONG-TERM LIABILITIES</u> | | |
| Mortgage Payable | | \$1,250,000 |
| | | |
| <u>STOCKHOLDERS' EQUITY</u> | | |
| Common Stock - \$1.00 par value; 35,000 shares authorized; 33,282 shares issued and outstanding | \$ | 33,282 |
| Paid-in Capital - Exhibit "C-1" | | 1,444,908 |
| Retained Earnings (Deficit) - Exhibit "C-2" | (| 99,949) |
| <u>Total Stockholders' Equity</u> | | <u>1,378,241</u> |
| | | |
| <u>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | <u>\$2,652,452</u> |

The accompanying notes are an integral part of this statement.

PATRICIA GARDENS OWNERS, INC.STATEMENT OF INCOME AND EXPENSESFor the Year Ended December 31, 1986

| | | | |
|---|----|---------------|--------------------|
| <u>RENT INCOME</u> | | | |
| Carrying Charges - Apartments | \$ | 276,773 | |
| Less: Portion applied to the reduction of principal of mortgage | | <u>13,676</u> | \$ 263,097 |
| Parking Spaces | | | <u>14,832</u> |
| <u>Total Rent Income</u> | | | \$ 277,929 |
| <u>SERVICE INCOME</u> | | | |
| Laundry Room Income | | | 3,900 |
| <u>OTHER INCOME</u> | | | |
| Interest Income | | | <u>1,372</u> |
| <u>Total Income</u> | | | \$ 283,201 |
| <u>EXPENSES</u> | | | |
| Administrative Expenses | \$ | 16,651 | |
| Operating Expenses | | 62,427 | |
| Maintenance Expenses | | 21,323 | |
| Taxes and Insurance | | 96,326 | |
| Financial Expenses | | 105,620 | |
| Depreciation and Amortization of Mortgage Financing Expense | | <u>50,670</u> | |
| <u>Total Expenses</u> | | | <u>353,017</u> |
| <u>NET LOSS FOR THE YEAR</u> - Exhibit "C-2" | | | <u>(\$ 69,816)</u> |

The accompanying notes are an integral part of this statement.

PATRICIA GARDENS OWNERS, INC.
STATEMENT OF PAID-IN CAPITAL
For the Year Ended December 31, 1986

Exhibit "C-1"

| | |
|--|--------------------|
| <u>BALANCE</u> - Beginning of Year | \$1,431,232 |
| Portion of Carrying Charges applied to the reduction of Principal of Mortgage | <u>13,676</u> |
| <u>PAID-IN CAPITAL</u> - End of Year - Exhibit "A" | <u>\$1,444,908</u> |

PATRICIA GARDENS OWNERS, INC.
STATEMENT OF RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 1986

Exhibit "C-2"

| | |
|---|---------------------|
| <u>BALANCE</u> - Beginning of Year | (\$ 30,133) |
| Net Loss for the Year - Exhibit "B" | (<u>69,816</u>) |
| <u>RETAINED EARNINGS (DEFICIT)</u> - End of Year - Exhibit "A" | (\$ <u>99,949</u>) |

The accompanying notes are an integral part of these statements.

BLOOM AND STREIT
Certified Public Accountants

PATRICIA GARDENS OWNERS, INC.STATEMENT OF CHANGES IN FINANCIAL POSITIONFor the Year Ended December 31, 1986NET FREE ASSETS PROVIDED BY:

| | | | |
|--|----|----------------|---------|
| Non-Budgeted Laundry Room Income | \$ | 900 | |
| Net Increase in First Mortgage Payable | | <u>275,230</u> | |
| <u>Total Net Free Assets Provided</u> | \$ | | 276,130 |

NET FREE ASSETS APPLIED TO:

| | | | |
|--|----|---------------|---------------|
| Net Deficit for the Year - Schedule "D-2" | \$ | 20,046 | |
| Increase in Mortgagee Escrow Deposits | | 3,991 | |
| Increase in Prepaid Expenses | | 1,767 | |
| Acquisition of Building Improvements | | 49,500 | |
| Acquisition of Mortgage Financing Expense | | <u>23,861</u> | |
| <u>Total Net Free Assets Applied</u> | | | <u>99,165</u> |

INCREASE IN NET FREE ASSETS - Schedule "D-1" \$ 176,965

The accompanying notes are an integral part of this statement.

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF FINANCIAL POSITON

| | <u>December 31,</u> 1985 | <u>December 31,</u> 1986 |
|---|-----------------------------|-----------------------------|
| <u>CURRENT ASSETS</u> - Exhibit "A" | \$ 4,167 | \$ 174,696 |
| <u>CURRENT LIABILITIES</u> - Exhibit "A" | <u>30,647</u> | <u>24,211</u> |
| <u>NET FREE ASSETS (DEFICIENCY)</u> | (\$ 26,480) | \$ 150,485 |
| <u>INCREASE IN NET FREE ASSETS</u> - Exhibit "D" | <u>176,965</u> | <u> </u> |
| | <u>\$ 150,485</u> | <u>\$ 150,485</u> |

The accompanying notes are an integral part of this schedule.

PATRICIA GARDENS OWNERS, INC.COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL RECEIPTS AND EXPENDITURESFor the Year ended December 31, 1986

| | Budget Year Ended December 31, 1986 | Actual Year Ended December 31, 1986 | Actual Over (Under) Budget |
|---|--|--|-------------------------------------|
| <u>RECEIPTS</u> | | | |
| Carrying Charges - Apartments | \$ 276,774 | \$ 276,773 | (\$ 1) |
| Parking Income | 12,402 | 14,832 | 2,430 |
| Laundry Room Income | 1,200 | 3,000 | 1,800 |
| Interest Income | 900 | 1,372 | 472 |
| <u>Total Receipts</u> | <u>291,276</u> | <u>295,977</u> | <u>4,701</u> |
| <u>EXPENDITURES</u> | | | |
| <u>ADMINISTRATIVE EXPENSES</u> | | | |
| Management Fee | 10,000 | 10,000 | - |
| Legal Fee and Disbursements | 500 | - | (500) |
| Auditing | 4,000 | 4,000 | - |
| Telephone | 1,100 | 1,035 | (65) |
| Office and Miscellaneous Administrative Expenses | 600 | 1,616 | 1,016 |
| <u>Total Administrative Expenses</u> | <u>16,200</u> | <u>16,651</u> | <u>451</u> |
| <u>OPERATING EXPENSES</u> | | | |
| Fuel | 38,400 | 26,965 | (11,435) |
| Superintendent's Payroll | 18,000 | 18,305 | 305 |
| Supplies | 3,000 | 3,256 | 256 |
| Electricity | 7,000 | 5,422 | (1,578) |
| Water | 6,000 | 6,330 | 330 |
| Gas | 1,000 | 922 | (78) |
| Exterminating | 1,000 | 1,227 | 227 |
| <u>Total Operating Expenses</u> | <u>74,400</u> | <u>62,427</u> | <u>(11,973)</u> |
| <u>MAINTENANCE EXPENSES</u> | | | |
| Grounds Supplies and Expenses | 5,000 | 4,436 | (564) |
| Repairs | 15,000 | 15,498 | 498 |
| Miscellaneous Maintenance Expenses | - | 1,389 | 1,389 |
| <u>Total Maintenance Expenses</u> | <u>20,000</u> | <u>21,323</u> | <u>1,323</u> |

PATRICIA GARDENS OWNERS, INC.

COMPARATIVE SCHEDULE OF BUDGET WITH ACTUAL RECEIPTS AND EXPENDITURES

For the Year ended December 31, 1986

| | Budget Year Ended December 31, 1986 | Actual Year Ended December 31, 1986 | Actual Over (Under) Budget |
|---|--|--|-------------------------------------|
| <u>TAXES AND INSURANCE</u> | | | |
| Real Estate Taxes | 63,000 | 62,111 | (889) |
| Payroll Taxes | 1,500 | 1,614 | 114 |
| Licenses and Permits | 200 | 150 | (50) |
| Insurance | 30,000 | 28,325 | (1,675) |
| Union Welfare and Pension Fund | 2,700 | 2,876 | 176 |
| New York State Franchise Tax | 1,200 | 1,250 | 50 |
| <u>Total Taxes and Insurance</u> | <u>98,600</u> | <u>96,326</u> | <u>(2,274)</u> |
| <u>FINANCIAL EXPENSES</u> | | | |
| Interest on Mortgage | <u>78,370</u> | <u>105,620*</u> | <u>27,250</u> |
| <u>CONTRIBUTIONS TO EQUITY AND RESERVES</u> | | | |
| Amortization of Mortgage | <u>16,520</u> | <u>13,676</u> | <u>(2,844)</u> |
| <u>Total Expenditures</u> | <u>304,090</u> | <u>316,023</u> | <u>11,933</u> |
| <u>NET (DEFICIT) FOR THE YEAR - Exhibit "D"</u> | <u>(\$ 12,814)</u> | <u>(\$ 20,046)</u> | <u>(\$ 7,232)</u> |

* Includes costs of approximately \$20,700 in connection with the refinancing of the mortgage.

The accompanying notes are an integral part of this schedule.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1986

Note 1 Corporate Organization

Pursuant to a Plan to Convert to Cooperative Ownership dated June 29, 1984, and as amended, title to the land and building known as Patricia Gardens, Larchmont, New York was conveyed by the Sponsor to Patricia Gardens Owners, Inc. on February 12, 1985.

Note 2 MORTGAGE PAYABLE

On November 5, 1986, Manhattan Savings Bank acquired the existing underlying and wraparound mortgages by assignment. It then issued an additional loan in the sum of \$275,230.23 to Patricia Gardens Owners, Inc. which was then consolidated into a mortgage in the amount of \$1,250,000 for an initial term of five years at an initial interest rate of 9.5% per annum. Patricia Gardens Owners, Inc. shall pay interest only on the unpaid principal balance due on the first day of each and every month commencing December 1, 1986 and ending December 1, 1991, on which date all accrued interest and unpaid principal shall be due and payable.

Note 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation on the building is being computed by the straight-line method using a life of thirty-five years. During the year ended December 31, 1986, the cooperative purchased a new boiler for \$49,500 which is also being depreciated over an estimated useful life of thirty-five years.

Note 4 QUALIFICATION AS COOPERATIVE HOUSING CORPORATION

For the year ended December 31, 1986, the corporation qualifies as a cooperative housing corporation in accordance with Section 216 of the Internal Revenue Code.

PATRICIA GARDENS OWNERS, INC.

NOTES TO FINANCIAL STATEMENT

December 31, 1986

Note 5 FEDERAL INCOME TAXES

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code. Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, such liability will be reflected in future financial statements.

DATE: 03/26/87

** RENT POLL-VACANT **

PAGE: 1

13: PATRICIA GRDMS CO OP

| ACC# | APT | STA | TENANT | S-SHR | APT-RENT | PARKING-1 | PARKING-2 |
|-------------------|-----|-----|-----------------|--------|----------|-----------|-----------|
| 14 | 2-B | V | UNSOLD SHARES. | 630 | 457.38 | 2- | 45.00 |
| 17 | 2-C | V | UNSOLD SHARES. | 507 | 368.08 | | |
| 18 | 3-C | V | UNSOLD SHARES. | 495 | 359.37 | | |
| 19 | 1-D | V | UNSOLD SHARES. | 440 | 319.44 | | |
| 25 | 1-F | V | UNSOLD SHHARES. | 665 | 482.79 | | |
| 27 | 3-F | V | UNSOLD SHARES. | 640 | 464.64 | 12- | 45.00 |
| 30 | 3-A | V | UNSOLD SHARES. | 410 | 297.66 | | |
| 31 | 1-B | V | UNSOLD SHARES. | 515 | 373.89 | 52- | 45.00 |
| 32 | 2-B | V | UNSOLD SHARES. | 507 | 368.08 | | |
| 34 | 1-C | V | UNSOLD SHARES. | 640 | 464.64 | 31- | 20.00 |
| 35 | 2-C | V | UNSOLD SHARES. | 630 | 457.38 | | |
| 39 | 3-D | V | UNSOLD SHARES. | 410 | 297.66 | 42- | 45.00 |
| 40 | 1-E | V | UNSOLD SHARES. | 515 | 373.89 | 12- | 45.00 |
| 43 | 1-F | V | UNSOLD SHARES. | 650 | 471.90 | | |
| 47 | 2-G | V | UNSOLD SHARES. | 369 | 267.89 | | |
| 54 | 3-A | V | UNSOLD SHARES. | 420 | 304.92 | | |
| 57 | 3-B | V | UNSOLD SHARES. | 490 | 355.74 | | |
| 60 | 3-C | V | UNSOLD SHARES. | 640 | 464.64 | | |
| 66 | 3-E | V | UNSOLD SHARES. | 615 | 446.49 | | |
| 68 | 2-F | V | UNSOLD SHARES. | 507 | 368.08 | 41- | 20.00 |
| 71 | 2-J | V | UNSOLD SHARES. | 575 | 417.45 | 62- | 45.00 |
| 72 | 3-J | V | UNSOLD SHARES. | 560 | 406.56 | | |
| 73 | 1-K | V | UNSOLD SHARES. | 585 | 424.71 | 12- | 45.00 |
| 74 | 2-K | V | UNSOLD SHARES. | 575 | 417.45 | | |
| 75 | 3-K | V | UNSOLD SHARES. | 560 | 406.56 | | |
| ** TOTL BLDNG: 25 | | | | 13,550 | 9,837.29 | 355.00 | # PK: 9 |

SEVENTH AMENDMENT
TO COOPERATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE, LARCHMONT, NEW YORK

The Cooperative Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 as amended (the "Plan"), is hereby further amended as follows:

1. THE REGULATION:

This amendment is presented pursuant to the provisions of 13 NYCRR 18.7 (aa), a regulation promulgated by the Department of Law on August 8, 1986.

2. ASBESTOS STATEMENT:

Sponsor shall perform such tests as are necessary to determine whether Asbestos Containing Material (ACM) is present in insulating or fireproofing material anywhere in the building, and shall disclose such results in a duly filed amendment to the Plan no later than February 8, 1987.

3. ASBESTOS REPORT:

If ACM is present, sponsor shall have a person who is qualified to render an opinion asbestos prepare a report on the asbestos in the building(s) (the "asbestos report"). Such asbestos report shall contain at least the following information:

- (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 in the ACM, and condition; whether the presence of any of the ACM poses an immediate health or safety hazard; which apartments, 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 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 other 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.

The asbestos report will be disclosed in a duly filed amendment to the plan by February 8, 1987.

4. RIGHT TO POSTPONE CLOSINGS:

Subscribers or purchasers) have the right to delay closings on their individual units until 30 days after the amendment containing the asbestos statement and asbestos report is served.

5. LITIGATION DISCLOSURE:

The regulations promulgated on August 8, 1986 contained the following additional language:

In addition, the offering plan must state that the recommendations of the asbestos report will be expeditiously carried out by the sponsor if the closing has not occurred, or the apartment corporation if the closing has occurred but the sponsor is in control, and that it will be the responsibility of the apartment corporation to monitor and, whenever necessary, to treat or remove ACM which remains in the building(s) after the conversion to a cooperative.

If any closings take place prior to the completion of asbestos removal and treatment work, sponsor shall place in escrow a sum of money sufficient to pay for said work, the amount to be determined by a person qualified to render an opinion of asbestos, but no event less than \$2,500.00 per unit.

A lawsuit was brought to invalidate the emergency asbestos regulations--Application of Council For Owner Occupied Housing Inc. v. Robert Abrams, Supreme Court, Albany County, Index Number 9505-86. On October 6, 1986 Justice John G. O'Connor issued an opinion upholding that part of the regulations set out in paragraphs 2 and 3. The decision invalidated that part of the regulations set out in this paragraph.

The Attorney General will appeal that part of the decision invalidating that part of the regulations set forth in this paragraph.

6. UPDATE:

This plan will be amended to disclose the outcome of this litigation as well as its ramifications on sponsors' obligations in this offering plan. If the final court determination or stipulation upholds the decision invalidating the provisions of the regulations set for the in paragraph 5, sponsor

will have no obligation to carry out the recommendations of the asbestos report or to escrow a sum of money sufficient to pay for said work. If the final court determination reverses the decision invalidating the provisions of the regulations set forth in paragraph 5, sponsor will have the obligation to perform such work and to escrow money sufficient to pay for said work, if the closing has not occurred or if sponsor is in control of the Board of Directors.

7. NO OTHER MATERIAL CHANGES

There are no other material changes in the terms of this offering plan.

New York, New York
October __, 1986

1825 PALMER ASSOCIATES
SPONSOR

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SIXTH AMENDMENT
TO COOPERATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE, LARCHMONT, NEW YORK

The Cooperative Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 as amended (the "Plan"), is hereby further amended as follows:

1. Financial Statements

Bloom and Streit, Certified Public Accountants, have prepared the financial statement for the year ended December 31, 1985, a copy of which is attached hereto as Exhibit "A".

2. New Price for Professional Apartment

The new purchase price for the professional apartment is increased to \$248 per share.

3. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length. All provisions of the Plan which are consistent with this Amendment shall remain in effect.

4. No other Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

New York, New York
July 2, 1986

1825 PALMER ASSOCIATES
SPONSOR

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FIFTH ADMENDMENT
TO COOPEATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE, LARCHMONT, NEW YORK

The Cooperative Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 (the "Plan") is hereby further amended as follows:

1. Unsold Shares

Of the 33,282 issued and outstanding shares of the Apartment Corporation, 13,550 shares are currently "Unsold Shares" held by Sponsor, which entity controls the Board of Directors. The Shares allocable to all apartments held by the "Holders of Unsold Shares" are offered pursuant to the Plan. Appended to this Amendment as Exhibit A is the list of such shares and apartments.

2. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

3. No other Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

New York, New York
March 4, 1986

1825 PALMER ASSOCIATES
SPONSOR

EXHIBIT A

| | <u>Apartment</u> | <u>Number of Shares</u> |
|---------------------|------------------|-------------------------|
| 1825 Palmer Avenue: | 1D | 440 |
| | 1F | 665 |
| | 2B | 630 |
| | 2C | 507 |
| | 3C | 495 |
| | 3F | 640 |
| 1829 Palmer Avenue: | 1B | 515 |
| | 1C | 640 |
| | 1E | 515 |
| | 1F | 650 |
| | 2B | 507 |
| | 2C | 630 |
| | 2G | 369 |
| | 3A | 410 |
| | 3D | 410 |
| 1833 Palmer Avenue: | 1K | 585 |
| | 2F | 507 |
| | 2J | 575 |
| | 2K | 575 |
| | 3A | 420 |
| | 3B | 490 |
| | 3C | 640 |
| | 3E | 615 |
| | 3J | 560 |
| | 3K | 560 |

FOURTH AMENDMENT
TO COOPERATIVE OFFERING PLAN:
1825-29-33 PALMER AVENUE, LARCHMONT, NEW YORK

The Cooperative Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 (the "Plan"), is hereby further amended as follows:

1. The Closing

On February 12, 1985, the Apartment Corporation acquired fee title to the premises. The closing took place at the offices of Hall, Dickler, Lawler, Kent & Friedman, 460 Park Avenue, New York, New York. The closing adjustments resulted in a net amount due Sponsor of \$41,215.52. The sum of \$30,000 was deducted from the Working Capital Fund and the Apartment Corporation executed a Promissory Note in the amount of \$11,215.52 to be paid in 12 equal monthly installments of \$934.63 commencing March 14, 1985. A Working Capital Fund of \$5,000.00 and a Reserve Fund of \$15,000 were each placed in accounts at Chase Manhattan Bank, NBW Division, Gedney Branch, White Plains, New York.

2. First Meeting of Shareholders

The first meeting of shareholders was held on March 5, 1985. The following were elected as Directors of the Apartment Corporation: Robert Orlofsky - President, Andrew Orlofsky - Vice President, Michael McGrath, Andrew T. Cannistraci (1829/3F) and Philip W. Wenk (1329/2H).

3. Unsold Shares

Of the 33,282 issued and outstanding shares of the apartment Corporation, 18,579 shares are currently "Unsold Shares" held by Sponsor, which entity controls the Board of Directors. The shares allocable to all apartments held by the "Holders of Unsold Shares" are offered pursuant to the Plan. Appended to this Amendment as Exhibit A is the list of such shares and apartments. Exhibit B, attached hereto, is the form of Contract of Sale to be used with respect to the Unsold Shares.

4. Effective Period for Using Plan is Extended

This Plan may be used for six (6) months from the date this Amendment is duly accepted for filing and thereafter said date is to be extended in a further amendment to be filed.

5. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

6. No Other Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

New York, New York
May , 1985

1825 PALMER ASSOCIATES,
SPONSOR

UNSOLD SHARES
 PATRICIA GARDENS
 1825-29-33 PALMER AVENUE
 LARCHMONT, NEW YORK

| <u>Apt. No.</u> | <u>No. Shares</u> |
|--------------------|-------------------|
| 1825 PALMER AVENUE | |
| 1-B | 640 |
| 2-B | 630 |
| 2-C | 507 |
| 3-C | 495 |
| 1-D | 440 |
| 2-E | 517 |
| 1-F* | 665 |
| 2-F | 655 |
| 3-F | 640 |
| 1829 PALMER AVENUE | |
| 3-A | 410 |
| 1-B | 515 |
| 2-B | 507 |
| 1-C | 640 |
| 2-C | 630 |
| 1-D | 430 |
| 3-D | 410 |
| 1-E | 515 |
| 3-E | 495 |
| 1-F | 650 |
| 2-G | 369 |
| 3-G | 360 |
| 1-H | 375 |
| 1833 PALMER AVENUE | |
| 3-A | 420 |
| 2-B | 502 |
| 3-B | 490 |
| 1-C† | 0 † |
| 3-C | 640 |
| 2-D | 432 |
| 2-E | 630 |
| 3-E | 615 |
| 2-F | 507 |
| 3-F | 495 |
| 2-J | 575 |
| 3-J | 560 |
| 1-K | 585 |
| 2-K | 575 |
| 3-K | 560 |
| | <hr/> |
| TOTAL | 18,579 |

* Apartment not offered for sale to occupant

† Superintendent's apartment not offered for sale

CONSULT YOUR LAWYER BEFORE SIGNING THIS INSTRUMENT

CONTRACT OF SALE — COOPERATIVE APARTMENT

Agreement

made as of the _____ day of _____ 19____

between 1825 PALMER ASSOCIATES

Having Offices at: c/o Seymour Orlofsky, Inc., Agent
199 Main Street, White Plains, NY 10601
hereinafter called "Seller"

and

residing at _____

hereinafter called "Purchaser".

WITNESSETH :

1. Seller agrees to sell and transfer and Purchaser agrees to buy (i) _____ shares (the "Shares") of PATRICIA GARDENS OWNERS, INC.

(the "Corporation") allocated to Apartment _____ (the "Apartment") in the cooperative apartment building located at _____

and (ii) the Seller's interest, as tenant, in the proprietary lease, as amended (the "Lease"), for the Apartment, which Lease is appurtenant to the Shares.

2. (a) Subject to the rights of the landlord under the Lease and any holder of a mortgage to which the Lease is subordinate, this sale includes all of the Seller's right, title and interest, if any, in and to:

(i) the refrigerators, ranges, dishwashers, kitchen cabinets and counters, lighting and plumbing fixtures, air-conditioning equipment and other fixtures and articles of property attached to or appurtenant to the Apartment, ~~except those listed in subparagraph (b) of this Paragraph 2.~~

~~(b) furniture and furnishings, and~~

4. Seller represents, warrants and covenants that: (a) Seller is the sole owner of the Shares, the Lease ~~and the property referred to in paragraph 2(a)(i)~~; the same are and will at closing be free and clear of liens, encumbrances and adverse interests, subject to the matters, if any, affecting the title to the real property of which the Apartment is a part; and Seller has the full right and power to sell and transfer the same; (b) the Shares were duly issued and fully paid for and are non-assessable; (c) the maintenance (rent) payable on the date hereof is at the rate of \$ _____ a month and at the date of closing will be fully paid to said date; (d) Seller has not received any written notice of any intended assessment or increase in said maintenance (rent) not reflected in the figure set forth in subparagraph (c); (e) the Lease is and will at closing be in full force and effect; (f) Seller is not and will not become indebted for labor or material which might give rise to the filing of a notice of mechanic's lien against the building in which the Apartment is located; (g) there are and will at closing be no violations of record which the tenant would be obligated to remedy under the terms of the Lease; (h) Seller is ~~not~~ a Sponsor or a nominee of a Sponsor under any plan of cooperative organization affecting this Apartment. ~~THE~~

The representations and warranties contained in this Paragraph 4 and in Paragraph 14 shall survive the closing but any action based thereon must be instituted within one year from the date of closing.

The property referred to in Paragraph 2(a)(i) ~~and 2(a)(ii)~~ may not be purchased if title to the Shares and the Lease is not closed hereunder.

3. The purchase price is \$ _____ payable as follows: \$ _____ by check, subject to collection, on the execution and delivery of this agreement; \$ _____ in cash, cashier's check or by unendorsed certified check of Purchaser drawn on a local bank or trust company, to the order of Seller, to be delivered at the closing.

Contract deposit shall be held in escrow with Seymour Orlofsky, Inc. until time of closing in compliance with GBL §§352-h and 352-e(2-b).

PURCHASER HAS RECEIVED MORE THAN 72 HOURS PRIOR TO SIGNING THIS CONTRACT, THE OFFERING PLAN AS AMENDED TO DATE FOR THE CONVERSION OF PATRICIA GARDENS TO COOPERATIVE OWNERSHIP, AND THE LEASE, AND HAS READ THEM.

5. Purchaser has examined and is satisfied with the certificate of incorporation, the by-laws of REPRESENTATIONS the Corporation and the form of the Lease, or has waived the examination thereof. Purchaser has inspected the Apartment, its fixtures, appliances and equipment and the personal property, if any, included in the sale, and knows the condition thereof, and agrees to accept the same "as is", i.e., in the condition they are in on the date hereof subject to normal wear and tear. Purchaser has examined or waived examination of the last audited financial statement of the Corporation, and has considered or waived consideration of all other matters pertaining to this agreement and to the purchase to be made hereunder, and does not rely on any representations made by any broker or by Seller or anyone acting or purporting to act on behalf of Seller as to any matters which might influence or affect the decision to execute this agreement or to buy the Shares, the Lease, or said personal property except those representations and warranties which are specifically set forth in this agreement.

REQUIRED APPROVAL

REFERENCES

SALE AFTER APPROVAL ASSUMPTION

REMOVAL OF SELLER'S PROPERTY

RISK OF LOSS, ETC.

PRIOR LEASE TERMINATION

6. This sale is subject to the approval of the _____ of the Corporation as provided in the Lease or the corporate by-laws. Purchaser agrees to submit to Seller or to the Corporation's managing agent, within five (5) days after the execution and delivery hereof the names and addresses of persons to whom, or banks or corporations to which, reference may be had as to Purchaser's character and financial standing, and thereafter to attend (and to cause Purchaser's spouse to attend) one or more personal interviews, as requested by the Corporation, and submit to the Corporation or its managing agent such further references and information as are commonly asked for in such transactions. If any of the aforementioned references are submitted to Seller, Seller shall promptly redeliver same to the Corporation or its managing agent. Seller may, but shall not be required to take any steps in connection with the procurement of such approval. Seller shall promptly notify Purchaser of such approval or of the refusal thereof upon receipt of notice thereof. In the event of such refusal, this agreement shall thereby be deemed cancelled. If approval or refusal be not received by Seller or Purchaser at or before the closing, either may by notice given to the other on or before the date fixed in paragraph 10 for the closing, adjourn the closing for a period not to exceed thirty (30) days for the purpose of obtaining such approval, and if the party who has adjourned the closing is unable to obtain approval of this sale within said period of time, this agreement shall ipso facto be deemed cancelled. If this agreement is cancelled as provided in this Paragraph, all sums theretofore paid to Seller by Purchaser on account of the purchase price shall be returned without interest to Purchaser and both parties shall be relieved from all further liability hereunder.

7. If approval of this sale be granted, Seller agrees to transfer and assign to Purchaser the Lease, the Shares and the personal property, as in this agreement provided, and Purchaser agrees to pay the purchase price and to assume, with respect to obligations arising from and after the time of the closing, all of the terms, covenants and conditions of the Lease on the part of the lessee thereunder to be performed, and to be bound by the by-laws of the Corporation and the rules and regulations, if any, from time to time promulgated by the Corporation. To that end Purchaser shall execute and deliver to the Corporation at the closing an agreement containing such assumptions in the form requested or approved by the Corporation, and, if requested by the Corporation, a new proprietary lease for the balance of the lease term shall be executed by Purchaser and the Corporation and the Lease being assigned by Seller shall be surrendered for cancellation.

8. Seller shall, prior to the closing, remove from the Apartment all the household furniture, furnishing and other personal property not included in this sale, and shall repair any damage caused by such removal, and shall deliver possession of the Apartment at the closing, broom-clean.

9. (a) The risk of loss or damage to the Apartment, or to the property included in this sale in accordance with Paragraph 2, by fire or other cause, until the time of the closing, is assumed by Seller, but without any obligation on the part of Seller, except at Seller's option, to repair or replace any such loss or damage. Seller shall notify Purchaser of the occurrence of any such loss or damage within five (5) days after such occurrence or by the date of closing, whichever first occurs, and by such notice shall elect whether or not Seller will repair or replace the loss or damage and if Seller elects to do so, that he will complete the same within the sixty (60) day period hereinafter referred to. If Seller elects to make such repairs and/or replacements, then Seller's said notice shall set forth an adjourned date for the closing, which shall be not more than sixty (60) days after the date of the giving of Seller's notice. If Seller does not elect to make such repairs and/or replacements, or if Seller elects to make them and fails to complete the same on or before said adjourned closing date, Purchaser shall have the following options:

- (i) to declare this agreement cancelled and receive a refund, without interest, from Seller of all sums theretofore paid on account of the purchase price; or
- (ii) to complete the purchase in accordance with this agreement without reduction in the purchase price except as provided in the next sentence. If Seller carries hazard insurance covering such loss or damage, Seller shall turn over to Purchaser at the closing the net proceeds (after legal and other expenses of

collection) actually collected by Seller under the provisions of such hazard insurance policies to the extent that they are attributable to loss of or damage to any property included in this sale; if Seller has not received such proceeds Seller shall assign (without recourse to Seller) Seller's right to any payment or additional payments from Seller's said insurance which are attributable to the loss of or damage to any property included in this sale, less any sums theretofore expended by him.

(b) If Seller does not elect to make such repairs and/or replacements, Purchaser may exercise the resulting option under (i) or (ii) of (a) only by notice given to Seller within five (5) business days after Purchaser's option arises. If Seller elects to make such repairs and/or replacements and fails to complete the same on or before the adjourned closing date, Purchaser may exercise the resulting options within five (5) business days after the adjourned closing date.

10. The closing documents referred to in Paragraph 11 shall be delivered, and payment of the balance of the purchase price shall be made, at the closing to be held on _____ 19____ at _____ M., at the office of

Seymour Orlofsky, Inc.
199 Main Street
White Plains, NY 10601

11. At the closing: (a) Seller shall deliver to CLOSING PURCHASER: DOCUMENTS

- (i) Seller's certificate for the Shares, duly endorsed for transfer, or accompanied by a separate duly executed stock power, with necessary stock transfer stamps attached and in either case, with any guarantee of Seller's signature required by the Corporation;
- (ii) Seller's duplicate original of the Lease and a duly executed assignment thereof to the Purchaser in the form requested or approved by the Corporation;

~~(iii) A certificate of the secretary of the Corporation as evidence of the consent of the Corporation or its directors to the transfer of the Shares and Lease to Purchaser in accordance with the applicable provisions of the Lease or the corporate by-laws.~~

(iii) If requested, a statement by the managing agent that the maintenance and any special assessments then due and payable to the Corporation have been paid to the date of the closing;

~~(iv) A copy of a bill of sale in customary form transferring the property referred to in Paragraph 2.~~

(iv) Keys to the outer doors of the Apartment.

(v) Certificate of Approval of Managing Agent

(b) Purchaser shall deliver to Seller and the Corporation, together with the payment of the balance of the purchase price, the duly executed agreements and/or new lease referred to in Paragraph 7 hereof.

12. (a) Seller shall, at the closing, pay the PROCESSING FEE

processing fee, if any, charged by the managing agent for its services in connection with the approval of this sale and the transfer of the Shares and the Lease and the legal fee of the Corporation's attorney, if any, in connection with such transfer. Purchaser shall pay (i) the sales and transfer taxes, if any, on this sale, other than the transfer stamps provided for in Paragraph 11 (a) (i) and (ii) the cost of title search if required by the Corporation. (b) The parties shall at the closing apportion, as of midnight of the day preceding the date of actual closing, the rent under the Lease, and utility charges, if any, due the Corporation. Assessments will not be apportioned but will be payable by the party who is the Owner when the same become due and payable.

13. If prior to the closing the Corporation shall elect to cancel and terminate the Lease under any option or privilege reserved therein for any reason except Seller's default, this agreement shall thereupon become a nullity and Seller shall be deemed to be unable to convey the Lease and the Shares and Seller shall refund to Purchaser, without interest, all sums theretofore paid on account of the purchase price.

ACCEPT 14. Purchaser represents to Seller that Purchaser has not dealt with any brokers in connection with this transaction other than

and Seller agrees to pay said broker a commission.

DEFAULTS, REMEDIES 15. If Purchaser defaults hereunder, Seller's sole remedy shall be to retain as liquidated damages the down payment mentioned in Paragraph 3, it being agreed that Seller's damages in case of Purchaser's default might be impossible to ascertain and that the down payment constitutes a fair and reasonable amount of damages in the circumstances. If Seller willfully defaults, Purchaser shall have such remedies as he is entitled to at law or in equity, including but not limited to specific performance because the Apartment and possession thereof cannot be duplicated.

ENTIRE AGREEMENT 16. All representations, understandings and agreements had between the parties with respect to the subject matter of this agreement are merged in this agreement which alone fully and completely expresses their agreement.

NO ASSIGNMENT BY PURCHASER 17. This agreement cannot be changed, discharged or terminated orally. Purchaser may not assign this agreement or any of his rights hereunder.

Note:

Either strike this paragraph because there is no financing condition to the transaction or complete the paragraph as required.

FINANCING CONDITION

21. A. The obligations of Purchaser hereunder are subject:

(a) to the issuance of a commitment letter by _____ a commercial bank, savings bank, savings and loan association or insurance company doing business in the State of New York to Purchaser, on or before _____, 19____ (a copy of which letter shall be furnished to Seller promptly after receipt thereof), pursuant to which the institution agrees to lend not less than \$ _____, at a rate of interest not to exceed * $\frac{\%}{100}$ per annum, for a term of at least _____ years solely upon the security of a pledge, security interest or assignment of, and or mortgage on, the Shares and the Lease, in order to enable Purchaser to consummate the transaction provided herein;

(b) to the consent of the Corporation to the loan if such consent is required by the terms of the Lease or the by-laws of the Corporation and to the execution by the Corporation of an agreement, in form and substance satisfactory to the institution and the Corporation, for the protection of the institution's rights as a lender; and

(c) to the closing of the loan on or before the date fixed in Paragraph 10 for the closing.

B. Purchaser shall apply for the loan, shall furnish to the institution, within five (5) days of the date hereof, accurate and complete information on Purchaser and members of Purchaser's family, as required, shall advise Seller of the name and address of the institution to which such application has been made and the date upon which it was made and shall cause to be furnished to the Corporation, for its consideration, as soon as practicable, the agreement proposed to be made by the institution with the Corporation. Purchaser shall pay or reimburse Seller the fees charged by the Corporation and its counsel for reviewing and negotiating the aforesaid agreement.

C. Purchaser shall accept any commitment letter complying with the terms of subparagraph A(a) hereof, if issued, shall pay any application, appraisal, commitment or other fees in respect of the loan, and shall comply with the requirements of the commitment letter other than those relating to the Corporation.

D. Provided that Purchaser shall have fulfilled all of Purchaser's obligations under subparagraph B hereof, if the aforementioned commitment letter is not issued by the date provided for in subparagraph A(a) hereof, Purchaser shall have the right to terminate this agreement on Notice given not more than five (5) days thereafter, or if the other conditions provided for in subparagraph A hereof are not met, Purchaser shall have the right to terminate this agreement on Notice to Seller, and in either such event all sums theretofore paid on account of the purchase price shall be returned without delay and without interest to Purchaser, and all parties hereto shall be relieved of and from any further liability hereunder.

*prevailing rate

ENTIRE AGREEMENT 18. Notwithstanding any contrary provisions of this agreement, express or implied, or any contrary rule of law or custom, if Seller shall be unable to transfer the Lease and the Shares in accordance with this agreement and any conditions hereof, then the sole obligation and liability of Seller shall be to refund to Purchaser, without interest, all sums theretofore paid on account of the purchase price, and upon the making of such refund this agreement shall be deemed cancelled and shall wholly cease and terminate, and neither party shall have any further claim against the other by reason of this agreement. However, nothing contained in this paragraph shall be construed to relieve Seller from liability due to a misrepresentation or wilful default.

NOTICES 19. All notices or demands ("Notice") that must or may be given or made hereunder shall be in writing and sent by certified or registered mail, return receipt requested, to the address above set forth for the party to whom the Notice is given, or to such other address for such party as said party shall hereafter designate by Notice given to the other party pursuant to this paragraph. Each Notice shall be deemed given on the next business day following the date of mailing the same.

MARGIN HEADINGS 20. The margin headings are intended only for convenience in finding the subject matter and do not constitute part of the text of this agreement and shall not be considered in the interpretation of this agreement or any of its provisions.

NOTE: The Purchaser will execute Transferee Questionnaire TP-581 required under New York State Real Property Transfer Gains Tax (Article 31-B, New York State Tax Law). Seller will pay the New York State Transfer Gains Tax.

IN WITNESS WHEREOF, the parties hereto have duly executed this agreement the day and year first above written.

BY:
Seller

.....
Seller

.....
Purchaser

.....
Purchaser

.....

Seller

to

Purchaser

.....

CONTRACT OF SALE OF
COOPERATIVE APARTMENT
Form Approved by
The Cooperative Housing
Lawyers Group

.....

Apartment Number:

Address of Premises:

Name of Cooperative Corporation:

.....

Patricia Gardens Apartments
BUILDING _____

UNIT _____

RIDER TO CONTRACT OF SALE

between: 1825 PALMER ASSOCIATES

and:

In consideration of the execution of this Contract of Sale, Seller agrees to do the following work, at its sole cost and expense, prior to the Purchaser taking occupancy:

- a) Properly prepare all walls, ceilings and
woodwork throughout the apartment and
paint white.
- b) Install new caloric self-cleaning electric
range, G.E. 15 cu. ft. two door refrigerator
and G.E. dishwasher
- c) Scrape and polyurethane all wood floors
- d) Repair and regrout existing bathroom tile
- e) Install all new duplex receptacles, light
switches and plates, window sash locks,
light fixtures, toilet seat, bathroom basin,
and new thermalux windows.
- f) Install new American Woodmark kitchen cabinets,
Style Elite, almond countertops, stainless
steel sink, and new linoleum flooring.
- g) Purchaser acknowledges that all existing phone
jacks and old phone wires have been removed.
Removal of the old phone jacks/wires was done
in order to facilitate repairs around the door
frames and baseboards throughout the apartment.
- h) Apartment will be delivered unoccupied and broom
clean.

Please Initial

| |
|--|
| |
| |

Please Initial

| |
|--|
| |
| |

THIRD AMENDMENT
COOPERATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE, LARCHMONT, NEW YORK

The Cooperative Offering Plan for the Premises as 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 ("the Plan"), is hereby further amended as follows.

1. Plan Declared Effective

The Cooperative Offering Plan for the Premises as 1825-29-33 Palmer Avenue, Larchmont, New York, has been declared effective in accordance with the terms of the Plan. Appended hereto as Exhibit A is the Affidavit of Earle S. Altman, a principal of the sponsor, in support of declaring the Plan effective. Exhibit B is a copy of the Notice dated December 5, 1984 by which the plan was declared effective. Such Notice has been sent to all Purchasers and Tenants.

2. Closing of Title Scheduled

Conveyance of title to the Premises from the Sponsor to the Apartment Corporation will take place on February 12, 1985, at 10:00 A.M., at the offices of the attorneys for the Sponsor, Hall, Dickler, Lawler, Kent & Friedman, Esqs., 460 park Avenue, New York, New York 10022, unless otherwise adjourned. Any subscriber who is financing his or her purchase and who has not yet received a commitment for financing will have an additional 30 days following the presentation of this amendment to seek financing and will be afforded the opportunity to close within 60 days after February 12th without penalty or charge, provided that prior arrangements are made with the Selling Agent, proof being furnished of application for financing within said 30-day period.

3. Percentage of Bona Fide Tenants in Occupancy Who Have Executed Subscription Agreements

Subscription Agreements have been executed and delivered by at least 15% of bona fide tenants in occupancy of all residential apartments in the buildings on the date the Plan was declared effective. Specifically, of the 65 units in the buildings, 5 were vacant on the date the Plan was declared effective. Of the 60 occupied units, Subscription Agreements have been executed for 17 units (28%). All 17 Subscriptions Agreements were executed and delivered by bona fide tenants in occupancy on the date the Plan was declared effective; three (3) of the 17 were in occupancy on the date of presentation of the Plan.

4. Extended Exclusive Period

The original ninety-day exclusive purchase period expires December 17th. Until that date, the tenant purchase price is \$80 per share. Bona fide tenants in occupancy on the date of presentation of this Amendment who were also bona fide tenants in occupancy on the date of presentation of the Plan shall have the exclusive right to purchase the shares allocated to their apartments following the expiration of the ninety-day exclusive period until February 12, 1985, the date of Closing hereinbefore provided for (the "Extended Exclusive Period"). During the Extended Exclusive Period the purchase price to tenants shall be \$88 per share.

Upon the expiration of the Extended Exclusive Period, tenants shall no longer have any exclusive right to purchase and the price per share for both tenants and non-tenants alike shall be the New Outside Prices set forth below.

5. New Outside Prices

The purchase price to non-tenant purchasers of the shares of the Apartment Corporation being offered pursuant to this Plan is hereby increased from \$121 per share to \$135 per share. This increased price per share is the New Outside Price and shall apply alike to both non-tenant purchasers and to tenants in occupancy who purchase after expiration of the aforesaid Extended Exclusive Period.

6. Increased Working Capital Fund

The Working Capital Fund is hereby increased by \$25,000. Accordingly, the total Working Capital Fund to be provided at Closing will be \$35,000, subject to closing adjustments as provided for in the Plan.

7. Replacement Windows to Tenant-Purchasers

All bona fide tenants in occupancy on the date of presentation of this Amendment, who have heretofore subscribed or who subscribe pursuant to the terms of this Amendment, will receive new prime replacement windows, model DHA2.5, manufactured by Elker Manufacturing Corp. of New York City.

8. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

9. No Other Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: New York, New York
January 17, 1985

1825 Palmer Associates,
Sponsor

EXHIBIT "A"

AFFIDAVIT DECLARING NON-EVICTION PLAN EFFECTIVE

STATE OF)
 : ss.:
COUNTY OF)

EARLE S. ALTMAN, being duly sworn, deposes and says:

1. I am a principal of the Sponsor and am authorized to make the following statements:

2. The Cooperative Offering Plan for 1825-29-33 Palmer Avenue, Larchmont, New York, which was presented on September 17, 1984 by means of an offering plan filed with the Attorney General on August 1, 1984 was declared effective pursuant to the terms of the Plan by notice dated December 5, 1984. Sponsor hereby represents that Subscription Agreements have been executed and delivered with the required consideration for by least 15% of bona fide tenants in occupancy. As to tenants who were in occupancy on the date the Plan was accepted for filing, the Subscription Agreements were executed and delivered pursuant to an offering made in good faith without fraud and discriminatory repurchase agreements or other discriminatory inducements.

3. The following purchasers are related (by blood, marriage or adoption) to or are principals, employees, shareholders, limited partners or business associates of the Sponsor or any of the Sponsor's principals, or of the Selling Agent or any of the Selling Agent's principals: NONE.

4. Subscription Agreements have been executed for the following units: (See "table" attached.)

TABLE

| <u>Apt. #</u> | <u>Subscriber(s)</u> | <u>Date Subscription Agreement Signed</u> | <u>Date of First Occupancy If Less Than Three Years</u> |
|---------------|----------------------|---|---|
| 1825-1C | Herbin | 11/07/84 | 12/01/84 |
| 1825-1E | Sacino | 12/02/84 | * |
| 1825-2A | Ranieri | 11/09/84 | 12/01/84 |
| 1825-2D | Brooks/Kelly | 11/07/84 | 12/01/84 |
| 1825-2E | Martin | 11/07/84 | 12/01/84 |
| 1825-3E | LoSquadro | 11/12/84 | 12/01/84 |
| 1829-1A | Moran | 11/07/84 | 12/01/84 |
| 1829-1G | Pasqua | 11/15/84 | 12/01/84 |
| 1829-2D | Cameron | 11/02/84 | 12/01/84 |
| 1829-2E | Delany | 11/02/84 | 12/01/84 |
| 1829-2F | Caprio | 11/02/84 | 12/01/84 |
| 1829-2H | Wenk | 11/02/84 | 12/01/84 |
| 1829-3C | Chlanda | 11/14/84 | * |
| 1833-1A | Adrani | 11/13/84 | 12/01/84 |
| 1833-1D | DeLorenzo | 11/13/84 | 12/01/84 |
| 1833-1E | McNerney | 11/02/84 | 12/01/84 |
| 1833-1J | Koen | 11/29/84 | * |

* Subscriber has resided at Premises for more than three (3) years.

All of the above-listed subscribers are bona fide tenants in occupancy who have duly executed Subscription Agreements and have paid the full down payment as required under the Plan.

5. Upon information and belief none of the aforementioned purchasers were purchasing for the purpose of resale, subletting, assigning or as an accommodation to, or for the account or benefit of the Sponsor or any of the principals thereof.

6. The Sponsor is not aware of any "no-buy" pledges.

7. I hereby submit this affidavit to the Attorney General for the purpose of declaring this plan effective. I understand that any false statement or omission may subject me to civil or criminal prosecution.

1825 PALMER ASSOCIATES

By: _____

Sworn to before me this
14th day of December, 1984

J. J. [Signature]
Notary Public

VIRGINIA E. BOST
Notary Public
No. 4000
Qualified in New York
Qualified in Virginia
Commission Expires March 30, 1986



Exhibit "B"

SEYMOUR ORLOFSKY, INC.
Real Estate • 199 Main Street, White Plains, N.Y. 10601 • (914) 328-1800

December 5, 1984

CERTIFIED MAIL

Re: Offering Statement - A Plan to Convert to Cooperative
Ownership Premises ("Premises") located at 1825-1829-1833
Palmer Avenue, Larchmont, New York ("Plan")

Dear Tenant and/or Purchaser:

Please be advised that more than fifteen (15%) percent of tenants in occupancy, as of this date, of residential apartments in the Premises have executed Subscription Agreements for apartments located thereat. Accordingly, the Plan is hereby declared effective in the manner as provided by Part I (pages 49-50) of the Plan. An amendment ("Amendment") to the Plan reflecting the foregoing shall be submitted for filing with the Office of the Attorney General of the State of New York within five (5) business days after the date hereof.

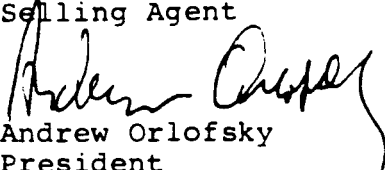
A copy of the Amendment shall be delivered to you promptly after the Attorney General has accepted same for filing.

For a detailed explanation of the significance of the matters set forth in this letter, please examine the copy of the Plan previously delivered to you.

We look forward to assisting you in connection with this matter and will attempt to answer any questions you may have at this time.

Very truly yours,

SEYMOUR ORLOFSKY, INC.
Selling Agent


Andrew Orlofsky
President

THIS LETTER IS NOT AN OFFERING. THE COMPLETE OFFERING TERMS ARE IN AN OFFERING PLAN AVAILABLE FROM THE SPONSOR.

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SECOND AMENDMENT
TO COOPERATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK

The Cooperative Offering Plan for the Premises at 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 ("the Plan") is hereby further amended as follows:

1. New Prices to Non-Tenant Purchasers

The purchase prices to non-tenant purchasers of shares of the Apartment Corporation being offered pursuant to this Plan is hereby increased from \$110.00 per share to \$121.00 per share.

2. Incorporation of Plan

The Plan, and First Amendment, as modified and supplemented hereby, are incorporated herein by reference with the same force and effect as if set forth at length.

3. No Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: New York, New York
October 29, 1984

1825 PALMER ASSOCIATES,
SPONSOR

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FIRST AMENDMENT
TO COOPERATIVE OFFERING PLAN
1825-29-33 PALMER AVENUE, LARCHMONT, NEW YORK

The Cooperative Offering Plan for the premises at 1825-29-33 Palmer Avenue, Larchmont, New York, dated August 1, 1984 ("the Plan") is hereby amended as follows:

1. Period for Switching Apartments Extended

The right of a bona fide tenant in occupancy on the date of the presentation of this Amendment, who was also a bona fide tenant in occupancy on the date of presentation of the Plan, to elect to purchase a Vacant Apartment in the Building in lieu of purchasing his or her own apartment shall continue for a period of 30 days from the date of presentation of this Amendment upon the same terms and conditions as described in the Plan.

A tenant's right to purchase his or her own apartment at the "Tenants' Purchase Price" set forth in Schedule A in the Plan expires on December 17, 1984. However, tenant's right to purchase a Vacant Apartment at the "Tenants' Purchase Price", as described more fully in the Plan (see section "Switching Apartments") shall only be extended until thirty (30) days following the presentation of this Amendment.

2. Incorporation of Plan

The Plan, as modified and supplemented hereby, is incorporated herein by reference with the same effect as if set forth at length.

3. No Material Changes

Except as set forth in this Amendment, there have been no material changes in the Plan.

Dated: New York, New York
October 16, 1984

1825 PALMER ASSOCIATES,
SPONSOR

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THIS PLAN HAS BEEN AMENDED. SEE INSIDE COVER.

THIS IS A NON-EVICTION PLAN. SEE PAGE 35. NO NON-PURCHASING TENANT WILL BE EVICTED BY REASON OF CONVERSION TO COOPERATIVE OWNERSHIP.

COOPERATIVE OFFERING PLAN

**PATRICIA GARDENS
1825-29-33 PALMER AVENUE
LARCHMONT, NEW YORK 10538
(65 Units) (33,282 Shares)**

| | |
|---|--------------|
| Total Cash Offering | \$ 3,661,020 |
| Mortgage Indebtedness..... | 1,000,000 |
| Total Purchase Price | \$ 4,661,020 |
| Less: Reserve Fund to be provided for Apartment Corporation | 15,000 |
| *Less: Working Capital Fund to be retained by Apartment Corporation | 10,000 |
| Net Offering Proceeds of Property due Sponsor | \$ 4,636,020 |

*Subject to closing adjustments. See page 70.

Apartment Corporation Whose Shares are Offered:

**PATRICIA GARDENS OWNERS, INC.
7 Bryant Crescent, Suite 1C
White Plains, New York 10605-2603**

Name and Address of Sponsor:

**1825 PALMER ASSOCIATES
c/o Robert Orlofsky Realty, Inc.
7 Bryant Crescent, Suite 1C
White Plains, New York 10605-2603**

Name and Address of Selling Agent:

**Robert Orlofsky Realty, Inc.
7 Bryant Crescent, Suite 1C
White Plains, New York 10605-2603**

Approximate Date of First Offering: August 1, 1984.

This Plan may not be used for more than 12 months from such date unless extended by amendment.

SEE PAGE 1 FOR SPECIAL RISKS TO PURCHASERS

THIS OFFERING PLAN IS THE ENTIRE OFFER TO SELL THESE COOPERATIVE UNITS. NEW YORK LAW REQUIRES THE SPONSOR TO DISCLOSE ALL MATERIAL INFORMATION IN THIS PLAN AND TO FILE THIS PLAN WITH THE NEW YORK STATE DEPARTMENT OF LAW PRIOR TO SELLING OR OFFERING TO SELL ANY UNIT. FILING WITH THE DEPARTMENT OF LAW DOES NOT MEAN THAT THE DEPARTMENT OR ANY OTHER GOVERNMENT AGENCY HAS APPROVED THIS OFFERING.

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SPECIAL RISKS

1. At the time of closing of title the premises shall be transferred subject to a consolidated first mortgage held by Dollar Savings Bank of New York (the "Underlying Mortgage") in the original consolidated principal sum of \$575,000 as of April, 1977, with a current outstanding balance of \$489,500, more or less, which mortgage is payable \$5,151.05 per month, applied first to interest at the rate of 8 3/4% per annum and the balance in reduction of principal at the total constant rate of 10 3/4%, and which mortgage is due on April 24, 1987 at which time there shall be an outstanding principal balance of \$403,000, more or less; and a wraparound mortgage (the "Wrap Mortgage") to be held by the Sponsor in the principal sum of \$1,000,000, which sum includes the unpaid principal balance of the Underlying Mortgage. The Wrap Mortgage shall provide for constant monthly installments of \$7,916.67 due and payable on the first day of each month following the Closing Date (which payment includes interest at the rate of 8% per annum on the unpaid balance and the remainder applied to principal at the total constant rate of 9-1/2% per annum of the original principal amount of the mortgage) for the first two years; monthly installments of \$9,166.67 (which payment includes interest at the rate of 9% per annum on the unpaid balance and the remainder applied to principal at the total constant rate of 11% per annum on the original principal amount of the mortgage) for the next two years; monthly installments of \$10,000 (which payment includes interest at the rate of 10% per annum on the unpaid balance and the remainder applied to principal at the total constant rate of 12% per annum of the original principal amount of the mortgage) for the next two years; and monthly installments of \$11,666.67 (which payment includes interest at the rate of 12% per annum on the unpaid balance and the remainder applied to principal at the total constant rate of 14% per annum of the original principal amount of the mortgage). The Wrap Mortgage shall be due 8 years after closing. See "Terms of Mortgage(s)."

Tenant shareholders will not be personally liable to the Wrap Mortgagee, or the holder of the Underlying Mortgage, to pay monthly installments of mortgage payments or the unpaid principal balance of the Wrap Mortgage at its maturity, which will be \$775,258, more or less. However, to preserve its equity in the Property, the Apartment Corporation may endeavor to refinance or extend the Wrap Mortgage at maturity. The availability, terms and cost of such refinancing or extension will vary from time to time depending upon then existing market conditions, the credit-worthiness of the borrower, the financial and physical condition of the Property and other factors. In the event the Apartment Corporation is unable to arrange such refinancing or extension, or if the terms there of are considered unfavorable, it would be necessary to assess each tenant-shareholder in order to pay the principal balance then due.

No representation is made as to the availability of funds for refinancing, the interest rate, or the cost of refinancing at the time the mortgage(s) become due, except as set forth herein. See "Terms of Mortgage(s)."

2. Sponsor may, at its option, declare the Plan abandoned for any reason whatsoever before it is declared effective. Once the Plan has been declared effective, it may not be abandoned for any reason other than 1) defects in title which cannot be cured without litigation or for less than \$15,000.00 in the aggregate; 2) substantial damage or destruction of the building by fire or other casualty which is not fully covered by insurance, unless Sponsor elects to repair same; 3) the taking of any material portion of the property by condemnation or eminent domain, or 4) work orders of any mortgagee or insurance carrier received subsequent to the presentation date of this Plan or violations of record noted after such presentation date, which cannot be cured or complied with for less than \$15,000.00 in the aggregate (as reasonably estimated by Sponsor).

3. The premises offered pursuant to this Offering Plan are sold "as is." The purchaser of an apartment may inspect such apartment which will be taken "as is".

4. Sponsor has agreed to contribute an undivided interest in the Premises (the "Contributed Property") to the Apartment Corporation in exchange for the Unsold Shares. The Apartment Corporation's basis in such Contributed Property will be less than its basis would have been had the Apartment Corporation purchased the Contributed Property. As a result, the Apartment Corporation may incur adverse tax consequences upon the sale or other taxable disposition of the premises; depreciation deductions otherwise available to the Apartment Corporation and tenant-stockholders using their apartments in their trades or businesses or for the production of income would be lowered. See "Special Tax Consequences of Contract of Sale and Exchange."

INTRODUCTION

1825 PALMER ASSOCIATES (the "Sponsor") invites your attention to a well located building in the fashionable Village of Larchmont, Town of Mamaroneck. The Sponsor acquired fee title to the premises on May 1, 1969. The corporation (the "Apartment Corporation") which will acquire from the Sponsor such title of the land and the building located at 1825-29-33 Palmer Avenue, Larchmont, New York is offering 33,282 shares for sale to all tenants in occupancy as well as to individuals who are 18 years of age or older. Except for tenants in occupancy, the said shares are not being offered to corporations, partnerships, trusts or foreign governments. Purchasers shall be obligated to represent in the Subscription Agreement that they are purchasing the shares for their own account, beneficial and of record. Sponsor causes certain acts of the Apartment Corporation but not so as to relieve Sponsor of obligations or liabilities for which it is responsible.

The purpose of this Offering Plan is to set forth all the material terms of the offer. The Plan may be amended from time to time when an amendment is filed with the New York State Department of Law. Amendments shall be served on offerees.

While every effort has been made to describe the existing building, there can be no substitute for a thorough inspection by prospective purchasers. You are therefore invited to arrange for an inspection of the building and the apartment of special interest to you, by contacting the Selling Agent.

The purchaser of a cooperative apartment buys shares of the Apartment Corporation which owns the building in which his apartment is located. Ownership of the shares entitles the purchaser to a special lease of his apartment commonly known as a "Proprietary Lease." As a shareholder, he will have the right to vote annually for the Board of Directors who will conduct the affairs of the Apartment Corporation and supervise the operation of the building. As a lessee, he will pay rent (customarily known as "Maintenance Charges"), representing a proportionate share of the Apartment Corporation's cash requirements for the operation and maintenance of the building and creation of such reserve for contingencies as the Board of Directors may deem proper; and he will pay his proportionate share of assessments which may be levied by the Board of Directors from time to time.

The prices for the blocks of shares allocated to the various apartments in the building are set forth in Schedule A. THESE PRICES ARE NOT SUBJECT TO APPROVAL BY THE DEPARTMENT OF LAW OR ANY OTHER GOVERNMENT AGENCY. The estimated annual maintenance charges for each apartment for the first year of cooperative ownership are also set forth in Schedule A.

A tenant in occupancy of a residential apartment at the date of presentation of the Plan will have the exclusive right for a period of ninety (90) days from such presentation date to purchase the shares allocated to his apartment for the reduced Total Cash Payment set forth in Schedule A column captioned "Tenants' Purchase Price". A tenant in occupancy of a residential apartment at the date of presentation of the Plan will also have a non-exclusive right for thirty (30) days to purchase any of the then vacant apartments in the Building, subject to availability, in lieu of purchasing his own apartment, at the "Tenant's Purchase Price". See Section entitled "Switching Apartments".

There will be no increase in prices during such thirty and ninety day periods for tenant purchasers, however, after such periods, the prices shown for non-tenants shall apply, without any amendment to such effect, Sponsor will not accept Subscription Agreements from non-tenant purchasers for occupied units during such exclusive period.

In the opinion of counsel, if this Plan is declared effective in accordance with its terms, each tenant-shareholder will have the right to deduct for income tax purposes his proportionate share of real estate taxes assessed against the property and mortgage interest paid by the Apartment Corporation. See Attorney's Income Tax Opinion.

The agreement to purchase the Apartment corporation's shares is known as a Subscription Agreement, and may be found in Part II.

A summary of the principal provisions of the Proprietary Lease may be found in Part I of this Offering Plan and a copy of the lease may be found in Part II.

There are three buildings which are the subject of this offering. Throughout this Offering Plan, the three buildings may be referred to as "building" and are treated as one entity. The building is a Class A multiple dwelling consisting of three stories and a basement. A total of 64 residential apartments are offered for sale at this time, all of which are subject to the provisions of the Emergency Tenant Protection Act of 1974, and regulations pursuant thereto (hereinafter referred to as "ETPA"). The Building contains two additional apartments. One is occupied by the superintendent (1C at 1833 Palmer Avenue), and the other (1F at 1825 Palmer Avenue), is presently used by a doctor for professional purposes on a month-to-month basis. The Apartment Corporation will own the superintendent's apartment and no shares have been allocated to such apartment. The shares allocated to Apt. 1F at 1825 Palmer Avenue are not presently offered for sale to the public and are to be held by Sponsor at this time. Sponsor reserves the right to offer such shares to the public at a later date, provided the Plan

is first amended to disclose same. There were 8 vacant apartments on July 19, 1983, the approximate date of first submission of the proposed offering plan to the Department of Law. There are 28 private garages and 8 outside parking spaces.

Sponsor has elected not to present this Plan in accordance with the regulatory requirements for eviction plans for cooperative conversion. Therefore, a bona fide tenant in occupancy of an apartment subject to the ETPA who does not wish to purchase will not be subject to eviction except for non-payment of rent or other default under his lease or upon the expiration of his lease if the tenant is not entitled to renew his lease under the ETPA or otherwise. See "Rights and Obligations with Respect to Existing Tenancies".

In addition, the rent of such non-purchasing tenants will not be increased, except as specified in their existing leases or pursuant to the rent regulations applicable to their apartment. The leases of tenants in occupancy, and the rights to renewals thereof, will not be affected by the conversion of the property to cooperative form of ownership, and their apartments will continue to be subject to the ETPA.

Present tenants in occupancy are under no obligation to purchase the shares of the Apartment Corporation allocated to their apartments. The applicable portions of the appropriate rent law(s) and the General Business Law ("GBL") are set forth in Part II.

Section II of this Plan also contains a detailed description of the property which should be carefully reviewed by prospective purchasers.

Parts I & II together constitute the entire Offering Plan. All the documents referred to in this Offering Plan are important. The Offering Plan delivered to tenants and prospective purchasers contains all of the detailed terms of the transaction. The Plan and Parts A, B, and C of the Exhibits delivered to the Department of Law contain all of the documents referred to in the Plan. Copies of the Offering Plan and all Exhibits submitted to the Department of Law in connection with the filing of the Plan will be available for inspection without charge and for copying at a reasonable charge to prospective Purchasers and their attorneys at the office of the Sponsor-Selling Agent.

THE PURCHASE OF A COOPERATIVE UNIT HAS MANY SIGNIFICANT LEGAL AND FINANCIAL CONSEQUENCES AND MAY BE ONE OF THE MOST IMPORTANT FINANCIAL TRANSACTIONS OF YOUR LIFE. THE ATTORNEY GENERAL STRONGLY URGES YOU TO READ THIS OFFERING PLAN CAREFULLY AND TO CONSULT WITH AN ATTORNEY BEFORE SIGNING A SUBSCRIPTION (OR PURCHASE) AGREEMENT.

DEFINITIONS

These definitions should be read in conjunction with technical definitions appearing in the Proprietary Lease and By-Laws. (See Part II.)

Apartment or Unit - The dwelling space allocated to a particular block of shares evidenced by a Proprietary Lease.

Apartment Corporation or Cooperative Corporation - The legal entity which is created pursuant to the Business Corporation Law of the State of New York to own property as a cooperative. Individuals acquiring an interest in specific apartments become shareholders in the corporation.

Assessed Value - The value placed on the property by the taxing authority, which, when multiplied by the tax rate, determines the real estate tax on the property.

Assessment - A determination made by the Board of Directors that some cash requirement be imposed upon tenant-shareholders beyond the ordinary maintenance charges and the amount of such additional imposition on a pro rata basis.

Building - The three buildings 1825 Palmer Avenue, 1829 Palmer Avenue, and 1833 Palmer Avenue, Larchmont, New York.

By-Laws - The framework of regulations adopted by a corporation governing its meetings and internal operations, and defining the authority of its Board of Directors and officers.

Closing Date, or Closing - The date fee title to the property is acquired by the Apartment Corporation, subsequent to the "Effective Date".

Effective Date - The date when purchasers are formally notified that Sponsor has received the requisite Subscription Agreements (pursuant to applicable law) to schedule a Closing Date.

Filing, or Acceptance for Filing - Formal notification by the New York State Department of Law that Sponsor's submitted Plan may be used as an offering document.

Maintenance Charges - The charges fixed by the Board of Directors to cover the Apartment Corporation's cash requirements for the following year. Each lessee pays such charges in the proportion that the number of shares allocated to his apartment bears to the total number of shares outstanding.

Offeree - Any person entitled to service of any document pursuant to NYCRR Part 18 including (i) one residential

tenant per unit, (ii) subscribers or purchasers who have executed and delivered Subscription Agreements or Purchase Agreements to Sponsor, Apartment Corporation or Selling Agent, and are not in default, (iii) shareholders of the Apartment Corporation, and (iv) any other person entitled to service pursuant to local law or regulation.

Offering Plan, or Plan - A statement which has been accepted for filing, and any amendments thereto, designed to provide disclosure of all material facts concerning the offering of shares of the Apartment Corporation, in order to aid a prospective purchaser in making an informed decision regarding his purchase.

Presentation, or Date of Presentation - The date a copy of the Offering Plan is personally delivered or five (5) days after a copy is mailed to the tenants of the building.

Proprietary Lease - The agreement between the Apartment Corporation, as Landlord, and the Purchaser, as Tenant, defining their respective rights and obligations with regard to the occupancy of the Apartment allocated to the shares acquired by said purchaser.

Purchase of, or Subscription for, a block of shares and appurtenant Proprietary Lease under a Subscription Agreement is sometimes referred to as the "purchase of an apartment;" and the apartment to which it relates is sometimes referred to as "his apartment", the "apartment purchased", or the "apartment owned."

Purchaser(s) - Persons(s) so named in a Subscription (or Purchase) Agreement which is still in effect or person(s) who have purchased an apartment as hereinabove defined.

Selling Agent - the entity which has been designated by the Apartment Corporation to originate and supervise sales.

Sponsor, or Sponsor-Selling Agent - The person or entity conveying interests in the property to the Apartment Corporation. See Identity of Parties.

Subscription Agreement or Purchase Agreement - The contract made between the Apartment Corporation and a Purchaser to respectively sell and purchase shares of stock in the Apartment Corporation entitling the Purchaser to a Proprietary Lease for a specific apartment.

Tenant-Shareholder - The Purchaser of shares of stock in the Apartment Corporation who has executed a Proprietary Lease for the apartment unit allocated thereto.

Unsold Shares - Shares of the Apartment Corporation

not sold or fully paid for by the Closing Date that are acquired by Sponsor, individuals who are members of the Sponsor, or individuals produced by the Sponsor. Such shares retain their character as "Unsold Shares" regardless of transfer, until:

(a) they become the property of a Purchaser for bona fide occupancy (by said Purchaser, or a person related to him by blood or marriage) of the apartment to which such shares are allocated; or

(b) the holder of such shares (or a person related to him by blood or marriage) becomes a bona fide occupant of the apartment.

SCHEDULE A

SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS
(and related information at the date of presentation of the Plan)

See page 23 for conditions applicable to these prices.

PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS
ESTIMATED MAINTENANCE CHARGES AND ESTIMATED INCOME
TAX DEDUCTIONS FOR THE FIRST YEAR OF COOPERATIVE OPERATION (1)

| Apt. # (2) | Rooms and Baths (3) | Share Allocations (4) | Tenants' Purchase Price @ \$80.00 Per Share (5) | Non-Tenants' Purchase Price @ \$110.00 Per Share (5) | Amount of Mortgage Applicable to Shares (6) | | Annual @ \$7.92 Per Share | Estimated Maintenance Charges (7) | Monthly @ \$.66 Per Share | Estimated Income Tax Deduction @ \$4.0919 Per Share (8) |
|--------------------|---------------------|-----------------------|---|--|---|-----------|---------------------------|-----------------------------------|---------------------------|---|
| | | | | | Per Share | Per Share | | | | |
| 1825 PALMER AVENUE | | | | | | | | | | |
| 1-A | 3/1 | 440 | \$35,200 | 48,400.00 | \$13,220.36 | | 3,484.80 | 290.40 | 1,800.44 | |
| 2-A | 3/1 | 432 | 34,560 | 47,520.00 | 12,979.99 | | 3,421.44 | 285.12 | 1,767.70 | |
| 3-A | 3/1 | 420 | 33,600 | 46,200.00 | 12,619.43 | | 3,326.40 | 277.20 | 1,718.60 | |
| 1-B | 4 1/2/1 | 640 | 51,200 | 70,400.00 | 19,229.61 | | 5,068.80 | 422.40 | 2,618.82 | |
| 2-B | 4 1/2/1 | 630 | 50,400 | 69,300.00 | 18,929.15 | | 4,989.60 | 415.80 | 2,577.90 | |
| 3-B | 4 1/2/1 | 615 | 49,200 | 67,650.00 | 18,478.46 | | 4,870.80 | 405.90 | 2,516.52 | |
| 1-C | 3 1/2/1 | 515 | 41,200 | 56,650.00 | 15,473.83 | | 4,078.80 | 339.90 | 2,107.33 | |
| 2-C | 3 1/2/1 | 507 | 40,560 | 55,770.00 | 15,233.46 | | 4,015.44 | 334.62 | 2,074.59 | |
| 3-C | 3 1/2/1 | 495 | 39,600 | 54,450.00 | 14,872.90 | | 3,920.40 | 326.70 | 2,025.49 | |
| 1-D | 3/1 | 440 | 35,200 | 48,400.00 | 13,220.36 | | 3,484.80 | 290.40 | 1,800.44 | |
| 2-D | 3/1 | 432 | 34,560 | 47,520.00 | 12,979.99 | | 3,421.44 | 285.12 | 1,767.70 | |
| 3-D | 3/1 | 420 | 33,600 | 46,200.00 | 12,619.43 | | 3,326.40 | 277.20 | 1,718.60 | |
| 1-E | 3 1/2/1 | 525 | 42,000 | 57,750.00 | 15,774.29 | | 4,158.00 | 346.50 | 2,148.25 | |
| 2-E | 3 1/2/1 | 517 | 41,360 | 56,870.00 | 15,533.92 | | 4,094.64 | 341.22 | 2,115.51 | |
| 3-E | 3 1/2/1 | 505 | 40,400 | 55,550.00 | 15,173.37 | | 3,999.60 | 333.30 | 2,066.41 | |
| 1-F* | 4 1/2/1 | 665 | 53,200 | 73,150.00 | 19,980.77 | | 5,266.80 | 438.90 | 2,721.11 | |
| 2-F | 4 1/2/1 | 655 | 52,400 | 72,050.00 | 19,680.31 | | 5,187.60 | 432.30 | 2,680.19 | |
| 3-F | 4 1/2/1 | 640 | 51,200 | 70,400.00 | 19,229.61 | | 5,068.80 | 422.40 | 2,618.82 | |

See page 23 for conditions applicable to these prices.

| Apt. # | Rooms and Baths (3) | Share Allocations (4) | Tenants' Purchase Price @ \$80.00 Per Share (5) | Non-Tenants' Purchase Price @ \$110.00 Per Share (5) | Amount of Mortgage Applicable to Shares @ \$30.046 Per Share (6) | Estimated Maintenance Charges (7) | | Estimated Income Tax Deduction @ \$4.0919 Per Share (8) |
|--------------------|---------------------|-----------------------|---|--|--|-----------------------------------|---------------------------|---|
| | | | | | | Annual @ \$7.92 Per Share | Monthly @ \$.66 Per Share | |
| 1829 PALMER AVENUE | | | | | | | | |
| 1-A | 3/1 | 430 | \$34,400 | 47,300.00 | \$12,919.90 | 3,405.60 | 283.80 | 1,759.52 |
| 2-A | 3/1 | 422 | 33,760 | 46,420.00 | 12,679.53 | 3,342.24 | 278.52 | 1,726.78 |
| 3-A | 3/1 | 410 | 32,800 | 45,100.00 | 12,318.97 | 3,247.20 | 270.60 | 1,677.68 |
| 1-B | 3½/1 | 515 | 41,200 | 56,650.00 | 15,473.83 | 4,078.80 | 339.90 | 2,107.33 |
| 2-B | 3½/1 | 507 | 40,560 | 55,770.00 | 15,233.46 | 4,015.44 | 334.62 | 2,074.59 |
| 3-B | 3½/1 | 495 | 39,600 | 54,450.00 | 14,872.90 | 3,920.40 | 326.70 | 2,025.49 |
| 1-C | 4½/1 | 640 | 51,200 | 70,400.00 | 19,229.61 | 5,068.80 | 422.40 | 2,618.82 |
| 2-C | 4½/1 | 630 | 50,560 | 69,300.00 | 18,929.15 | 4,989.60 | 415.80 | 2,577.90 |
| 3-C | 4½/1 | 615 | 49,200 | 67,650.00 | 18,478.46 | 4,870.80 | 405.90 | 2,516.52 |
| 1-D | 3/1 | 430 | 34,400 | 47,300.00 | 12,919.90 | 3,405.60 | 283.80 | 1,759.52 |
| 2-D | 3/1 | 422 | 33,760 | 46,420.00 | 12,679.53 | 3,342.24 | 278.52 | 1,726.78 |
| 3-D | 3/1 | 410 | 32,800 | 45,100.00 | 12,318.97 | 3,247.20 | 270.60 | 1,677.68 |
| 1-E | 3½/1 | 515 | 41,200 | 56,650.00 | 15,473.83 | 4,078.80 | 339.90 | 2,107.33 |
| 2-E | 3½/1 | 507 | 40,560 | 55,770.00 | 15,233.46 | 4,015.44 | 334.62 | 2,074.59 |
| 3-E | 3½/1 | 495 | 39,600 | 54,450.00 | 14,872.90 | 3,920.40 | 326.70 | 2,025.49 |
| 1-F | 4½/1 | 650 | 52,000 | 71,500.00 | 19,530.08 | 5,148.00 | 429.00 | 2,659.74 |
| 2-F | 4½/1 | 640 | 51,200 | 70,400.00 | 19,229.61 | 5,068.80 | 422.40 | 2,618.82 |
| 3-F | 4½/1 | 625 | 50,000 | 68,750.00 | 18,778.92 | 4,950.00 | 412.50 | 2,557.44 |
| 1-G | 2½/1 | 375 | 30,000 | 41,250.00 | 11,267.35 | 2,970.00 | 247.50 | 1,534.46 |
| 2-G | 2½/1 | 369 | 29,520 | 40,590.00 | 11,087.07 | 2,922.48 | 243.54 | 1,509.91 |
| 3-G | 2½/1 | 360 | 28,800 | 39,600.00 | 10,816.66 | 2,851.20 | 237.60 | 1,473.08 |
| 1-H | 2½/1 | 375 | 30,000 | 41,250.00 | 11,267.35 | 2,970.00 | 247.50 | 1,534.46 |
| 2-H | 2½/1 | 369 | 29,520 | 40,590.00 | 11,087.07 | 2,922.48 | 243.54 | 1,509.91 |
| 3-H | 2½/1 | 360 | 28,800 | 39,600.00 | 10,816.66 | 2,851.20 | 237.60 | 1,473.08 |

See page 23 for conditions applicable to these prices.

| Apt. # (2) | Rooms and Baths (3) | Share Allocations (4) | Tenants' Purchase Price @ \$80.00 Per Share (5) | Non-Tenants' Purchase Price @ \$110.00 Per Share (5) | Amount of Mortgage Applicable to Shares @ \$30.046 Per Share (6) | Estimated Maintenance Charges (7) | | Estimated Income Tax Deduction @ \$4.0919 Per Share (8) |
|--------------------|---------------------|-----------------------|---|--|--|-----------------------------------|---------------------------|---|
| | | | | | | Annual @ \$7.92 Per Share | Monthly @ \$.66 Per Share | |
| 1833 PALMER AVENUE | | | | | | | | |
| 1-A | 3/1 | 440 | \$35,200 | 48,400.00 | \$13,220.36 | 3,484.80 | 290.40 | 1,800.44 |
| 2-A | 3/1 | 432 | 34,560 | 47,520.00 | 12,979.99 | 3,421.44 | 285.12 | 1,767.70 |
| 3-A | 3/1 | 420 | 33,600 | 46,200.00 | 12,619.43 | 3,326.40 | 277.20 | 1,718.60 |
| 1-B | 3 1/2/1 | 510 | 40,800 | 56,100.00 | 15,323.60 | 4,039.20 | 336.60 | 2,086.87 |
| 2-B | 3 1/2/1 | 502 | 40,160 | 55,220.00 | 15,083.23 | 3,975.84 | 331.32 | 2,054.13 |
| 3-B | 3 1/2/1 | 490 | 39,200 | 53,900.00 | 14,722.67 | 3,880.80 | 323.40 | 2,005.03 |
| 1-C† | 4 1/2/1 | 0 † | | | | | | |
| 2-C | 4 1/2/1 | 655 | 52,400 | 72,050.00 | 19,680.31 | 5,187.60 | 432.30 | 2,680.19 |
| 3-C | 4 1/2/1 | 640 | 51,200 | 70,400.00 | 19,229.61 | 5,068.80 | 422.40 | 2,618.82 |
| 1-D | 3/1 | 440 | 35,200 | 48,400.00 | 13,220.36 | 3,484.80 | 290.40 | 1,800.44 |
| 2-D | 3/1 | 432 | 34,560 | 47,520.00 | 12,979.99 | 3,421.44 | 285.12 | 1,767.70 |
| 3-D | 3/1 | 420 | 33,600 | 46,200.00 | 12,619.43 | 3,326.40 | 277.20 | 1,718.60 |
| 1-E | 4 1/2/1 | 640 | 51,200 | 70,400.00 | 19,229.61 | 5,068.80 | 422.40 | 2,618.82 |
| 2-E | 4 1/2/1 | 630 | 50,400 | 69,300.00 | 18,929.15 | 4,989.60 | 415.80 | 2,577.90 |
| 3-E | 4 1/2/1 | 615 | 49,200 | 67,650.00 | 18,478.46 | 4,870.80 | 405.90 | 2,516.52 |
| 1-F | 3 1/2/1 | 515 | 41,200 | 56,650.00 | 15,473.83 | 4,078.80 | 339.90 | 2,107.33 |
| 2-F | 3 1/2/1 | 507 | 40,560 | 55,770.00 | 15,233.46 | 4,015.44 | 334.62 | 2,074.59 |
| 3-F | 3 1/2/1 | 495 | 39,600 | 54,450.00 | 14,872.90 | 3,920.40 | 326.70 | 2,025.49 |
| 1-J | 4/1 | 585 | 46,800 | 64,350.00 | 17,577.07 | 4,633.20 | 386.10 | 2,393.76 |
| 2-J | 4/1 | 575 | 46,000 | 63,250.00 | 17,276.61 | 4,554.00 | 379.50 | 2,352.84 |
| 3-J | 4/1 | 560 | 44,800 | 61,600.00 | 16,825.91 | 4,435.20 | 369.60 | 2,291.46 |
| 1-K | 4/1 | 585 | 46,800 | 64,350.00 | 17,577.07 | 4,633.20 | 386.10 | 2,393.76 |
| 2-K | 4/1 | 575 | 46,000 | 63,250.00 | 17,276.61 | 4,554.00 | 379.50 | 2,352.84 |
| 3-K | 4/1 | 560 | 44,800 | 61,600.00 | 16,825.91 | 4,435.20 | 369.60 | 2,291.46 |
| TOTALS | | 33,282 | \$2,662,560 | \$3,661,020.00 | \$1,000,000.00 | \$263,593.44 | \$21,966.12 | \$136,187.00 |

† Superintendent's apartment not offered for sale

* Apartment not offered for sale to occupant

FOOTNOTES

- (1) Projected charges are for a 12-month period commencing on January 1, 1985.
- (2) All apartments except Apt. 1F at 1825 Palmer Avenue are subject to the ETPA until closing.
- (3) Any floor plan or sketch shown to a prospective purchaser is only an approximation of the dimensions and layout of a typical apartment. Some of the apartments may have been altered and may not conform exactly to the standard layouts. Each apartment should be inspected prior to purchase to determine its actual dimensions, layout, and physical condition. In calculating the number of rooms for each apartment, living rooms, bedrooms, windowed dining alcoves and kitchens were counted as one room. Entrance foyers were counted as 1/2 rooms.

Apartment 1C at 1833 Palmer Avenue shall not be offered for sale, but shall be owned by the Apartment Corporation and shall be reserved for the resident superintendent. The shares allocated to apartment 1F at 1825 Palmer Avenue are not presently being offered for sale to the public and are being held by Sponsor at this time; the Sponsor reserving the right to offer such shares for sale at a later date, provided the Plan is first amended to disclosed same.

- (4) The share allocation was designed to attribute values proportionate to a particular apartment, taking into account various factors, including dimensions, light, view, special features, location, overall appeal and relative value to other space in the building.
- (5) The Total Cash Payment of \$80.00 per share is offered only to residential bona fide tenants in occupancy on the date of presentation of the Plan who sign a Subscription Agreement (a) within ninety (90) days of such presentation date. AFTER THE EXPIRATION OF THE 90-DAY PERIOD, THE PRICE TO TENANTS SHALL BE \$110 PER SHARE, WITHOUT AMENDMENT TO THE PLAN. See "Changes in Prices and Units". Prices are negotiable. Purchasers are advised to consult with their attorney with respect to any closing costs they may have. Such costs may include: attorneys' fees, a cooperative apartment search, if desired, and costs attributable to cooperative apartment loan financing. The charges imposed for such individual financing, which may include commitment fees, origination fees (points), and bank attorneys' fees, may vary substantially from lender to lender. However, no such fees shall be imposed by Sponsor, Apartment Corporation, or their agents on account of an individual's purchase of an apartment.

- (6) Tenant shareholders will have no personal liability on the mortgage(s), which will be obligations solely of the Apartment Corporation. Leases are subordinate to the said mortgage. Interest and amortization payments, if any, are included in monthly maintenance charges. The failure of a certain number of tenants to make the maintenance payments may result in a foreclosure and the loss of each individual's equity in his apartment. The amount of the mortgage(s) shown in this column may be decreased by amortization payments. The approximate amount of the mortgage applicable to shares assumes that a closing will occur on or about January 1, 1985.
- (7) Maintenance charges will amount to estimated net common expenses, divided by the total number of issued shares to equal maintenance per share. These estimates are for the first year only and may vary because of changes in the cost of fuel, gas, electricity, labor and other operating expenses. Estimated maintenance charges do not include electricity and domestic gas for individual apartments, which will be separately metered to each apartment, repairs to the interior of the unit, air conditioning or cable television service. If a purchaser obtains financing, debt service will be an additional expense not included in projected maintenance charges.
- (8) These amounts are estimated for the first year, in accordance with Sponsor's estimate. They may vary due to changes in the amount of (a) interest on the Apartment Corporation's mortgage indebtedness (due to changes in the interest rate on the existing mortgage or on a refinanced mortgage, or the allocation of constant debt service payments to interest and principal, and (b) real estate taxes assessed against the Property (due to changes in assessed value, the tax rate or the method of assessing real property) and (c) issuance of additional shares. This schedule assumes interest payments on the Wraparound Mortgage of \$79,437 and real estate taxes of \$56,750.00 in the first year of cooperative operation. This schedule does not include interest paid by a Purchaser on account of the financing of his individual apartment.

SCHEDULE B

BUDGET FOR FIRST YEAR OF COOPERATIVE OPERATION
ESTIMATED TO COMMENCE ON JANUARY 1, 1985

PROJECTED INCOME:

| | | |
|--------------------------------------|---------------|------------------|
| (1) Annual Maintenance Charges:..... | \$263,593 | |
| 33,282 shares at \$7.92 per share | | |
| (2) Income From Other Sources | <u>19,300</u> | |
| (a) (Laundry \$ 1,800) | | |
| (b) (Parking 17,500) | | |
| (c) TOTAL..... | | <u>\$282,893</u> |

PROJECTED EXPENSES:

| | | |
|--|--------------|------------------|
| (3) Labor | \$21,000 | |
| (4) Heating and hot water | 58,950 | |
| (5) Utilities (Electricity and gas)..... | 8,250 | |
| (6) Water Charges & Sewer Rents | 6,300 | |
| (7) Repairs, Maintenance | 9,250 | |
| (8) Service Contracts | 3,475 | |
| (9) Insurance | 7,750 | |
| (10) Management fees | 10,000 | |
| (11) Legal fees and Audit fees | 2,500 | |
| (12) Franchise and Corporate Taxes..... | 1,500 | |
| (13) Real Estate Taxes | 56,750 | |
| (14) Mortgage payments (interest & amortization) | 95,000 | |
| (15) Contingencies | <u>2,168</u> | |
| TOTAL..... | | <u>\$282,893</u> |

FOOTNOTES TO SCHEDULE B

(1) Annual Maintenance Charges (Budget: \$263,593)

In the opinion of the Selling Agent, the projected receipts are adequate to meet the estimated expenses for the first fiscal year of operation projected to commence on January 1, 1985. If such projected commencement date differs by six months or more from the anticipated closing date, the Plan will be amended to disclose then current budget projections. Should such amended projections exceed the original projections by 25% or more, purchasers will be offered a 10-day option to rescind their offer to purchase and have their deposit and interest, if any, refunded on account of such change.

(2) Income From Other Sources

(a) Laundry (\$1,800.00) Based upon present contract with Tracy Servicing Corp. ("Tracy"), 433 East 148th Street, Bronx, New York, which expires on December 31, 1984. There are three washers and two dryers which are owned and maintained by Tracy. Utilities shall be provided and paid for by the Apartment Corporation. Tracy pays the Apartment Corporation \$150 per month pursuant to the terms of the contract.

(b) Parking Income (\$17,000) This estimate is based on the current actual parking rentals annualized over a twelve month period. Increases in parking charges are anticipated for the first year of operation.

There are 28 private garages and 8 outside parking spaces.

Present rentals, which are subject to the ETPA, range between approximately \$15 and \$50 per month. Tenant-purchasers who currently rent space will be entitled to continue to rent the space. Tenant-purchasers who currently do not rent a space may rent one if a vacant space is available. Non-tenant purchasers may rent a space if a vacant space is available. The foregoing rentals shall be set by the Board of Directors. Non-purchasing tenants in occupancy, currently renting a space, may continue to rent the space at the maximum rent permitted under the ETPA. Holders of Unsold Shares and Purchasers for Investment or Resale shall not be charged rent in excess of the maximum allowable under ETPA for the parking space.

(c) Total Projected Income (\$282,893) This category does not include any interest income that may be received by the Apartment Corporation from the Working Capital Fund or the Reserve Fund. It is expected that all or part of the aforesaid funds will be expended during the first or

subsequent years of operation. Accordingly, this income cannot be determined with exactitude and may be inconsequential. For this reason, and for the further reason that interest income does not reflect normally anticipated income from operations, it has not been included in the estimated receipts for the first year of cooperative operation.

(3) Labor (\$21,000)

The building is staffed by one full time superintendent who is a member of the Service Employees International Union Local 32E AFL/CIO, and is provided with an apartment (1833 Palmer Avenue - #1C) rent and utility free. The current union contract is effective for the period September 15, 1982 - September 14, 1985. The base weekly wage rate as of June 1, 1985 will be \$295.50.

The budget reflects the period January 1, 1985 - December 31, 1985 and includes the following:

| | |
|---|-----------------|
| Wages (including vacation pay, sick pay and holiday pay) | \$17,000 |
| Union Benefits (including Pension Fund, Welfare Fund, Income Security Fund, Legal Fund and Apartment Industry Advancement Fund) | 1,750 |
| F.I.C.A. | 1,190 |
| Federal and State Unemployment | 360 |
| Disability | 100 |
| Workers Compensation | 600 |
| | <u>\$21,000</u> |

(4) Heating and Hot Water (\$58,950)

The energy source for heating and domestic hot water is No. 2 oil. The budgeted item is based on a projected consumption of approximately 47,160 gallons, which is the average quantity of fuel purchased for the prior three years, and an estimated cost per gallon of \$1.25 including sales tax. As of January 1, 1984 the cost of No. 2 oil was 91.8¢ per gallon including sales tax. The consumption (based on gallons purchased), average cost per gallon, and total cost of fuel (including sales tax) for the previous three calendar years were as follows:

| CALENDAR YEAR | CONSUMPTION | AVERAGE COST PER GALLON | COST (INCL. SALES TAX) |
|---------------|-------------|-------------------------|------------------------|
| 1983 | 47,698 | .954 | \$47,497 |
| 1982 | 46,861 | 1.087 | 50,952 |
| 1981 | 46,914 | 1.124 | 52,727 |

In view of the current energy situation, it is not possible to predict whether the budgeted figure will reflect the actual cost to be incurred during the first year of cooperative operation, which will vary with the level of consumption and the fuel rate. Consumption will be affected by the severity of the weather and the conservation measures (such as staggering hours of heating, lowering the temperature of the hot water, etc.), if any, adopted by the Board of Directors. The cost of crude oil may increase or decline. The budget reflects a projected increase in cost of 36.2%. It is believed that the projected figure should be sufficient to cover any reasonable increase in the cost of oil during the first year of cooperative operation. However, no warranty is made that the projection for fuel cost will be in accordance with the actual cost of fuel during said first year.

(5) Utilities (Electricity and Gas) (\$8,250)

The Apartment Corporation will be responsible for the cost of utilities used in the public areas, including the resident superintendent's apartment. The budgeted amount is projected by multiplying the average consumption for both electricity and gas for the past two years by a 10% increase above the average current tariff rate.

The cost and consumption of electricity and gas for the past three years was as follows:

| CALENDAR YEAR | ELECTRIC CONSUMPTION | COST OF ELECTRIC | GAS CONSUMPTION | COST OF GAS | TOTAL COST |
|---------------|----------------------|------------------|-----------------|-------------|------------|
| 1983 | 30,000 KWH | 5,351 | 681 CCF | \$908 | \$6,257 |
| 1982 | 35,698 KWH | 6,023 | 666 CCF | 823 | 6,846 |
| 1981 | 43,094 KWH | 7,115 | 650 CCF | 741 | 7,856 |

All apartments are individually metered for electricity and gas and each tenant-shareholder will be responsible for his individual bill to the utility company.

Prospective purchasers should be aware that the costs of electricity and gas may be affected by the same factors regarding energy and fuel discussed above in footnote 3. Electricity is generated by the utility company by means of fuel as the primary energy source. If the cost of oil used to generate electricity increases, it is likely that electric rates will increase. Gas is furnished by the utility company

by the transmittal of natural gas. The cost of gas may increase in the event the price of gas is further deregulated. It is believed that the projected figure should be sufficient to cover any reasonable increase in the cost of electricity and gas resulting from the foregoing during the first year of cooperative operation. It is again emphasized that such costs cannot be predicted with certainty and that matters affecting the cost of utility service are beyond the control of Sponsor or the Apartment Corporation.

(6) Water Charges and Sewer Rents (\$6,300)

The budgeted amount is based upon the average consumption for the past three years applied to a ten (10%) percent increase over the current rates. The water and sewer charges and consumption for the past three years were as follows:

| CALENDAR YEAR | CONSUMPTION | COST |
|---------------|-------------|---------|
| 1983 | 7,490 | \$6,365 |
| 1982 | 6,511 | 5,538 |
| 1981 | 6,272 | 5,338 |

(7) Building Maintenance and Repairs (\$9,250)

The budgeted amount for these items is based on normal maintenance of, and repairs to, the Buildings and includes interior repairs, roofing, exterior repairs (including walls, foundations, windows, doors and locks), heating system (fuel burner, boiler, pipes, radiators), plumbing and electrical work, snow removal, janitor supplies, painting of common areas, and such building services and maintenance items not included under "service contracts." Tenant-shareholders, however, will be responsible for the cost of interior repairs in, and the decoration and painting of, their apartments, including any repairs to be made to the appliances.

(8) Service Contracts (\$3,475)

The following service contracts are included in the budget at present costs (as of April, 1984) plus approximately 10%.

| CONTRACTOR | NATURE OF SERVICE | CURRENT ANNUAL COST INCLUDING TAX | EXPIRATION DATE |
|------------------------|-------------------|-----------------------------------|-----------------|
| Beacon-Bonded Services | Exterminator | \$ 247 | Mo. to Mo. |
| August Valente | Gardening | 2,221 | Mo. to Mo. |
| Castle Petroleum | Oil Burner | 687 | 12/1/84 |

(9) Insurance (\$7,750)

At or before closing, Sponsor will cause the following insurance coverage to be placed on the Property for the first year of cooperative operation. This coverage is based on the recommendation of Leonard Newman Agency, Inc., 199 Main Street, White Plains, New York, an insurance brokerage firm, and includes the following:

| <u>ITEMS COVERED</u> | <u>COVERAGE AMOUNT LIMITS</u> |
|--|-------------------------------|
| Buildings: Blanket @ 90% co-insurance | \$1,910,000 |
| Replacement Cost, Agreed Amount | |
| Rents/Common Charges: | 200,000 |
| Blanket @ 80% co-insurance | |
| "All Risk" coverage, \$1,000 deductible per occurrence | |
| Comprehensive General Liability: | 1,000,000 |
| including Personal Injury | |
| Officers and Directors Liability: | 250,000/500,000 |
| Boiler & Machinery | 200,000 |
| Fidelity Bond | 100,000 |
| Umbrella Liability | 4,000,000 |

The Building value is based upon a recent appraisal, and it is the insurance broker's opinion that the Apartment Corporation will not be a co-insurer in the event of a loss. Coverage will also include a replacement cost endorsement.

The total annual premium for the above captioned insurance as of April 19, 1984 was \$7,141. However, the budgeted figure contemplates a small increase in premium.

In order to safeguard the investment of its tenant-shareholders in the event of a substantial destruction of the Building, the Apartment Corporation should periodically confirm that the amount of coverage is adequate.

Insurance proceeds may be applied by the mortgagee to reduce the outstanding mortgage indebtedness instead of to restoring the property. The policy will not be cancelled without notice to the Board of Directors and it allows waiver of subrogation rights against another party provided such waiver is in writing prior to a loss. The insurance coverage satisfies requirements of the mortgagee.

The Budgeted figure does not include the insurance coverage generally found in a standard "homeowner's policy" for any belongings or personal property in a tenant share-

holder's apartment. It is recommended that each tenant shareholder contact his own insurance broker and obtain coverage for (i) his furniture, belongings and equipment and other personal property in his apartment and (ii) liability insurance for personal injury or property damage as a result of occurrences in his apartment. The cost of any such insurance will be the responsibility of the individual tenant-shareholder.

(10) Management fees (\$10,000)

At closing, the Apartment Corporation will enter into a Management Agreement with Seymour Orlofsky, Inc. for an initial term of two years at an annual fee of \$10,000. The annual management fee is approximately \$153 per unit. Said Agreement will be automatically renewed from year to year thereafter, unless cancelled by either party upon the giving of at least 60 days' prior written notice. The Managing Agent may receive additional compensation from the Apartment Corporation for the following:

- (a) Commissions upon agreed terms for reselling shares of stock;
- (b) Commissions for leasing or subleasing space in the building;
- (c) Costs inherent in preparation for all shareholders' meetings, including cost of postage; and
- (d) Services in connection with supervision of alterations or capital improvements to the Buildings outside the scope of ordinary repairs, agreed fees.

See "Management Agreement, Contracts and Leases."

(11) Legal fees and Audit fees (\$2,500)

Estimate includes fees in connection with the preparation of the Apartment Corporation's first year's audited financial statements and its income tax returns, and minor, incidental legal services only.

(12) Franchise and Corporate Taxes (\$1,500)

Based on the projected assets of the Apartment Corporation at the capitalization rate for qualifying cooperative apartment corporations of .0004 for the New York State Corporate Franchise Tax. The value of the assets will vary with changes in the purchase price of the property, the Working Capital Fund and Reserve Funds, if any, and the mortgage indebtedness.

(13) Real Estate Taxes (\$56,750)

The budgeted figure assumes no change from the

1982/1983 assessed valuations and an increase in the current tax rates of approximately 7½%. The assessed valuation and tax rate for the current and two preceding years are as follows:

| JUDICIAL/COUNTY TOWN & DISTRICT (CALENDAR YEAR) | ASSESSED VALUATION | TAX RATE PER \$1,000 | TOTAL TAX |
|---|-----------------------|-------------------------|--------------|
| 1983 | 175,500 | 49.86 | \$8,750.43 |
| 1982 | 175,500 | 44.09 | 7,737.80 |
| 1981 | 175,500 | 38.51 | 6,758.51 |

| VILLAGE TAX FISCAL YEAR 6/1-5/30 | | | |
|--|---------|-------|-----------|
| 83/84 | 174,000 | 90.90 | 15,816.60 |
| 82/83 | 174,000 | 85.10 | 14,807.40 |
| 81/82 | 174,000 | 78.85 | 13,719.90 |

| SCHOOL TAX FISCAL YEAR 7/1-6/30 | | | |
|---------------------------------------|---------|--------|-----------|
| 83/84 | 175,500 | 147.38 | 25,865.20 |
| 82/83 | 175,500 | 133.18 | 23,373.10 |
| 81/82 | 175,500 | 120.15 | 21,086.34 |

The tax assessments of cooperative apartment buildings are governed by Real Property Law §581 passed in November 1981. This law requires the tax assessor to disregard the cooperative form of ownership in valuing such properties and to value the building in the same manner as similar but non-cooperatively owned rental buildings.

However, no warranty can be made as to whether or not there will be an increase in the assessed valuation of the property by reason of the transfer of the property to the Apartment Corporation or a change in the method of determining the assessed valuation.

14. Mortgage Payments (\$95,000)

At closing, the property will be encumbered by a "Wrap-around Mortgage" in the principal amount of \$1,000,000, which will mature 8 years from closing.

During the first year of cooperative operation, the mortgage is payable in monthly installments of \$7,916.67 including interest at the rate of 8% per annum on the unpaid principal balance and the remainder applied to principal at the total constant rate of 9 1/2% per annum of the original principal amount of the mortgage. In this first year, it is estimated that total interest payments will amount to approximately \$79,200.00, and that total amortization will amount to approximately \$15,800.00.

During the eight years after Closing, until the Wrap Mortgage is due, the fixed amount increases are as follows:

| <u>Years</u> | <u>Monthly Payment</u> | <u>Interest per Annum</u> | <u>Total Constant per Annum*</u> |
|--------------|------------------------|---------------------------|----------------------------------|
| 1 & 2 | \$ 7,916.67 | 8% | 9½% |
| 3 & 4 | 9,166.67 | 9% | 11% |
| 5 & 6 | 10,000.00 | 10% | 12% |
| 7 & 8 | 11,666.67 | 12% | 14% |

*Based upon original principal amount of the mortgage.

See section of Plan entitled "Terms of Mortgages".

(15) Contingencies (\$2,168)

The reserve for Contingencies is intended to provide for any unanticipated expenses or increases in projected expenses and is to be applied at the discretion of the Board of Directors elected by tenant-shareholders. The budget may be modified from time to time prior to the commencement of or during the term of cooperative operation to add new items of expense or increase one or more items of operating expense. The funds for such modifications may be provided by decreasing the reserve for Contingencies or by decreasing one or more items of expense, or both. The reserve for Contingencies does not include a reserve for repairs or capital improvements or replacements for which there are no separate budget provisions.

THE FOREGOING SCHEDULE, HOWEVER, IS NOT INTENDED AND SHOULD NOT BE TAKEN AS A GUARANTEE OR WARRANTY BY ANYONE THAT THE ANNUAL RENT (MAINTENANCE CHARGES) OR OTHER INCOME OR EXPENSES FOR SUCH FISCAL YEAR OR ANY SUBSEQUENT YEAR OF OPERATION OF THE PROPERTY BY THE APARTMENT CORPORATION WILL BE AS SET FORTH IN SAID SCHEDULE, OR THAT THE FIRST YEAR OF COOPERATIVE OWNERSHIP SHALL COMMENCE ON JANUARY 1, 1985.

Sponsor has reserved the right to modify, terminate, renew and/or replace existing service, maintenance, employment, concessionaire and other agreements and insurance policies and to enter into new agreements and policies that will be binding on the Apartment Corporation on the Closing Date, provided that if the terms of such agreements are substantially different from those set forth herein, the Plan shall be duly amended to reflect same.

CHANGES IN PRICES AND UNITS

The shares are being offered under this Plan at a price of \$1.00 per share (the "Share Purchase Price"). Each purchaser will be required to make an Additional Cash Payment as its contribution to the Apartment Corporation's capital in order to provide the funds necessary to acquire the Property. The Share Purchase Price and the Additional Cash Payment are herein referred to as the Total Cash Payments or Purchase Price.

The Total Cash Payment of \$80 per share is offered only to residential bona fide tenants in occupancy on the date of presentation of the Plan who sign a Subscription Agreement within ninety (90) days of presentation of the Plan. After the expiration of said ninety (90) day period, said reductions in price to such tenants are no longer being offered and the price shall be \$110 per share without amendment to the Plan, and may thereafter be changed.

The Apartment Corporation reserves the right at any time to change the Total Cash Payment required for the shares allocated to some or all of the apartments shown on the foregoing schedules, the terms of sale and the manner of payment. No such change, however, will be made in respect of any apartment for which a Subscription Agreement shall have been accepted. Notwithstanding the foregoing, the Apartment Corporation shall not have the right to change the Total Cash Payment of any apartment unless (i) Sponsor shall consent thereto and (ii) a licensed real estate broker or appraiser shall give its opinion prior to closing that the new Total Cash Payment is not less than an amount that bears a reasonable relationship to the portion of the value of the Apartment Corporation's equity to be acquired in the property attributable to such apartment.

The Total Cash Payments for tenants during the original 90-day and 30-day purchase periods may not be increased during such periods and are subject to change only by a duly filed amendment to the Plan. Prices are negotiable. Any across-the-board price change affecting one or more lines of units or unit models, or discrepancy from advertised prices, or price increase for an individual purchaser, shall similarly be by duly filed amendment.

If a change in the Total Cash Payment for the block of shares allocated to any apartment is made, a subscriber for the affected shares may pay more or less than other purchasers under this Plan for the same number of shares allocated to a similar apartment, but this shall not affect any prior or later sale of shares allocated to such similar (or other) apartment.

In order to meet the possible varying demands for size and type of apartments or to meet particular requirements

of prospective purchasers, or for any other reason, Sponsor reserves the right at any time prior to closing to (A) change the size, layout, internal partitioning and number of apartments; (B) subdivide one or more apartments into separate apartments; and (C) combine separate apartments into one or more apartments; provided only that the consent of all governmental authorities having jurisdiction is first obtained (if such approval is required by law). If the size or layout of an apartment is changed, the number of shares allocated to such apartment may be increased or decreased; however, no such reallocation of shares will have the effect of increasing or decreasing the total number of shares allocated to all apartments nor shall any shares be reallocated unless a licensed real estate broker familiar with cooperative offerings of this kind gives a further opinion before the closing that such "reasonable relationship", has been preserved. Any reallocation of shares will vary the estimated maintenance charges, the mortgage allocations and the estimated amounts deductible for income tax purposes from the amounts set forth in Schedule "A". No such change, however, will affect the proportion or amount of maintenance charges, proportion of taxes and interest deductible for income tax purposes in respect of any apartment which was not the subject of such change.

After the closing, the holders of Unsold Shares will have the same right as the Sponsor to change the size, layout and partitioning of any apartment owned by them and to reallocate shares in connection with such change, provided that the total number of shares allocated to all apartments will not vary and provided that such alterations do not unreasonably encroach on public areas commonly used as such. In addition, the holders of Unsold Shares may resell the apartments held by them for any price, and they may change such price from time to time without prior notice or approval of any other person.

The total authorized and issued shares may be increased by a duly filed amendment if an existing apartment is enlarged by using space in the building to which no shares of the Apartment Corporation were previously allocated or such space is converted into a new residential apartment. Such increase in shares, however, will require an opinion from a licensed real estate broker familiar with cooperative offerings of this kind that such "reasonable relationship", as determined as of the date when the new shares are issued, is maintained. If it shall be necessary to increase the total number of authorized shares which the Apartment Corporation may issue solely by reason of the foregoing, the Apartment Corporation will cooperate with the holders of Unsold Shares in amending the Certificate of Incorporation for that purpose. An increase in the total number of shares issued after a duly filed amendment will result in reducing the proportion that the number of shares owned by each shareholder bears to the total number of shares outstanding, with a concomitant decrease in the amount

of the estimated deduction for income tax purposes available to each shareholder. Such decrease may possibly not result in reducing the maintenance charges fixed by the Board of Director and payable by each shareholder.

No material change in the cash purchase price, size, layout or share allocation of an apartment will be made with respect to any apartment for which a Subscription Agreement has been accepted and under which the purchaser is not then in default, unless the affected Purchaser consents thereto. If any change is made by Sponsor or by holders of Unsold Shares in the size or number of units, the share allocations, the total number of shares or in the size or quality of public areas, the Plan will be promptly amended. No material change will be made in the total number of shares or in the size or quality of public areas unless purchasers whose Subscription Agreements have been accepted and are not in default receive an offer to rescind for a fifteen day period.

OPINION OF REASONABLE RELATIONSHIP



SEYMOUR ORLOFSKY, INC.

199 Main Street, White Plains, N.Y. 10601 • (914) 328-1800

March 14, 1983

Patricia Gardens Owners, Inc.
c/o Seymour Orlofsky, Inc.
199 Main Street
White Plains, NY 10601

RE: Plan of Cooperative Ownership
Patricia Gardens
1825-1833 Palmer Avenue
Larchmont, NY 10538

Gentlemen:

The undersigned has prepared the allocation of shares, Total Cash Payment for each apartment, and other estimates contained in the schedule entitled "Purchase Price and Other Financial Details for Each Apartment" for inclusion in the above referenced Plan.

In our opinion, at the date of this letter, the Total Cash Payment to be paid for each and every apartment is not less than an amount that bears a reasonable relationship to the portion of the fair market value of the equity you will acquire on consummation of the Plan in the above captioned premises which is attributable to such apartment. We are also of the opinion that such reasonable relationship will continue until the Plan is consummated, at which time, if such be the case, we will give you a further written opinion that the actual Total Cash Payment paid for each block of shares meets such reasonable relationship standard.

We are aware that under the Plan you will have the right to change the Total Cash Payments of apartments from time to time, provided no such change will be made without first obtaining our written opinion that such reasonable relationship test is preserved. As a result of such changes, the purchaser of an apartment may pay more or less than the purchaser of a comparable apartment having the same number of shares. It is our opinion that such reasonable relationship will be maintained notwithstanding that comparable apartments, with the same number of shares allocated to each, are sold for different Total Cash Payments in accordance with the foregoing. It is our further opinion that such reasonable relationship exists even though blocks of shares may be sold to tenants of the building, who are subject to the Emergency Tenants Protection Act, for Total Cash Payments lower than that provided by non-tenants, as provided in the aforesaid schedule.

Patricia Gardens Owners, Inc.
March 14, 1983
Page 2

The undersigned is an independent company and is not affiliated with the Sponsor or any affiliate of Sponsor, and the undersigned has no interest in the proceeds of the Plan of the Cooperative Ownership of Patricia Gardens, Larchmont, NY, other than the service of the undersigned as a Managing Agent and/or Selling Agent in connection therewith. The services performed and compensation to be received by the undersigned as Managing Agent and/or Selling Agent in connection with the Plan to convert to Cooperative Ownership Patricia Gardens, Larchmont, NY, has not affected the undersigned's work or statements made in connection with this letter.

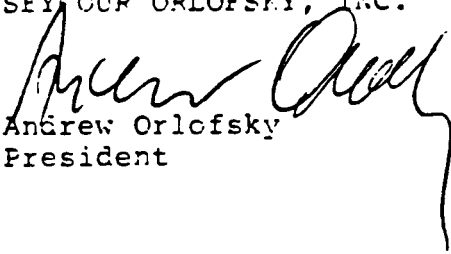
The share allocation for each apartment is based on floor space, subject to the location of such space and the additional factors of relative value to other space in the Building, uniqueness of the apartment, and the overall dimensions of the particular apartment.

The undersigned is the Managing Agent of 2500 residential units of which 700 are under cooperative ownership and its principals have been engaged in the real estate management business for over 10 years.

You have advised the undersigned of your intention to reproduce this letter in the Plan and we hereby consent to such use.

Very truly yours,

SEYMOUR ORLOFSKY, INC.


Andrew Orlofsky
President

Meyer Fuchsberg
Certified Public Accountant
250 Broadway
New York 7, N. Y.
29th Floor
Worth 2-2800

July 11, 1983.

To the Partners
1825 Palmer Avenue Associates

We have examined the statement of operating revenues and specified expenses (exclusive of depreciation and certain expenses incurred as described in Note 1) of the properties located at 1825-1833 Palmer Avenue, Larchmont, New York for the years ended December 31, 1981 and December 31, 1982. 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 were considered necessary in the circumstances.

In our opinion, the statement referred to above presents fairly the information set forth therein with respect to the properties located at 1825-1833 Palmer Avenue, Larchmont, New York for the years ended December 31, 1981 and December 31, 1982 on the basis of accounting described in Note 1 and Notes 2-4, which basis has been consistently applied.

Meyer Fuchsberg.

MEYER FUCHSBERG, C.P.A.

1825-1829-1833 Palmer Avenue, Larchmont, N.Y.
STATEMENT OF OPERATING REVENUES AND SPECIFIED EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1982.

| | | |
|---|-------------------------|-------------------------|
| <u>Operating Revenues:</u> | 1981 | 1982 |
| Apartment rentals | \$ 261,132. | \$ 292,490. |
| Laundry room | 550. | 1,200. |
| Misc. | <u>9.</u> | <u>840.</u> |
| <u>Total Operating Revenues:</u> | <u>\$ 261,691.-</u> | <u>\$ 294,530.-</u> |
| <u>Operating Expenses:</u> | | |
| Payroll-supt. | \$ 16,160. | \$ 15,424. |
| Payroll taxes | 1,264. | 1,171. |
| Heating-Oil | 52,727. | 50,952. |
| Utilities-electric & gas | 7,856. | 6,846. |
| Water charges | 5,338 | 5,538. |
| Repairs & maintenance (Note 2) sch. | 11,975. | 12,213. |
| Management fees | 7,800. | 7,800. |
| Professional fees | 1,187. | 1,182. |
| Other expenses per schedule | 1,834. | 1,633. |
| <u>Total Operating Expenses:</u> | <u>\$ 106,141.</u> | <u>\$ 102,759.</u> |
| <u>Fixed Charges:</u> | | |
| Real estate taxes (Note 3) | \$ 40,447. | \$ 44,322. |
| Insurances | 6,590. | 6,328. |
| <u>Total Fixed Charges:</u> | <u>\$ 47,037.</u> | <u>\$ 50,650.</u> |
| <u>Financial Expenses (Note 4):</u> | | |
| Interest on mortgage | \$ 45,449. | \$ 43,959. |
| Amortization on mortgage | 16,363. | 17,854. |
| <u>Total Financial Expenses:</u> | <u>\$ 61,812.</u> | <u>\$ 61,813.</u> |
| <u>Total Expenses:</u> | <u>\$ 214,990.</u> | <u>\$ 215,222.</u> |

1825-1829-1833 Palmer Avenue, Larchmont, N.Y.
SCHEDULE OF REPAIRS AND MAINTENANCE (Note 2)
FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1982.

| <u>EXPENSE</u> | <u>1981</u> | <u>1982</u> |
|---------------------------------------|-------------------|-------------------|
| Exterminator | \$ 206. | \$ 206. |
| Carpentry | 1,775. | -- |
| Roofing | 3,125. | 979. |
| Tractor repairs | 88.- | -- |
| Plumbing and heating | 585. | 1,185. |
| Boiler cleaning & repair | 1,883. | 1,844 |
| Maintenance supplies | 1,883. | 2,407. |
| Sign repair | 126. | -- |
| Pump repair | 126. | -- |
| Amortization of oil burner renovation | 766. | 766. |
| Gardening | 884. | 2,535. |
| Electrical repair | -- | 1,342. |
| Miscellaneous | 528. | 949. |
| <u>Total Repairs and Maintenance:</u> | <u>\$ 11,975.</u> | <u>\$ 12,213.</u> |

SCHEDULE OF OTHER EXPENSES

| <u>EXPENSE</u> | <u>1981</u> | <u>1982</u> |
|------------------------------|------------------|------------------|
| Uniforms | \$ 284. | \$ 476. |
| Welfare and Pension Funds | 903. | 796. |
| Telephone | 360. | 360. |
| Miscellaneous | 287. | -- |
| <u>Total Other Expenses:</u> | <u>\$ 1,834.</u> | <u>\$ 1,633.</u> |

1825-1829-1833 Palmer Avenue, Larchmont, N.Y.
NOTES TO STATEMENT OF OPERATING REVENUES
AND SPECIFIED EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 1981 AND 1982.

- NOTE 1: Certain expenses incurred but not applicable to operations of this property as a cooperative apartment corporation have been excluded. These excluded expenses are depreciation, renting and advertising expenses, expenses for work done on specific apartments, Village of Larchmont ETPA fees, professional fees related to real estate tax reductions, furniture rental expenses, and the oil burner renovation was amortized over five years.
- NOTE 2: Included in the schedule of repairs and maintenance are supplies some of which are related to specific apartments.
- NOTE 3: Real estate taxes reflect the final assessed valuations effective during the years 1981 and 1982.
- NOTE 4: The financial expenses represent the interest and amortization of the first mortgage.

LAW OFFICES

HALL, DICKLER, LAWLER, KENT & FRIEDMAN

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

460 PARK AVENUE

NEW YORK, NEW YORK 10022

AREA CODE 212 838-4600

TELEX: 239857 GONY UR

CABLE "HALCASRO"

LEONARD W. HALL (1900-1979)

T. NEWMAN LAWLER

EDWIN McMAHON SINGER

EUGENE H. GORDON

COUNSEL

WHITE PLAINS PLAZA

ONE NORTH BROADWAY

WHITE PLAINS, NEW YORK 10601

914 428-3232

GERALD DICKLER
FELIX H. KENT, P.C.
SAMUEL J. FRIEDMAN, P.C.
THOMAS R. AMLICKE, P.C.
DAVID H. CARLIN
JOSEPH CHASE
NORMAN L. FABER
MILFORD FENSTER, P.C.
BARRY R. FISCHER, P.C.
DAVID L. GOLDRICH
JOHN J. HAMILTON

WILLIAM J. MARLOW, P.C.
MICHAEL A. MEYERS
LANDIS OLESKER
KENNETH S. OLTARSH
PIERCE PALEY
RICHARD S. RODMAN, P.C.
PAUL SARNO
MORTON A. SMITH, P.C.
EDMUND S. WARTELS, P.C.
PAUL G. WHITBY
SAMUEL S. YASGUR

ARMIN R. BAIER, JR.
JEFFREY S. EDELSTEIN
JOY FEIGENBAUM
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LINDA A. GOLDSTEIN
ROBERT D. GOODALE
NATALIE Z. HERTZ
CLIFFORD JAMES

GERALD W. JARRETT
DONALD M. KLEIN
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MARILYN Z. LUBELL
LAURA H. MARKSON
LISA R. RADETSKY
HELEN J. WILLIAMSON
DOUGLAS J. WOOD

ATTORNEY'S INCOME TAX OPINION

PATRICIA GARDENS OWNERS, INC.
c/o Hall, Dickler, Lawler, Kent
& Friedman
460 Park Avenue
New York, New York 10022

Re: Cooperative Offering Plan:
1825-29-33 Palmer Avenue
Larchmont, New York

Gentlemen:

You have requested our opinion as to whether PATRICIA GARDENS OWNERS, INC. (the "Apartment Corporation"), organized under the laws of the State of New York in 1982, pursuant to Cooperative Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York (the "Plan"), in which 1825 PALMER ASSOCIATES is referred to as the "Sponsor", will qualify as a cooperative housing corporation for Federal, New York State and New York City income tax purposes after consummation of the Plan. You have advised us of your intention to incorporate our opinion in the Plan and we consent thereto.

A cooperative housing corporation is defined in §216(b) of the Internal Revenue Code ("Code") as a corporation --

A. having one and only one class of stock outstanding,

B. each of the stockholders of which is entitled, solely by reason of his ownership of stock in the corporation, to occupy for dwelling purposes a house, or an apartment in a building, owned or leased by such corporation,

C. no stockholder of which is entitled (either conditionally or unconditionally) to receive any distribution not out of earnings and profits of the corporation except on a complete or partial liquidation of the corporation, and

D. 80 percent or more of the gross income of which for the taxable year in which the taxes and interest described in subsection (a) are paid or incurred is derived from tenant-stockholders.

A tenant-stockholder is required by §216(b)(2) to be an individual. In the case of Eckstein v. United States, 452 F.2d 1036 (Ct. Cl., 1971), the United States Court of Claims found, in part, that an individual who owns shares of a cooperative housing corporation as nominee for another corporation was not considered to be a tenant-stockholder within the meaning of §216(b)(2), and income received by the cooperative corporation from such a nominee could not be credited towards the 80 percent gross income required to be derived from tenant-stockholders. However, pursuant to §216(b)(6) of the Code, the Sponsor of a cooperative housing plan may hold and own the shares of the Apartment Corporation for three (3) years from the date the Sponsor acquires such shares, even though the Sponsor is not an individual, without disqualifying the Sponsor as a tenant-stockholder. This applies both to "Unsold Shares" and shares reacquired as the result of a foreclosure by the Sponsor of any purchase money lien which the Sponsor may receive upon the sale of shares. In addition, a bank or other lending institution which forecloses a mortgage or other lien upon an apartment is treated as a tenant-stockholder for three (3) years after it acquires the shares allocated to such apartment. Treatment as a tenant-stockholder in this context applies only to qualification of such stockholders for income tax purposes.

The Plan provides that your shares (other than the Unsold Shares) are being offered only to individuals, each of whom will represent in writing to you that he is purchasing the shares for his own account (beneficial and of record) and that no corporation, partnership, association, trust or estate has or will have any equity interest, direct or indirect, in such shares. With respect to the Unsold Shares, Sponsor has reserved the right under the Plan to acquire same. If so acquired, Sponsor has agreed (i) to enter into a Proprietary Lease for each of the apartments to which the Unsold Shares are allocated and (ii) to procure financially responsible individuals to acquire from it by no later than the third anniversary of the Closing Date all of the Unsold Shares then owned by it (if any). Moreover, the Plan provides that, except for those Unsold Shares owned by Sponsor, each block of Unsold Shares shall be owned by not more than one or (in the case of husband and wife only) two individuals although such person(s) may own more than one block of Unsold Shares. If the

Unsold Shares are sold to other than a single purchaser, each purchaser of Unsold Shares will further represent in writing to you prior to the date upon which he becomes the owner thereof that he will not jointly share with other purchasers of Unsold Shares any profits or losses arising as a result of his ownership and sale of his shares.

We have prepared the Certificate of Incorporation and By-Laws of the Apartment Corporation. We have reviewed the Plan and are familiar with the contract pursuant to which the Apartment Corporation will acquire from the Sponsor the premises known as 1825-29-33 Palmer Avenue, Larchmont, New York ("Premises").

The opinions expressed herein are based solely upon the foregoing documents and on the following assumptions:

1. The terms of the Plan are strictly observed.
2. The substantial accuracy of a written opinion of a licensed real estate broker or appraiser (the "Selling Agent") that on the date of the Closing of the Plan and issuance of all the capital stock of the Apartment Corporation the subscription price for each block of stock allocated to each dwelling unit constituting an apartment in the Premises and paid to you in cash or by contribution of an undivided interest in the premises is not less than an amount that bears a reasonable relationship to the portion of the fair market value of your equity in the Premises attributable to such apartment. You have pledged in the Plan not to change the Total Cash Payment of any block of shares prior to the Closing date unless the Selling Agent also opines that the new Total Cash Payment preserves such a reasonable relationship requirement.
3. At least 80% of income will be derived from Tenant-Stockholders, which appears evident from the Budget included in the Plan.
4. The Sponsor's representation that all present tenants in occupancy are individuals and that it will not enter into any vacancy leases prior to the closing date with any corporation, partnership, trust or foreign government.
5. The Sponsor's representation that the Plan contains no omissions of fact or misstatements of fact which are assumptions stated in this opinion and upon which the opinion set forth herein is premised.

Based solely on the Plan and the schedules and documents set forth therein, as well as the assumptions set forth above, if you acquire title to the Property and contemporaneously duly issue your shares only to (i) individuals and (ii) the Sponsor under the Plan, which has agreed under the

Plan to distribute, within three years, all such shares only to individuals (with no block of shares being owned beneficially or of record, by more than one or (in the case of a husband and wife only) two individuals and with each such shareholder simultaneously executing a proprietary lease for the apartment to which the shares pertain, all strictly in accordance with the terms of the Plan), it is our opinion that in any taxable year in which at least eighty (80%) percent of your gross income is derived from qualified tenant-stockholders:

1. You will, under the present provisions of §216(b)(1) of the Code, qualify as a cooperative housing corporation, notwithstanding that different apartments of the same size may be sold at different prices, provided that on the date of the closing under the Plan and the issuance of the capital stock of the Apartment Corporation, the subscription price for each block of stock allocated to each dwelling unit constituting an apartment in the Premises and paid to you in cash is not less than an amount that bears a reasonable relationship to the portion of the fair market value of your equity in the Premises attributable to such apartment.

2. Each tenant-stockholder will be entitled, under Code §216(a), New York State Tax Law §615 and New York City Administrative Code §T46-15.0, as presently in effect, to deduct from his adjusted gross income, for Federal, New York State and New York City income tax purposes, his proportionate share of (a) real estate taxes paid or incurred by the Apartment Corporation (before the close of the taxable year of such tenant-stockholder) with respect to the Premises, and (b) interest paid or incurred by the Apartment Corporation (before the close of the taxable year of such tenant-stockholder) on the mortgage loan secured by the Premises, to the extent that such tenant-stockholder has paid or accrued to the Apartment Corporation within his taxable year, an amount equal to such proportionate share of taxes and interest paid or incurred by the Apartment Corporation.

3. Under §57 of the Code, an individual tenant-stockholder's itemized deductions, including the deductions for mortgage interest and real estate taxes to which he is entitled under §216 of the Code (but excluding certain deductions such as medical expenses and casualty losses), will be considered an "item of tax preference" to the extent that the amount of such itemized deductions exceeds 60 percent of such tenant-stockholder's adjusted gross income. Such excess itemized deductions will not be subject to the minimum tax under §56 of the Code, but may, in certain circumstances, be subject to the "alternative minimum tax" imposed under §55 of the Code. New York State and New York City also impose minimum taxes based on certain Federal tax preference items, including such excess itemized deductions. See New York State Tax Law §§601-A and 622; New York City Administrative Code §§T-46-101.1 and T46-122.0.

To the extent that the transaction by which you acquire the Premises constitutes a transaction qualifying under the non-recognition of gain or loss provisions of Section 351 of the Code, your tax basis for the Premises on the date of acquisition will equal Sponsor's basis for the undivided interest in the Premises transferred in accordance with Section 351, increased as provided in Section 362 of the Code by any gain recognized by Sponsor in connection with the Section 351 transfer. To the extent that you purchase an undivided interest in the Premises from the Sponsor, your basis for that portion of the Premises shall equal the purchase price you paid. Regardless of the extent to which your acquisition of the Premises is treated as a purchase or Section 351 transaction, your basis for the Premises will not include any premium paid to Sponsor or to holders of Unsold Shares by purchasers of shares of stock in the Apartment Corporation over the subscription price which said purchasers pay to you for such shares.

If, (by reason of the receipt of income not derived from tenant-stockholders,) less than 80 percent of the gross income of the Apartment Corporation for any taxable year is derived from tenant-stockholders, the Apartment Corporation will not qualify as a cooperative housing corporation under §216 for such year and the tenant-stockholders will not be entitled to such deductions.

No warranties are made, however, that the Internal Revenue Service, the Department of Taxation and Finance of the State of New York or the Department of Finance of the City of New York are of like opinion, or that the tax and other laws upon which our opinion is predicated may not change. Moreover, no opinion is expressed nor is any representation or warranty made with respect to the tax consequences of the Plan or any other matter (including, without limitation, the tax consequences of ownership of any shares offered under the Plan) except as herein expressly set forth.

The above constitutes our opinion on the availability of the deductions to purchasers in this Offering. It is suggested, however, that prospective purchasers discuss their own individual and respective tax situations with counsel of their choice in order to best evaluate their own present and future tax position.

Very truly yours,

HALL, DICKLER, LAWLER, KENT & FRIEDMAN

IN NO EVENT WILL SPONSOR, SPONSOR'S COUNSEL, THE APARTMENT CORPORATION, COUNSEL TO THE APARTMENT CORPORATION, THE SELLING

AGENT OR ANY OTHER PERSON BE LIABLE IF THE APARTMENT CORPORATION CEASES TO MEET THE REQUIREMENTS OF THE INTERNAL REVENUE CODE, THE NEW YORK STATE TAX LAW, OR THE NEW YORK CITY ADMINISTRATIVE CODE, IF THERE ARE CHANGES IN THE FACTS ON WHICH COUNSEL RELIED IN ISSUING THIS OPINION, OR IF THERE ARE CHANGES IN THE APPLICABLE STATUTES, REGULATIONS, DECISIONAL LAW OR INTERNAL REVENUE SERVICE RULINGS ON WHICH COUNSEL RELIED.

RIGHTS AND OBLIGATIONS WITH RESPECT TO EXISTING TENANCIES

The summaries of the rights of tenants in occupancy set forth in this Section are based upon the laws in effect on the date of presentation of the Plan. Such rights may change if any of the laws summarized herein expire or are modified or repealed during this offering, and Sponsor reserves the right to amend the provisions of this Plan relating to the rights of tenants in order to reflect such change. A copy of each amendment to this Plan reflecting a change in the law relating to the rights of tenants will be furnished to all tenants after filing.

Tenants or their representatives may physically inspect the premises at any time subsequent to the submission of the Plan to the department of law, during normal business hours, upon written request made by them to the offeror, provided such representatives are registered architects or professional engineers licensed to practice in the state of New York.

It is unlawful for any person to engage in any course of conduct (including, but not limited to, interruption or discontinuance of essential services) which substantially interferes with or disturbs the comfort, repose, peace or quiet of any tenant in his use or occupancy of his dwelling unit or the facilities related thereto. The Attorney General may apply to a court for an order restraining such conduct and, if he deems it appropriate, an order restraining the owner from selling the shares allocated to the dwelling unit or from proceeding with the plan of conversion. The tenant may apply on his own behalf for similar relief.

This is a non-eviction offering plan in accordance with the General Business Law, Section 352 (eee), a copy of which is included in Part II. See the summary of the "Omnibus Housing Act of 1983" which follows this section.

The residential tenants in occupancy on the date of presentation of the Plan shall have the exclusive right for a period of ninety (90) days after such date to purchase the shares allocated to their apartments for the Total Cash Payment set forth in Schedule A column captioned "Tenants' Purchase Price." During such ninety-day period, a tenant's dwelling unit shall not be shown to a third party unless he has, in writing, waived his right to purchase.

A bona fide tenant in occupancy of a residential apartment on the date the Plan is declared effective shall be entitled to remain in possession thereof (unless he fails to pay rent or otherwise defaults in his obligations so as to permit a termination of his tenancy and eviction in accordance with the ETPA). At the expiration of his present lease and

each renewal thereof, a tenant entitled to the benefits of the ETPA may, under current law, demand (and if he wishes to remain in possession must sign) a renewal lease at a rental determined in accordance with the ETPA.

Sponsor and the Apartment Corporation shall grant permission to tenants, on a non-discriminatory basis, to assign or transfer a Subscription Agreement prior to closing. To obtain such permission, tenant must (i) sign Subscription Agreement, (ii) tender down payment, and (iii) provide to Selling Agent assignee's notarized affidavit in the form set forth in Part II.

The term "non-purchasing tenant" in this section shall mean a person who has not purchased under the Plan and who is a tenant entitled to possession at the time the Plan is declared effective or a person to whom a dwelling unit is rented subsequent to the effective date. A person who sublets a dwelling unit from a Purchaser under the Plan shall not be deemed a "non-purchasing" tenant. A "Purchaser" under the Plan is a person who owns the shares allocated to a dwelling unit or who owns such dwelling unit itself.

No eviction proceedings will be commenced at any time against non-purchasing tenants for failure to purchase or any other reason applicable to expiration of tenancy; provided that such proceedings may be commenced for non-payment of rent, illegal use or occupancy of the premises, refusal of access to the owner or a similar breach by the non-purchasing tenant of his obligations to the Apartment Corporation (or to the purchaser of shares allocated to such apartment, as the landlord with respect to such non-purchasing tenant).

Non-purchasing tenants who reside in dwelling units subject to government regulation as to rentals and continued occupancy prior to conversion shall continue to be subject thereto.

The rentals of non-purchasing tenants who reside in dwelling units not subject to government regulation as to rentals and continued occupancy and non-purchasing tenants who reside in dwelling units with respect to which government regulation as to rentals and continued occupancy is eliminated or becomes inapplicable after the Plan has become effective shall not be subject to unconscionable increases beyond ordinary rentals for comparable apartments during the period of their occupancy. In determining comparability, consideration shall be given to such factors as building services, level of maintenance and operating expenses.

The rights granted under this Plan to purchasers under the Plan and to non-purchasing tenants may not be abrogated or reduced regardless of any expiration of or amendment

to GBL §352-eee.

Sponsor shall post written statements in the lobby of the premises setting forth the percentage of apartments for which he has received signed Subscription Agreements from tenants in occupancy after the filing date as detailed in the section "Effective Date and Closing Date."

After the expiration of the occupying tenant's exclusive right to purchase his apartment, a tenant who occupies an apartment will be given written notice by the Selling Agent when the shares allocated to his apartment have been sold to a non-occupant. Such notice shall be given within thirty (30) days after the date on which a Subscription Agreement for such shares has been accepted.

A Purchaser of shares-allocated- to an apartment occupied by a tenant will purchase subject to the terms and conditions of the existing lease or tenancy, and may not commence an action to recover possession of the apartment from a non-purchasing tenant on the grounds that he seeks it for the use and occupancy of himself or his family. No representation is made that the apartment shall be voluntarily vacated by such a tenant. Copies of applicable leases in effect on the date of presentation of the Plan are on file at the Sponsor's office and are available for examination by prospective purchasers. The prohibition against recovering possession as described in this paragraph shall also apply to Holders of Unsold Shares.

A Purchaser of shares allocated to an apartment which is occupied by someone other than the Purchaser may be required to institute summary dispossess proceedings at his own expense to obtain possession. Such proceedings may be commenced only for justifiable cause permitted by law. No representation can be made as to the length of time which may elapse before possession is obtained.

A non-occupant purchaser will be required to pay the maintenance charges for his apartment, whether such maintenance charges are greater or less than the rent received from the tenant in occupancy, and will be entitled to receive all rent payable by the occupant. Such purchaser will also be responsible for all the obligations of the landlord under the lease or tenancy of the tenant and under the applicable rent laws. The purchaser will have the further obligations of repair, replacement and maintenance of the plumbing fixtures, refrigerator, range, light fixtures and other appliances and equipment in the apartment, as well as painting of the apartment. The purchaser will be required to designate the Managing Agent as his or her agent to provide to such non-purchasing tenant all services and facilities required by law on a non-discriminatory basis, and to agree to reimburse the Managing Agent for the cost of any such services and facilities the provision of which is not customarily the obligation of a Managing Agent of a cooperative apartment building.

All dwelling units occupied by non-purchasing tenants shall be managed by the same managing agent who manages all other dwelling units in the building. Such managing agent shall provide to non-purchasing tenants all services and facilities required by law on a non-discriminatory basis. Sponsor shall guarantee the obligation of the managing agent to provide all such services and facilities until such time as Sponsor surrenders control of the Board of Directors.

The Purchaser will be entitled to receive the unapplied portion of any security deposit held by the Sponsor under the terms of a lease. Such security must be held by Purchaser, in trust, in an interest bearing account in accordance with Section 7-103 of the New York General Obligations Law.

Purchasers of shares allocated to apartments occupied by tenants should consult their attorneys with respect to their rights and obligations.

Omnibus Housing Act of 1983

Certain changes to the Emergency Tenant Protection Act were made by the Omnibus Housing Act (Chapter 403 of the Laws of 1983). A summary of several of such provisions follows. The tenancy of each non-purchasing tenant shall be governed by these changes.

New York State Administration. Effective April 1, 1984, New York State, through the State Division of Housing and Community Renewal ("DHCR") will administer all housing accommodations subject to the Emergency Tenant Protection Act of 1974 ("ETPA").

Rent Registration. Effective April 1, 1984, landlords of apartments subject to EPA are required to register such apartments with the DHCR. Such registration must take place prior to July 1, 1984.

Lease Term. Landlords are required to offer only one or two-year renewal leases to tenants of rent stabilized apartments entitled thereto.

Right to Assign. A Tenant may not assign its lease without the prior written consent of its landlord, which consent may be unconditionally withheld without cause. If the landlord reasonably withholds its consent to the assignment, there can be no assignment and the tenant is not released from the lease. If the landlord unreasonably withholds its consent to such assignment, the tenant may request to be released from the lease.

Right to Sublet. A tenant with a lease then currently in effect in a dwelling having four or more residential units

must obtain its landlord's prior written consent to sublet. The sublet request must meet the following requirements: the tenant must give its landlord written notification of his intent to sublet; the notification must be mailed certified mail, return receipt requested; the notification must state the term of the proposed sublease, the name of the proposed subtenant, the business and permanent home address of the proposed subtenant, the tenant's reason for subletting, and the tenant's address for the term of the sublet; the written consent of any co-tenant or guarantor of the lease and a copy of the proposed sublease must be included. The landlord may request additional information within ten (10) days of the mailing of the tenant's request to sublet. The landlord must respond to the tenant's request within thirty (30) days after the tenant's request was mailed or, if the owner requested additional information, within thirty (30) days after the additional information was mailed by the tenant. The landlord's consent to the subletting may not be unreasonably withheld. If the landlord withholds consent on reasonable grounds, the tenant cannot sublet. Rent stabilized tenants may sublet no more than two years in a four-year period and may sublet for a term that extends beyond a term of its lease. To be able to sublet, a tenant must establish that at all times he/she has maintained the apartment as his/her primary residence and intends to reoccupy it as such at the expiration of the sublease.

Occupants of Apartment. Tenants have a limited right to share their apartments with additional occupants not named in the lease. The apartment, if leased to one tenant, may be occupied by the tenant, the immediate family of the tenant, one additional occupant, and the dependent children of the additional occupant. If the apartment is leased to two or more tenants, it may be occupied by the tenants, the immediate family of the tenants, occupants (but only if to replace a departing tenant who signed the lease) and the dependent children of permitted occupants. The total number of tenants and occupants (not counting the immediate family of tenants or dependent children of an occupant) cannot exceed the total number of tenants specified in the lease and at least one tenant who signed the lease or a tenant's spouse must occupy the apartment as his primary residence. This law also provides that a landlord may restrict occupancy in order to comply with federal, state or local laws, regulations, ordinances or codes in order to prevent overcrowding. A tenant must notify his landlord of the name of any permitted additional occupant within thirty (30) days after the occupancy began.

Court Proceedings. Certain applications that had been made to an administrative agency will now be brought in court in the first instance, including a landlord's attempt to evict a tenant who is not using his apartment as his primary residence.

County Rent Guidelines Board. A county rent guidelines board in the county in which the property is located shall establish annual guidelines for rent adjustments. Maximum rates of rent adjustment shall not be established more than once annually for any housing accommodation within a board's jurisdiction.

Switching Apartments

Sponsor has agreed that any bona fide tenant in occupancy on the date the Plan was accepted for filing shall have the right to purchase any of the then vacant apartments in the Building ("Vacant Apartment"), subject to availability, in lieu of purchasing his or her own apartment as herein provided. Only one apartment (either the tenant's own apartment or a Vacant Apartment) may be purchased at the price being offered to tenants as set forth in Schedule A. However, the down payment to be tendered for a Vacant Apartment shall be ten (10%) percent of the Total Cash Payment. Should Sponsor offer tenants in occupancy the right to purchase an additional apartment, the price to such tenant for said additional apartment shall be the price then being offered to non-tenants.

Tenant's right to purchase his or her own apartment at the price per share set forth in Schedule A (see column denoted "Tenants' Purchase Price") shall, as hereinbefore set forth, be for a period of ninety (90) days. Tenant's right to purchase a Vacant Apartment, if tenant elects to pay the aforesaid "Tenants' Purchase Price" per share offered exclusively to tenants, shall only be for a period of thirty (30) days following the filing of the Plan.

The Selling Agent will maintain at its office a list of all Vacant Apartments so that both tenants and non-tenants will know of their availability. Prospective Purchasers of Vacant Apartments shall advise the Selling Agent of their desire to purchase by written notice delivered in person or by mail. The Selling Agent will stamp each such request with the date and hour of receipt so that an order of priority for the purchase of a particular Vacant Apartment can be fairly established. The Selling Agent will, on the basis of "first come first served", advise a prospective purchaser of its acceptance of the offer to purchase a Vacant Apartment and will submit to the purchaser within three (3) business days thereafter a Subscription Agreement which must be executed by the prospective purchaser and returned to the Selling Agent within four (4) days together with a check in the amount of 10% of the subscription price drawn to the order of "Patricia Gardens, Special" representing the downpayment to be applied to the purchase of the Vacant Apartment.

In the event that a tenant in occupancy on the date of filing elects to purchase a Vacant Apartment rather than his or her own apartment, the acceptance of the Subscription Agreement for the Vacant Apartment shall be conditioned upon (1) the tenant entering into an Interim Possession Agreement for such Vacant Apartment, such Agreement to commence on the first day of the next succeeding month following the close of the month in which such Subscription Agreement was accepted; (2) the tenant agreeing to the cancellation of any existing lease for the apartment then being occupied or leased by the tenant and tenant surrendering possession of such apartment at

or prior to the commencement of the Interim Possession Agreement for the Vacant Apartment. The Interim Possession Agreement shall provide that tenant's default thereunder shall constitute a default under the Subscription Agreement. The Subscription Agreement shall provide that tenant's default thereunder shall constitute a default under the Interim Possession Agreement. Therefore, the aforementioned defaults shall result in the loss of all rights of the subscriber/occupant under both the Subscription Agreement and the Interim Possession Agreement and thus the tenant/occupant will be subject to eviction.

Tenants in occupancy who elect to purchase a Vacant Apartment at the "Tenants' Purchase Price" per share, shall purchase same in its then "as is" condition. Sponsor is under no obligation to make any improvements or repairs, except as otherwise set forth herein. However, in the event that prior to such election, Sponsor has incurred costs in connection with improvements, alterations or other renovation of the apartment or has otherwise installed appliances, equipment or furnishings therein, the Purchase Price to such tenant in occupancy is increased to the extent of Sponsor's costs, but in no event more than \$2,500 for a 2½-room apartment, \$3,000 for a 3-room apartment, \$3,500 for a 3½-room apartment, \$4,000 for a 4-room apartment, and \$4,500 for a 4½-room apartment.

INTERIM POSSESSION AGREEMENT

Sponsor may offer any Purchaser, in its sole and absolute discretion, the right to possession of an apartment prior to closing. In such event, Sponsor, Apartment Corporation, and Purchaser shall enter into an Interim Possession Agreement ("IPA"), simultaneous with the Subscription Agreement. Such Purchaser (Contract Vendee in Possession) shall accept the apartment in its "as is" condition at the time that he takes possession thereof.

The charges payable thereunder shall be as negotiated by Sponsor and Purchaser, but in no event shall such charges be credited toward the Purchase Price of shares. Such charges shall not exceed those that would be a maximum legally collectible rent. The term of such IPA shall expire on (a) the Closing Date; or (b) the first or second (at Sponsor's option) anniversary of the occupancy date under the IPA; whichever first occurs. Sponsor may terminate the IPA prior to the expiration of the term if Purchaser fails to comply with the Subscription Agreement provided that Sponsor serves a Notice of such termination on Purchaser by certified mail no less than ninety (90) days prior to the termination date reciting the date of termination and the default under the Subscription Agreement. In addition, Sponsor may terminate the occupancy in accordance with other provisions set forth in regulations for housing accommodations in cooperative or condominium owned buildings. If this Plan is abandoned, the Purchaser may, at any time at his option, cancel such IPA and vacate the premises upon sixty (60) days' prior written notice to Sponsor. The charges herein provided shall be due and payable to Sponsor for the entire period until Purchaser has vacated the premises.

It shall be a default under the IPA if the Purchaser thereunder fails to comply with all of his obligations under his Subscription Agreement. A default in the performance or observance of the terms and conditions of the IPA will also be a default under the terms of the Subscription Agreement and will permit the Apartment Corporation to cancel the same in accordance with its terms. The IPA shall provide that the "Contract Vendee in Possession" shall, from the occupancy date set forth in the IPA, have such responsibilities (except "Maintenance Charges") as a tenant-shareholder would have under the Proprietary Lease (e.g. pay utilities, make repairs, etc.) of the Apartment Corporation.

Until the Apartment Corporation acquires title to the property, "Contract Vendees in Possession" of apartments in the building will not be able to claim the income tax deduction described in the introduction to this Plan. Such deductions may become available only (a) when and if this Plan is declared

effective and there is a closing hereunder, and (b) when and if the conditions set forth in the Opinion of Counsel included herein have been met, and then and only for the period subsequent to the Closing Date. Charges due under any IPA shall be adjusted as of the Closing Date between Sponsor and the Purchaser.

Sponsor does not presently offer the right to rescind the Subscription Agreement or the IPA (except in case of abandonment of the Plan or a material change in the total number of shares or in the size or quality of public areas). However, should such right be offered in the future, and exercised by Purchaser, then the Purchaser's right to rescind will be conditioned upon his surrendering possession of the apartment and leaving the same vacant, in good condition and broom clean within 60 days. He must also pay any charges due under his IPA until the date on which he shall have surrendered possession. In the event the "Contract Vendee in Possession" fails to so vacate the apartment upon his rescission or his failure to close, Purchaser's deposit shall be forfeited as liquidated damages. Nothing contained herein shall relieve any Purchaser of liability for damage caused to the apartment or any liability under the Subscription Agreement.

In the event of abandonment of the Plan, the Contract Vendee in Possession shall be entitled to such rights and obligations as are provided other tenants of the building pursuant to the ETPA.

PROCEDURE TO PURCHASE

The form of the Subscription Agreement is contained in Part II. Any person who desires to purchase shares in the Apartment Corporation and the attendant right to a Proprietary Lease will be required to execute a Subscription Agreement in substantially such form. An executed Subscription Agreement shall be delivered to Sponsor or Selling Agent together with a check drawn to the order of "Patricia Gardens, Special" in an amount equal to 10% of the Total Cash Payment or \$1,000 for a tenant in occupancy on the presentation date purchasing the apartment he then occupied. However, such down payment may be increased for special work or materials (if offered) ordered by the purchaser and itemized in the Subscription Agreement. Any such Agreement executed by a non-occupant (or a bona fide tenant in occupancy who seeks-to subscribe for shares of a vacant apartment) will not be binding upon the Apartment Corporation until a fully executed copy is delivered to the Purchaser. If such copy is not sent or delivered within 20 days after receipt of the Purchaser's executed copy and down payment, the Subscription Agreement shall be deemed rejected, cancelled, and the down payment shall be refunded, with interest, if any, within ten days thereafter.

In the event the Plan is declared effective as provided herein, the balance of the Total Cash Payment shall be due in full within 15 days after receipt of written notice and demand by Sponsor or Selling Agent, provided a Closing Date is scheduled for no more than 90 days after payment is due. Each Purchaser shall be required to deliver two copies of the Proprietary Lease (signed by him before a notary public) within ten (10) days after the leases are sent to him. Failure to deliver such Proprietary Lease may be deemed an event of default under the Subscription Agreement, at the option of the Apartment Corporation. Any portion of the Total Cash Payment to be financed by a bank or other lending institution may, however, be paid on the Closing Date, provided that the purchaser has furnished a copy of a written commitment from a lending institution and copies of all documents the lending institution shall require the Apartment Corporation to execute within the time period during which the balance of the Total Cash Payment must otherwise be paid.

Should a Subscription Agreement be contingent upon obtaining financing, and all Subscription Agreements shall provide Purchaser with this option, Purchaser shall have 30 days from the acceptance of the Subscription Agreement (or the delivery of the Subscription Agreement to Sponsor or Selling Agent, in the case of a tenant-occupant) to obtain a commitment for such financing by making application to at least two (2) reputable lending institutions. If Purchaser notifies Sponsor by certified mail no later than 5 days after the expiration of the said thirty day period that Purchaser's

application for a commitment was rejected by both lending institutions, and providing that such completed applications were duly made in compliance with the requirements of said institutions within 5 days after the Subscription Agreement was accepted (or, in the case of a tenant-occupant, delivered to Sponsor or Selling Agent), the Subscription Agreement shall be null and void and Purchaser's down payment shall be returned with interest, if any. Failure to provide such notification shall be deemed a waiver of the paragraph rendering the Subscription Agreement contingent on financing, and it shall therefore be binding upon Purchaser. Purchaser may enter into a Subscription Agreement conditional upon a financing commitment for no more than 75% of the Total Cash Payment for a block of shares, at prevailing rates and terms. Purchasers should note that financing commitments for purchase of apartments may have expiration dates prior to which closing of title will occur, unless the commitment is extended. If such extension is granted, or another commitment issued, no guarantee can be made that the terms will be the same as those of the expired commitment. If such commitment expires prior to closing and no extension is obtained, the Purchaser is nevertheless bound by his Subscription Agreement, unless the Purchaser has made a good faith effort to extend the commitment, in which case Purchaser shall have a limited right to rescind his Subscription Agreement. Sponsor or Apartment Corporation must be in actual receipt of Purchaser's written notice of rescission within five (5) days of the expiration of the commitment.

Purchasers should also note that the Subscription Agreement will provide that Purchaser's failure to provide information to the lender promptly upon request therefor, or to accept a commitment issued to Purchaser by lender on terms set forth in the Subscription Agreement shall constitute a default by Purchaser under the Agreement, whereupon Sponsor shall have remedies as set forth therein.

Purchasers will be given written notice of the Closing Date at least thirty (30) days in advance of the closing of title to the Apartment Corporation.

Sponsor will hold all monies received by it, or through its agents or employees, if any, in trust, in a special segregated escrow account at Citibank, N.A., 460 Park Avenue, New York, New York, entitled "Patricia Gardens, Special." Such monies shall be disbursed only upon the signature of an attorney who shall be a member of the firm of Hall, Dickler, Lawler, Kent & Friedman in accordance with the provisions set forth below. Interest earned, if any, on a Purchaser's deposit shall be returned or credited to such Purchaser. However, it is not anticipated that any interest will be earned.

As an alternative to depositing down payments in escrow, Sponsor may post a bond or indemnity contract written

by a licensed surety company satisfactory in form to the Department of Law, ensuring return of such monies, which bond or contract is to be delivered to the Purchaser. Before Sponsor elects to post a bond in compliance with the aforesaid escrow and trust provisions, the Plan shall be amended to disclose same.

Down payments will be retained in escrow or bonded as set forth above until: (i) the Plan is abandoned; or (ii) Purchaser rescinds or defaults in performance; or (iii) upon transfer of title to the Apartment Corporation.

In the event of an uncured default by Purchaser in his obligations under the Subscription Agreement, no more than ten percent (10%) of the Total Cash Payment plus any interest earned thereon, may be retained as liquidated damages. Notwithstanding the above, the actual cost incurred for any special work in the apartment ordered by Purchaser may also be retained as liquidated damages. Both Apartment Corporation and Sponsor agree not to seek the remedy of specific performance in connection with Subscription Agreements as to which there has been a default by Purchaser. Sponsor must make written demand for payment thirty days before a forfeiture of the Subscription Agreement shall be declared.

Risk of loss by fire or other casualty shall remain with Sponsor unless and until either a Purchaser is given the right to possession of a unit pursuant to a written agreement with Sponsor or legal title to the property has been conveyed to the Apartment Corporation.

Non-tenant Purchasers shall be afforded not less than seven (7) days after delivering an executed Subscription Agreement together with the required deposit to rescind the Subscription Agreement and have the full deposit refunded promptly. The Purchaser must either personally deliver a written notice of rescission to Sponsor or Selling Agent within the seven (7) day period or mail the notice of rescission to Sponsor or Selling Agent and have the mailing post-marked within the seven (7) day period. Tenant Purchasers shall be afforded not less than three (3) days to review the Offering Plan and all filed amendments prior to executing a Subscription Agreement.

A Purchaser of a block of shares allocated to an apartment in which he does not reside purchases subject to the terms and conditions of any existing lease, tenancy or occupancy agreement, and subject to the rights and obligations set forth in any applicable rent law. Such Purchaser, his successors and assigns shall continue to be bound by the respective terms, conditions and laws so long as they are applicable.

In the event insufficient funds are raised through

the offering, or if the Plan is abandoned or withdrawn for any reason, or if title to the property is not acquired by the Apartment Corporation on or before 24 months from the date of presentation of this Plan for any reason whatsoever, then such monies shall be fully returned to the Purchasers with interest, if any. The amounts paid by the said Purchasers will be handled in accordance with the escrow and trust fund provisions of Section 352(h) and Section 352(e)(2)(b) of the New York General Business Law.

Sponsor and the Apartment Corporation shall grant permission to all subscribers, on a non-discriminatory basis, to assign or transfer their Subscription Agreements prior to closing. To obtain such permission, a tenant must (i) sign his or her Subscription Agreement, (ii) tender the down payment, and (iii) provide Selling Agent with assignee's notarized affidavit in the form set forth in Part II. No fees shall be charged by the apartment Corporation or its agent for any such assignment or transfer.

Any conflict(s) between the Subscription Agreement and the Plan shall be resolved in favor of the Plan, unless such conflict is the result of individual negotiation. Nonetheless, the Subscription Agreement may not be modified to contain a provision waiving Purchaser's rights or abrogating Sponsor's obligations which are required by G.B.L. Article 23-A or any other rights conferred by law.

If, prior to the effective date of the plan or the expiration of any exclusive period, whichever is later, the terms and conditions of the offering are amended to be more favorable to tenant purchasers, a tenant in occupancy on the presentation date who executed and submitted a Subscription Agreement before the amendment may elect to benefit from the more favorable terms and conditions.

The Subscription Agreement used by tenant purchasers who purchase during the ninety (90) day exclusive period or the thirty (30) day period for the purchase of vacant apartments may not be modified except by duly filed amendment.

EFFECTIVE DATE AND CLOSING DATE

Sponsor's offer to sell hereunder is contingent upon the Plan being declared effective in accordance with relevant conditions and time periods described in this Plan. All Subscription Agreements are contingent upon such effectiveness.

The Plan may be declared effective at the option of Sponsor at any time after Subscription Agreements are executed and delivered for at least 15% of those bona fide tenants in occupancy of all residential apartments in the group of buildings on the date the plan is declared effective. Purchasers who shall be affiliated with the Sponsor shall not be counted in the computation of this minimum percentage. As to those tenants who were in occupancy on the date the plan was accepted for filing, the Subscription Agreement shall be executed and delivered pursuant to an offering made in good faith without fraud and with no discriminatory repurchase agreement or other discriminatory inducement. This Plan may not become an "Eviction" Plan at any time.

When Subscription Agreements have been executed and accepted for the sale of at least 80 percent of the units offered, the Plan must be declared effective by Sponsor.

If the Plan has not been declared effective within twelve (12) months from the date of filing, it will be deemed abandoned, void and of no effect, and all monies will be returned to purchasers in full, with interest earned thereon, if any, within twenty days of such abandonment. In such event, Sponsor shall promptly submit for filing a formal notice of abandonment, and no new plan for the conversion of such group of buildings shall be submitted to the Attorney General for at least fifteen (15) months after such abandonment.

From and after the date of presentation of the Plan at least every thirty (30) days until and including the day the Plan is declared effective, or abandoned, (including the 30th, 60th, 88th and 90th day after the presentation date and on the second day and tenth day before the expiration of any exclusive purchase period provided in a substantial amendment to the Plan) Sponsor shall file a written statement, under oath, setting forth the percentage of bona fide tenants in occupancy of all residential units in the group of buildings who have executed and delivered written agreements to purchase apartments under the Plan as of the date of such statement. The percentage shall be computed in the same manner as the Sponsor shall compute the minimum percentage needed to declare the Plan effective. Sponsor shall, before noon of the day that such sworn statement is filed, post a copy of said statement in the lobbies of the premises. Such statement shall remain posted until the next statement must be posted. Such statement shall be available for inspection or copying at the offices of the Sponsor and at the Department of Law.

The Plan will be declared effective by written notice to all Purchasers and one residential tenant per unit by delivery or mail (regular, registered or certified), and an appropriate amendment to the Plan shall be submitted to the Department of Law within five (5) business days thereafter together with an affidavit of service of the aforesaid notice. No closing shall be held until such amendment is accepted for filing. Sponsor agrees that copies of all Subscription Agreements, as modified, will be delivered to the Department of Law within five days of a request for inspection by the Department.

On the Closing Date, fee title to the Property will be transferred to the Apartment Corporation and each Purchaser will thereupon become obligated for the payment of maintenance charges under his Proprietary Lease, whether or not he has taken possession of his apartment. Certificates for the shares of the Apartment Corporation and the accompanying Proprietary Leases will be issued to the respective Purchasers as of the Closing Date and will be delivered promptly thereafter.

Sponsor may, at its option, declare the Plan abandoned for any reason whatsoever before it is declared effective. Once the Plan has been declared effective, it may not be abandoned for any reason other than 1) defects in title which cannot be cured by litigation or for less than \$15,000 in the aggregate; 2) substantial damage or destruction of the building by fire or other casualty which is not fully covered by insurance, unless Sponsor elects to repair same; 3) the taking of any portion of the property by condemnation or eminent domain, or 4) work orders of any mortgagee or insurance carrier received subsequent to the presentation date of this Plan or violations of record noted after such presentation date, which cannot be cured or complied with for less than \$15,000 in the aggregate (as reasonably estimated by Sponsor).

TERMS OF MORTGAGE(S)

The Property is presently encumbered by a consolidated first mortgage (the "Underlying Mortgage") in the original principal amount of \$575,000.00, held by Dollar Savings Bank of New York, 2530 Grand Concourse, Bronx, N. Y. dated April 21, 1977. Said mortgage shall not be in default at closing.

On the Closing Date, the Apartment Corporation will take title to the Property subject to such Underlying Mortgage. It is Sponsor's obligation to make all payments under said mortgage which come due prior to the Closing Date. All regular payments of interest and amortization, together with all escrow deposits for the payment of real estate taxes, water and sewer charges, or otherwise, payable under the Underlying Mortgage which come due after the Closing Date will, subject to the terms and conditions described below, be paid by the Sponsor, or its successors or assigns, as mortgagee under the Wrap Mortgage described below, provided that the Apartment Corporation is not in default under the terms of the Wrap Mortgage.

The Underlying Mortgage provides for constant monthly installments of \$5,151.05, due and payable on the first day of each calendar month, such payments including interest at the rate of 8 3/4% per annum and the balance applied on account of the reduction of principal at the total constant rate of 10 3/4% per annum. The Underlying Mortgage is not self-liquidating. At its maturity in April, 1987, there shall be a principal balance due and owing of approximately \$403,000, together with accrued but unpaid interest. On the Closing Date the principal balance of the Underlying Mortgage shall be approximately \$475,250.

The Sponsor shall be obligated pursuant to the Wrap Mortgage to pay any sums due and owing on the Underlying Mortgage at its maturity, subject to the provisions hereinafter set forth. The Sponsor or other holder of the Wrap Mortgage, may, at any time, extend, modify or refinance the Underlying Mortgage, (the "New Underlying Mortgage") subject to, among other things, the following limitations:

1. The New Underlying Mortgage must amortize in a manner so that its unpaid principal balance, together with the unpaid principal balance of the Underlying Mortgage, is never greater than the unpaid principal balance of the Wrap Mortgage.
2. The maturity date of the New Underlying Mortgage may not be later than the maturity date of the Wrap Mortgage.
3. The holder of the Wrap Mortgage must pay all expenses necessary to consummate the closing of the New Underlying Mortgage.

4. The aggregate unpaid principal amount of the New Underlying Mortgage and the Underlying Mortgage may not exceed the then unpaid principal amount of the Wrap Mortgage.
5. The aggregate regular monthly installments of principal and interest payable under the New Underlying Mortgage and the Underlying Mortgage may not exceed the regular monthly installments of principal and interest payable under the Wrap Mortgage.
6. If the holder of the Wrap Mortgage shall obtain additional funds as the result of refinancing or restructuring the Underlying Mortgage, such funds shall not in any way inure to the benefit of the Apartment Corporation, but shall be the sole property of the holder of the Wrap Mortgage.

The Apartment Corporation shall at all times be obligated to promptly execute, acknowledge and deliver any and all commitments, notes, mortgages, modification agreements, and other documents which the holder of the Wrap Mortgage shall deem necessary to effectuate any extension, modification or refinancing of the Underlying Mortgage, and the Apartment Corporation irrevocably appoints the holder of the Wrap Mortgage as its attorney-in-fact (for such purpose only) and grants such holder the right to execute all of such documents. In the event that the Sponsor, or other then holder of the Wrap Mortgage, does not pay or refinance the Underlying Mortgage (despite his obligation to do so), the Apartment Corporation will be required to pay the said Mortgage at maturity, in which event, it may be necessary to increase maintenance charges to tenant-shareholders in order to meet any increased expense in paying this indebtedness.

Tenant-shareholders will not be personally liable to the Underlying Mortgagee to pay the unpaid principal at maturity or as a result of any default of the holder of the Wrap Mortgage. However, to preserve its equity in the Property, the Apartment Corporation may endeavor to refinance or extend the said mortgage at maturity. Arranging such refinancing or extension is a common practice. However, the availability, terms and cost of such refinancing or extension will vary from time to time depending upon existing market conditions, the credit-worthiness of the borrower, the financial and physical condition of the Property and other factors. In the event the Apartment Corporation is unable to arrange such refinancing or extension, or if the terms thereof are considered unfavorable, and assuming it could not obtain an interim loan and had no other funds available, it would be necessary to assess each tenant-shareholder approximately \$12.109 per share in order to pay the principal balance then due.

No representation is made as to the availability of funds for refinancing, the interest rate or the cost of refinancing at the time the Underlying Mortgage becomes due.

If the Apartment Corporation is obligated to pay the Underlying Mortgage at maturity, it may bring an action for damages against the Sponsor, (such damages to be limited to recourse against the interest of the mortgagee under the Wrap Mortgage), and/or it may deduct the amount paid from installments coming due under the Wrap Mortgage. It may also refinance the said Underlying Mortgage. In furtherance of the foregoing, upon such default by the Sponsor in paying the Underlying Mortgage when it matures, the Apartment Corporation shall be entitled to, and the Sponsor shall execute and deliver to the Apartment Corporation, a satisfaction of the Wrap Mortgage.

The Underlying Mortgage permits the sale or other conveyance of the Property without accelerating its date of maturity.

Material events of default pursuant to the Underlying Mortgage include the following:

(a) failure to make timely payment of any monthly installment of interest and principal, or of any monthly installment to be applied by mortgagee for the payment of taxes, water, rates, sewer rents and assessments; or (b) the actual or threatened alteration, demolition or removal of the premises; or (c) the assignment of the rents on the premises; or (d) if the premises is not maintained in reasonably good repair; or (e) failure to timely comply with any requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the premises or (f) if on application of mortgagee two or more fire insurance companies lawfully doing business in the State of New York refuse to issue policies insuring the buildings, fixtures, chattels and articles of personal property on the premises; or (g) the removal, demolition or destruction in whole or in part of any of the fixtures, chattels or articles of personal property covered, unless the same are promptly replaced by similar fixtures, chattels and articles of personal property at least equal in quality and condition to those replaced, free from chattel mortgages or other encumbrances thereon and free from any reservation of title thereto; or (h) after thirty days' notice to the Owner, the passage of any law deducting from the value of land for the purposes of taxation any lien thereon, or changing in any way the taxation of mortgages or debts secured thereby for state or local purposes, or (i) if the Owner or any subsequent owner or occupant of the mortgaged premises fails to allow or permit the holder of the mortgage, or any representatives of such holder, to inspect the mortgaged

premises on request, at any time, and from time to time during usual business hours; or (j) if the Owner fails to keep, observe and perform any of the other covenants, conditions or agreements contained herein; or (k) if the Owner acquires the rights of the holder of the First Underlying Mortgage.

On the Closing Date, the Apartment Corporation will execute and deliver to the Sponsor a Wraparound Mortgage ("Wrap Mortgage"), which mortgage shall be in the principal amount of \$1,000,000.00. The Wrap Mortgage is a financing device pursuant to which the Apartment Corporation will receive subordinate financing from Sponsor such that the principal amount of said Mortgage will be the total of the outstanding Underlying Mortgage and the subordinate financing provided by Sponsor at Closing. As described below, the Apartment Corporation will be responsible for monthly payments of interest and amortization on such Wrap Mortgage during its term and the payment of the outstanding principal indebtedness at maturity.

The Wrap Mortgage will provide for constant monthly installments of \$7,916.67 due and payable on the first day of each calendar month following the Closing Date, which installments shall be applied to the payment of interest at the rate of 8% per annum on the unpaid balance and the remainder applied to principal at the total constant of 9½% per annum of the original principal amount of the mortgage, for the first two years. The mortgage is not self-liquidating, shall be due 8 years after closing and shall be payable as follows:

| <u>Years</u> | <u>Monthly Payment</u> | <u>Interest per Annum</u> | <u>Total Constant per Annum based upon the original principal amount of the Mortgage</u> |
|--------------|------------------------|---------------------------|--|
| 1 & 2 | \$ 7,916.67 | 8% | 9½% |
| 3 & 4 | 9,166.67 | 9% | 11% |
| 5 & 6 | 10,000.00 | 10% | 12% |
| 7 & 8 | 11,666.67 | 12% | 14% |

The principal balance at the time of maturity, eight years after closing, shall be \$775,258, more or less, and the Apartment Corporation will have the responsibility of paying said principal indebtedness, or, to preserve its equity in the Property, the Apartment Corporation may endeavor to refinance or extend the mortgage at maturity. Arranging such refinancing or extension is a common practice. However, the availability, terms and cost of such refinancing or extension will vary from time to time depending upon existing market conditions, the credit-worthiness of the borrower, the financial and physical condition of the Property and other factors. In the event the Apartment Corporation is unable to arrange such refinancing or extension, or if the terms thereof are considered unfavorable,

and assuming it could not obtain an interim loan and had no other funds available, it would be necessary to assess each tenant-shareholder approximately \$23.29 per share in order to pay the principal balance then due. No representations are made as to the availability of funds for refinancing at the time the Wrap Mortgage becomes due. If the terms of the refinancing are more onerous than those of the Wrap Mortgage, it may be necessary to increase maintenance charges to tenant-shareholders to meet any increased expense.

The Wrap Mortgage will provide that if the holder defaults in any payment due on any Underlying Mortgage and the applicable grace period has expired, in addition to other rights and remedies which the Apartment Corporation may have at law or hereunder, the Apartment Corporation may (i) after five (5) days prior written notice to the mortgagee, if mortgagee has not made such payments in the interim, pay such sums due to the holder of the Underlying Mortgage and/or New Underlying Mortgage which is in default and may deduct the amount so paid from the next payments due under the Wrap Mortgage and/or (ii) require that the mortgagee under the Wrap Mortgage execute and deliver to the Apartment Corporation a satisfaction, in recordable form, of the Wrap Mortgage, provided however, that the Wrap Mortgage shall be reinstated if the holder of the Wrap Mortgage becomes current on all past due payments and the holder of the Underlying Mortgage in default has not commenced foreclosure proceedings or has discontinued such foreclosure proceedings, and the holder of the Wrap Mortgage pays all expenses incurred by the Apartment Corporation as a result of such default by the holder, (including legal fees and/or fees paid to arrange for the refinancing of the Underlying Mortgage).

The Wrap Mortgage will require the deposit on the first day of each calendar month of a payment equal to one-twelfth (1/12th) of the annual charges payable in respect of real estate taxes, water charges, sewer rents and insurance premiums which are or might become payable upon and in respect of the Property, as such taxes, charges, rents and premiums shall be estimated from time to time by the mortgagee under the Wrap Mortgage, and in any event in the amount such that there shall be in the hands of the mortgagee not later than thirty (30) days prior to the respective due dates of such charges, an amount sufficient to pay such taxes, charges and rent in full when due. The mortgagee under the Wrap Mortgage will be obligated to use such deposited amounts for the payment of such impositions when the same come due.

All fixtures, chattels, and articles of personal property now or hereafter attached to or used in connection with the operation of the Property, are covered by the Underlying Mortgage and the Wrap Mortgage.

On the Closing Date, the Apartment Corporation will execute and deliver all documents required to effectuate the Wrap Mortgage on the terms described above.

The Wrap Mortgage will include the following terms and conditions:

1. The Mortgagee agrees to make all payments of principal and interest, (and escrow deposits, if any, for real estate taxes, water rates, sewer charges and insurance premiums), payable pursuant to the Underlying Mortgage and/or to the New Underlying Mortgage, by the dates due thereunder, including grace periods, so long as the mortgagor shall make the payments and deposits required under the terms of this Wrap Mortgage and the Note it secures.

2. The holder of the Wrap Mortgage shall have the right to assign or transfer all or part of its interest in this Wrap Mortgage at any time.

3. The Apartment Corporation agrees not to place any further mortgages on the Property so long as the Wrap Mortgage is outstanding.

4. The mortgagee shall have the right, at any time, at its sole and exclusive option, to prepay, in whole or in part, or acquire by assignment the Underlying Mortgage or any New Underlying Mortgage.

5. In the event that the Apartment Corporation should exercise the option, if any, of prepayment in full in accordance with the terms of the note secured by the Wrap Mortgage, the holder of the Wrap Mortgage shall offer to pay and discharge the Underlying Mortgages and any New Underlying Mortgages then a lien on the premises, and the Apartment Corporation shall pay any prepayment penalties payable under any such Underlying Mortgage and/or New Underlying Mortgage.

6. Subject to the rights of the holder of the Underlying Mortgage or any New Underlying Mortgage, in the event of loss, the Apartment Corporation will give immediate notice thereof to the mortgagee, and the mortgagee may make proof of loss if not made promptly by the Apartment Corporation.

7. At any time, and from time to time, within ten (10) days after a written request therefor has been made, the Apartment Corporation will furnish to the mortgagee a sworn statement of the operating expenses of the premises for the period specified therein.

8. Upon any default of the Apartment Corporation in paying any obligation or in otherwise complying with or performing any warranty or covenant provided in the Wrap Mortgage,

the mortgagee may, at the mortgagee's option, pay, comply with or perform the same, and the cost thereof, together with the interest thereon at the highest rate permitted by law, shall be paid by the Apartment Corporation to the mortgagee on demand and shall be secured by the Wrap Mortgage.

9. If the mortgagee employs an attorney to collect any or all of the unpaid indebtedness hereof or to enforce any other provision hereof, or to foreclose this Wrap Mortgage, the mortgagee in addition to all other costs and fees allowed according to law shall be reimbursed by the Apartment Corporation immediately for all costs and attorneys' fees incurred by the mortgagee, and the same shall be secured by this Wrap Mortgage.

10. Failure to comply with the following mortgage terms shall constitute a default under said Wrap Mortgage, whereupon the holder may be entitled to accelerate the entire mortgage indebtedness: (a) default in the payment of any installment of interest for fifteen days after the same shall become due; (b) default in the payment of any tax, water rate, sewer rate or assessment for thirty days after the same shall become due, or in the event the same shall be collected monthly by the mortgagee as herein provided, then fifteen days after any such monthly payment shall become due; (c) failure for thirty days after notice and demand either to assign and deliver the policies insuring the buildings against loss by fire, or to reimburse the mortgagee for premiums paid on such insurance; (d) failure after five days upon request in person or after ten days upon request by mail to furnish a written statement of the amount due on the mortgage and whether any offsets or defenses exist against the mortgage debt; (e) failure to exhibit to the mortgagee, within ten days after demand, receipts showing payment of all taxes, water rates, sewer rents and assessments; (f) the actual or threatened alteration, demolition or removal of the premises without the written consent of the mortgagee; (g) if the building on said premises is not maintained in reasonably good repair; (h) failure to promptly comply with any requirement or order or notice of violation of law or ordinance issued by any governmental department claiming jurisdiction over the premises; (i) if on application of the mortgagee, two or more fire insurance companies lawfully doing business in the State of New York refuse to issue policies insuring the premises; (j) in the event of the removal, demolition or destruction in whole or in part of any of the fixtures, chattels and articles of personal property covered hereby, unless the same are promptly replaced by similar fixtures, chattels and articles of personal property at least equal in quality and condition to those replaced, free from chattel mortgages or other encumbrances thereon and free from any reservation of title thereto; (k) after twenty days' notice to the mortgagor, in the event of the passage of any law deducting from the value of land for the purposes of taxation any lien thereon, or changing in any way

the taxation of mortgages or debts secured thereby for federal, state or local purposes, unless mortgagor agrees to and pays to mortgagee on demand in addition to any other sums required to be paid under the Wrap Mortgage, the amount equal to such taxes; and (1) if the mortgagor fails to keep, observe and perform any of the other covenants, conditions or agreements contained in the Wrap Mortgage or in the Underlying Mortgage or New Underlying Mortgage.

FINANCING FOR QUALIFIED PURCHASERS

Availability of Financing from Institutional Lenders

Generally, savings and commercial banks, as well as savings and loan associations, are authorized to finance the purchase of cooperative apartments. If a loan commitment is issued, the interest rate will be the customary rate for this type loan charged by the bank or other lending institution at the time of closing of the loan. Each institution has its own lending policies, terms and credit requirements. Purchasers who may be interested in obtaining such financing should communicate directly with the lender of their choice.

Responsibility of Purchaser to Obtain Financing

Neither the Apartment Corporation, the Selling Agent (if any) nor the Sponsor are obligated to obtain financing on behalf of any Purchaser. Such parties shall not at any time act as agent for any lender which may extend financing for the purchase of any apartment. Consequently, each person who desires to finance the purchase of an apartment is solely responsible for obtaining a commitment for such financing in his favor from his preferred lender. At Purchaser's option, the Subscription Agreement may be conditioned upon the Purchaser's securing a commitment for financing, which is the sole responsibility of each Purchaser. However, the Subscription Agreement may not be conditional upon a financing commitment for more than 75% of the Total Cash Payment for the block of shares. (See Procedure to Purchase in Part I and Subscription Agreement in Part II.)

NO REPRESENTATION OR WARRANTY IS MADE THAT BANK FINANCING WILL BE AVAILABLE TO ANYONE WHO SUBSCRIBES FOR SHARES OF THE APARTMENT CORPORATION UNDER THE PLAN OR AS TO THE TERMS, COSTS AND CONDITIONS UPON WHICH SUCH FINANCING MAY BE GRANTED OR THE COST TO OBTAIN SAME.

SUMMARY OF PRINCIPAL TERMS
OF PROPRIETARY LEASE

The Proprietary Lease will be for a term ending on December 31, 2050, but may be extended by vote of the shareholders. As a lessee, every shareholder of the Apartment Corporation will be obligated to pay the maintenance charges for his space. Such charges are fixed by the Board of Directors to cover the Apartment Corporation's cash requirements for the following year. Each Lessee pays in the proportion that the number of shares allocated to his apartment bears to the total number of shares outstanding. In the event he defaults in payment of the maintenance charges or any assessment, the Apartment Corporation shall have the right to regain possession of the apartment and sell it. The Apartment Corporation will notify a lender of a shareholder's default under the Proprietary Lease. See Proprietary Lease in Part II for other events of default. He will also have the following rights and obligations:

1. He may use the apartment as a private dwelling as described in Para. 14 of the Proprietary Lease.
2. He may, if not in default under the Proprietary Lease, cancel his Lease and surrender his shares and possession of the apartment to the Apartment Corporation (without receiving any compensation) effective as of the first September 30th date after the third anniversary of the consummation of this Plan, or as of any September 30th thereafter, on at least six (6) months' prior notice to the Apartment Corporation, and if he elects to cancel, he will have no liability for payment of maintenance charges after the effective date of the cancellation but will remain liable for any indebtedness owing prior to such effective date. See Para. 35. A lessee who is the holder of a block of Unsold Shares may only avail himself of this right under certain restricted circumstances. See Para. 38(d) of the Proprietary Lease.
3. He will have the right to sell his shares and assign his Proprietary Lease, and/or sublet his space, at any time, subject to and in compliance with the provisions of the Proprietary Lease and the Apartment Corporation's By-Laws (as same may be amended from time to time), which require that consent thereto be authorized by resolution of the Board of Directors or given in writing by a majority of the Directors or by the affirmative vote or written consent of shareholders owning at least $66 \frac{2}{3}$ percent of the Apartment Corporation's then issued shares. However, no consent to assignment shall be required as to shareholders who shall have been tenant-occupants at the date of presentation. In the case of an assignment, see additional requirements set forth in Para. 16 of Proprietary Lease. With respect to a subletting, the Board or shareholders may impose additional conditions. In addition, a charge

determined by the Board of Directors may be collected to cover reasonable legal fees and other expenses of the Apartment Corporation (including charges of the managing agent) in connection with such assignment or subletting. The foregoing provisions are not applicable to purchasers of Unsold Shares, who may freely sell the Unsold Shares and appurtenant Proprietary Leases and freely sublet their apartments, without the consent of the Board of Directors or payment of any charges.

4. He will be entirely responsible for the cost of interior repairs, internal maintenance (including window areas and doors, according to the Proprietary Lease) and the decorating of his space. The consent of the Apartment Corporation is required for alterations, as described in Para. 21.

5. The Sponsor and/or holder of Unsold Shares designated by Sponsor may sublet or sell any apartment for which it holds the shares and Lease, without limitation and without any consent.

In addition, the Sponsor and/or holder of Unsold Shares may make alterations in or to his apartment without consent of the Apartment Corporation. See entire Para. 38 of the Lease.

6. The Proprietary Lease and related shares may be pledged in accordance with Para. 17 of Lease. The Apartment Corporation agrees to notify a Secured Party of a shareholder's default under the Lease. See Para. 39.

7. The terms of the Proprietary Lease may be changed only by the approval of lessees owning at least 2/3 of the Apartment Corporation's then issued and outstanding shares, except no change shall be made which affects the rights of a holder of Unsold Shares without his consent.

8. See Para. 46 of Lease regarding the power of the Board of Directors to establish needed reserves for capital purposes.

9. The Proprietary Lease shall state that the owner of a unit or of the shares allocated thereto may not commence an action to recover possession of a dwelling unit from a non-purchasing tenant on the grounds that he seeks the dwelling unit for the occupancy of himself or his family. Such non-purchasing tenants who reside in dwelling units subject to government regulation as to rentals and continued occupancy shall continue to be subject thereto. Rentals of any such non-purchasing tenants who reside in dwelling units not subject to government regulations as to rentals and continued occupancy

and any such non-purchasing tenants who reside in dwelling units with respect to which government regulation as to rentals and continued occupancy is eliminated or becomes inapplicable after the Plan has become effective shall not be subject to unconscionable increases beyond ordinary rentals for comparable apartments during the period of their occupancy. However, eviction proceedings may be commenced for non-payment of rent, illegal use or occupancy of the premises, refusal of access to the owner or a similar breach by the non-purchasing tenant of his obligations to the landlord. The section of the lease concerning non-purchasing tenants may not be subsequently amended or deleted.

SEE THE FORM OF PROPRIETARY LEASE IN PART
II FOR ITS FULL DETAILS.

APARTMENT CORPORATION

The Apartment Corporation was formed on April 19, 1983, under the Business Corporation Law of the State of New York. It has an authorized capital of 35,000 shares of the par value of \$1.00 each, of which 33,282 shares are allocated to apartments presently offered hereunder, and the balance of which shall be maintained as capital stock unless issuance is hereafter authorized.

The By-Laws may be found in Part II. They provide that the shareholders are entitled to elect a Board of Directors consisting of five (5) directors, who are at least 18 years old and who need not be shareholders of the Corporation. The present directors are: Earle S. Altman, Marie Firenze, and Alan L. Fuchsberg. The present officers are: Alan L. Fuchsberg, President, Earle S. Altman, Vice President, Marie Firenze, Treasurer, and Gertrude Kallor, Secretary. The present officers and three directors are principals of Sponsor or have been designated by the Sponsor and will resign in favor of directors to be elected by the shareholders at the first annual meeting which is to be held within 30 days after the Closing Date. Shareholders will be entitled to one vote per share. Shareholders may cumulate their votes in favor of any one or more directors to be elected.

Notwithstanding the foregoing, however, Sponsor as a holder of Unsold Shares and other holders of Unsold Shares shall agree that, after the fifth anniversary of the Closing Date, or whenever the Unsold Shares constitute less than fifty (50%) percent of the shares whichever event first occurs, they shall not exercise voting control over the Board of Directors.

Directors and officers shall serve without compensation. The Board of Directors shall be responsible for the day-to-day operation of the Apartment Corporation. Any director may be removed with or without cause by the shareholders in accordance with the Certificate of Incorporation and/or By-Laws. Officers may be removed by the Board of Directors with or without cause. Directors, officers and employees have certain rights of indemnification by the Corporation, as set forth in Article X of the By-Laws, however, such rights do not extend to a breach of duty to the Corporation.

The Apartment Corporation shall have a lien on each shareholder's shares to secure payment of maintenance charges and other indebtedness under the Proprietary Lease as well as the faithful performance of all other terms of such lease. Such lien may be foreclosed and the shares including the attendant right to a Proprietary Lease may be sold to satisfy such lien. See Corporation's Lien, Art. VI, Sec. 6 of the By-Laws. The Board of Directors may refuse to consent to the transfer of the shares until any indebtedness of the

Shareholder to the corporation is paid. In addition, it may fix a nondiscriminatory reasonable fee to cover expenses in connection with the assignment of shares (see Art. VI, Sec. 4).

So long as the Unsold Shares constitute 25% or more of the outstanding shares, the Board of Directors shall not take any of the following actions unless shareholders owning at least 75% of the shares duly approve such action:

(1) increase the number or change the type of employees from that described in the "Projected Budget for First Year of Operation";

(2) provide for new or additional services from those indicated in the "Projected Budget for First Year of Operation", unless the annual cost of such new or additional services, when added to the annual cost of all other services being provided, is no greater than that provided therein;

(3) impose any rent, maintenance, assessment or other charge (regular or special) against tenant-shareholders for the purpose of making any capital or major improvement or addition, unless required by law to remedy violations of law or to comply with work orders of a mortgage or insurance carrier; or

(4) establish any reserves in addition to the Working Capital Fund, including (without limitation) a reserve for contingencies, repairs, improvements or replacements, other than a twelve (12) month reserve for contingencies not exceeding five (5%) percent of the budgeted operating expenses (exclusive of mortgage debt service) for the ensuing twelve (12) months of cooperative operation.

Notwithstanding the foregoing, the Apartment Corporation may take any of the actions enumerated in clauses (i) through (iv) above if the cost of such actions, when added to all other budgeted expenses of the Corporation, shall not result in increasing the maintenance charges for any year of operation by more than 5% above the previous year's maintenance charges, or if required by applicable law or regulation.

The Certificate of Incorporation may be amended only by the affirmative vote of the holders of two-thirds of the shares of the Corporation issued and outstanding. The By-Laws of the Corporation may be amended by the affirmative vote of the holders of two-thirds of the shares represented at any shareholders' meeting provided consent of holders of Unsold Shares has been granted where such amendment would materially

affect their rights; or by the affirmative vote of a majority of the total number of directors of the corporation, other than Art. I, §3, Art. II, §5, Art. III, §§8, 9, Art. IV, §7, Art V, §1, 6.

See Reports to Shareholders, and Documents on File for certain rights of shareholders.

Within 30 days after the termination of all Proprietary Leases for space in the Building, a determination shall be made by the holders of a majority of the then issued and outstanding shares whether to (a) continue to operate the building as a residential apartment building, (b) alter, demolish or rebuild, or (c) sell the building and liquidate the assets of the Apartment Corporation. The Directors shall carry out such determination. (Paragraph 37 of Proprietary Lease.)

The Board of Directors has the power to establish reserves for capital purposes (Art. III, §9 of the By Laws).

All expenses of the Apartment Corporation accruing up to and including the Closing Date will be paid by the Apartment Corporation from the proceeds of the sale of its shares.

The Apartment Corporation shall cause to be repaired/replaced (after notice) the Building, the apartments, and the means of access thereto, (but not equipment, fixtures, furniture, furnishing or decorations installed by any Lessee), if same are damaged by fire or other casualty. Under certain circumstances, however, a vote of 66 2/3% of the tenant-shareholders may vote against such repair/replacement. See Paragraph 4 of the Proprietary Lease and footnote to Schedule B regarding insurance.

The Sponsor and/or holder of Unsold Shares designated by Sponsor may sublet or sell any apartment for which it holds the shares and Lease, without limitation and without any consent.

In addition, the Sponsor and/or holder of Unsold Shares may make alterations in or to his apartment without consent of the Apartment Corporation. See entire Para. 38 of the Lease.

UNSOLD SHARES

Sponsor has agreed that, if by the Closing Date all of the offered shares have not been sold and fully paid for by bona fide purchasers, Sponsor, or individuals who are members of Sponsor, will acquire said shares (and will execute Proprietary Leases for all the apartments to which such shares are allocated); or with respect to any shares that they do not acquire, it will produce on the Closing Date financially responsible individuals who will acquire said shares (hereinafter called "Unsold Shares") and who will enter into Proprietary Leases for the apartments to which such Unsold Shares are allocated. The consideration for the Unsold Shares at Closing shall be approved by a qualified expert as meeting the "reasonable relationship" standard of I.R.C. §216.

No later than the third anniversary of the Closing Date, Sponsor agrees to transfer all Unsold Shares remaining in its hands, if any, to financially responsible individuals, if necessary to avoid jeopardizing the Apartment Corporation's qualifications as a cooperative housing corporation or the deductibility of interest and real estate taxes by tenant-shareholders who itemize deductions under I.R.C. §216. Except for those Unsold Shares owned by Sponsor, each block of Unsold Shares shall be owned by not more than one or (in the case of husband and wife only) two individuals although such person(s) may own more than one block of Unsold Shares. Each Purchaser of Unsold Shares will represent in writing prior to the date upon which he becomes the owner thereof that he will not jointly share with other Purchasers of Unsold Shares any profits or losses arising as a result of his ownership and sale of his shares.

Sponsor has agreed that if a holder of Unsold Shares fails to fulfill his obligations under his Proprietary Lease, including the payment of all maintenance charges and assessments thereunder, then and in that event Sponsor will become liable for such obligations as a guarantor notwithstanding that the Apartment Corporation also will have a lien upon the shares to secure the payment of all obligations of such holder of Unsold Shares. Sponsor has no reason to doubt it shall have the financial resources to meet its obligations with respect to Unsold Shares. However, no bond or other security has been furnished by Sponsor, and Sponsor's ability to perform will depend solely upon his financial condition, if and when called upon to perform. Any Unsold Shares and Leases acquired by a holder of Unsold Shares may be sold or assigned by him, or his unit may be sublet by him, without any prior consent from the Apartment Corporation, Managing Agent, Board of Directors, or representatives thereof, irrespective of the then By-laws or other documents. The Apartment Corporation is obligated to sign a consent to such transfer (and a recognition agreement where required by lenders) but such consent shall not be a condition for such transfer.

A holder of Unsold Shares may elect to become the occupant of the space covered by his Proprietary Lease. From the time that a holder of Unsold Shares or a person related to him by blood or marriage becomes the occupant of such unit, or whenever "Unsold Shares" are purchased by a bona fide purchaser for occupancy, such shares lose their character as "Unsold Shares." From such time, Sponsor shall be relieved of further obligations with respect thereto.

Holders of Unsold Shares and Sponsor have certain special rights and obligations. They shall comply with the trust fund provisions of GBL §352-h and the escrow deposit provisions of GBL §352-e(2)(b). See Para. 38 of the Proprietary Lease and Article III of By-Laws. Additionally, a holder of Unsold Shares who is the Sponsor, designated by Sponsor, a principal of Sponsor, a nominee of Sponsor or of a principal of Sponsor shall amend the plan to provide current and accurate information until the shares allocated to units of such holder of Unsold Shares have been sold to bona fide purchasers. Such a holder of Unsold Shares also shall provide prospective purchasers with a copy of the Offering Plan and all filed amendments.

PURCHASERS FOR INVESTMENT OR RESALE

A purchaser for investment or resale ("PIR") is a purchaser who purchases shares allocated to three (3) or more units which units are not for occupancy by such purchaser or persons related by blood, marriage or adoption to such purchaser. In connection with the sale of such units, a PIR shall register as a broker-dealer pursuant to GBL §359-e and shall comply with the trust fund provisions of GBL §352-h and the escrow deposit provisions of GBL §352-e(2)(b). A PIR shall provide the following documents to a prospective purchaser, provided they are available to such holder, at no cost to the purchaser, three (3) business days before entering a Purchase Agreement:

(a) Copy of the most recent financial statement of the Apartment Corporation, if any.

(b) Copy of the most recent notice from the Apartment Corporation of the interest and taxes deductible for income tax purposes, if any.

(c) Copies of notices from the Apartment Corporation concerning changes in maintenance charges, potential assessments, planned major capital improvements and proposed refinancing of the Building's mortgage(s), if any.

(d) Copies of pleadings in pending lawsuits or proceedings the outcome of which may affect the offering of the

unit, seller's capacity to perform all of its obligations under the Purchase Agreement or the rights of an existing tenant, if any.

(e) If the unit is occupied, copy of the tenant's lease and representation of the tenant's status under any applicable rent law.

(f) Copies of the By-Laws and Proprietary Lease of the Apartment Corporation, as amended.

(g) Copy of notice of uncured violations of record in the unit that are the responsibility of the proprietary lessee to cure, if any.

WORKING CAPITAL FUND AND RESERVE FUND

On the Closing Date, from the amount of cash raised by this Offering, the Apartment Corporation will retain the sum of \$10,000 ("Working Capital Fund") which will be used first to pay closing adjustments, and the balance may be held for working capital, repairs, improvements, and other appropriate corporate purposes, including reserves, as determined by the Board of Directors. Closing costs shall not be deducted from the Working Capital Fund or Reserve Fund, if any, but shall be paid by the Apartment Corporation from the proceeds of the sale of shares. See "Contract of Sale and Exchange."

Notwithstanding the foregoing, if the net closing adjustments shall be in favor of the Sponsor so as to reduce the Apartment Corporation's Working Capital Fund below \$5,000, then payment of such amount as shall enable the Apartment Corporation to retain \$5,000 in its Working Capital Fund shall be deferred, and then paid to Sponsor, without interest, in twelve (12) equal monthly installments commencing one month after the Closing Date, pursuant to negotiable serial unsecured promissory notes executed by the Apartment Corporation and delivered to Sponsor at Closing. Although these notes are not directly included in the budget for the first year of cooperative operation, payment of the notes represents payment of certain expenses reflected in such budget that have been prepaid by Sponsor. While Sponsor is in control of the Board of Directors, this Fund may not be used to reduce projected maintenance charges in the Plan.

On the Closing Date, from the amount of cash raised by this Offering, the Apartment Corporation will additionally retain the sum of \$15,000 ("Reserve Fund") which will be used for capital improvements, repairs, replacements, or additions to the Property as determined by the Board of Directors.

No representation is made that such Fund(s) will be adequate to cover any current or future expenses, whether anticipated or not, including ordinary or capital repairs or replacements, and, if additional funds are required over and above the Fund, it may be necessary to increase maintenance charges or have a special assessment. No provision has been made for any Working Capital Fund or Reserve Fund other than the above.

THE PROPERTY IS OFFERED IN ITS CURRENT "AS IS" CONDITION. NEITHER THE DEPARTMENT OF LAW NOR ANY OTHER GOVERNMENT AGENCY HAS PASSED UPON THE ADEQUACY OF THE ABOVE FUND(S) OR ON THE PHYSICAL CONDITION OF THE BUILDING.

CONTRACT OF SALE AND EXCHANGE

Sponsor has agreed to subscribe for such of the Apartment Corporation's shares of capital stock being offered as have not been subscribed for as of the Closing Date, and as consideration therefor, has agreed to convey the Property to the Apartment Corporation. Thus, for each share to be so acquired by Sponsor, it would be contributing to the Apartment Corporation an undivided 1/33,282 fractional interest in the Property. To the extent that shares are subscribed for by prospective purchasers pursuant to this Plan, the agreement to convey the Property to the Apartment Corporation constitutes a contract of sale, with Sponsor selling to the Apartment Corporation an undivided 1/33,282 fractional interest in the Property for the purchase price to be paid for each such share. The transfer of ownership of the Property to the Apartment Corporation shall be subject only to the following:

1. All of the terms and conditions of the Offering Plan as set forth herein;

2. The property will be transferred subject only to the encumbrances ("Permitted Encumbrances") hereinafter set forth:

A. State of facts shown on survey by Thomas J. McEvoy dated August 20, 1951 and revised September 11, 1962, and changes since that date that an accurate survey or inspection may show, provided that such changes do not render title uninsurable if the building remains standing;

B. The mortgage(s) described in this Offering Plan;

C. All leases, tenancies, occupancies and rights of tenants of the Property in effect on the Closing Date (Leases of tenants who purchase the shares allocated to their apartments will be terminated as of the Closing Date);

D. Revocability of the right to maintain street vaults and other areas, if any, under sidewalks;

E. Building, zoning and environmental restrictions, laws, ordinances and regulations, and any amendments thereto, adopted by any governmental authority having jurisdiction thereover, affecting the Property at the date hereof and on the date of closing of title, provided that they do not prevent the present use of the Building or render title uninsurable if the Building remains standing;

F. Consents by any owner of the Property for the erection of any structure or structures on, under or above any street or streets on which the Property may abut;

G. Any easement or right of use created in favor of any public utility company for electricity, steam, gas, telephone, water or other service, and the right to install, use, maintain, repair and replace wires, cables, terminal boxes, lines, service connections, poles, mains, facilities and the like upon, under and across the property;

H. Service, maintenance, employment, union and concessionaire contracts and agreements in effect on the Closing Date;

I. Projections and encroachments of shrubbery, stoops, areas, steps, doors, ledges, window sills, bay windows, trim, coping, cornices, vaults, chutes, fuel oil lines, drainage pipes, stand pipes, sewerage pipes, foundations, footings, retaining walls, fences, fire escapes, air conditioning units, canopies, ramps and similar projections, if any, on, over, or under the Property or the streets or sidewalks or property abutting the Property;

J. All covenants, restrictions, reservations, agreements and easements of record, if any, which are still in force and effect on the Closing Date, provided that they are not violated and do not prevent the present use of the Property nor the present structure;

K. The lien of any unpaid real estate or vault tax, water charges or sewer rents, provided that the amounts thereof are apportioned between Sponsor and the Apartment Corporation as of the Closing Date;

L. The lien for any unpaid assessment payable in installments, except Sponsor will pay all such assessments due and payable prior to the Closing Date and the Apartment Corporation will be obligated to pay all installments due on or subsequent to said closing (however, the then current installment shall be adjusted at the closing);

M. The lien of any unpaid franchise or corporation tax or estate tax with respect to any corporation or individual in the chain of title, provided the title insurance company insuring the Apartment Corporation's title to the Property shall insure against the collection thereof out of the Property;

N. Any chattel mortgage and/or Uniform Commercial Code financing statement affecting the personal property and fixtures in the Building and similar security (if any) to be given in connection with the mortgage(s) described in the Offering Plan;

O. Violations caused by acts or omissions of tenants of the Building in their own units;

P. Standard printed exceptions contained in the form or title insurance policy then issued by said title insurance company insuring the Apartment Corporation's title to the Property;

Q. Any other lien or encumbrance which does not render title unmarketable, including mechanic's liens, if any, provided that the title insurance company insuring the Apartment Corporation's title to the Property agrees to insure the Apartment Corporation against the collection thereof out of the Property; and

R. Variation, if any, between tax lot and lines of record title.

3. A. In the event of the existence of any lien or encumbrance other than the Permitted Encumbrances, the sole remedy of the Apartment Corporation will be to rescind the Contract of Sale and Exchange. Sponsor will be under no obligation to institute any action or proceeding, or expend any sum of money to make title marketable, or to eliminate any encumbrances.

B. Sponsor will cure by the Closing Date or within a reasonable period of time thereafter, all violations of record and proper work orders of mortgagees or insurance carriers noted or issued by the Closing Date (except violations caused by acts or omissions of tenants of the building in their own units). This Plan may be withdrawn if the cost of curing those violations noted after the presentation of the Plan and said work orders exceeds a total of \$15,000; but if Sponsor elects not to withdraw the Plan, he agrees that the said violations will be cured by him.

4. The Apartment Corporation's title to the Property will be insured by a title insurance company licensed to do business in the State of New York, which is a member of the New York Board of Title Underwriters, in an amount not less than the purchase price of the property at Closing. The Apartment Corporation will pay for the insurance from the proceeds of the sale of shares.

5. The conveyance includes all fixtures and articles of personal property owned by Sponsor which are attached to or used in connection with the operation of the Property. Such fixtures and articles of personal property (including kitchen appliances, building equipment and lobby and hallway furnishings and furniture, if any) are to be acquired by the Apartment Corporation in the condition in which they exist on the Closing Date, without any obligation of Sponsor to make any repairs or improvements thereto. All kitchen appliances and air conditioning units, if any, in the Property owned by the Sponsor will become the property of the Apartment Corporation on the Closing Date (subject to the lien of the mortgage(s) described in "Terms of Mortgage(s)", but may be used by tenant-

shareholders without charge. If a non-purchasing occupant vacates an apartment prior to the Closing Date and removes a stove or refrigerator belonging to him, Sponsor, at its own expense, will supply a replacement which may not be new, but will be in good working order and will be similar in size and quality to the stoves and refrigerators contained in comparable apartments in the Building on the presentation date of this Plan. Fixtures, appliances, and articles of personal property owned by occupants of the Building are not included in the sale. No portion of the purchase price described in this Plan shall be attributable to the items described in this paragraph.

6. The following items will be apportioned between Sponsor and the Apartment Corporation as of the Closing Date: (A) Rents and other income of the property as and when collected; (B) Interest (if any) on the aforescribed mortgage indebtedness; (C) Real estate taxes, sewer rents, water charges and vault charges (if any) on the basis of the fiscal or calendar year for which assessed; (D) Wages and payroll expenses and benefits, including vacation pay; (E) Charges and receipts in connection with service and maintenance contracts and concessionaire agreements (F) Monies paid into the Building Service Welfare and Building Employee's Pension Fund (if any); (G) Cost of fuel on hand (plus sales tax) and utility charges; (H) Deposits with utility companies and fees for assignable permits and licenses; (I) Realty Advisory Board charges (if any); (J) Escrow funds held by the holder of the mortgage(s) (if any); (K) Premiums on then existing transferable insurance policies or renewals of those expiring prior to the closing; (L) Accrued senior citizen exemptions; and (M) any other expenses customarily apportioned. Rent prepaid by tenant-purchasers will be paid to the Apartment Corporation (and may be credited against the first monthly maintenance charges due from the appropriate purchasers of apartments to which such prepayment relates), or at Sponsor's option, same will be reimbursed to the tenant-purchasers who have paid such rent (in which case, such tenant-purchasers will then be obligated to pay the entire first month's maintenance charges to the Apartment Corporation).

7. The Apartment Corporation shall reimburse Sponsor for building supplies on hand at closing at Sponsor's cost plus sales tax. Such reimbursement shall be considered an item of adjustment.

8. The Apartment Corporation shall deliver to Sponsor at closing an agreement assuming the payment and performance of all obligations of Sponsor which arise from and after the Closing Date under the service, maintenance and concessionaire agreements in effect on the Closing Date and indemnifying Sponsor against any and all claims and liability thereunder which relate to matters and events occurring on or after the closing of title.

9. The unapplied security deposit, if any, of a tenant or occupant who purchases will be refunded to him after the closing of title, provided he is not in default under his lease, tenancy, or occupancy agreement. The unapplied security deposit of a non-purchasing tenant will be transferred after the closing of title to the Purchaser of shares allocated to the apartment. Such security must be held by Purchaser, in trust, in an interest bearing account in accordance with Section 7-103 of the New York General Obligations Law. Sponsor will have the right to deduct from any tenant's or occupant's security deposit the amount of any rent arrearage, occupancy charge, or the cost of replacement or repair of damage to the apartment as a result of the tenancy or occupancy, due to Sponsor from such tenant or occupant. The unapplied security deposits of any non-residential tenants/occupants will be transferred to the Apartment Corporation on the Closing Date. The Apartment Corporation will, in writing, acknowledge receipt of same at the closing and agree to indemnify the Sponsor from all liability in connection with the deposits so transferred.

10. Conflicts between the provisions of the Contract of Sale and this Plan shall be resolved in favor of the Plan.

11. A. Sponsor reserves the right to renew, extend and modify existing leases and to enter into new leases or occupancy agreements prior to the Closing Date, on such terms (but not to exceed the maximum legal rent, if any) as Sponsor deems desirable, for any residential or non-residential space (including any space vacant on the Contract Date or which becomes vacant thereafter), except an apartment for which a Subscription Agreement is in force and effect (unless entered into with the purchaser of such apartment). However, Sponsor will not be obligated to rent any residential or non-residential space which is vacant on the Contract Date or which becomes vacant thereafter. Sponsor also reserves the right to evict any tenant/occupant who defaults under his lease, tenancy or occupancy agreement, subject to, and in accordance with applicable rent laws and regulations. A current rent roll is available for inspection by prospective Purchasers and their representatives at Sponsor's office.

B. Sponsor reserves the right, prior to the Closing Date, to renew, extend or modify the existing service, maintenance and concessionaire contracts, and to enter into new service, maintenance and concessionaire contracts in place of present contracts on such terms as it deems desirable. However, if the terms of the service, maintenance and concessionaire agreements to be assumed by the Apartment Corporation at closing are substantially different from that set forth above in "Projected Budget for First Year of Operation", the Plan

will be amended accordingly to reflect such difference. No service or maintenance contract will be made after this Plan is presented which will substantially raise the estimated maintenance charges for the first year of cooperative operation.

12. If proceedings are pending for the reduction of real estate taxes on the Property for the tax year in which the closing occurs, the Apartment Corporation will continue such proceedings with the attorney previously retained by the Sponsor, who shall have the sole right to negotiate and settle all claims in connection with said proceedings. The cost of such proceedings, including legal fees, and (in the event taxes are reduced) any refund shall be apportioned between Sponsor and the Apartment Corporation according to the respective portions of the tax year that each holds title to the property. Any refund covering a period prior to the closing of title, and all expenses incurred in connection with obtaining such refund, shall belong to and be incurred by Sponsor alone.

13. In the event the Property is damaged by fire or other casualty prior to the Closing, Sponsor will repair the damage if the cost of repairs is not more than the proceeds of insurance collected and retained by Sponsor. In the event the retained insurance proceeds will be insufficient to pay for the cost of repairs, then Sponsor shall have the right, but will not be obligated, to repair the damage. If Sponsor elects not to repair the damage, the Plan will be abandoned, in which case all Subscription Agreements will be deemed automatically cancelled and purchasers in good standing will be refunded their deposits with any interest earned thereon. Upon such refund being made, the Apartment Corporation and Sponsor will be relieved and discharged of all liability under the Plan and Subscription Agreements.

With regard to any damage that Sponsor is obligated or has elected to repair, (i) the expense of the repair will be borne entirely by Sponsor, who shall retain all insurance proceeds resulting from the casualty, (ii) the Property shall be substantially repaired prior to the Closing Date to as near as reasonably possible to its former condition and (iii) the period from the presentation date of this Plan within which title is to be transferred to the Apartment Corporation shall be tolled pending completion of the repair, but not longer than nine (9) months. Sponsor will in no event be liable to the Apartment Corporation or Purchasers under this Plan in the event of any delay in repairing the damage.

Under no circumstances shall a Purchaser of an "Affected Apartment" (defined below) be required to pay the balance due under his Subscription Agreement unless and until (i) the Affected Apartment has been substantially repaired to

as near as reasonably possible its condition immediately prior to the casualty and (ii) the Apartment's essential services (such as gas, electricity and heat) and a reasonable means of ingress and egress to the street have been restored. If the Affected Apartment is not substantially repaired within nine (9) months from the later of the occurrence of the casualty or the date the Plan is declared effective, then the sole remedy of the Purchaser thereof shall be to rescind his or her Subscription Agreement. However, notice of exercise of such rescission is required to be mailed to Sponsor by regular or registered mail prior to Purchaser's receipt of Sponsor's notice of completion of the repair.

The term "Affected Apartment" means an apartment that has been directly and substantially damaged in the casualty (other than minor damage not rendering the apartment uninhabitable), or is without essential services (such as gas, electricity or heat), or is without a reasonable means of ingress and egress to the street.

Notwithstanding the foregoing, if the Purchaser is the tenant of the damaged apartment, or is given possession of the apartment under an occupancy agreement or otherwise prior to the casualty, such Purchaser shall assume the risk of loss to the apartment and the obligation to repair the damage, unless the cause of such loss originated outside his apartment and did not result from the acts of the Purchaser or other occupants of the apartment or Purchaser's guests, invitees or workmen. If the Purchaser is obligated to repair the damage in accordance with the foregoing, then his failure to repair the damage shall not excuse him from paying the balance due under his Subscription Agreement and accepting title to the shares allocated to the apartment and related Proprietary Lease.

14. The deed to be delivered at closing shall be the usual Bargain and Sale Deed With Covenants Against Grantor's Acts.

15. The Apartment Corporation will defend, indemnify and hold harmless the holders of Unsold Shares against any and all claims, actions, judgments, losses, liabilities and expenses (including, without limitation, reasonable attorneys' fees and litigation expenses) incurred or required to be paid as the result of the Apartment Corporation's failure either (i) to operate the Building at the same level of services as those supplied on the Closing Date if so required pursuant to any applicable rent regulations, and GBL, except for those services which under the terms of the Proprietary Lease are the obligation of the lessee, or (ii) to perform any obligation to be performed by it as lessor under the Proprietary Lease; however,

such indemnity shall not be applicable during any period that a majority of the Board of Directors consists of members elected by holders of Unsold Shares. The foregoing indemnity is not applicable to interior repairs to apartments, interior painting of apartments and such other maintenance services which, under the Proprietary Lease, are the obligation of the Proprietary Lessee. Except for those services and obligations which the Apartment Corporation has agreed to provide and perform under the Proprietary Lease and in this Plan, all other obligations imposed by law with respect to such tenant (such as painting the apartment), shall be provided and performed by the appropriate holder of Unsold Shares.

16. Sponsor will maintain the Property until the Closing in substantially the same condition and manner as on the date of presentation, normal wear and tear excepted.

17. The obligations of the Sponsor as set forth in this Plan shall survive closing of title, except to the extent performed. Sponsor shall remain liable for representations made under this Plan and nothing contained herein shall be in derogation of rights of purchasers under Article 23-A of the General Business Law or other rights of purchasers under the Plan.

18. A. Sponsor shall contribute to the Apartment Corporation a $1/33,282$ undivided interest in the property for each share of the Apartment Corporation's stock which has not been sold to a purchaser as of closing of title in exchange for such Unsold Shares; and

B. Sponsor shall sell a $1/33,282$ undivided interest in the property for each share of the Apartment Corporation's stock sold to purchaser at the time of closing of title for a purchase price calculated as follows:

Aggregate purchase price of shares sold,
divided by number of shares sold =
purchase price of each $1/33,282$ undivided
interest.

Sponsor shall convey the Property to the Apartment Corporation in exchange for all the Unsold Shares, plus an amount equal to the net proceeds realized from those shares sold at the time of conveyance after deducting therefrom the Working Capital Fund and Reserve Fund (the "Cash Proceeds"). The Cash Proceeds shall be subject to the following adjustments:

(a) The Cash Proceeds shall be reduced by an amount equal to all costs and expenses incurred by the Apartment Corporation on or prior to the Closing Date in connection

with the promulgation and consummation of this Plan (hereinafter collectively called "Offering Expenses"), including, but not limited to, selling expenses and commissions; the net cost of a fee title insurance policy in the amount of the total consideration paid to Sponsor for the Property and mortgagee's title insurance, if obtained; printing, advertising and organizational costs; legal fees and disbursements; governmental filing fees; New York State Real Property Transfer Tax and Gains Tax; and commitment fees; and recording fees and charges. All sums advanced by Sponsor on behalf of the Apartment Corporation in payment of the foregoing expenses, or in payment of any other Offering Expenses, shall reduce the Cash Proceeds herein provided. All unpaid Offering Expenses shall be paid by the Apartment Corporation on the Closing Date. The Cash Proceeds, after closing adjustments as herein described, shall, therefore, be reduced by an amount equal to the combination of the sums advanced by Sponsor on behalf of the Apartment Corporation at or prior to the Closing Date, and the total of Offering Expenses paid by the Apartment Corporation on or prior to the Closing Date.

The Offering Expenses do not include customary items of closing adjustments to be apportioned between Sponsor and the Apartment Corporation. The foregoing Offering Expenses shall be paid solely from the proceeds of this offering and shall in no event reduce the Working Capital Fund.

If any Offering Expenses are not paid on the Closing Date and are paid by the Apartment Corporation thereafter, then to the extent of such payments, Sponsor shall reimburse the Apartment Corporation in full and the Cash Proceeds shall be deemed to have been reduced accordingly. If such payments are made directly by Sponsor on behalf of the Apartment Corporation, the Cash Proceeds shall similarly be deemed to have been reduced accordingly. The obligation of Sponsor to reimburse the Apartment Corporation herein provided shall survive the closing of title.

(b) If the Total Cash Payment for any block of shares sold prior to the Closing Date is changed pursuant to the right reserved to the Apartment Corporation to change same, the Cash Proceeds of the Property shall be increased or decreased, as the case may be, by the net difference resulting from all such changes in Total Cash Payments; and

(c) The Cash Proceeds will be increased by a sum equal to all monies (inclusive of interest) forfeited by defaulting Purchasers under their respective Subscription Agreements.

The Cash Proceeds, as adjusted in accordance with the foregoing, will be paid to Sponsor at Closing by (a) transfer-

ring to Sponsor all monies then being held by the escrowee as deposits under Subscription Agreements in effect on the Closing Date (exclusive of interest thereon which shall be paid over or credited to the respective purchasers) and as deposits forfeited by defaulting Purchasers (inclusive of interest), and (b) as to the balance of the said Cash Proceeds, by good certified check of the Apartment Corporation or by official cashier's check, drawn against a bank maintaining a branch in New York City.

SPECIAL TAX CONSEQUENCES OF CONTRACT OF
SALE AND EXCHANGE

The manner in which the Property is transferred to the Apartment Corporation, by way of sale or exchange as discussed below, will determine the Apartment Corporation's basis in the property received. To the extent the shares have not been subscribed for by prospective purchasers, Sponsor has agreed to contribute an undivided interest in the Premises to the Apartment Corporation in exchange for the Unsold Shares. For each Unsold Share so issued, Sponsor will contribute to the Apartment Corporation an undivided 1/33,282 fractional interest in the premises ("Contributed Property"). Under Sections 351 and 362 of the Internal Revenue Code of 1954, as amended, ("Code"), the Apartment Corporation's basis for the Contributed Property will be the same as Sponsor's basis for such property, increased by any gain recognized by Sponsor in connection with such transfer.

To the extent that an undivided interest in the Premises is purchased by the Apartment Corporation from Sponsor, the Apartment Corporation's basis for that portion of the premises shall equal the purchase price paid by the Apartment Corporation. The Apartment Corporation will purchase an undivided interest in the premises only to the extent shares have been subscribed for by prospective purchasers.

Since Sponsor's basis for the Contributed Property is less than the purchase price for such property, the Apartment Corporation's basis will be less than the basis would have been had the Apartment Corporation purchased the Contributed Property.

The Apartment Corporation's initial adjusted basis for the premises will be the sum of (i) the purchase price paid by the Apartment Corporation to Sponsor for the portion of the premises sold to the Apartment Corporation and (ii) Sponsor's adjusted basis for the Contributed Property.

Assuming (1) that the closing is held on December 31, 1984; (2) approximately 19% (or 6,324) of the shares will be subscribed for and accordingly, approximately 81% (or 26,958) of the shares will be transferred to the Sponsor in exchange for a portion of the premises; (3) the premises will be subject to a \$1,000,000 mortgage which wraps around a \$575,000 consolidated first mortgage; (4) the subscribed for shares will be sold to tenants at \$80 per share; and (5) the Unsold Shares will have a value of \$68 per share because the apartments to which these shares relate will be occupied, the Apartment Corporation's adjusted basis in the premises will be \$1,161,670. The purchase price to be paid by the Apartment Corporation to Sponsor for the portion of the premises sold to the Apartment Corporation will equal the cash received for the subscribed for

shares (6,324 x \$80 = 505,920) plus a percentage of the wrap-around mortgage equal to the same percentage of the building to be sold (19% x \$1,000,000 = 190,000) for a total of \$695,920. The Apartment Corporation's adjusted basis for the portion of the premises to be transferred by Sponsor in exchange for the Unsold Shares will be Sponsor's adjusted basis for the portion of the premises to be exchanged (81% x 270,600 = \$219,186) plus any gain recognized by the Sponsor on the exchange. Since the adjusted basis of the premises exchanged will be less than the percentage of the consolidated first mortgage equal to the same percentage of the premises to be exchanged (81% x \$575,000 = 465,750), Sponsor will recognize a gain of \$246,564 on the exchange, and the Apartment Corporation's adjusted basis in the premises exchanged will equal \$465,750. Accordingly, the Apartment Corporation's total basis in the premises will equal \$1,161,670 (\$695,920 + \$465,750). If the premises were sold in its entirety, based upon the same assumptions set forth hereinabove, the Apartment Corporation's adjusted basis in the premises would be \$3,339,064 (\$505,920 for all the shares subscribed for plus \$1,833,144, the fair market value of the Unsold Shares to be received plus \$1,000,000 for the wrap-around mortgage).

In determining the amount realized in the sale, exchange or other disposition of the Premises, including a foreclosure of a mortgage on the Premises, the Apartment Corporation must include the amount of any liability to which the Premises are subject. The gain will be the difference between the amount realized over the adjusted basis for the premises at the time of such sale and disposition. Gain on sale of such property may exceed the cash proceeds of such sale, if the adjusted tax basis of the property at the time of the sale is less than the mortgage. In such case, the income tax payable by the Apartment Corporation with respect to such gain may exceed the cash proceeds received by the Apartment Corporation and will exceed the gain that would have been realized if the Apartment Corporation purchased the Contributed Property.

The Apartment Corporation will be entitled to depreciate the building over its useful life. Since the Apartment Corporation's basis is the same as the Sponsor's basis for the Contributed Property, the Apartment Corporation's annual depreciation will be less than the depreciation would have been had the Contributed Property been sold to the Apartment Corporation by the Sponsor.

MANAGEMENT AGREEMENT,
CONTRACTS AND LEASES

A. MANAGEMENT AGREEMENT

At closing, the Apartment Corporation will enter into an agreement with Seymour Orlofsky of 199 Main Street, White Plains, New York to act as Managing Agent of the property, effective as of the Closing Date, for an initial term of two years and, unless cancelled by either party on at least 60 days' prior written notice said agreement shall be automatically renewed from year to year thereafter. Such Managing Agent shall receive an annual fee of \$10,000 a year. The fees of the Managing Agent will be payable monthly out of maintenance charges collected.

The Managing Agent may receive additional compensation from the Apartment for the following: (a) Commissions upon agreed terms for reselling shares of stock; (b) Commissions for leasing or subleasing space in the building; (c) Costs inherent in preparation for all shareholders' meetings, including cost of postage; and (d) Services in connection with supervision of alterations or capital improvements to the Buildings outside the scope of ordinary repairs, agreed fees.

The agreement will not be assignable by the Managing Agent except to its principals or to a subsidiary or other related entity without the consent of the Apartment Corporation. It will not be unilaterally cancellable by the Apartment Corporation before the end of the second year, except if the Managing Agent shall be in default under the terms of the agreement, or shall fail or refuse, after thirty (30) days prior written notice to reasonably comply with or abide by any rule, order, determination, ordinance or law of any federal, State or municipal authority, in which event the contract will be cancellable by the Apartment Corporation upon five (5) days' prior written notice.

The services to be rendered by the Managing Agent will include billing and collection of maintenance charges, hiring and discharging of employees and filing of all employment tax returns and other employment data, supervision of routine building maintenance and repairs, purchase of supplies for the building (which will be paid for or reimbursed by the Apartment Corporation), attendance at directors' and shareholders' meetings, and facilitating the transfer of shares of the Apartment Corporation.

The Managing Agent shall provide to non-purchasing tenants all services and facilities required by law on a non-discriminatory basis. Sponsor shall guarantee the obligation of the Managing Agent to provide all such services and facilities until such time as Sponsor surrenders control to the Board of Directors. The owner of the shares allocated to

an apartment occupied by a non-purchasing tenant shall be obligated to reimburse the Managing Agent for any such services and facilities the provision of which is not customarily the duty of a Managing Agent of a cooperative apartment building.

The Managing Agent shall be indemnified and held harmless against any claims, expenses, obligations or liabilities arising from acts properly performed by it pursuant to this agreement.

The Apartment Corporation, at its own expense, will retain a certified public accountant or public accountant to maintain its corporate books and records and to prepare annual financial reports and tax statements, copies of which are to be furnished to its shareholders.

B. CONTRACTS AND LEASES

See Footnotes to Schedule B.

Certain services have historically been performed by building personnel or under oral month to month agreements and will continue to be so performed unless and until the Apartment Corporation determines otherwise.

Sponsor reserves the right, prior to the Closing Date, to renew, extend or modify the existing service, maintenance and concessionaire contracts, and to enter into new service, maintenance and concessionaire contracts in place of present contracts on such terms as it deems desirable. However, if the terms of the service, maintenance and concessionaire agreements to be assumed by the Apartment Corporation at closing are substantially different from that set forth above in "Projected Budget for First Year of Operation", the Plan will be amended accordingly to reflect such difference.

IDENTITY OF PARTIES

A. Sponsor is a Partnership which acquired the property on May 1, 1969. The partners are Earle S. Altman, Marie M. Firenze and Shirley G. Fuchsberg. Its office is located at c/o Seymour Orlofsky, Inc., 199 Main Street, White Plains, New York. The only principal of Sponsor who has participated in a public offering of cooperative interests in realty initiated within the past five (5) years was Mr. Altman, with respect to premises at 118 East 25th St., New York, New York, which became a cooperative on September 7, 1978. Mr. Altman has been Senior Vice President of Helmsley-Spear, Inc., since 1977. Mrs. Firenze is employed as a bookkeeper. Mrs. Fuchsberg is a housewife.

B. Counsel for Sponsor.

Sponsor has retained Hall, Dickler, Lawler, Kent & Friedman to prepare this Plan and underlying documents, and to represent it in legal matters in connection with this Plan. The firm of Hall, Dickler, Lawler, Kent & Friedman has not undertaken any responsibility for the business terms of this Plan and has made no representations with respect to this Plan, except as herein specifically set forth.

C. Apartment Corporation.

Sponsor has caused the Apartment Corporation to be formed. The officers and directors of the Apartment Corporation, who will serve until the first meeting of the tenant-shareholders and directors, to be held after the Closing Date, have been designated by Sponsor. The terms and provisions of this Plan have been established solely by Sponsor and have not been determined by arm's-length negotiations.

Sponsor will cause the Apartment Corporation to retain a law firm to represent the Apartment Corporation in legal matters at the closing under this Plan and to advise the Apartment Corporation at the first meeting of the tenant-shareholders. The fees of such law firm for the aforementioned services shall be paid from the proceeds of the sale of the shares.

The law firm designated to represent the Apartment Corporation will not undertake any responsibility for the terms and provisions of this Plan, the Contract of Sale, the Proprietary Lease, or any other document or instrument referred to herein. Such firm shall not make any representations or warranties, or state any opinions, with respect to the legality or fairness of such terms and provisions, the accuracy or completeness of this Plan, or any other matter or thing whatsoever pertaining to this Plan.

D. Selling Agent/Managing Agent

Seymour Orlofsky, Inc., 199 Main Street, White Plains, New York, has been engaged as the Selling Agent and Managing Agent, but is otherwise independent of Sponsor. Seymour Orlofsky, Inc. is a licensed real estate broker and has been engaged in the real estate management and brokerage business for twenty-four years.

Seymour Orlofsky, Inc. is presently Managing Agent of approximately 2,600 residential units of which 700 are under cooperative ownership including Bryant Gardens, White Plains, New York; Longview Owners, Inc., Port Chester, New York; Larchmont Hills Owners Corp., Larchmont, New York; and Hartsdale Gardens Owners Corp., Hartsdale, New York.

Leonard Newman, a vice president of Seymour Orlofsky, Inc., is also president of the Leonard Newman Agency, Inc., insurance brokers, 199 Main Street, White Plains, New York. The Leonard Newman Agency, Inc., has placed current insurance covering the building and shall place the insurance coverage initially required pursuant to this plan.

E. Engineer

The engineer's report contained in this Plan was prepared by J. Yarmus, Inc., Professional Engineers, 20 Squadron Boulevard, New City, New York. J. Yarmus, Inc. has been involved in inspection of multiple dwellings in New York for several years, and is independent of Sponsor and its principals.

SPONSOR'S PROFIT

The exact profit to be realized by Sponsor upon the conveyance of the Property to the Apartment Corporation cannot now be determined and may be increased or decreased depending upon such variable factors as future market conditions, losses which may be sustained by reason of the Sponsor's responsibility for performance of Proprietary Leases acquired by Sponsor and/or any holders of Unsold Shares designated by Sponsor, and the length of time required to sell all the shares offered under this Plan.

REPORTS TO SHAREHOLDERS

All shareholders of the Apartment Corporation will be entitled to receive annually from the Apartment Corporation, at its expense, copies of the following:

A. An income tax deduction statement prepared by the accountant for the Apartment Corporation, to be received on or before March 15th.

B. A financial statement prepared by a certified public accountant or public accountant, to be received within four months after the end of the Apartment Corporation's fiscal year.

C. Notice of the holding of an annual shareholders' meeting for the purpose of electing a Board of Directors, to be received not less than ten (10) days prior to the meeting.

The above dates may be changed pursuant to the By-Laws and the Proprietary Lease.

DOCUMENTS ON FILE

In accordance with Section 352-e(9) of the General Business Law, copies of this Cooperative Offering Plan, all Exhibits and documents referred to herein shall be available for inspection without charge and copying at a reasonable charge at the offices of Sponsor, and shall remain available for such inspection for a period of six years from the Closing Date.

GENERAL

This Plan contains a fair summary of the material provisions of the documents referred to herein, however, statements made as to the provisions of such documents are qualified in all respects by the contents of such documents. Sponsor shall amend the plan if necessary so that it shall include audited statements covering the period ending within 6 months of its acceptance date before the plan shall be declared effective.

There are no law suits or other proceedings now pending, or any judgments outstanding, either against the Sponsor or the Apartment Corporation the outcome of which may materially affect this offering, the Property, the rights of existing tenants, Sponsor's capacity to perform its obligations under the Plan, the Apartment Corporation or the operation of the cooperative except as may be expressly set forth in this Plan.

This Plan is offered only to persons over 18 years of age, and not to corporations, partnerships, trusts or foreign governments. However, non-individual tenants in occupancy of apartments on the date of presentation of the Plan, if any, may designate an individual to purchase the shares allocated to such apartment, provided that such individual proposes to purchase the shares for his own account (beneficial and of record) and not as a nominee of any corporation, partnership, trust or foreign government. Each purchaser shall be obligated to represent, in the Subscription Agreement, that each is purchasing the shares for his own account (beneficial and of record). Under no circumstances is this offering being made in any state or jurisdiction where it is unlawful.

Neither the Sponsor, (including its agents or as holder of Unsold Shares), nor the Selling Agent, nor the Apartment Corporation will discriminate against any person on any basis prohibited by civil rights laws in the sale of the shares offered or in the leasing of any apartment in the Building.

As of the date of the first presentation of this Offering Plan, neither the Sponsor, nor any agent or representative thereof, has raised funds from or made any preliminary binding agreements with prospective Purchasers with respect to apartments in the Building except in accordance with the laws of the State of New York or the regulations of the Department of Law. Sponsor knows of no prior cooperative or condominium offerings with respect to the Property.

No person has been authorized to make any representation which is not expressly contained herein. This Plan may not be changed or modified orally.

This offer is made only in those jurisdictions in which the making thereof would be in compliance with the securities or blue sky laws of such jurisdictions.

SPONSOR'S STATEMENT OF PRESENT
BUILDING CONDITION, INCLUDING AGE
AND DESCRIPTION OF BUILDING,
APARTMENTS AND EQUIPMENT

The Sponsor represents that to the best of his knowledge the report which follows accurately states the condition of the building and its equipment. Such report ("Architect's Report") was prepared by J. Yarmus, Inc., Registered Architect.

The Building is offered in its current "as is" condition at the presentation date, wear and tear excepted. Neither the Sponsor nor the Apartment Corporation will have any obligation to make repairs or improvements except as set forth in this Plan. Sponsor will, however, maintain and operate the building until the Closing Date in substantially the same manner and condition as on the date of presentation.

Sponsor further represents that it has no knowledge of any material defects or need for major repairs to the Property except as set forth in the Architect's Report.

Sponsor shall have all work done by the Closing Date or within a reasonable period of time thereafter to have cured, (1) all violations of record against the property and proper work orders of mortgagees or insurance carriers noted or issued by the Closing Date (except violations caused by acts or omissions of tenants of the building in their own units); and (2) all dangerous or hazardous conditions of which Sponsor has notice. In addition, Sponsor shall cause updated inspection certificates and permits to be provided prior to closing, including, if applicable, oil storage, air resources certificate for incinerator, and boiler safety inspection.

The number and proposed use of the apartments offered herein complies with the Certificate of Occupancy.

PART II

SUBSCRIPTION AGREEMENT

PATRICIA GARDENS OWNERS, INC.

Name of Purchaser: _____

Apartment Purchased: _____ No. of Shares: _____

Apartment Occupied (if different than above): _____

Total Cash Payment: _____

Down Payment (herewith): _____ Ten (10%) Percent of Total Cash Payment or \$1,000 for a tenant in occupancy on the presentation date purchasing the apartment he then occupied.

Balance: _____

1. Plan If I am a Tenant Purchaser, I have received and have had three full business days to read the Cooperative Offering Plan (the "Plan") with respect to premises 1825-29-33 Palmer Avenue, Larchmont, New York, dated _____, 198 , as amended, including the Proprietary Lease and By-Laws, all of which documents are made a part hereof. If I am a Non-tenant Purchaser, I have not less than seven (7) days after delivering an executed Subscription Agreement together with the required deposit to rescind the Subscription Agreement and have the full deposit refunded promptly. I must either personally deliver a written notice of rescission to Sponsor or Selling Agent within the seven (7) day period or mail the notice of rescission to Sponsor or Selling Agent and have the mailing post-marked within the seven (7) day period. I agree that my failure to rescind this Subscription Agreement in accordance with the above shall constitute my representation that I have read the Plan. I was aware of my right to have such materials reviewed by independent counsel of my choice. I hereby adopt the Plan and agree to be bound by the terms and conditions thereof.

2. Agreement to Purchase I hereby agree to purchase the above-stated number of shares (the "Shares") of PATRICIA GARDENS OWNERS, INC. ("Apartment Corporation"), allocated to the above-described space, for the "Total Cash Payment" stated above and to become the proprietary lessee of the said unit in said premises.

3. Payment of Total Cash Payment Herewith is my check to the order of "Patricia Gardens, Special," for the amount of the above-stated Down Payment. I agree that, if and after the Plan becomes effective, as herein provided, I will pay the above-stated Balance of said Total Cash Payment within fifteen (15) days after written notice and demand, such payment to be by personal certified check or official check drawn on a New York bank to the order of "Patricia

Gardens, Special," delivered to you, provided a closing date is scheduled for no more than ninety (90) days after such payment is due, and that I will sign the Proprietary Lease for said unit promptly upon presentation to me substantially in the form contained in the Offering Plan. I will be given prompt written notice thereof when the Plan either becomes effective or is abandoned. In the event, however, that any portion of the Total Cash Payment will be financed by a bank or other lending institution, it is agreed that such financed portion may be paid on the closing date provided that within the foregoing fifteen (15) day period, I provide you with a copy of a written commitment from a lending institution together with copies of all documents that the lending institution shall require the Apartment Corporation to execute.

Notwithstanding the foregoing, if this Subscription Agreement is signed after the Plan is declared effective and the Closing Date has been fixed, then the entire unfinanced Total Cash Payment shall be due within fifteen (15) days after a fully executed counterpart of this Agreement is mailed or delivered to me, and the remainder (the financed portion) shall be due at closing in accordance with the preceding paragraph.

4. Proprietary Lease The date of the commencement of the term of said Proprietary Lease, and the date of issuance of the certificate for the aforesaid shares, which may be inserted by either you or the Apartment Corporation, shall be the date when it acquires title to said premises. Provided that I shall have paid the full Total Cash Payment for said shares, as provided for herein, and shall not be in default hereunder, I am to receive the certificate for the aforesaid shares, together with my executed copy of said Proprietary Lease, promptly after the Apartment Corporation acquires such title. At closing, I shall become the tenant of the apartment pursuant to the Lease. I agree that my present lease or occupancy agreement (if any) shall be deemed terminated and cancelled as of such date.

5. Trust Fund You will hold all monies received by you, or through your agents or employees, in trust until the Plan is abandoned or the property is transferred to the Apartment Corporation. All such monies will be deposited in escrow at Citibank, N.A., 460 Park Avenue, New York, New York, and will be held in trust in a special segregated escrow account under the name "Patricia Gardens, Special," until actually employed in connection with the consummation of the transaction as described in the Plan. The funds so deposited will be disbursed only upon the signature of an attorney of the firm of Hall, Dickler, Lawler, Kent & Friedman and only in accordance with this Agreement and the Plan.

In the event the Plan is abandoned or withdrawn,

such funds will be returned to me together with interest, if any, earned thereon, except as otherwise provided in the next sentence. If at the time the Plan is abandoned or withdrawn or I shall be in default hereunder and shall have failed to cure such default within the applicable grace period (or if this Agreement had previously been cancelled due to my uncured default), then the Apartment Corporation shall retain as and for liquidated damages ten (10%) percent of the Total Cash Payment (or if less monies in all shall have been deposited hereunder, then only such lesser sum shall be retained) plus any additional sums deposited on account of any special work in the apartment ordered by me, together with any interest earned thereon, and any sums in excess thereof (together with the interest earned thereon) shall be returned to me within ten (10) days after the date of such abandonment or withdrawal. Upon the transfer of title to the apartment to me and the payment and performance by me of all my obligations hereunder, the Apartment Corporation will instruct the Bank to pay me any and all interest earned on monies deposited hereunder, or same shall be credited to me. All funds received under this Subscription Agreement will be handled in accordance with Sections 352-e(2)(b) and 352-h of the New York General Business Law.

6. Closing Contingent upon Plan Being Declared Effective. It is agreed that this contract is contingent upon the Plan being declared effective and that the Plan shall not be declared effective except as provided in the Plan, as same may be amended.

A. The Plan may be abandoned by the Seller at any time prior to its being declared effective, or thereafter, in certain limited cases (See section "Effective Date and Closing Date") and shall be deemed abandoned if it has not been declared effective within the time limits prescribed by the Plan. I shall be notified when the Plan becomes effective or is abandoned.

B. If the Plan is abandoned or does not become effective within 15 months from the date of its filing, or, if after being declared effective, the Plan shall not be consummated for any reason within 6 months thereafter, this agreement shall be deemed cancelled and I am to receive back, not later than ten (10) days thereafter, in full, all monies paid by me hereunder, together with interest, if any, earned thereon. Upon such repayment no party shall have any claim against any other party or person, the Sponsor, or the agent, or their attorneys in connection with this Agreement or the Plan, and all parties shall be released from all liabilities and obligations hereunder.

7. Closing

The closing shall occur on the date and at the

time and place designated by Sponsor pursuant to the Plan, which shall not be earlier than fifteen (15) days, nor later than approximately 90 days, after the Plan has been declared effective, unless adjourned by Sponsor. I will be given at least thirty (30) days' prior written notice of the Closing Date which notice may be waived by me in writing. On the Closing Date, I shall become the owner of the Shares and shall be entitled to occupy the apartment pursuant to the Lease (subject to the rights of existing tenants, if any, as provided in Paragraph 12) provided I shall have paid the balance of the Total Cash Payment and shall have otherwise complied with all my obligations hereunder. A certificate for the Shares will be issued to me, dated as of the Closing Date, and will be sent to me, together with a fully executed counterpart of the Lease, promptly thereafter.

8. Events of Default

A. The following shall constitute Events of Default hereunder:

(i) The failure to pay the Balance within fifteen (15) days after written notice, as required under Paragraph 3 above;

(ii) If a portion of the Balance is being financed and payment thereof has been deferred as permitted under Paragraph 3, my failure for any reason to pay such financed amount at closing;

(iii) The failure to duly sign before a notary and return the Lease, in duplicate, within ten (10) days after the Leases are sent to me pursuant to Paragraph 4 above;

(iv) If I am or I become a tenant or a Contract Vendee in Possession of the Building, failure to comply with obligations under my lease or occupancy agreement, which results in my eviction or removal from the apartment (either by voluntary removal or by court order); or

(v) The failure to perform any of my other obligations hereunder, which is not cured within fifteen (15) days after the mailing of written notice specifying the nature of such default.

B. Upon the occurrence of an Event of Default, the Apartment Corporation's sole right shall be to cancel this Agreement by sending me fifteen (15) days' prior written notice of its intention so to do. If the Apartment Corporation elects to cancel, I shall have fifteen (15) days from the giving of the cancellation notice within which I must cure the specified default, and if said default shall not have been cured within such time, this Agreement shall be automatically

cancelled without further notice. If the default is not timely cured, then the Apartment Corporation shall have the right to retain, as and for liquidated damages, ten (10%) percent of the Total Cash Payment (or if less monies in all shall have been deposited hereunder, then only such lesser sum shall be retained) plus the cost incurred for any special work in the Apartment ordered by me, together with any interest earned thereon, and any sums in excess thereof shall be returned to me promptly thereafter, together with any interest earned thereon. Upon cancellation of this Agreement and making such refund to me (if any), Apartment Corporation, Sponsor, Selling Agent (if any), and I will be released and discharged of all further liability and obligations hereunder and under the Plan. Thereafter, the Shares (and related Lease) may be sold to another as though this Agreement had never been made, and without accounting to me for the proceeds of such sale.

C. If I am or become a tenant/occupant of the Building and I fail to comply with my lease or occupancy agreement, such failure will constitute a default hereunder. However, this Agreement will remain in effect unless and until I am evicted or removed (either by court order, by voluntary removal, or otherwise). If I am not evicted or removed as herein provided, Sponsor nevertheless shall have a lien on the Shares and accompanying Lease as security for the payment of all rent arrears or other sums due Sponsor on account of such default. In such case, I hereby irrevocably authorize and direct the Apartment Corporation to deliver my certificate for the shares and duplicate original Lease directly to Sponsor in order to perfect such security interest. Sponsor will hold same pending payment of all sums owing to it, whereupon the certificate for the Shares and duplicate original lease will be promptly delivered to me. I understand and agree that Sponsor shall have the right to apply any rent security against rent arrearage and, in addition, to sue me to the extent such rent security is insufficient. If the rent arrearage is paid by the Apartment Corporation to Sponsor at closing, I shall reimburse the Apartment Corporation for the amount so paid by it.

9. Appliances and Equipment

At closing, the apartment will contain only those appliances, countertops, cabinets, sinks, vanities (if any), air conditioning units (if any), hardware and other fixtures and equipment currently installed therein that are owned by Sponsor. The Apartment is being sold unfurnished. Any appliances, air conditioning units, furnishings, equipment, fixtures and other personal property owned by tenant or occupant of the apartment are not included in this sale. However, if the apartment is presently occupied by other than Purchaser and the existing occupant removes a stove or refrigerator belonging to him, then Sponsor has agreed under the Plan to

supply a replacement, which may not be new, but will be in working order and similar in size and quantity to the stoves and refrigerators owned by Sponsor that are contained in comparable apartments in the Building on the date of presentation of the Plan, if any.

Furniture, wall coverings, furnishings, decorations and the like in or about any model apartment are for display purposes only and are not included in the sale. Any floor plans or sketches shown to me are only approximations of the apartment's dimensions and arrangements, and I should not rely thereon.

There will be no modifications or extras unless agreed to in writing by the parties. All modifications, alterations and additions to the apartment must be approved by Sponsor in writing and, if approved, shall be performed by Sponsor at my expense (payable in the manner set forth in an addendum to this Agreement or separate agreement).

10. Acceptance of Condition of Building and Apartment

My signing of this Subscription Agreement shall constitute my acceptance of said unit "as is" in the condition in which it shall be at the time of closing. I acknowledge having read the report describing the condition of the Building set forth in the Plan.

11. Possession; Risk of Loss

A. Unless I now reside in the apartment, I shall not be entitled to occupy the apartment until the Shares and Lease are transferred to me at closing. Sponsor may, in its discretion, grant me possession of the apartment prior to the closing under an Interim Possession Agreement, if the apartment is currently, or hereafter becomes vacant.

B. If I am the existing tenant or occupant of the apartment, or if I am given possession of the apartment prior to closing under such an Interim Possession Agreement or otherwise, then I shall be solely responsible for any damage to, or loss or other condition in, the apartment resulting from my use or occupancy, and neither Sponsor nor the Apartment Corporation shall be obligated to make any repairs to the apartment or its appliances, fixtures and equipment. However, Sponsor will remain responsible to make those repairs required of it as landlord under any existing lease and, after closing, the Apartment Corporation will be responsible to make those repairs required of it as landlord under the Lease.

C. If during my occupancy of the apartment it is damaged by casualty or otherwise, then I shall assume the risk of loss and the obligation to repair the damage, unless

the cause thereof originated outside the apartment and did not result from my acts or acts of other occupants of the apartment or my guests, invitees or workers. Except as provided in the preceding sentence, all other risk of loss prior to closing has been assumed by Sponsor to the extent indicated in the Plan. However, Sponsor will not be obligated to repair the damage except as set forth in the Plan, and in particular, under the section entitled "Contract of Sale and Exchange". If the apartment is not repaired, then all monies deposited hereunder will be refunded to me together with any interest earned thereon, provided this Agreement is still in effect and I am not then in default hereunder beyond the applicable grace period. Under no circumstance will the Apartment Corporation be obligated to repair any damage occurring prior to the closing.

D. If I am obligated to repair the damage to the apartment pursuant to the foregoing, then my failure to make such repair shall not excuse me from paying the Balance and accepting title to the Shares and Lease. If I am not obligated to make the repair, then I shall not be required to pay the Balance unless and until (i) the apartment has been substantially repaired to as near as reasonably possible its condition immediately prior to the casualty, and (ii) its essential services (such as gas, electricity, and heat) and a reasonable means of ingress and egress to the street have been restored.

12. Sale Subject to Existing Occupancy

The following provisions are applicable only if, at the time of signing this Subscription Agreement, the apartment is occupied by, or under lease to, a tenant or other occupant other than Purchaser (as indicated on the first page of this Subscription Agreement):

A. I understand that I am purchasing the apartment subject to the rights of the existing tenant or occupant of same, as explained more fully in the Plan. I acknowledge having carefully reviewed the Plan. I understand that so long as such tenant pays the required rent and complies with his obligations as a tenant, such tenant will have the right to remain in possession of the apartment, and, in the case of a rent stabilized tenant who also continues to use the apartment as his primary residence, to obtain one or more renewal leases (at the tenant's option) at increased rentals determined in accordance with the Rent Stabilization Law and Code ("RSL"). If the tenant's lease is cancelled for nonpayment of rent or other grounds permitted by law, I realize that I shall be required to obtain possession at my own expense, which may entail the institution of summary dispossess proceedings. I further acknowledge I have read and thoroughly understand the section of the Plan which summarizes various of

my rights and duties, and the procedures I must follow, in order to gain possession of the apartment. I also acknowledge that no representation or statement has been made (and if made, I know that the same are unauthorized and that I have not relied thereon) as to the length of time that may elapse before I gain possession of the apartment or that I, in fact, will obtain possession of the apartment.

B. I further understand, as explained in the Plan, that if the tenant or occupant has not vacated the apartment by the Closing Date, I will assume the rights and obligations of landlord to such tenant or occupant, including the right to collect rent or occupancy charges (whether the same be greater or less than the proprietary rent established from time to time under the Lease) and the obligation to repair, maintain and paint the apartment (including its equipment and appliances) for the benefit of the existing tenant or occupant. I will assume the obligation to become a member of the Rent Stabilization Association as is required by the RSL.

C. If this Subscription Agreement is submitted during any period in which the existing tenant or occupant has the exclusive right to purchase the apartment pursuant to the Plan (or any Amendment thereto) or any applicable law or judicial interpretation thereof, then the Apartment Corporation's acceptance of this Agreement is expressly made subject to such right to purchase. In the event the tenant or occupant exercises his exclusive right to purchase, then this Agreement shall be deemed cancelled and, within thirty (30) days thereafter, all monies deposited hereunder shall be returned to me without interest, unless earned. Upon such refund being made, Apartment Corporation, Sponsor, Selling Agent, myself, and all other persons involved in the Plan shall be (and hereby are) released and discharged of all liabilities and obligations hereunder and under the Plan.

13. No Lien; Subordination

This agreement and all sums paid hereunder do not constitute a lien against the Property and shall be subject and subordinate to any and all mortgages now or hereafter on the Property and to any expenses, payments and advances already or hereafter made thereunder.

14. Notices

Notices hereunder shall be delivered or mailed as follows: to the respective parties at the addresses set forth below. Unless otherwise provided herein all notices shall be deemed given when personal delivery is effected or when deposited in any depository maintained by the U.S. Postal Service, except that a notice of a new address shall be deemed given when actually received.

15. Governing Law

The law of the State of New York shall govern this transaction.

16. Broker

The Apartment Corporation agrees to pay any commission due to the Selling Agent in connection with this Subscription Agreement pursuant to separate agreement. Purchaser agrees that should any claim be made against the Apartment Corporation or the Sponsor for commissions by any broker, other than the Selling Agent, on account of any acts of Purchaser or of Purchaser's representatives, Purchaser will indemnify and hold the Apartment Corporation and Sponsor free and harmless from any and all liabilities and expenses in connection therewith, including (without limitation) reasonable legal fees and disbursements. The provisions of this Paragraph shall survive the closing.

17. Assignability - Binding Effect

This agreement is not assignable or transferable by me without the prior written consent of the Apartment Corporation (unless the terms of the By-Laws and/or Proprietary Lease are to the contrary) and shall bind and apply to the parties hereto and their personal and legal representatives, successors and assigns.

18. Entire Agreement

The entire contract between the parties hereto is set forth herein and in the Plan. The only representations made to me are those contained herein and in the Plan. I have not relied upon any representations, statements or warranties, written or oral, as to any manner or estimate, that are not set forth herein and in the Plan; and, I acknowledge that I have had full opportunity to examine all documents and investigate all facts referred to and stated herein.

19. Modification

This agreement cannot be amended or modified orally, but only in writing signed by or on behalf of the party against whom same is sought to be enforced.

20. Conflicts with the Plan

Any conflicts between this agreement and the Plan shall be resolved in favor of the Plan, unless such conflict is the result of individual negotiation. Nonetheless, this Subscription Agreement may not be modified to waive my rights or abrogate Sponsor's obligations which are required by GBL Art. 23-A or any other rights conferred by law.

21. Acceptance of Subscription Agreement

A. If I am the tenant in occupancy of the apartment, this Agreement shall be accepted by the Apartment Corporation, provided I sign and return this Agreement, together within the requisite Down Payment, during the period(s) within which I have the exclusive right to purchase as stated in the Plan.

B. If I am the current tenant of the Apartment but fail to sign and return this Agreement during such 90 day exclusive period, or if I reside in another apartment in the Building or am not a resident of the Building, this Agreement shall not be binding upon the Apartment Corporation until a duplicate hereof, executed by the Apartment Corporation or its duly authorized agent, is delivered to me. If such executed duplicate of this Agreement is not sent or delivered to me within twenty (20) days after receipt of my executed copy and down payment, it shall be deemed rejected, cancelled and all monies paid by me shall be refunded within 10 days thereafter, together with interest thereon, if any. Upon such refund being made, neither party shall have any further rights or obligations hereunder with respect to the other. The Apartment Corporation shall have the right to reject this Agreement without cause or explanation to me. However, this Agreement may not be rejected due to my sex, race, creed, color, marital status, national origin, ancestry or other ground proscribed by law.

22. (Delete if inapplicable) Loan Contingency

This Agreement is subject to my obtaining a loan commitment from any institutional lender in the amount of not less than \$_____ (not more than 75% of Total Cash Payment) at the prevailing rate of interest on prevailing terms. I shall have thirty (30) days from the acceptance of this Agreement (or the delivery of this Agreement to Sponsor or Selling Agent, in the case of a tenant/occupant) to obtain said loan commitment by making application to at least two (2) reputable lending institutions. My failure to provide information to the lender promptly upon request therefor (including the completion of applications in compliance with the lending institutions' requirements within five days after acceptance of the Subscription Agreement (or the delivery of this Agreement to Sponsor or Selling Agent, in the case of a tenant/occupant), or to accept a commitment issued to me by lender on terms set forth herein, shall constitute a default by me under this Agreement. In the event that I notify Sponsor by no later than five (5) days after the said thirty (30) day period by certified mail of my inability to obtain said loan commitment from either lending institution, this contract shall be null and void and my down payment shall be returned to me with interest earned thereon, if any. Failure to provide such notification shall be deemed a waiver of this paragraph by me. In such event, this

agreement shall be deemed binding and I shall be subject to liability or loss, as herein provided, for failure to proceed with the purchase. In the event that a commitment has been obtained and such commitment expires prior to closing and no extension is obtained, I am nevertheless bound by my Subscription Agreement, unless I have made a good faith effort to extend the commitment, in which case I shall have a limited right to rescind my Subscription Agreement. Sponsor or Apartment Corporation must be in actual receipt of my written notice of rescission within five (5) days of the expiration of the commitment.

23. Purchaser's Representations

A. I represent that I am an individual over 18 years of age and am purchasing the shares on my own account (beneficial and of record) and no corporation, partnership, association, trust or estate has or will have any equity interest, direct or indirect, in such shares. The term "I" shall read as "we" and "Purchaser" shall be read as "Purchasers" if more than one person are subscribers, in which case our obligations shall be deemed joint and several.

B. I represent that I am not purchasing for the purpose of resale, subletting, assigning, or as an accommodation to, or solely for the account or benefit of Sponsor or its principals. I certify that (a) I have agreed in good faith to purchase the shares allocated to the apartment with no discriminatory repurchase agreement or other discriminatory inducement as to tenants who were in occupancy on the date the Plan was filed, and that I am a bona fide tenant in occupancy, or that (b) I am a bona fide purchaser and I or a member of my immediate family intends to occupy the apartment when it becomes vacant.

C. If I am a tenant seeking to assign or transfer this Subscription Agreement prior to closing, I shall provide to Sponsor or the Apartment Corporation a notarized affidavit of the assignee in the form set forth in Part II of this Plan.

24. No representations of the parties contained herein shall survive the issuance of the shares, Proprietary Lease and the Closing unless otherwise expressly stated herein to the contrary.

PURCHASER(S)

Principal Residence Address

APPROVED AND ACCEPTED:
PATRICIA GARDENS OWNERS, INC.

Date: _____

By _____

Date: _____

SA-11

ASSIGNEE AFFIDAVIT

State of New York)
)ss.:
County of)

_____, being duly sworn,

deposes and says:

1. I have not been procured by Sponsor for the purposes of this assignment.

2. I (do) (do not) intend to personally occupy Apartment _____ at the premises 1825-29-33 Palmer Avenue, Larchmont, New York.

Sworn to before me this
_____ day of _____, 198_

Notary Public

PROPRIETARY LEASE

SHARES:

APARTMENT NUMBER:

PATRICIA GARDENS OWNERS, INC., LESSOR

TO

_____, LESSEE

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PROPRIETARY LEASE, made as of _____, 19 __,
by and between PATRICIA GARDENS OWNERS, INC., a New York corporation,
having offices at c/o Hall, Dickler, Lawler, Kent & Howley, New York, New
York, hereinafter called the Lessor, and _____ hereinafter
called the Lessee.

WHEREAS, the Lessor is the owner of the land and the building
erected thereon in the Borough of Larchmont, New York, known as and by
the street number 1825-29-33 Palmer Avenue, (hereinafter called the "Build-
ing"); and

WHEREAS, the Lessee is the owner of _____ shares of the Lessor to
which this lease is appurtenant and which have been allocated to Apartment
_____ in the Building;

Demised Premises NOW, THEREFORE, in consideration of the premi-
ses, the Lessor hereby leases to the Lessee, and the Lessee hires from the
Lessor, subject to the terms and conditions hereof, apartment _____ in the
Building (hereinafter referred to as "the apartment") for a term from
_____ 19 __, until 12/31/2050 (unless sooner terminated as hereinafter
provided). As used herein "the apartment" means the rooms of the Building
as partitioned on the date of the execution of this lease designated by the
above-stated apartment number, together with their appurtenances and
fixtures and any closets, terraces, balconies, roof, or portion thereof
outside of said partitioned rooms, which are allocated exclusively to the
occupant of the apartment.

(1) Rent (Maintenance) How Fixed

(a) The rent (sometimes called "maintenance") payable by the Lessee
for each year, or portion of a year, during the term shall equal that
proportion of the Lessor's cash requirements for such year, or portion of a
year, which the number of shares of the Lessor allocated to the apartment
bears to the total number of shares of the Lessor issued and outstanding
on the date of the determination of such cash requirements. Such main-
tenance shall be payable, without notice or demand, in equal monthly
installments, in advance, on the first day of each month, unless the Board
of Directors of the Lessor (hereinafter called "Directors") at the time of
its determination of the cash requirements shall otherwise direct. The
Lessee shall also pay such additional rent as may be provided for herein
when due.

(b) Accompanying Shares to be Specified in Proprietary Leases

In every proprietary lease heretofore executed by the Lessor
there has been specified, and in every proprietary lease hereafter executed
by the Lessor there will be specified, the number of shares the Lessor

issued to a lessee simultaneously therewith, which number, in relation to the total number of shares of the Lessor issued and outstanding, shall constitute the basis for fixing, as hereinbefore provided, the proportionate share of the Lessor's cash requirements which shall be payable as rent by the Lessee.

(c) Cash Requirements Defined "Cash requirements" whenever used herein shall mean the estimated amount in cash which the Directors shall from time to time in its judgment determine to be necessary or proper, subject to the provisions of the by laws of the Lessor, for (1) the operation, maintenance, care, alteration and improvement of the corporate property during the year or portion of the year for which such determination is made; (2) the creation of such reserve for contingencies as it may deem proper; and (3) the payment of any obligations, liabilities or expenses incurred (even though incurred during a prior period) or to be incurred, after giving consideration to (i) income expected to be received during such period (other than rent from the proprietary lessees) and (ii) cash on hand which the Directors in its discretion may choose to apply. The Directors may from time to time modify its prior determination and increase or decrease the amount previously determined as cash requirements of the corporation for a year or portion thereof. No determination of cash requirements shall have any retroactive effect on the amount of the rent payable by the lessee for any period prior to the date of such determination. All determinations of cash requirements shall be conclusive as to all lessees.

(d) Authority Limited to Board of Directors Whenever in this paragraph or any other paragraph of this lease, a power or privilege is given to the Directors, the same may be exercised only by the Directors, and in no event may any such power or privilege be exercised by a creditor, receiver or trustee.

(e) Issuance of Additional Shares If the Lessor shall hereafter issue shares (whether now or hereafter authorized) in addition to those issued on the date of the execution of this lease, the holders of the shares hereafter issued shall be obligated to pay rent at the same rate as the other proprietary lessees from and after the date of issuance. If any such shares be issued on a date other than the first or last day of the month, the rent for the month in which issued shall be apportioned. The cash requirements as last determined shall, upon the issuance of such shares, be deemed increased by an amount equal to such rent.

(f) Paid-In Surplus The Directors may from time to time as may be proper determine how much of the maintenance and other receipts, when received (but not more than such amount as represents payments on account of principal of mortgages on the property and other capital expenditures), shall be credited on the corporate accounts to "Paid-in-Surplus." Unless the Directors shall determine otherwise, the amount of payments which the Lessor receives from the Lessee on account of principal of any mortgages shall be credited to Paid-in-Surplus and shall not be deemed income to the Lessor.

(g) Failure to Fix Cash Requirements The failure of the Directors to determine the Lessor's cash requirements for any year or portion thereof shall not be deemed a waiver or modification in any respect of the covenants and provisions hereof, or a release of the Lessee from the obligation to pay the maintenance or any instalment thereof, but the maintenance computed on the basis of the cash requirements as last determined for any year or portion thereof shall thereafter continue to be the maintenance until a new determination of cash requirements shall be made.

2. Lessor's Repairs The Lessor shall at its expense keep in good repair all of the Building including all of the apartments, sidewalks and courts surrounding same, and its equipment and apparatus except those portions of the maintenance and repair of which are expressly stated to be the responsibility of the Lessee pursuant to Paragraph 18 hereof.

3. Services by Lessor The Lessor shall maintain and manage the Building as a first-class apartment building, and shall keep the elevators and public halls, cellars and stairways clean and properly lighted and heated. All public portions of the Building which are painted shall be painted not less frequently than every 5 years and all such wallpapered public portions shall be re-wallpapered not less frequently than every 10 years. The Lessor shall provide the number of attendants requisite, in the judgment of the Directors, for the proper care and service of the Building, and shall provide the apartment with a proper and sufficient supply of hot and cold water and of heat, and if there be central air-conditioning equipment supplied by the Lessor, air-conditioning when deemed appropriate by the Directors. The covenants by the Lessor herein contained are subject, however, to the discretionary power of the Directors to determine from time to time what services and what attendants shall be proper and the manner of maintaining and operating the Building, and also what existing services shall be increased, reduced, changed, modified or terminated. Notwithstanding the foregoing, in the event the Apartment is occupied by a tenant covered by the provisions of the RSL or the Control Regulations (as such terms are defined in the Plan), Lessor shall provide all services and facilities to which such tenant is entitled pursuant to the RSL or the Control Regulations, as the case may be, and which are not required to be provided by Lessee under the provisions of this Lease.

4. Damage to Apartment or Building

(a) If the apartment or the means of access thereto or the Building shall be damaged by fire or other cause covered by multiperil policies commonly carried by corporations owning "cooperative apartment buildings" in New York City (any other damage to be repaired by the Lessor or the Lessee pursuant to Paragraphs 2 and 18, as the case may be), the Lessor shall at its own cost and expense, with reasonable dispatch after receipt of notice of said damage, repair or replace or cause to be repaired or replaced, with materials of a kind and quality then customary in buildings of the type of the Building, the Building, the apartment, and the

means of access thereto, including the walls, floors, ceilings, pipes, wiring and conduits in the apartment. Anything in this Paragraph or Paragraph 2 to the contrary notwithstanding, the Lessor shall not be required to repair or replace, or cause to be repaired or replaced, equipment, fixtures, furniture, furnishings or decorations installed by the Lessee or any of his predecessors in title nor shall the Lessor be obligated to repaint or replace wallpaper or other decorations in the apartment or to refinish floors located therein.

(b) Expiration of Lease Due to Damage In case the damage resulting from fire or other cause shall be so extensive as to render the apartment partly or wholly untenable, or if the means of access thereto shall be destroyed, the rent hereunder shall proportionately abate until the apartment shall again be rendered wholly tenantable or the means of access restored; but if said damage shall be caused by the act or negligence of the Lessee or the agents, employees, guests or members of the family of the Lessee or any occupant of the apartment, such rental shall abate only to the extent of the rental value insurance, if any, collected by the Lessor with respect to the Apartment.

(c) Rent Abatement If the Directors shall determine that (i) the Building is totally destroyed by fire or other cause, or (ii) the Building is so damaged that it cannot be repaired within nine months after the loss shall have been adjusted with the insurance carriers, or (iii) the destruction or damage was caused by hazards which are not covered under the Lessor's insurance policies then in effect, and if in any such case the record holders of at least 66 2/3% of the issued and outstanding shares, at a shareholders' meeting duly called for that purpose held within 120 days after the determination by the Directors, shall not vote to repair, restore or rebuild, then upon giving of notice pursuant to Paragraph 31 hereof, this Lease and all other proprietary leases and all right, title and interest of the parties thereunder and the tenancies thereby created, shall thereupon wholly cease and expire and rent shall be paid to the date of such destruction or damage. The Lessee hereby waives any and all rights under Section 227 of the Real Property Law and in no event shall the Lessee have any option or right to terminate this Lease except as provided herein.

(d) Waiver of Subrogation The Lessor and the Lessee hereby release each other from any and all liability or responsibility to the other or anyone claiming through or under the Lessor or the Lessee by way of subrogation or otherwise for any loss or damage to property caused by fire or any of the extended coverage casualties, even if such fire or other casualty shall have been caused by the fault or negligence of the Lessor or the Lessee or anyone for whom the Lessor or the Lessee may be responsible, provided, however, that this release shall be applicable and in force and effect only with respect to loss or damage occurring during such time as the Lessor's or the Lessee's insurance policies shall contain a clause or endorsement to the effect that any such release shall not adversely affect or impair such insurance policies or prejudice the right of the Lessor and the Lessee to recover thereunder and further provided that such waiver shall be limited to the proceeds of such insurance poli-

cies. Lessor and Lessee agree that they will request their insurance carriers to include in each of their policies a suitable clause or endorsement, as aforesaid, provided that no extra cost shall be charged therefor, and upon request, Lessor and Lessee shall each advise the other whether or not it has been able to obtain such a clause or endorsement in its policies.

5. Inspection of Books of Account The Lessor shall keep full and correct books of account at its principal office or at such other place as the Directors may from time to time determine, and the same shall be open during all reasonable hours to inspection by the Lessee or a representative of the Lessee.

Annual Report The Lessor shall deliver to the Lessee within a reasonable time after the end of each fiscal year an annual report of corporate financial affairs, including a balance sheet and a statement of income and expenses, certified by an independent public accountant.

6. Amendments of Proprietary Leases Each Proprietary lease made by the Lessor shall be in the form of this lease, except with respect to the statement as to the number of shares owned by the Lessee, unless a variation of any lease is authorized, as hereinafter provided, by lessees owning at least two-thirds of the Lessor's shares then issued and executed by the Lessor and lessee affected. The form and provisions of all the proprietary leases then in effect and thereafter to be executed may be changed by the approval of lessees owning at least 66 2/3% of the Lessor's shares then issued and outstanding, and such changes shall be binding on all lessees even if they did not vote for such changes except that (i) the proportionate share of rent or cash requirements payable by any lessee may not be increased, (ii) the right of any lessee to cancel his lease under the conditions set forth in Paragraph 35 may not be eliminated or impaired, and (iii) the rights, privileges and obligations of the holder of Unsold Shares (as defined in Paragraph 38(a)), as provided for in Paragraph 38 of this lease, may not be affected, modified or eliminated without, in each of the foregoing instances, the express consent of the lessee affected. Approval by lessees as provided for herein shall be evidenced by written consent or by affirmative vote taken at a meeting called for such purpose.

7. Penthouses, Terraces and Balconies If the apartment includes a terrace, balcony, or a portion of the roof adjoining a penthouse, the Lessee shall have and enjoy the exclusive use of the terrace or balcony or that portion of the roof appurtenant to the penthouse, subject to the applicable provisions of the lease and to the use of the terrace, balcony, or roof by the Lessor to the extent herein permitted. The Lessee's use thereof shall be subject to such regulations as may, from time to time, be prescribed by the Directors. The Lessor shall have the right to erect equipment on the roof, including radio and television aeriels and antennae, for its use and the use of the lessees in the Building and shall have the right of access thereto for such installations and for the repair thereof. The Lessee shall keep the terrace, balcony, or portion of the roof appurtenant to his apartment clean and free from snow, ice, leaves and other debris and

shall maintain all screens and drain boxes in good condition. No planting, fences, structures or lattices shall be erected or installed on the terraces, balconies, or roof of the Building without the prior written approval of the Lessor. No cooking shall be permitted on any terraces, balconies or the roof of the Building, nor shall the walls thereof be painted by the Lessee without the prior written approval of the Lessor. Any planting or other structures erected by the Lessee or his predecessor in interest may be removed and restored by the Lessor at the expense of the Lessee for the purpose of repairs, upkeep or maintenance of the Building.

8. Assignment of Lessor's Rights Against Occupant If at the date of the commencement of this lease, any third party shall be in possession or have the right to possession of the apartment, then the Lessor hereby assigns to the Lessee all of the Lessor's rights against said third party from and after the date of the commencement of the term hereof, and the Lessee by the execution hereof assumes all of the Lessor's obligations to said third party from said date. The Lessor agrees to cooperate with the Lessee, but at the Lessee's expense, in the enforcement of the Lessee's rights against said third party. See Paragraph 52 of this Lease.

9. Cancellation of Prior Agreements If at the date of the commencement of this lease, the Lessee has the right to possession of the apartment under any agreement or statutory tenancy, this lease shall supersede such agreement or statutory tenancy which shall be of no further effect after the date of commencement of this lease, except for claims theretofore arising thereunder.

10. Quiet Enjoyment The Lessee, upon paying the rent and performing the covenants and complying with the conditions on the part of the Lessee to be performed as herein set forth shall, at all times during the term hereby granted, quietly have, hold and enjoy the apartment without any let, suit, trouble or hindrance from the Lessor, subject, however, to the rights of present tenants or occupants of the apartment, and subject to any and all mortgages and underlying leases of the land and Building, as provided in Paragraph 22, below.

11. Indemnity The Lessee agrees to save the Lessor harmless from all liability, loss, damage and expense arising from injury to person or property occasioned by the failure of the Lessee to comply with any provision hereof, or due wholly or in part to any act, default or omission of the Lessee or of any person dwelling or visiting in the apartment, or by the Lessor, its agents, servants or contractors when acting as agent for the Lessee as in this lease provided. This paragraph shall not apply to any loss or damage when the Lessor is covered by insurance which provides for waiver of subrogation against the Lessee.

12. Payment of Rent The Lessee will pay the rent to the Lessor upon the terms and at the times herein provided, without any deduction on account of any set-off or claim which the Lessee may have against the Lessor, and if the Lessee shall fail to pay any instalment of rent promptly, the Lessee shall pay interest thereon at the rate of ten percent per annum from the date when such instalment shall have become due to the date of the payment thereof, and such interest shall be deemed additional rent hereunder.

13. House Rules The Lessor has adopted House Rules which are appended hereto, and the Directors may alter, amend or repeal such House Rules and adopt new House Rules. This lease shall be in all respects subject to such House Rules which, when a copy thereof has been furnished to the Lessee, shall be taken to be part hereof, and the Lessee hereby covenants to comply with all such House Rules and see that they are faithfully observed by the family, guests, employees and subtenants of the Lessee. Breach of a House Rule shall be a default under this lease. The Lessor shall not be responsible to the Lessee for the nonobservance or violation of House Rules by any other lessee or person.

14. Use of Premises The Lessee shall not, without the written consent of the Lessor on such conditions as Lessor may prescribe, occupy or use the apartment or permit the same or any part thereof to be occupied or used for any purpose other than as a private dwelling for the Lessee and Lessee's spouse or friend, their children, grandchildren, parents, grandparents, brothers and sisters and domestic employees, and in no event shall more than one married couple occupy the apartment without the written consent of the Lessor. In addition to the foregoing, the apartment may be occupied from time to time by guests of the Lessee for a period of time not exceeding one month, unless a longer period is approved in writing by the Lessor, but no guests may occupy the apartment unless one or more of the permitted adult residents are then in occupancy or unless consented to in writing by the Lessor. Notwithstanding the foregoing provisions of this Paragraph 14, where an apartment was used for professional purposes as of the date of presentation of the Plan, such professional use may continue.

15. Subletting Except as provided in Paragraphs 38 and 39 of this lease, the Lessee shall not sublet the whole or any part of the apartment or renew or extend any previously authorized sublease, unless consent thereto shall have been duly authorized by a resolution of the Directors, or given in writing by a majority of the Directors or, if the Directors shall have failed or refused to give such consent, then by lessees owning at least 66 2/3% of the then issued and outstanding shares of the Lessor. Consent by lessees as provided for herein shall be evidenced by written consent or by affirmative vote taken at a meeting called for such purpose. Any consent to subletting may be subject to such conditions as the Directors or lessees, as the case may be, may impose. There shall be no limitation on the right of the Directors of lessees to grant or withhold consent, for any reason or no reason, to a subletting.

16. Assignment Except as provided in Paragraphs 38 and 39 of this lease,

(a) The Lessee shall not assign this lease or transfer the shares to which it is appurtenant or any interest therein, and no such assignment or transfer shall take effect as against the Lessor for any purpose, until

(i) An instrument of assignment in form approved by the Lessor executed and acknowledged by the assignor shall be delivered to the Lessor; and

(ii) An agreement executed and acknowledged by the assignee in form approved by Lessor assuming and agreeing to be bound by all the covenants and conditions of this lease to be performed or complied with by

the Lessee on and after the effective date of said assignment shall have been delivered to the Lessor, or, at the request of the Lessor, the assignee shall have surrendered the assigned lease and entered into a new lease in the same form for the remainder of the term, in which case the Lessee's lease shall be deemed cancelled as of the effective date of said assignment; and

(iii) All shares of the Lessor to which this lease is appurtenant shall have been transferred to the assignee, with proper transfer taxes paid;

(iv) All sums due from the Lessee shall have been paid to the Lessor, together with a sum to be fixed by the Directors to cover reasonable legal and other expenses of the Lessor and its managing agent in connection with such assignment and transfer of shares; and

(v) A search or certification from a title insurance or abstract company as the Directors may require; and

(vi) Except in the case of an assignment, transfer or bequest to the Lessee's parents or spouse, of the shares and this lease, except as to shareholders who shall have been tenant-occupants at the date of presentation, and except as provided in Paragraphs 38 and 39 of this lease, consent to such assignment shall have been authorized by resolution of the Directors, or given in writing by a majority of the Directors; or, if the Directors shall have failed or refused to give such consent within 30 days after submission of references to them or the Lessor's managing agent, then by lessees owning of record at least 66 2/3% of the then issued shares of the Lessor. Consent by lessees as provided for herein shall be evidenced by written consent or by affirmative vote taken at a meeting called for such purpose in the manner as provided in the by-laws.

(b) Consents; On Death of Lessee If the Lessee shall die, consent shall not be unreasonably withheld or delayed to an assignment of the lease and shares to a financially responsible member of the Lessee's family (other than the Lessee's spouse as to whom no consent is required).

(c) Consents Generally: Stockholders' and Directors' Obligation There shall be no limitation, except as above specifically provided, on the right of the Directors or lessees to grant or withhold consent, for any reason or for no reason, to an assignment.

(d) Release of Lessee Upon Assignment If the lease shall be assigned in compliance herewith, the Lessee-assignor shall have no further liability on any of the covenants of this lease to be thereafter performed.

(e) Further Assignment or Subletting Regardless of any prior consent theretofore given, neither the Lessee nor his executor, nor administrator, nor any trustee or receiver of the property of the Lessee, nor anyone to whom the interests of the Lessee shall pass by law, shall be entitled further to assign this lease, or to sublet the apartment, or any part thereof, except upon compliance with the requirements of this lease. The restrictions on the assignment of this lease, as hereinbefore set forth, constitute special consideration and inducement for the granting of

this lease by the Lessor to the Lessee. No demand or acceptance of rent from any assignee hereof shall constitute or be deemed to constitute a consent to or approval of any assignment.

(f) Statement by Lessor If this lease is then in force and effect, the Lessor will, upon request of the Lessee, deliver to the assignee a written statement that this lease remains on the date thereof in force and effect; but no such statement shall be deemed an admission that there is no default under the lease.

17. Pledge of Shares and Lease The execution and delivery of a leasehold mortgage and/or the creation of a security interest in the lease and the shares to which this lease is appurtenant shall not be a violation of this lease; but, except as provided in Paragraph 39 of this Lease, neither the secured party nor the leasehold mortgagee, nor any transferee of the security shall be entitled to have the shares transferred of record on the books of the Lessor, nor to vote such shares, nor to occupy or permit the occupancy by others of the apartment, nor to sell such shares or this lease, without first complying with all of the provisions of Paragraphs 15 and 16 of this lease except subparagraphs (a)(iv) and (vi) and (c) of Paragraph 16. The acceptance by the Lessor of payments by the secured party or leasehold mortgagee or any transferee of the security on account of rent or additional rent shall not constitute a waiver of the aforesaid provision. The provisions of this Paragraph 17 are expressly made subject to the provisions of Paragraph 39.

18. Repairs by Lessee (a) The Lessee shall take possession of the apartment and its appurtenances and fixtures "as is" as of the commencement of the term hereof. Subject to the provisions of Paragraph 4 hereof, the Lessee shall keep the interior of the apartment (including interior walls, floors and ceilings, but excluding windows, window panes, window frames, sashes, sills, entrance and terrace doors, frames and saddles) in good repair, shall do all of the painting and decorating required for his apartment, including the interior of window frames, sashes and sills, and shall be solely responsible for the maintenance, repair, and replacement of plumbing, gas and heating fixtures and equipment and such refrigerators, dishwashers, removable and through-the-wall air-conditioners, washing machines, ranges and other appliances, as may be in the apartment. Plumbing, gas and heating fixtures as used herein shall include exposed gas, steam and water pipes attached to fixtures, appliances and equipment and the fixtures, appliances and equipment to which they are attached, and any special pipes or equipment which the Lessee may install within the wall or ceiling, or under the floor, but shall not include gas, steam, water or other pipes or conduits within the walls, ceilings or floors or air-conditioning or heating equipment which is part of the standard Building equipment. The Lessee shall be solely responsible for the maintenance, repair and replacement of all lighting and electrical fixtures, appliances, and equipment, and all meters, fuse boxes or circuit breakers and electrical wiring and conduits from the junction box at the riser into and through the Lessee's apartment. Any ventilator or air conditioning device

which shall be visible from the outside of the Building shall be at all times be painted by the Lessee in a standard color which the Lessor may select for the Building. Lessee shall be solely responsible for the maintenance, repair, and replacement of doors leading from the apartment to any maid's room, terrace, penthouse or balcony.

(b) Odors and Noises The Lessee shall not permit unreasonable cooking or other odors to escape into the building. The Lessee shall not permit or suffer any unreasonable noises or anything which will interfere with the rights of other lessees or unreasonably annoy them or obstruct the public halls or stairways.

(c) Equipment and Appliances If, in the Lessor's sole judgment, any of the Lessee's equipment or appliances shall result in damage to the Building or poor quality or interruption of service to other portions of the Building, or overloading of, or damage to facilities maintained by the Lessor for the supplying of water, gas, electricity or other service to the Building, or if any such appliances visible from the outside of the Building shall become rusty or discolored, the Lessee shall promptly, on notice from the Lessor, remedy the condition and, pending such remedy, shall cease using any appliance or equipment which may be creating the objectionable condition.

(d) Rules and Regulations and Requirements of Mortgage The Lessee will comply with all the requirements of the Board of Fire Underwriters, insurance authorities and all governmental authorities and with all laws, ordinances, rules and regulations with respect to the occupancy or use of the apartment. If any mortgage affecting the Building or the land on which it stands shall contain any provisions pertaining to the right of the Lessee to make changes or alterations in the apartment, or to remove any of the fixtures, appliances, equipment or installations, the Lessee herein shall comply with the requirements of such mortgage or mortgages relating thereto. Upon the Lessee's written request, the Lessor will furnish the Lessee with copies of applicable provisions of each and every such mortgage.

19. Lessor's Right to Remedy Lessee's Defaults If the Lessee shall fail for 30 days after notice to make repairs to any part of the apartment, its fixtures or equipment as herein required, or shall fail to remedy a condition which has become objectionable to the Lessor for reasons above set forth, or if the Lessee or any person dwelling in the apartment shall request the Lessor, its agents, or servants to perform any act not hereby required to be performed by the Lessor, the Lessor may make such repairs, or arrange for others to do the same, or remove such objectionable condition or equipment, or perform such act, without liability on the Lessor; provided that, if the condition requires prompt action, notice of less than 30 days may be given or, in case of emergency, no notice need be given. In all such cases the Lessor, its agents, servants and contractors shall, as

between the Lessor and the Lessee, be conclusively deemed to be acting as agents of the Lessee and all contracts therefore made by the Lessor shall be so construed whether or not made in the name of the Lessee. If Lessee shall fail to perform or comply with any of the other covenants or provisions of this lease within the time required by a notice from the Lessor (not less than 5 days), then the Lessor may, but shall not be obligated to comply therewith, and for such purpose may enter upon the apartment of the Lessee. The Lessor shall be entitled to recover from the Lessee all expenses incurred or for which it has contracted hereunder, such expenses to be payable by the Lessee on demand as additional rent.

20. Increase in Rate of Fire Insurance The Lessee shall not permit or suffer anything to be done or kept in the apartment which will increase the rate of fire insurance on the building or the contents thereof. If, by reason of the occupancy or use of the apartment by the Lessee, the rate of fire insurance on the building or an apartment or the contents of either shall be increased, the Lessee shall (if such occupancy or use continues for more than 30 days after written notice from the Lessor specifying the objectionable occupancy or use) become personally liable for the additional insurance premiums incurred by the Lessor or any lessee or lessees of apartments in the Building on all policies so affected, and the Lessor shall have the right to collect the same for its benefit or the benefit of any such lessees as additional rent for the apartment due on the first day of the calendar month following written demand therefor by lessor.

21. Alterations

(a) The Lessee shall not, without first obtaining the written consent of the Lessor, which consent shall not be unreasonably withheld or delayed, make in the apartment or the Building, or on any roof, penthouse, terrace or balcony appurtenant thereto, any alteration, enclosure or addition or any alteration of or addition to the water, gas, or steam risers or pipes, heating or air-conditioning system or units, electrical conduits, wiring or outlets, plumbing fixtures, intercommunication or alarm system, or any other installation or facility in the apartment or Building, or except as hereinafter authorized, remove any additions, improvements or fixtures from the apartment. The performance by Lessee of any work in the apartment shall be in accordance with any applicable rules and regulations of the Lessor and governmental agencies having jurisdiction thereof. The Lessee shall not in any case install any appliances which will overload the existing wires or equipment in the Building. Anything contained herein or in subparagraph (b) hereinbelow to the contrary notwithstanding, the written consent of the Lessor shall not be required for any of the foregoing alterations, enclosures, additions made by, or the removal of any additions, improvements or fixtures from the apartment by, a holder of "Unsold Shares".

(b) Removal of Fixtures Without the Lessor's written consent, the Lessee shall not remove any fixtures, appliances, additions or improvements from the apartment except as hereinafter provided. If the Lessee, or a prior Lessee, shall have heretofore placed, or the Lessee shall hereafter place in the apartment, at the Lessee's own expense, any additions, improvements, appliances or fixtures, including but not limited to fire-place mantels, lighting fixtures, refrigerators, air-conditioners, dish-washers, washing machines, ranges, woodwork, wall paneling, ceilings, special doors or decorations, special cabinet work, special stair railings or other built-in ornamental items, which can be removed without structural alterations or permanent damage to the apartment, then title thereto shall remain in the Lessee and the Lessee shall have the right, prior to the termination of this lease, to remove the same at the Lessee's own expense, provided: (i) that the Lessee at the time of such removal shall not be in default in the payment of rent or in the performance or observance of any other covenants or conditions of this lease; (ii) that prior to any such removal, the Lessee shall give written notice thereof to the Lessor; (iii) that the Lessee shall, at the Lessee's own expense, prior to the termination of this lease, repair all damage to the apartment which shall have been caused by either the installation or removal of any of such additions, improvements, appliances or fixtures; (iv) that if the Lessee shall have removed from the apartment any articles or materials owned by the Lessor or its predecessor in title, or any fixtures or equipment necessary for the use of the apartment, the Lessee shall either restore such articles and materials and fixtures and equipment and repair any damage resulting from their removal and restoration, or replace them with others of a kind and quality customary in comparable buildings and satisfactory to the Lessor; and (v) that if any mortgagee had acquired a lien on any such property prior to the execution of this lease, the Lessor shall have first procured from such mortgagee its written consent to such removal, and any cost and expense incurred by the Lessor in respect thereof shall have been paid by the Lessee.

(c) Surrender on Expiration of Term On the expiration or termination of this lease, the Lessee shall surrender to the Lessor possession of the apartment with all additions, improvements, appliances and fixtures then included therein, except as hereinabove provided. Any additions, improvements, fixtures or appliances not removed by the Lessee on or before such expiration or termination of this lease shall, at the option of the Lessor, be deemed abandoned and shall become the property of the Lessor and may be disposed of by the Lessor without liability or accountability to the Lessee. Any other personal property not removed by the Lessee at or prior to the termination of this lease may be removed by the Lessor to any place of storage and stored for the account of the Lessee without the Lessor in any way being liable for trespass, conversion or negligence by reason of any acts of the Lessor or of the Lessor's agents, or of any carrier employed in transporting such property to the place of storage, or by reason of the negligence of any person in caring for such property while in storage.

22. Lease Subordinate to Mortgages and Ground Lease Rights of Existing Tenants This lease is and shall be subject and subordinate to all present and future ground or underlying leases and to any mortgages now or hereafter liens upon such leases or on the Building and the land on which it stands, and to any and all extensions, modifications, consolidations, renewals and replacements thereof. This clause shall be self-operative and no further instrument of subordination shall be required by any such mortgagee or ground or underlying lessee. In confirmation of such subordination the Lessee shall at any time, and from time to time, on demand, execute any instruments that may be required by any mortgagee, or by the Lessor, for the purpose of more formally subjecting this lease to the lien of any such mortgage or mortgages or ground or underlying leases, and the duly elected officers, for the time being, of the Lessor are and each of them is hereby irrevocably appointed the attorney-in-fact and agent of the Lessee to execute the same upon such demand, and the Lessee hereby ratifies any such instrument hereafter executed by virtue of the power of attorney hereby given.

In the event that a ground or underlying lease is executed and delivered to the holder of a mortgage or mortgages on such ground or underlying lease or to a nominee or designee of or a corporation formed by or for the benefit of such holder, the Lessee hereunder will attorn to such mortgagee or the nominee or designee of such mortgagee or to any corporation formed by or for the benefit of such mortgagee.

In the event that the apartment shall be occupied by a tenant who shall qualify as an "eligible senior citizen" or as an "eligible handicapped person" as such terms are defined in Section 352-eeee of the General Business Law of the State of New York, on the Closing Date, as such term is defined in the Plan (as hereinafter defined), the Lessee shall not have any right to evict such tenant (other than in the event of the occurrence of a default by such tenant in the performance of his obligations under the terms of his lease or occupancy), notwithstanding any provision to the contrary contained in the RSL or the Rent Control Law, as such terms are defined in the Plan.

23. Mechanic's Lien In case a notice of mechanic's lien against the Building shall be filed purporting to be for labor or material furnished or delivered at the Building or the apartment to or for the Lessee, or anyone claiming under the Lessee, the Lessee shall forthwith cause such lien to be discharged by payment, bonding or otherwise; and if the Lessee shall fail to do so within 10 days after notice from the Lessor, then the Lessor may cause such lien to be discharged by payment, bonding or otherwise, without investigation as to the validity thereof or any offsets or defenses thereto, and shall have the right to collect, as additional rent, all amounts so paid and all costs and expenses paid or incurred in connection therewith, including reasonable attorneys' fees and disbursements, together with interest thereon from the time or times of payment.

24. Cooperation The Lessee shall always in good faith endeavor to observe and promote the cooperative purposes for the accomplishment of which the Lessor is incorporated.

25. Right of Entry The Lessor and its agents and their authorized workmen shall be permitted to visit, examine, or enter the apartment and any storage space assigned to the Lessee at any reasonable hour of the day upon notice, or at any time and without notice in case of emergency, to make or facilitate repairs in any part of the Building or to cure any default by the Lessee and to remove such portions of the walls, floors and ceilings of the apartment and storage space as may be required for any such purpose, but the Lessor shall thereafter restore the apartment and storage space to its proper and usual condition at the Lessor's expense if such repairs are the obligation of the Lessor, or at the Lessee's expense if such repairs are the obligation of the Lessee or are caused by the act or omission of the Lessee or any of the Lessee's family, guests, agents, employees or subtenants. In order that the Lessor shall at all times have access to the apartment or storage rooms for the purposes provided for in this lease, the Lessee shall provide the Lessor with a key to each lock providing access to the apartment or the storage rooms, and if any lock shall be altered or new lock installed, the Lessee shall provide the Lessor with a key immediately upon installation. If the Lessee shall not be personally present to open and permit an entry at any time when an entry therein shall be necessary or permissible hereunder and shall not have furnished a key to the Lessor or the Lessor's agents (but, except in an emergency, only when specifically authorized by an officer of the Lessor or an officer of the managing agent) may forcibly enter the apartment or storage space without liability for damages by reason thereof (if during such entry the Lessor shall accord reasonable care to the Lessee's property), and without in any manner affecting the obligations and covenants of this lease. The right and authority hereby reserved to not impose, nor does the Lessor assume by reason thereof, any responsibility or liability for the care or supervision of the apartment, or any of the pipes, fixtures, appliances or appurtenances therein contained, except as herein specifically provided.

26. Waivers The failure of the Lessor to insist, in any one or more instances, upon a strict performance of any of the provisions of this lease, or to exercise any right or option herein contained, or to serve any notice, or to institute any action or proceeding, shall not be construed as a waiver, or a relinquishment for the future, of any such provisions, options or rights, but such provision, option or right shall continue and remain in full force and effect. The receipt by the Lessor of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Lessor of any provision hereof shall be deemed to have been made unless in a writing expressly approved by the Directors.

27. Notices Any notice by or demand from either party to the other shall be duly given only if in writing and sent by certified or registered mail, return receipt requested; if by the Lessee, addressed to the Lessor at the

Building with a copy sent by regular mail to the Lessor's managing agent; if to the Lessee, addressed to the Building. Either party may by notice served in accordance herewith designate a different address for service of such notice or demand. Notices or demands shall be deemed given on the date when mailed.

28. Reimbursement of Lessor's Expenses If the Lessee shall at any time be in default hereunder and the Lessor shall incur any expense (whether paid or not) in performing acts which the Lessee is required to perform, or in instituting any action or proceeding based on such default, or defending, or asserting a counterclaim in, any action or proceeding brought by the Lessee, the expense thereof to the Lessor, including reasonable attorneys' fees and disbursements, shall be paid by the Lessee to the Lessor, on demand, as additional rent.

29. (a) Lessor's Immunities The Lessor shall not be liable, except by reason of the Lessor's negligence, for any failure or insufficiency of heat, or of air-conditioning (where air-conditioning is supplied or air conditioning equipment is maintained by the Lessor), water supply, electric current, gas, telephone, or elevator service or other service to be supplied by the Lessor hereunder, or for interference with light, air, view or other interests of the Lessee. No abatement of rent or other compensation or claim of eviction shall be made or allowed because of the making or failure to make or delay in making any repairs, alterations or decorations to the Building, or any fixtures or appurtenances therein, or for space taken to comply with any law, ordinance or governmental regulation, or for interruption or curtailment of any service agreed to be furnished by the Lessor, due to accidents, alterations or repairs, or to difficulty or delay in securing supplies or labor or other cause beyond Lessor's control, unless due to the Lessor's negligence.

(b) Storage Space and Laundry If the Lessor shall furnish to the Lessee any storage bins or space, the use of the laundry, or any facility outside the apartment, including but not limited to a television antenna, the same shall be deemed to have been furnished gratuitously by the Lessor under a revocable license. The Lessee shall not use such storage space for the storage of valuable or perishable property and any such storage space assigned to the Lessee shall be kept by the Lessee clean and free of combustibles. If washing machines or other equipment are made available to the Lessee, the Lessee shall use the same on the understanding that such machines or equipment may not be in good order and repair and that the Lessor is not responsible for such equipment, nor for any damage caused to the property of the Lessee resulting from the Lessee's use thereof, and that any use that the Lessee may make of such equipment shall be at his own cost, risk and expense.

(c) Automobiles and Other Property The Lessor shall not be responsible for any damage to any automobile or other vehicle left in the care of any employee of the Lessor by the Lessee, and the Lessee hereby agrees to hold the Lessor harmless from any liability arising from any injury to

person or property caused by or with such automobile or other vehicle while in the care of such employee. The Lessor shall not be responsible for any property left with or entrusted to any employee of the Lessor, or for the loss or damage to any property within or without the apartment by theft or otherwise.

30. Window Cleaning The Lessee will not require, permit, suffer or allow the cleaning of any window in the premises from the outside (within the meaning of Section 202 of the New York Labor Law) unless the equipment and safety devices required by law, ordinance, rules, and regulations, including, without limitation, Section 202 of the New York Labor Law, are provided and used, and unless the industrial code of the State of New York is fully complied with; and the Lessee hereby agrees to indemnify the Lessor and its employees, other lessees, and the managing agent, for all losses, damages or fines suffered by them as a result of the Lessee's requiring, permitting, suffering or allowing any window in the premises to be cleaned from the outside in violation of the requirements of the aforesaid laws, ordinances, regulations and rules.

31. Termination of Lease by Lessor If upon, or at any time after, the happening of any of the events mentioned in subdivisions (a) to (i) inclusive of this Paragraph 31, the Lessor shall give to the Lessee a notice stating that the term hereof will expire on a date at least 5 days thereafter, the term of this lease shall expire on the date so fixed in such notice as fully and completely as if it were the date herein definitely fixed for the expiration of the term, and all right, title and interest of the Lessee hereunder shall thereupon wholly cease and expire, and the Lessee shall thereupon quit and surrender the apartment to the Lessor, it being the intention of the parties hereto to create hereby a conditional limitation, and thereupon the Lessor shall have the right to re-enter the apartment and to remove all persons and personal property therefrom, either by summary dispossession proceedings, or by any suitable action or proceeding at law or in equity, or by force or otherwise, and to repossess the apartment in its former estate as if this lease had not been made, and no liability whatsoever shall attach to the Lessor by reason of the exercise of the right of re-entry, re-possession and removal herein granted and reserved.

(a) Lessee Ceasing to Own Accompanying Shares If the Lessee shall cease to be the owner of the shares to which this lease is appurtenant, or if this lease shall pass or be assigned to anyone who is not then the owner of all of said shares;

(b) Lessee Becoming a Bankrupt; Appointment of Receiver; Assignment for Creditors; Levy on Shares; Transfer by Operation of Law; Transfer Pursuant to Pledge, Mortgage or Security Agreement

If at any time during the term of this lease (i) the then holder hereof shall be adjudicated a bankrupt under the laws of the United States; or (ii) a receiver of all of the property of such holder or of this lease shall be appointed under any provision of the laws of the State of New

York, or under any other statute of the United States, or any statute of any state of the United States and the order appointing such receiver shall not be vacated within 30 days; or (iii) such holder shall make a general assignment for the benefit of creditors; or (iv) any of the shares owned by such holder to which this lease is appurtenant shall be duly levied upon under the process of any court whatever unless such levy shall be discharged within 30 days; or (v) this lease or any of the shares to which it is appurtenant shall pass by operation of law or otherwise to anyone other than the Lessee herein named or a person to whom such Lessee has assigned this lease in the manner herein permitted, but this subsection (v) shall not be applicable if this lease shall devolve upon the executors or administrators of the Lessee and provided that within 8 months (which period may be extended by the Directors) after the death said lease and shares shall have been transferred to any assignee in accordance with Paragraph 16 hereof; or (vi) this lease or any of the shares to which it is appurtenant shall pass to anyone other than the Lessee herein named by reason of a default by the Lessee under a pledge or security agreement or a leasehold mortgage made by the Lessee;

(c) Assignment, Subletting or Unauthorized Occupancy Subject to the provisions of Paragraphs 38 and 39 hereof, if there be an assignment of this lease, or any subletting hereunder, without full compliance with the requirements of Paragraphs 15 or 16 hereof; or if any person not authorized by Paragraph 14 shall be permitted to use or occupy the apartment, and the Lessee shall fail to cause such unauthorized person to vacate the apartment within 10 days after written notice from the Lessor;

(d) Default in Rent If the Lessee shall be in default for a period of one month in the payment of any rent or additional rent or of any instalment thereof and shall fail to cure such default within 10 days after written notice from the Lessor;

(e) Default in Other Covenants If the Lessee shall be in default in the performance of any covenant or provision hereof, other than the covenant to pay rent, and such default shall continue for 30 days after written notice from the Lessor; provided, however, that if said default consists of the failure to perform any act the performance of which requires any substantial period of time, then if within said period of 30 days such performance is commenced and thereafter diligently prosecuted to conclusion without delay and interruption, the Lessee shall be deemed to have cured said default:

(f) Objectionable Conduct If at any time the Lessor shall determine, upon the affirmative vote of (i) 80% of the members of the then Board of Directors and (ii) the record holders of at least 66 2/3% in amount of its then issued and outstanding shares, at a shareholders' meeting duly called for that purpose, that because of objectionable conduct on the part of the Lessee, or of a person dwelling or visiting in the apartment, repeated after written notice from the Lessor, the tenancy of the Lessee is undesirable (it being understood, without limiting the generality of the foregoing, that repeatedly to violate or disregard the House Rules hereto attached or hereafter established in accordance with the provisions of this lease, or to permit or tolerate a person of dissolute, loose or immoral character to enter or remain in the Building or the apartment, shall be deemed to be objectionable conduct);

(g) Termination of All Proprietary Leases If at any time the Lessor shall determine, upon the affirmative vote of at least two-thirds of its then Board of Directors at a meeting of such directors duly called for that purpose, and the affirmative vote of the record holders of at least 66 2/3% in amount of its then issued and outstanding shares, at a shareholders' meeting duly called for that purpose, to terminate all proprietary leases;

(h) Destruction of Building If the Building shall be destroyed or damaged and the shareholders shall decide not to repair or rebuild as provided in Paragraph 4;

(i) Condemnation If at any time the Building or a substantial portion thereof shall be taken by condemnation proceedings.

32. (a) Lessor's Rights After Lessee's Default In the event the Lessor resumes possession of the apartment, either by summary proceedings, action of ejectment or otherwise, because of default by the Lessee in the payment of any rent or additional rent due hereunder, or on the expiration of the term pursuant to a notice given as provided in Paragraph 31 hereof upon the happening of any event specified in subsections (a) to (f) inclusive of Paragraph 31, the Lessee shall continue to remain liable for payment of a sum equal to the rent which would have become due hereunder and shall pay the same in installments at the time such rent would be due hereunder. No suit brought to recover any installment of such rent or additional rent shall prejudice the right of the Lessor to recover any subsequent installment. After resuming possession, the Lessor may, at its option, from time to time (i) relet the apartment for its own account, or (ii) relet the apartment as the agent of the Lessee, in the name of the Lessee or in its own name, for a term or terms which may be less than or greater than the period which would otherwise have constituted the balance of the term of this lease, and may grant concessions or free rent, in its discretion. Any reletting of the apartment shall be deemed for the account of the Lessee, unless within 10 days after such reletting the Lessor shall notify the Lessee that the premises have been relet for the Lessor's own account. The fact that the Lessor may have relet the apartment as agent for the Lessee shall not prevent the Lessor from thereafter notifying the Lessee that it proposes to relet the apartment for its own account. If the Lessor relets the apartment as agent for the Lessee, it shall, after reimbursing itself for its expenses in connection therewith, including leasing commissions and a reasonable amount for attorneys' fees and expenses, and decorations, alterations and repairs in and to the apartment, apply the remaining avails of such reletting against the Lessee's continuing obligations hereunder. There shall be a final accounting between the Lessor and the Lessee upon the earliest of the four following dates: (A) the date of expiration of the term of this lease as stated on page 1 hereof; (B) the date as of which a new proprietary lease covering the apartment shall have become effective; (C) the date the Lessor gives written notice to the Lessee that it has relet the apartment for its own account; (D) the date upon which all proprietary leases of the Lessor terminate. From and after

the date upon which the Lessor becomes obligated to account to the Lessee, as above provided, the Lessor shall have no further duty to account to the Lessee for any avails of reletting and the Lessee shall have no further liability for sums thereafter accruing hereunder, but such termination of the Lessee's liability shall not affect any liabilities theretofore accrued.

(b) Collection of Rent from Subtenants If the Lessee shall at any time sublet the apartment and shall default in the payment of rent or additional rent, the Lessor may, at its option, so long as such default shall continue, demand and receive from the subtenant the rent due or becoming due from such subtenant to the Lessee, and apply the amount to pay sums due and to become due from the Lessee to the Lessor. Any payment by a subtenant to the Lessor shall constitute a discharge of the obligation of such subtenant to the Lessee, to the extent of the amount so paid. The acceptance of rent from any subtenant shall not be deemed a consent to or approval of any subletting or assignment by the Lessee, or a release or discharge of any of the obligations of the Lessee hereunder.

(c) Sale of Shares Upon the termination of this lease under the provisions of subdivisions (a) to (f) inclusive of Paragraph 31, the Lessee shall surrender to the Lessor the certificate for the shares of the Lessor owned by the Lessee to which this lease is appurtenant. Whether or not said certificate is surrendered, the Lessor may issue a new proprietary lease for the apartment and issue a new certificate for the shares of the Lessor owned by the Lessee and allocated to the apartment when a purchaser therefor is obtained, provided that the issuance of such shares and such lease to such purchaser is authorized by a resolution of the Directors, or by a writing signed by a majority of the Directors or by lessees owing, of record, at least a majority of the shares of the Lessor accompanying proprietary leases then in force. Upon such issuance the certificate owned or held by the Lessee shall be automatically cancelled and rendered null and void. The Lessor shall apply the proceeds received for the issuance of such shares towards the payment of the Lessee's indebtedness hereunder, including interest, attorney's fees and other expenses incurred by the Lessor, and, if the proceeds are sufficient to pay the same, the Lessor shall pay over any surplus to the Lessee, but, if insufficient, the Lessee shall remain liable for the balance of the indebtedness. Upon the issuance of any such new proprietary lease and certificate, the Lessee's liability hereunder shall cease and the Lessee shall only be liable for rent and expenses accrued to that time. The Lessor shall not, however, be obligated to sell such shares and appurtenant lease or otherwise make any attempt to mitigate damages.

33. Waiver of Right of Redemption The Lessee hereby expressly waives any and all right of redemption in case the Lessee shall be dispossessed by judgment or warrant of any court or judge. The words "enter", "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning.

34. Surrender of Possession Upon the termination of this lease under the provisions of subdivisions (a) to (f), inclusive, of Paragraph 31, the Lessee shall remain liable as provided in Paragraph 32 of this lease. Upon the termination of this lease under any other of its provisions, the Lessee shall be and remain liable to pay all rent, additional rent and other charges due or accrued and to perform all covenants and agreements of the Lessee up to the date of such termination. On or before any such termination the Lessee shall vacate the apartment and surrender possession thereof to the Lessor or its assigns, and upon demand of the Lessor or its assigns, shall execute, acknowledge and deliver to the Lessor or its assigns any instrument which may reasonably be required to evidence the surrendering of all estate and interest of the Lessee in the apartment, or in the building of which it is a part.

35. (a) Lessee's Option to Cancel Subject to the provisions of Paragraph 38(d) hereof, this lease may be cancelled by the Lessee effective as of the first September 30th after the third anniversary of the consummation of the Offering Plan or on any September 30th thereafter, upon complying with all the provisions hereinafter set forth. Irrevocable written notice of intention to cancel must be given by the Lessee to the Lessor on or before April 1 in the calendar year in which such cancellation is to occur. At the time of the giving of such notice of intention to cancel there must be deposited with the Lessor by the Lessee:

(i) the Lessee's counterpart of this lease with a written assignment in form required by the Lessor, in blank, effective as of August 31 of the year of cancellation, free from all subleases, tenancies, liens, encumbrances and other charges whatsoever (except rights of occupancy of third parties existing on the date the Lessor acquired title to the building);

(ii) Deposits Required the Lessee's certificate for his shares of the Lessor, endorsed in blank for transfer and with all necessary transfer tax stamps affixed and with payment of any transfer taxes due thereon;

(iii) a written statement setting forth in detail those additions, improvements, fixtures or equipment which the Lessee has, under the terms of this lease, the right to and intends to remove.

(b) Removal of Fixtures All additions, improvements, appliances and fixtures which are removable under the terms of this lease and which are enumerated in the statement made as provided in subdivision (iii) above shall be removed by the Lessee prior to August 31 of the year of cancellation, and on or before said August 31 the Lessee shall deliver possession of the apartment to the Lessor in good condition with all required equipment, fixtures and appliances installed and in proper operating condition and free from all subleases and tenancies, liens, encumbrances and other charges (except as aforesaid) and pay to the Lessor all rent and other charges which shall be payable under this lease up to and including the following September 30th.

(c) Permission to Show and Occupy Premises The Lessor and its agents may show the apartment to prospective lessees, contractors and architects at reasonable times after notice of the Lessee's intention to cancel. After August 31st or the earlier vacating of the apartment, the Lessor and its agents, employees and lessees may enter the apartment, occupy the same and make such alterations and additions therein as the Lessor may deem necessary or desirable without diminution or abatement of the rent due hereunder.

(d) Effective Date of Cancellation If the Lessee is not otherwise in default hereunder and if the Lessee shall have timely complied with all of the provisions of subdivisions (a) and (b) hereof, then this lease shall be cancelled and all rights, duties and obligations of the parties hereunder shall cease as of the September 30th fixed in said notice, and the shares of Lessor shall become the absolute property of the Lessor, provided, however, that the Lessee shall not be released from any indebtedness owing to the Lessor on said last mentioned date.

(e) Rights on Lessee's Default If the Lessee shall give the notice but fail to comply with any of the other provisions of this paragraph, the Lessor shall have the option at any time prior to September 30th (i) of returning the Lessee this lease, the certificate for shares and other documents deposited, and thereupon the Lessee shall be deemed to have withdrawn the notice of intention to cancel this lease, or (ii) of treating this lease as cancelled as of the September 30th named in the notice of intention to cancel as the date for the cancellation of such lease, and bringing such proceedings and actions as it may deem best to enforce the covenants of the Lessee hereinabove contained and to collect from the Lessee the payments which the Lessee is required to make hereunder, together with reasonable attorneys' fees and expenses.

36. (a) Extension of Option to Cancel If on April 1st in any year the total number of shares owned by lessees holding proprietary leases for apartments in the Building, who have given notice pursuant to Paragraph 35 of intention to cancel such proprietary leases on September 30th of said year, shall aggregate 10% or more of the Lessor's outstanding shares, exclusive of treasury shares, then the Lessor shall, prior to April 30th in such year, give a written notice to the holders of all issued and outstanding shares of the Lessor, stating the total number of shares then outstanding and in its treasury and the total number of shares owned by lessees holding proprietary leases who have given notice of intention to cancel. In such case the proprietary leases to whom such notice shall have been given shall have the right to cancel their leases in compliance with the provisions of Paragraph 35 hereof, provided only that written notice of the intention to cancel such leases shall be given on or before July 1st instead of April 1st.

(b) Right of Lessees to Cancel If lessees owning at least 66 2/3% of the then issued and outstanding shares of the Lessor shall exercise the option to cancel their leases in one year, then this and all other proprietary leases shall thereupon terminate on the September 30th of the year in which such options shall have been exercised, as though every lessee had exercised such option. In such event none of the lessees shall

be required to surrender his shares to the Lessor, and all certificates for shares delivered to the Lessor by those who had, during that year, served notice of intention to cancel their leases under the provisions hereof, shall be returned to such lessees.

37. Continuance of Cooperative Management of Building After All Leases Terminated No later than 30 days after the termination of all proprietary leases for space in the Building, whether by expiration of their terms or otherwise, a special meeting of shareholders of the Lessor shall take place to determine whether (a) to continue to operate the Building as a residential apartment Building, (b) to alter, demolish or rebuild the Building or any part thereof, or (c) to sell the Building and liquidate the assets of the Lessor, and the Directors shall carry out the determination made by the holders of a majority of the shares of the Lessor then issued and outstanding at said meeting of shareholders of the Lessor, and all of the holders of the then issued and outstanding shares of the Lessor shall have such rights as enure to shareholders of corporations having the title to real estate. ...

38. (a) Unsold Shares The term "Unsold Shares" means and refers to shares of the Lessor which have been issued or transferred either to the Sponsor or individual designee(s) of the Sponsor pursuant to the Plan of cooperative organization of Lessor and all shares which are Unsold Shares retain their character as such (regardless of transfer) until an individual purchases same and actually occupies (by himself or a person related to him by blood or marriage) the apartment to which shares are allocated.

(b) Subletting Apartment and Sale of Shares Neither the subletting of the apartment from time to time nor the sale or assignment of this lease or any shares of the Lessor by the holder of Unsold Shares allocated to the apartment shall require the consent of the Lessor, Directors, shareholders or any other person or entity. At the request of the holder of Unsold Shares, the Lessor shall consent in writing to any such subletting, sale or assignment and shall execute a recognition agreement in connection therewith, but such consent shall not be required in order for any such subletting, sale or assignment to be effective.

(c) Change in Form of Lease Without the Lessee's consent, no change in the form, terms or conditions of this lease, as permitted by Paragraph 6, shall (1) affect the rights of the holder of Unsold Shares allocated to the apartment leased hereby to sublet the apartment or to assign this lease, as hereinbefore provided in this Paragraph 38, or (2) eliminate or modify any other rights, privileges or obligations of such holder of Unsold Shares.

(d) Limitation on Option to Cancel A holder of Unsold Shares shall not be entitled to cancel this lease pursuant to Paragraph 35 (although this provision shall not apply in the event of a sale of the Unsold Shares to a party who is not another holder of Unsold Shares together with an assignment of his interest hereunder), unless (i) lessees owning a majority of Lessor's outstanding shares shall have given notice of intention to cancel pursuant to Paragraph 35 or 36 or (ii) all Unsold Shares constitute 15% or less of Lessor's outstanding shares, at least five (5) years shall have elapsed since Lessor acquired title to the building and on the effective date of cancellation Lessee shall have paid to Lessor a sum equal to the product of the then current monthly rent (maintenance charges) payable under this lease multiplied by 24.

(e) Alterations, Additions The written consent of the Lessor shall not be required for alterations, enclosures, additions made by, or the removal of any additions, improvements or fixtures from the apartment by, a holder of Unsold Shares, as hereinbefore provided by Paragraph 21.

(f) Credit for Tax Benefits The holder of Unsold Shares shall receive as a credit against the rent payable hereunder an amount equal to the amount of the senior citizen tax abatement or exemption pursuant to Chapter 51 of the NYC Administrative Code, as amended (or any similar law) available to Lessor by reason of the occupancy by a qualified senior citizen of the apartment attributable to Unsold Shares.

39. (a) Rights of a Secured Party The Lessor agrees that it shall give to any holder of a security interest in the shares of the Lessor specified in the recitals of this lease or mortgagee of this lease ("Secured Party"), who so requests in writing, a copy of any notice of default which the Lessor gives to the Lessee pursuant to the terms of this lease, and if the Lessee shall fail to cure the default specified in such notice within the time and in the manner provided for in this lease, then the Secured Party shall have an additional period of time, equal to the time originally given to the Lessee, to cure said default for the account of the Lessee or to cause same to be cured, and the Lessor will not act upon said default unless and until the time in which the Secured Party may cure said default or cause same to be cured as aforesaid, shall have elapsed, and the default shall not have been cured.

(b) If the lease is terminated by the Lessor as provided in Paragraphs 31 or 35 of this lease, or by the Lessee as provided in Paragraphs 35 or 36 of this lease, or by agreement with the Lessee, (1) the Lessor promptly shall give notice of such termination to the Secured Party and (2) upon request of the Secured Party made within 30 days of the giving of such notice the Lessor (i) shall commence and prosecute a summary dispossession proceeding to obtain possession of the apartment, and (ii) shall, within 60 days of its receipt of the aforesaid request by the Secured Party, reissue the aforementioned shares to, and shall enter into a new proprietary lease for the apartment with, any individual designated by the Secured Party, or the individual nominee of the individual so designated by the Secured Party, all without the consent of the Directors or the shareholders to which reference is made in Paragraphs 16(a)(vi) and 32(c), provided, however, that the Lessor shall have received payment, on behalf of the Lessee, of all rent, additional rent and other sums owed by the Lessee to the Lessor under this lease for the period ending on the date of reissuance of the aforementioned shares of the Lessor including, without limitation, sums owed under Paragraphs 32(a) and (c) of this Lease; the individual designated by the Secured Party (if and as long as such individual, by himself or a member of his family, does not actually occupy the apartment) shall have all of the rights provided for in Paragraphs 15, 16, 21 and 38 of this lease as if he were a holder of Unsold Shares; and, accordingly, no surplus shall be payable by the Lessor to the Lessee notwithstanding the provisions of Paragraph 32(c) to the contrary.

(c) If the purchase by the Lessee of the shares allocated to the apartment was financed by a loan made by an institution or at any time held by an institution (which shall mean any savings or commercial bank, savings and loan association, trust company or life insurance company) or is security for a loan at any time made or held by or for any other indebted-

ness or obligation to an institution, the Sponsor of the Plan or any partner(s) or principal thereof, and a default or an event of default shall have occurred under the terms of the security agreement-leasehold mortgage or either of them entered into between the Lessee and the Secured Party, and if all of the following conditions are complied with: (1) notice of said default or event of defaults shall have been given to the Lessor, (2) an individual designated by the Secured Party, or the individual nominee of the individual so designated by the Secured Party, shall be entitled to become the owner of the shares and the lessee under this lease pursuant to the terms of said security agreement-leasehold mortgage, or either of them, (3) not less than 5 days' written notice of an intended transfer of the shares and this lease shall have been given to the Lessor and the Lessee, (4) there has been paid, on behalf of the Lessee, all rent, additional rent and other sums owned by the Lessee to the Lessor under this lease for the period ending on the date of transfer of the aforementioned shares as hereinafter provided, and (5) the Lessor shall be furnished with such affidavits, certificates, and opinions of counsel, in form and substance reasonably satisfactory to the Lessor, indicating that the foregoing conditions (1)-(4) have been met, then (a) a transfer of the shares and the proprietary lease shall be made to such individual, upon request, and without the consent of the Directors or the shareholders to which reference is made in Paragraph 16, provided such transfer is approved by the Lessor's then managing agent (such approval not to be unreasonably withheld or delayed) and (b) the individual to whom such transfer is made (if and as long as such individual, by himself or a member of his family, does not actually occupy the apartment) shall have all of the rights provided for in Paragraphs 15, 16, 21, and 38 of this lease as if he were a holder of Unsold Shares.

(d) Without the prior written consent of any Secured Party who has requested a copy of any notice of default as hereinbefore provided in subparagraph (a) of this Paragraph 39, (a) the Lessor and the Lessee will not enter into any agreement modifying or cancelling this lease, (b) no change in the form, terms or conditions of this lease, as permitted by Paragraph 6, shall eliminate or modify any rights, privileges or obligations of a Secured Party as set forth in this Paragraph 39, (c) the Lessor will not terminate or accept a surrender of this lease, except as provided in Paragraphs 31 or 35 of this lease and in subparagraph (a) of this Paragraph 39, (d) the Lessee will not assign this lease or sublet the apartment, (e) any modification, cancellation, surrender, termination or assignment of this lease or any sublease of the apartment not made in accordance with the provisions hereof shall be void and of no effect, (f) the Lessor will not consent to any further mortgage on this lease or security interest created in the shares, (g) the Lessee will not make any further mortgage or create any further security interest in the shares or this lease, and (h) any such further mortgage or security interest shall be void and of no effect.

(e) Any designee of the Secured Party to whom a transfer of a lease shall have been made pursuant to the terms of subparagraphs (b) and (c) hereof may cancel this lease under the terms of Paragraph 35 hereof; except that such designee (a) may cancel this lease at any time after the designee acquires this lease and the shares appurtenant hereto due to foreclosure of the security agreement-leasehold mortgage; (b) need give only 30 days' notice of its intention to cancel; and (c) may give such notice at any time

during the calendar year.

(f) Without limiting the generality of the foregoing, the Lessor agrees to execute and deliver to any institution, as defined in subparagraph (c) of this Paragraph 39, which holds a security interest in the Unsold Shares, a recognition agreement in form and substance acceptable to such institution.

(g) The provisions of Paragraph 17 are expressly made subject to the provisions of this Paragraph 39.

40. Foreclosure - Receiver of Rents Notwithstanding anything to the contrary contained in this lease, if any action shall be instituted to foreclose any mortgage on the land or the Building or the leasehold of the land or Building, the Lessee shall, on demand, pay to the receiver of the rents appointed in such action rent, if any, owing hereunder on the date of such appointment and shall pay thereafter to such receiver in advance, on the first day of each month during the pendency of such action, as rent hereunder, the rent for the apartment as last determined and established by the Directors prior to the commencement of said action, and such rent shall be paid during the period of such receivership, whether or not the Directors shall have determined and established the rent payable hereunder for any part of the period during which such receivership may continue. The provisions of this Paragraph are intended for the benefit of present and future mortgagees of the land or the Building or the leasehold of the land or Building and may not be modified or annulled without the prior written consent of any such mortgage holder.

41. To Whom Covenants Apply The references herein to the Lessor shall be deemed to include its successors and assigns, and the references herein to the Lessee or to a shareholder of the Lessor shall be deemed to include the executors, administrators, legal representatives, legatees, distributees and assigns of the Lessee or of such shareholder; and the covenants herein contained shall apply to, bind and enure to the benefit of the Lessor and its successors and assigns, and the Lessee and the executors and administrators, legal representatives, legatees, distributees and assigns of the Lessee, except as hereinabove stated.

42. Waiver of Trial by Jury To the extent permitted by law, the respective parties hereto shall and they hereby do waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matters whatsoever arising out of or in any way connected with this lease, the Lessee's use or occupancy of the apartment, or any claim of damage resulting from any act or omission of the parties in any way connected with this lease or the apartment.

43. Lessor's Additional Remedies In the event of a breach or threatened breach by Lessee of any provision hereof, the Lessor shall have the right of injunction and the right to invoke any remedy at law or in equity, as if re-entry, summary proceedings and other remedies were not herein provided for, and the election of one or more remedies shall not preclude the Lessor from any other remedy.

44. Lessee More Than One Person If more than one person is named as Lessee hereunder, the Lessor may require the signatures of all such persons in connection with any notice to be given or action to be taken by the Lessee hereunder, including, without limiting the generality of the foregoing, the surrender or assignment of this lease, or any request for consent to assignment or subletting. Each person named as Lessee shall be jointly and severally liable for all of the Lessee's obligations hereunder. Any notice by the Lessor to any person named as Lessee shall be sufficient, and shall have the same force and effect, as though given to all persons named as Lessee.

45. The Lessee may not institute an action or proceeding against the Lessor or defend, or make a counterclaim in any action by the Lessor related to the Lessee's failure to pay rent, if such action, defense or counterclaim is based upon the Lessor's failure to comply with its obligations under this lease or any law, ordinance or governmental regulation unless such failure shall have continued for 30 days after the giving of written notice thereof by the Lessee to the Lessor.

46. The Board of Directors has the power to establish any needed reserves for capital purposes, including (without limitation) reserves for capital improvements, capital repairs or alterations or modifications to the building structure and components, and including a reserve for mortgage amortization, payments to which reserves shall be treated on the corporate books as capital contributions and not as income.

47. The shares of the Lessor held by the Lessee and allocated to the apartment have been acquired and are owned subject to the following conditions agreed upon with the Lessor and with each of the other proprietary Lessees for their mutual benefit:

(a) the shares represented by each certificate are transferable only as an entirety; unless transferred in connection with the regrouping of space pursuant to the By-Laws; and

(b) the shares shall not be sold except by the Lessor or to an assignee of this lease after compliance with all of the provisions of Paragraph 16 of the lease relating to assignments.

48. If any clause or provision herein contained shall be adjudged invalid, the same shall not affect the validity of any other clause or provision of this lease, or any other clause or provision of this lease, or constitute any cause of action in favor of either party as against the other.

49. The marginal headings of the several paragraphs of this lease shall not be deemed a part of this lease, nor used as evidence of the intent of the parties.

50. The provisions of this lease cannot be changed orally.

51. This Lease shall be governed and construed in accordance with the internal laws of the State of New York, without regard to principles or conflicts of law.

52. Rights of "Non-Purchasing Tenant(s)" - Non-Eviction Plan

(a) A "Non-purchasing tenant" is a person who has not purchased under the plan and who is a tenant entitled to possession at the time the plan is declared effective or a person to whom a dwelling unit is rented subsequent to the effective date. A person who sublets a dwelling unit from a purchaser under the plan shall not be deemed a non-purchasing tenant.

(b) No eviction proceedings will be commenced at any time against non-purchasing tenants for failure to purchase or any other reason applicable to expiration of tenancy; provided that such proceedings may be commenced for non-payment of rent, illegal use or occupancy of the premises, refusal of reasonable access to the owner or a similar breach by the non-purchasing tenant of his obligations to the owner of the dwelling unit or the shares allocated thereto; and provided further that an owner of a unit or of the shares allocated thereto may not commence an action to recover possession of a dwelling unit from a non-purchasing tenant on the grounds that he seeks the dwelling unit for the use and occupancy of himself or his family.

(c) Non-purchasing tenants who reside in dwelling units subject to government regulation as to rentals and continued occupancy prior to the conversion of the building or group of buildings or development to cooperative ownership shall continue to be subject thereto.

(d) The rentals of non-purchasing tenants who reside in dwelling units not subject to government regulation as to rentals and continued occupancy and non-purchasing tenants who reside in dwelling units with respect to which government regulation as to rentals and continued occupancy is eliminated or becomes inapplicable after the plan has been accepted for filing by the attorney general shall not be subject to unconscionable increases beyond ordinary rentals for comparable apartments during the period of their occupancy. In determining comparability, consideration shall be given to such factors as building services, level of maintenance and operating expenses.

(e) This paragraph may not be amended or deleted. However, it shall have no applicability to conversions to cooperative ownership pursuant to an "Eviction Plan", as defined in the General Business Law.

IN WITNESS WHEREOF, the parties have executed this lease as of the date and year first above written.

(L.S.) PATRICIA GARDENS OWNERS, INC. L e s s o r

(L.S.) By _____
Lessee (Vice) President

State of New York)
) ss.:
County of New York)

On the _____ day of _____, in the year 19____, before me personally appeared _____, to me known, who being by me duly sworn, did depose and say that he resides at _____; that he is the (Vice) President of PATRICIA GARDENS OWNERS, INC., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation; and that he signed h_____ name thereto by like order.

State of New York)
) ss.:
County of _____)

On the _____ day of _____ in the year 19____, before me personally appeared _____, to me personally known and known to me to be the individual described in and who executed the foregoing instrument, and duly acknowledged to me that he executed the same.

HOUSE RULES

(1) The public halls and stairways of the Building shall not be obstructed or used for any purpose other than ingress to and egress from the apartments in the Building, and the fire towers shall not be obstructed in any way.

(2) No patient, client, customer or invitee of any doctor or other person who has offices or other commercial space in the Building shall be permitted to wait in the lobby.

(3) Children shall not play in the public halls, courts, stairways, fire towers or elevators and shall not be permitted on the roof unless accompanied by a responsible adult.

(4) No public hall above the ground floor of the building shall be decorated or furnished by any Lessee in any manner without the prior consent of all of the Lessees to whose apartments such hall serves as a means of ingress and egress; in the event of disagreement among such Lessees, the Board of Directors shall decide.

(5) No Lessee shall make or permit any disturbing noises in the Building or do or permit anything to be done therein which will interfere with the rights, comfort or convenience of other Lessees. No Lessee shall play upon or suffer to be played upon any musical instrument or permit to be operated a phonograph or a radio or television loud speaker in such Lessee's apartment between the hours of 10:00 o'clock p.m. and the following 8:00 o'clock a.m. if the same shall disturb or annoy other occupants of the Building. No construction or repair work or other installation involving noise shall be conducted in any apartment except on weekdays (not including legal holidays) and only between the hours of 9:00 a.m. and 5:00 p.m.

(6) No article shall be placed in the halls or on the staircase landings or fire towers, nor shall anything be hung or shaken from the doors, windows, terraces or balconies or placed upon the window sills of the Building.

(7) No awnings, window air-conditioning units or ventilators shall be used in or about the Building except such as shall have been expressly approved by the Lessor or the managing agent, nor shall anything be projected out of any window of the Building without similar approval.

(8) No sign, notice, advertisement or illumination shall be inscribed or exposed on or at any window or other part of the Building, except such as shall have been approved in writing by the Lessor or the managing agent.

(9) No velocipedes, bicycles, scooters or similar vehicles shall be allowed in a passenger elevator and baby carriages and the above-mentioned vehicles shall not be allowed to stand in the public halls, passageways, areas or courts of the Building.

(10) Messengers and tradespeople shall use such means of ingress and egress as shall be designated by the Lessor.

(11) Kitchen supplies, market goods and packages of every kind are to be delivered only through the service elevator to the apartments when such elevator is in operation.

(12) Trunks and heavy baggage shall be taken in or out of the Building through the service entrance.

(13) Garbage and refuse from the apartments shall be disposed of only at such times and in such manner as the superintendent or the managing agent of the Building may direct.

(14) Water closets and other water apparatus in the Building shall not be used for any purposes other than those for which they were constructed, nor shall any sweepings, rubbish, rags or any article be thrown into the water closets. The cost of repairing any damage resulting from misuse of any water closets or other apparatus shall be paid for by the Lessee in whose apartment it shall have been caused.

(15) No Lessee shall send any employee of the Lessor out of the Building on any private business of a Lessee.

(16) No bird or animal shall be kept or harbored in the Building unless the same in each instance be expressly permitted in writing by the Lessor; such permission shall be revocable by the Lessor. In no event shall dogs be permitted on the elevators or in any of the public portions of the Building unless carried or on leash. No pigeons or other birds or animals shall be fed from the window sills, terraces, balconies or in the yard, court spaces or other public portions of the Building, or on the sidewalk or street adjacent to the Building.

(17) No radio or television aerial shall be attached to or hung from the exterior of the Building without the prior written approval of the Lessor or the managing agent.

(18) No vehicle belonging to a Lessee or to a member of the family or guest, subtenant or employee of a Lessee shall be parked in such manner as to impede or prevent ready access to any entrance of the building by another vehicle.

(19) The Lessee shall use the available laundry facilities only upon such days and during such hours as may be designated by the Lessor or the managing agent.

(20) The Lessor shall have the right from time to time to curtail or relocate any space devoted to storage or laundry purposes.

(21) Unless expressly authorized by the Board of Directors in each case, the floors of each apartment must be covered with rugs or carpeting or equally effective noise-reducing material, to the extent of at least 80% of the floor area of each room excepting only kitchens, pantries, bathrooms, maid's rooms, closets and foyer.

(22) No group tour or exhibition of any apartment or its contents shall be conducted, nor shall any auction sale be held in any apartment without the consent of the Lessor or its managing agent.

(23) The Lessee shall keep the windows of the apartment clean. In case of refusal or neglect of the Lessee during 10 days after notice in writing from the Lessor or the managing agent to clean the windows, such cleaning may be done by the Lessor, which shall have the right, by its officers or authorized agents, to enter the apartment for the purpose and to charge the cost of such cleaning to the Lessee.

(24) The passenger and service elevators, unless of automatic type and intended for operation by a passenger, shall be operated only by employees of the Lessor, and there shall be no interference whatever with the same by Lessees or members of their families or their guests, employees or sub-tenants.

(25) Complaints regarding the service of the Building shall be made in writing to the managing agent of the Lessor.

(26) Any consent or approval given under these House Rules by the Lessor shall be revocable at any time.

(27) If there be a garage in the Building, the Lessee will abide by all arrangements made by the Lessor with the garage operator with regard to the garage and the driveways thereto.

(28) The following rules shall be observed with respect to incinerator equipment.

(i) All wet debris to be securely wrapped or bagged in small package size to fit easily into the hopper panel.

(ii) Debris should be completely drip-free before it leaves the apartment and carried to the incinerator closet in a careful manner and in a drip-proof container; then placed into the flue hopper so it will drop into the flue for disposal.

(iii) No bottles or cans shall be dropped down the flue before 10:00 a.m. or after 5:00 p.m., but shall be left in a neat manner in the incinerator closet, if such items must be disposed of before 10:00 a.m. or after 5:00 p.m.

(iv) Cartons, boxes, crates, sticks of wood or other solid matter shall not be stuffed into hopper opening. Small items of this nature may be left in a neat manner on the incinerator closet floor. Bulky items should be left at service elevator area between 10:00 a.m. and 6:00 p.m. and service employee summoned to dispose of them by way of the service elevator.

(v) Under no circumstances should carpet sweepings containing naphthalene, camphor balls or flakes, floor scrapings, plastic wrappings or covers, oil soaked rags, empty paint or aerosol cans or any other inflammable, explosive, highly combustible substances or lighted cigarettes or cigar stubs be thrown into the incinerator flue.

(vi) Vacuum cleaner bags must never be emptied into the flue. Such dust, dirt, etc. should be wrapped in a securely tied bag or package and then be placed through hopper door panel into flue.

(29) No Lessee shall install any plantings on the terrace, balcony or roof without the prior written approval of the Lessor. Plantings shall be contained in boxes of wood lined with metal or other material impervious to dampness and standing on supports at least two inches from the terrace, balcony or roof surface, and if adjoining a wall, at least three inches from such wall. Suitable weep holes shall be provided in the boxes to draw off water. In special locations, such as a corner abutting a parapet wall, plantings may be contained in masonry or hollow tile walls which shall be at least three inches from the parapet and flashing, with the floor of drainage tiles and suitable weep holes at the sides to draw off water. It shall be the responsibility of the Lessee to maintain the containers in good condition, and the drainage tiles and weep holes in operating condition.

(30) The agents of the Lessor, and any contractor or workman authorized by the Lessor, may enter any apartment at any reasonable hour of the day for the purpose of inspecting such apartment to ascertain whether measures are necessary or desirable to control or exterminate any vermin, insects or other pests and for the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests. If the Lessor takes measures to control or exterminate carpet beetles, the cost thereof shall be payable by the Lessee, as additional rent.

(31) These House Rules may be added to, amended or repealed at any time by resolution of the Board of Directors of the Lessor.

J. YARMUS, INC.

Engineering and Construction Consultants

20 SQUADRON BLVD.
NEW CITY, N. Y. 10956
914-634-3580

118 BROADWAY
HILLSDALE, N. J. 07642
201-664-3540

175 MAIN STREET, SUITE 612
WHITE PLAINS, N. Y. 10601
914-997-1828

6039 COLLINS AV., SUITE 1523
MIAMI BEACH, FLA. 33140
305-868-4963

July 13, 1983

1825 Palmer Associates
1825 Palmer Avenue
Larchmont, New York 10538

RE: Patricia Gardens
Larchmont, N.Y.

Gentlemen:

The information listed below was obtained from the building management team, municipal agencies and a visual on site inspection made on May 19, 1983.

LOCATION AND USE OF PROPERTY

The address of the property is 1825, 1829 and 1833 Palmer Avenue, Village of Larchmont, County of Westchester, New York. It is located on the northwest side of Palmer Avenue with DepotWay East to the right of the site. In the rear of the site is Woodland Avenue. The site is described as block 603, lots 113. There are 66 apartments. The Certificate of Occupancy #642 was issued November 27, 1972. These include the Superintendent's apartment, 28 partition garage spaces and 7 parking lot spaces. The garage and parking places are located at various areas throughout the site. Zoning designation is MF (multifamily).

STATUS OF CONSTRUCTION

The buildings were constructed in 1950. Buildings are non-fireproof. No substantial alterations are apparent since the original construction.

SITE

There are approximately 6 acres on the site, including playground, walks, parking spaces and garages. The units are defined into three buildings, totalling 66 apartments, including the Superintendent's unit. The main entrance to the site is at Palmer Avenue. The other entrance to the site is located at DepotWay East and Woodland Avenue. The garage entrances are at Palmer Avenue, DepotWay East and Woodland Avenue. The parking spaces are entered at Woodland Avenue. The garages are in the lower level of the buildings and in an attached structure. The court yard and walks are surrounded by the buildings. The streets are owned and maintained by the Village of Larchmont. Condition is fair to good. They are paved with asphalt and have concrete curbing. The catch basins consist of curb inlets which conduct flow by gravity to the storm drains below the streets. Condition appears functional. Street lighting consists of high intensity luminaires on wood and metal posts. The luminaires are generally mercury vapor. The posts are owned by Consolidated Edison Utility Company. Lighting for evening traffic appears to be sufficient. Sidewalks consist of concrete. Condition is fair to good.

UTILITIES

Electricity and gas is provided by the Consolidated Edison Utility Company. The electric main comes from underground (beneath the sidewalks and streets) which is connected to overhead wood posts. The gas mains are beneath the sidewalks and streets. There are electric and gas meters for each apartment. The storms, sanitary sewers and water systems are owned and maintained by the Village of Larchmont. The water usage for apartments is paid for by the building. Sewer taxes and water usage are paid to the Village of Larchmont.

SUB-SOIL CONDITIONS

There were no signs of seepage or flooding conditions at the time of the inspection except at the basement level of building #1829 which displayed moist conditions and signs of seepage in one room on the left wall. Blistering and damaged stucco was noted in portions of basement. There is no indication of need to correct the seepage and moisture condition unless this area is going to be used as storage room or a laundry room in the future. There were no visible structural displacements which would be attributable to soil conditions.

LANDSCAPING AND ENCLOSURES

The area is landscaped with grass, shrubs, plants and trees. Some areas displayed negative slopes. It appears that no negative effects have resulted. There is metal fencing with metal posts to the left rear of the site. This area appeared to be used at one time for a playground. There is one gate which is locked. There is adjoining property to the left of the site which contains metal fencing and metal posts. The fencing appears not to belong to the site. There is shifted and loose sections. The site has several brick retaining walls which displayed loose bricks, shifted areas, and open joints. Worst conditions are at steps. Tuckpointing and resetting of bricks are needed.

BUILDING SIZE

The heights vary slightly due to topography. The approximate height is 45 feet from grade to roof ridge. There are no crawl spaces beneath structure. There are approximately 9' high cellars at all buildings. There are three floors above the cellar level. There is one boiler room which is located at building 1825 in the cellar. There are parapets at garage roofing. Condition is good. Residential roofing does not require parapets. They consist of hip roofs.

STRUCTURAL SYSTEM

There are three residential structures and one attached garage structure to the left of the site. The foundation consists of poured concrete and brick. There are steel columns. Flooring and roofing at units are supported by wood members. Cellar slabs are poured concrete. The facade on all side is brick including attached garage. Facade condition is good. Gable siding over exterior entrances to apartment units is clapboard. There is decorative wood columns at main entrance. Several columns have rotting and one displayed wood eating insect damage, however, these columns serve no structural purpose. Soffits and fascias consist of wood. Soffits, fascias, wood columns and clapboards require refinishing. Overall condition is fair. Some fascias have rotting. Repair or replacements is needed at fascias and columns. Exterminating treatment is required. The windows are single glazed double hung units except at entrance to buildings. These areas have centered fixed panes. Frames are wood. Corridors have round metal frames. Sills are stone except at cellar. There are no storm units. Windows displayed blistering. Condition is good. However, refinishing and sealing is needed. Some shutters displayed blistering and are loose. Screens are present at most windows. Condition is fair to good.

PARAPETS AND COPING

The only parapets and copings are located at the attached garage structure to the left of the site. The copings consist of clay tiles and stone. Copings and parapets are good.

CHIMNEYS AND CAPS

There are eight chimneys for incinerators and one for boiler. The incinerators are no longer used. Building 1825 has two incinerator chimneys and one boiler chimney. There are three incinerator chimneys at building 1829 and 1833. Conditions are good.

BALCONIES AND TERRACES

There are no balconies and terraces.

EXTERIOR ENTRANCES

The main entrance doors and frames are wood. Condition is good. Lobby entrance doors were removed. The frames are wood. There are concrete steps at walks and entrance to site. They have painted metal railings. The entrance steps are at DepotWay East and Palmer Avenue. Mail boxes are metal, located at vestibule entrances. conditions are fair to good. Lighting at main entrances is incandescent. There are flood lights at facade and metal fluorescent light posts at court yard. Some posts require bracing, derusting and refinishing. Lighting appears adequate.

SERVICE ENTRANCES

There are several service entrances at rear of each building. The doors and frames consist of metal. Some frames are slightly rusted at bottom. The doors are kept locked, access is through the superintendent or management. Building 1829 has concrete ramps with painted metal railings. Some railings are rusted and damaged at bottoms. There are drains at ramps. During heavy rains these drains may not handle water runoff fully. The bottom of ramps are flat, water appears to remain in these areas. The ramp walls displayed shifted areas. Condition is stable at present.

ROOF AND ROOF STRUCTURES

The roofing on all buildings except garage consists of asphalt shingles. The garage roof consists of built up membranes. All roofs slopes are of the hip slope type except garage which is flat. Garage roof has flashings at parapets. Conditions are good. Attic insulation at residential buildings are approximately 3 inches thick. There is no readily available access to the cavity

beneath garage roofing. Soffit vents are present at residential buildings. Screens are missing at these vents.

DRAINS

There are gutters and leaders present at "hip" roofs. The garage has leaders. The gutters consist of aluminum. Leaders are aluminum and copper. All roofs drain by gravity to these gutters and leaders. Some gutters and leaders require servicing because there are damaged and loose sections. Most leaders are connected to underground pipes. It was reported that the underground pipes are connected to the storm system. Overall condition is fair. The systems appear functional.

FIRE ESCAPES

There are metal painted fire escapes and counter balance ladders which are braced to the structure. The fire escapes are generally located on each side of the structure except at main entrances. Depending on topography the fire escapes permit entry from the first or second floor to the third floor. The counter balance ladders are located at the first or second floor. Overall condition is good. Derusting and refinishing is needed. Corridors have smoke detectors.

YARDS AND COURTS

The court yard is surrounded by the three buildings. There are concrete walks which allows entry to residential buildings, playground, parking space and both main entry steps. There are cracks and uneven settlements which require evening. Condition is fair. Railings are painted steel. Each entrance area has a concrete slab. These slabs and the walks at slabs have settled unevenly. The worst area is at building 1825 slab. This slab was partially repaired with concrete. The settlement in most areas is between 2" and 4". Additional correction is required to eliminate potential tripping and water runoff.

INTERIOR STAIRS

There are interior stairs located at each main entrance. Buildings 1825 & 1829 have two main entrances. Building 1833 has three main entrances. All stairs consist of steel members and terrazzo treads. Handrails are painted wood.

INTERIOR DOORS AND FRAMES

Apartments entrance doors and frames are painted metal. Interior apartment doors are generally painted wood with metal frames. Overall conditions are good. Doors and frames at basement are metal. Some doors are rusted at bottom. Conditions are fair to good.

ELEVATORS

There are no elevators. None are needed in this type of project.

AUXILIARY FACILITIES

There is one laundry room located in the cellar of building 1825. There are three washers and one dryer. They are coin operated. The charge for each cycle is 75¢. The dryer has a duct vented through the window. The dryer is gas operated, washers are electric operated. There are windows for ventilation. Ventilation is adequate. Walls and flooring is masonry. The ceiling is finished plaster. There is a floor drain and a double sink. Lighting consists of ceiling fluorescent fixtures. The machines are owned and maintained by Gordon Thomas Appliances. There is a bathroom at laundry room which is no longer used. We recommend that the fixtures should be reactivated or capped.

REFUSE DISPOSAL

Refuse from each apartment is collected by tenants who in turn place it in dumpsters. There are five dumpsters on the site. Four dumpsters are located at the left rear of the site and one at left front. The left rear dumpsters are surrounded by wood fencing. Condition is fair. The refuse is collected by the Village of Larchmont twice a week.

PLUMBING AND DRAINAGE

The water meter is located in the cellar (boiler room) of building 1825. Visible piping throughout building is brass, steel and cast iron. System appears good. Water pressure was adequate.

SANITARY SEWERAGE SYSTEM

The sewerage main is located underground. It is under the control of the Village of Larchmont and part of the tax structure. System appears good.

STORM DRAINAGE SYSTEM

The site has drains at driveways except at building #1829 driveway. There is underground piping for leaders. Drainage outflow uses City storm drains. The system is adequate for present use. The lawns drain by gravity. Some areas are flat and have negative slopes. These areas did not display any immediate problems at foundation walls. Building 1829 at cellar has a small degree of seepage as noted in sub-soil conditions.

HEATING

The heating for the three buildings is located in the cellar of building 1825. There are two tube, steam radiation, oil fired, Pacific boilers. Each capacity is 500,000 BTU. There is a Carlin burner at each boiler.

The burners are reported to be approximately one year old. Their firing rate is between 12 to 19.80 gallons per hour. The boilers appear to be original. The main boiler switches have three 60 amp fuse mounted on the wall outside the boiler room near the door. The room is vented by a louvered window. Ventilation is adequate. There is a condensation tank with a site glass and two pumps. There is a heat timing control by heat timer. The water is controlled by an automatic feed. There is an oil pump to the left of the boilers. In the rear of number one boiler there is a pipe leak. Number two has several cracks at fire chamber and leaks at tubes. The brickwork at exterior of boilers displayed cracks. Stains and damaged insulation is present at number two boiler. Stains appear from tubes leaking. Sump pit had water present. The sump pumps are functional. Chimney has damper. The boiler also provides domestic hot water during entire year. Domestic hot water is pumped by a circulator. Overall conditions are good. The boiler is maintained by Castle Oil Burner Company. Piping consists of steel. The heat and domestic hot water piping for building 1829 and 1833 is underground. Visible piping is insulated. The oil tank is underground between building 1825 and 1829. Capacity is 10,000 gallons. Number two oil is used. There is a pit present near oil tank which has piping for oil tank draining and cleaning. The boiler appears adequate for today's usage.

GAS SUPPLY

Gas is supplied by Consolidated Edison from an underground main. There are 66 gas meters for apartment use and 3 gas meters for buildings. The gas is supplied to apartments for cooking. The superintendent has his own meter. The cost is paid for by the building. The gas meters are located in the cellars of each building. Building 1825 has 19 gas meters, 1829 has 25 gas meters and 1833 has 25 gas meters this includes the building meters. The three meters remain available even though it appears that only one is in use. Only one laundry room remains in use. There is a gas odor in the meter room of building 1825. Piping consists of black iron.

AIR CONDITIONING

There are tenant owned air conditioners placed in some windows. There are no building owned air conditioners.

VENTILATION

Generally, the buildings are vented by windows at corridors, cellars, laundry room, apartments with the exception of the kitchens in lines H & G of building 1829 which have electrically controlled exhaust fans. Ventilation is adequate at present. Garages have no windows or exhaust fans except overhead doors for ventilation.

ELECTRICAL SYSTEM

There is a 200 amp, 3 phase main at each building cellar. The meters are located at the cellar of each building. There is a total of 66 meters for apartments and 3 meters for buildings. Each building has one meter for building usage. Building 1825 has 19 meters, 1829, & 1833 have 25 meters each. The superintendent has his own meter. The cost is paid for by the building. The main fuse for apartments is 30 amps located in the cellar. Generally there is three fuses at apartments. System appears adequate for today's usage.

LIGHTING AND FIXTURES

Generally, breakdown for these services is noted below. Individual variations exist in different apartments. The receptacle and overhead fixture count is based on a random check. There are incandescent overhead fixtures at foyers, halls, kitchens, and dining rooms. Bathrooms have wall mounted fixtures. There are generally wall switches. Depending on size there are generally three duplex receptacles in living rooms and bedrooms. Bathrooms, dining rooms and foyers have one duplex receptacles. Kitchens have two duplex receptacles.

INTERCOMMUNICATION/DOOR SIGNAL SYSTEM

There is no voice communication system. The buzzer system for each apartment is not functional. Apartment doors have peep holes.

TELEVISION

There is no master antenna. Antenna mounted near roof level are owned by tenants. Cable television was being installed for each apartment during this inspection.

PUBLIC AREA LIGHTING

Site lighting is provided by flood lights mounted on the structures, incandescent at main entrances and metal fluorescent post near walks. They are controlled by timers. Sidewalks have normal street lighting. The buildings corridors have incandescent overhead fixtures at first floor and fluorescent at second and third floor. Intensity of illumination appears adequate.

GARAGES AND PARKING AREAS

There are twenty-eight garage spaces and seven parking lot spaces. Building 1825, 1829 and 1833 have partition garages with overhead doors. They are located in the rear of these buildings at the cellar level. There is an attached garage at the left of building 1833 which has eight partition garage spaces. This building requires minor tuckpointing. Building 1829, 1833 have eight garage spaces each and building 1825 have four. The garage interior lighting is incandescent overhead fixtures. Approximately sixteen spaces have heat radiation. We did not test the heat radiation due to high ambient temperatures. The overhead door consists of wood. The cost for garage usage is reported to be between \$20 to \$50 per space. The parking lot cost is reported to be between \$15 and \$18 per space. The driveways and parking lot are paved with asphalt. There are uneven patches at driveway of building 1829. The garage aprons consist of concrete. The garage driveway

at building 1829 directs water runoff toward structure. There are no drains.

RECREATION FACILITIES

There is a fenced in playground located at the left rear of the site. There is no equipment except metal posts for swings and see-saws. It is paved with asphalt. Playground is no longer used and has a locked metal gate. Fencing and posts are metal.

VIOLATIONS

There are no current violations. This was confirmed with the Village of Larchmont on July 5, 1983.

PEST CONTROL

The Beacon Pest Control Company of White Plains services the building once a month. It was reported that there is a formal contract. See references under structural system 40 possible infestation.

OCCUPANCY AND UNIT INFORMATION

| <u>Apartment Designation</u> | <u>Bathrooms</u> | <u>Quantity</u> |
|------------------------------|------------------|-----------------|
| Building 1825 | | |
| 3.0 rooms | 1 | 6 |
| 3.5 rooms | 1 | 6 |
| 4.5 rooms | 2 | 6 |
| Building 1829 | | |
| 2.5 rooms | 1 | 6 |

| | | |
|---|---|-----------|
| 3.0 rooms | 1 | 6 |
| 3.5 rooms | 1 | 6 |
| 4.5 rooms | 2 | 6 |
| Building 1833 | | |
| 3.0 rooms | 1 | 6 |
| 3.5 rooms | 1 | 6 |
| 4.0 rooms | 2 | 6 |
| 4.5 rooms | 2 | <u>6</u> |
| Total apartments including superintendent's apartment----- | | <u>66</u> |

APARTMENTS

The kitchen cabinets are generally made of wood. Cabinets beneath sinks are metal. Counter tops have plastic laminate tops. Sinks are stainless steel and porcelainized cast iron. Stoves are standing units with four burners and combination oven/broiler compartments. Stoves vary from 18" to 36" in width. Refrigerators are provided at each unit. Based on a random check approximately 50% of refrigerators were replaced and 25% of kitchen sinks were replaced with stainless steel. These appliances are owned by the building. Resilient flooring is generally present at kitchens. All other flooring is wood. Flooring at apartment 1A of building 1833 displayed a warped area, which may be due to a radiator leak. Spacing was noted between apartment flooring and wall molding, the cause of which could not be determined. Bathrooms contain porcelainized enamel water closets, tubs and lavatories. Walls and flooring at bathrooms are ceramic tiles. Ceramic tile at walls vary from approximately 4' to about 6' at tub area. Other walls have painted plaster. Based on a random inspection the overall condition of systems and finishes at apartments is good.

SPACES OTHER THAN APARTMENTS

Walls and ceilings at corridors are plaster, masonry and gypsum. Flooring at first floor is terrazzo. All other flooring is resilient. Lighting at first floor ceiling is incandescent. Second and third floors have fluorescent ceiling fixtures. Conditions are good. Basement walls are masonry. Flooring is concrete. Ceilings are gypsum. Ceiling lighting consists of incandescent fixtures. Some basement ceilings displayed holes and damaged areas. Conditions are fair to good.

SUMMARY OF PHYSICAL CONDITION

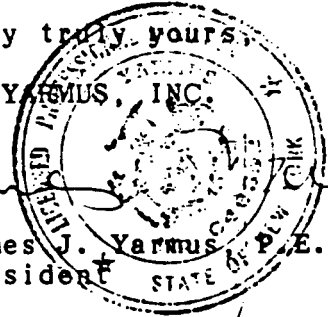
Overall condition is deemed average except at landscaping walls as noted above. Servicing is needed as noted at gutters and leaders. Most defective conditions are due to normal wear and age. Extended life for present systems is expectable, given normal monitoring and maintenance.

Please do not hesitate to contact us if we may be of further assistance to you in this matter.

Very truly yours,

J. YARMUS, INC.

James J. Yarmus, P.E.
President



JJY/lk

BY-LAWS
OF
PATRICIA GARDENS OWNERS, INC.

ARTICLE I
Purpose and Place of Business

Section 1. Purpose: The primary purpose of the corporation is to provide residences to shareholders who shall be entitled, solely by reason of their ownership of shares, to proprietary leases for apartments in the building owned by the corporation.

Section 2. Location of Office: The principal office and place of business of the corporation shall be in the County of New York, City of New York, or at such other place as may be designated by the Board of Directors.

ARTICLE II
Meetings of Shareholders

Section 1. Annual Meeting: The first annual meeting of the shareholders of this corporation, for the election of directors and such other business as may properly come before such meeting, shall be held within 30 days after the closing under the Offering Plan: 1825-29-33 Palmer Avenue, Larchmont, New York and subsequent annual meetings shall be held in May of each year, commencing with the year following the year in which the annual meeting is held. Such meetings shall be at a place in the County of New York, City of New York, and at a date and time, as shall be determined by the Board of Directors. Written notice of each meeting shall be signed by the president, a vice-president, the secretary or an assistant secretary and given to all shareholders entitled to vote thereat at the time such notice is given or on the record date designated by the Board of Directors in accordance with Section 5 of this Article II. Such notice shall state the date and time when, and the place where the meeting is to be held, and shall set forth any proposed action, notice of which is specifically required elsewhere in these by-laws; and the secretary shall cause a copy thereof to be delivered, or personally or mailed to each such shareholder, not less than ten nor more than fifty days before the meeting.

Section 2. Special Meetings: Special meetings of shareholders may be called at any time and may be held at any place where an annual meeting could be held, by the president and secretary or by a majority of the Board of Directors. It shall also be the duty of the secretary to call such meetings whenever requested in writing to do so by shareholders owning at least 25% of the outstanding shares of the corporation. The secretary shall cause a notice of such special meeting stating the date and time when, the place where, the purpose or purposes thereof, and the officer or other person or persons by whom the meeting is called, to be

delivered to each shareholder entitled to vote at such meeting not less than ten nor more than fifty days before such meeting. No business other than that stated in such notice shall be transacted at such special meeting. A pledgee or mortgagee of shares, or a transferee of either, shall not be deemed a shareholder of record except upon compliance with the provisions of Article 16 of the corporation's proprietary lease.

Section 3. Notice and Waiver of Notices: Any notice given by mail shall be directed to each such shareholder at his address as it appears on the shareholders' record book, unless he shall theretofore have filed with the secretary of the corporation a written request that notices intended for him be mailed to some other address, in which case it shall be mailed to the address designated in such request. The notice provided for in the two foregoing sections is not indispensable and any shareholders' meeting shall be deemed validly called for all purposes if all the outstanding shares of the corporation are represented thereat in person or by proxy, or if a quorum is present and waivers of notice of the time, place and objects of such meeting shall be duly executed in writing either before or after said meeting by those shareholders not so represented and not given such notice. The attendance of any shareholder at a meeting, in person or by proxy, without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

Section 4. Quorum: At each meeting of shareholders, except where otherwise provided by law or by the certificate of incorporation, shareholders representing, in person or by proxy, a majority of the shares then issued and outstanding shall constitute a quorum. In case a quorum shall not be present at any meeting, however, the holders of a majority of the shares represented may adjourn the meeting to some future time and place. No notice of the time and place of the adjourned meeting need be given other than by announcement at the meeting. Only those shareholders who, if present at the original meeting, would have been entitled to vote thereat, shall be entitled to vote at any such adjourned meeting.

Section 5. Voting: If a quorum is present the affirmative vote of a majority of the shares represented at the meeting shall be the act of the shareholders, unless the act of a greater number is required by law or the certificate of incorporation, except as provided elsewhere in these by-laws. At each meeting of shareholders each shareholder present in person or by proxy shall be entitled to one vote for each share registered in his name at the time notice of such meeting was given to him, or at such time, not more than fifty days before such meeting, as may be designated by the Board of Directors as the record date for such meeting, which designation may also direct the closing of the corporate share transfer books from such time to time of the meeting. Proxies shall be in writing duly signed by the shareholder but need not be acknowledged or witnessed, and the person named as proxy by any shareholder need not himself be a shareholder of the corporation. Voting by shareholders shall be viva voce unless any shareholder present at the meeting, in person or by proxy, demands a vote by written ballot, in which case the voting shall be by ballot, and each ballot shall state the name of the shareholder voting and the number of shares owned by him, and in addition, the name of the proxy of such ballot if cast by a proxy.

Section 6. Inspectors of Election: The Board of Directors in advance of any meeting of shareholders may appoint one or more inspectors of election to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a shareholders' meeting may and on the request of any shareholder entitled to vote thereat shall, appoint one or more inspectors. In case any person appointed as inspector fails to appear or act, the vacancy may be filled by the Board in advance of meeting or at the meeting by the person presiding thereat. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability, and the oath so taken shall be signed by the inspector before the person presiding at the meeting and shall be filed with the secretary. No director, or candidate for director at a meeting one of the purposes of which is to elect directors, shall act as inspector.

Section 7. Consent of Shareholders: Whenever the shareholders are required or permitted to take any action by vote, such action may be taken without a meeting on written consent, setting forth the action so taken and signed by the holders of all outstanding shares entitled to vote thereon.

Section 8. Order of Business: At each meeting of shareholders, the president, or in his absence a vice president, shall act as chairman of the meeting. The secretary, or in his absence such person as may be appointed by the chairman, shall act as secretary of the meeting. So far as is consistent with the purposes of the meeting, the order of business of each meeting of shareholders shall be as follows:

1. Call to order.
2. Presentation of proofs of due calling of the meeting.
3. Roll call and presentation and examination of proxies.
4. Reading of minutes of previous meeting or meetings.
5. Reports of officers and committees.
6. If the annual meeting, or at any other meeting if so requested, the appointment or election of inspectors of election, if any.
7. If the annual meeting, the election of directors.
8. Unfinished business.
9. New business.
10. Adjournment.

ARTICLE III

Directors

Section 1. Number: The number of the directors of the corporation is hereby fixed at three until the first annual meeting of the shareholders at which time the number of directors of the corporation shall automatically be fixed at five. The number of directors may be changed only upon the affirmative vote of two-thirds of the total number of directors who are members of the Board of Directors at the time such change is voted upon, and upon the approval by the holders of a majority of the shares then issued and outstanding, at any annual or special meeting, provided that

the notice of such meeting shall state that a resolution will be considered to change the number of directors and shall set forth the number to be proposed in such resolution. Any such resolution shall specify the manner in which the selection of directors necessitated by an increase in the number of directors shall be accomplished, or shall state that a decrease in the number of directors shall not shorten the term of any incumbent director, as the case may be. The number of directors so determined shall be the number of directors of the corporation until changed by further action of the shareholders in accordance with the foregoing.

Section 2. Qualification and Election: Directors shall be at least eighteen years of age but need not be residents of the State of New York or shareholders of the corporation. The directors constituting the first Board of Directors shall be elected by the incorporator at the organization meeting of the incorporator. The directors, other than those constituting the first Board of Directors, shall be elected at each annual meeting of shareholders, or at a special meeting called for that purpose.

At all elections of directors, each shareholder shall be entitled to as many votes as shall equal the number of votes which (except for the provisions of this Section 2 of Article III) 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 each shareholder may cast all such votes for a single director or may distribute them among the number of directors to be voted for, or any two or more of them, as such shareholder may see fit. The term of office of the directors elected by the incorporator shall be until the date herein fixed for the first annual meeting of the shareholders and thereafter until their respective successors are elected and qualify. The term of office of directors elected at the first annual meeting of shareholders and at meetings subsequent thereto shall be until the date herein fixed for the next succeeding annual meeting of the shareholders, and thereafter until their respective successors are elected and qualify.

Section 3. Rights of Holders of Unsold Shares: The Sponsor shall have the right to pledge the Unsold Shares to a lending institution. Holders of unsold Shares shall have such rights as are granted to holders of Unsold Shares under Section 9 of Article III, Section 6 of Article V, and Article XII.

Section 4. Vacancies: Vacancies in the Board of Directors resulting from death, resignation or removal may be filled without notice to any of the shareholders by a vote of a majority of the remaining directors present at the meeting at which such election is held even though a quorum is not present, which election may be held at any regular meeting of the Board of Directors or any special meeting thereof called for such purpose. In the event that the Board of Directors shall not have filled any such vacancy, a special meeting of shareholders to fill such vacancy may be called in the manner generally provided for calling of special meetings of shareholders. Vacancies in the Board of Directors resulting from an increase of the number of directors by resolution as set forth in Section 1 of this Article III shall be filled in the manner provided in said resolution. A director elected to fill a newly created directorship shall serve until the next succeeding annual meeting of the shareholders and until his successor shall have been elected and qualifies.

Section 5. Management of the Corporation: The business affairs of the corporation and the operation of its apartment building shall be managed by the Board of Directors which may exercise all such powers of the corporation and do all such lawful acts and things as are not by statute or by the certificate of incorporation or by these by-laws directed or required to be exercised or done by the shareholders.

Section 6. Meetings: Meetings of the Board of Directors regular or special, may be held either at the principal office of the corporation or elsewhere within the State of New York as provided in the notice calling the meeting. The first meeting of each newly elected Board of Directors shall be held immediately after the annual meeting of the shareholders and no notice of such meeting shall be necessary to the newly elected directors in order legally to constitute the meeting, provided a quorum shall be present, or it may convene at such place and time as shall be fixed by the consent in writing of all the directors. Regular meetings of the Board of Directors may be held upon notice, or without notice, and at such time and at such place as shall from time to time be determined by the Board. Special meetings of the Board of Directors may be called by the president on two days' notice to each director, either personally or by mail or by telegram; special meetings shall be called by the president or secretary in like manner and on like notice on the written request of any two directors then holding office. Notice of a meeting need not be given to any director who submits a signed waiver of notice whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, except where otherwise required by law or by these by-laws. A majority of the number of directors fixed by Section 1 of this Article III shall constitute a quorum for the transaction of business unless a greater or lesser number is required by law or by the certificate of incorporation or elsewhere in these by-laws. The act of a majority of the directors present at any meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law or by the certificate of incorporation or elsewhere in these by-laws. If a quorum shall not be present at any meeting of directors, the directors present may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present. At all meetings of the Board of Directors, each director shall be entitled to one vote. Any one or more of the directors may participate in meetings of the Board of Directors by means of a conference telephone or other similar communications equipment allowing all persons participating in the meeting to hear each other at the same time and participation by such means shall constitute presence in persons at such meeting. Notwithstanding anything to the contrary contained herein, any action required or permitted to be taken by the Board of Directors or any committee thereof, including, without limitation, the Executive Committee referred to in Section 11 of this Article III, may be taken without a meeting if all of the members of the Board of Directors or the Committee, as the case may be, consent in writing to the adoption of a resolution authorizing the action.

Section 7. Resignation and Removal: Any director may resign at any time by written notice delivered or sent by registered mail to the president or secretary of the corporation. Such resignation shall take effect at the time specified therein, and unless specifically requested acceptance of such resignation shall not be necessary to make it effective.

If any director who was a shareholder at the time of his selection as a director ceases to be a shareholder, he shall be deemed to have resigned as a director.

Any director may be removed from office with or without cause by the shareholders of the corporation at a meeting duly called for that purpose in accordance with the Certificate of Incorporation. Notwithstanding the foregoing, no director may be removed when the votes cast against his removal would be sufficient to elect him if voted cumulatively at an election at which the same total number of votes were cast and the entire Board of Directors or the entire class of directors of which he is a member, were then being elected.

Section 8. Compensation: No salary or other compensation for services shall be paid to any director of the corporation for services rendered as such director, but this shall not preclude any director from performing any other service for the corporation and receiving compensation therefor.

Section 9. Annual Cash Requirements: In furtherance of the definitions, purposes and provisions of the proprietary leases entered into or to be entered into by the corporation with its shareholders, the Board of Directors shall, from time to time, by resolution, determine the cash requirements as defined in the corporation's proprietary leases, and fix the terms and manner of payment of rent (maintenance charges) under the corporation's proprietary leases. In the event such determination differs from the last preceding determination, the Board of Directors shall cause notice of such determination to be mailed immediately to each tenant-shareholder. The Board of Directors shall have discretionary power to prescribe the manner of maintaining and operating the premises owned or leased by the corporation and to determine the cash requirements of the corporation to be paid as aforesaid by the tenant-shareholders under their respective proprietary leases. Every such determination by the Board of Directors shall be final and conclusive as to all tenant-shareholders and any expenditures may be the corporation's officers or its agents under the direction or with the approval of the Board of Directors of the corporation shall, as against the tenant-shareholders, be deemed necessarily and properly made for such purposes.

The Board of Directors has the power to established any needed reserves for capital purposes, including (without limitation) reserves for capital improvements, capital repairs or alterations or modifications to the building structure and components, and including a reserve for mortgage amortization, payments to which reserves shall be treated on the corporate books as capital contributions and not as income.

Notwithstanding the foregoing, so long as the Unsold Shares constitute twenty-five (25%) percent or more of the outstanding shares of the Corporation, the Board of Directors shall not take any of the following actions unless shareholders owning at least seventy-five (75%) percent of the shares of the Corporation approve same in writing or by vote, in person or by proxy, at a duly constituted meeting called for such purposes:

- (a) increase the number or change the type of employees from that described in the "Projected Budget for First Year of Operation";

(b) provide for new or additional services from those indicated in the "Projected Budget for First Year of Operation", unless the annual cost of such new or additional services, when added to the annual cost of all other services being provided, is no greater than that provided therein;

(c) impose any rent, maintenance, assessment or other charge (regular or special) against tenant-shareholders for the purpose of making any capital or major improvement or addition, unless required by law to remedy violations of law or to comply with work orders of a mortgagee or insurance carrier; or

(d) establish any reserves in addition to the Working Capital Fund, including (without limitation) a reserve for contingencies, repairs, improvements or replacements, other than a twelve (12) month reserve for contingencies not exceeding five (5%) percent of the budgeted operating expenses (exclusive of mortgage debt service) for the ensuing twelve (12) months of cooperative operation.

Notwithstanding the foregoing, the Corporation may take any of the actions enumerated in clauses (a) through (d) above if the cost of such actions, when added to all other budgeted expenses of the Corporation, shall not result in increasing the maintenance charges for any year of operation by more than 5% above the previous year's maintenance charges, or if required by applicable law or regulation.

Section 10. House Rules: The Board of Directors may, from time to time, adopt and amend such reasonable house rules as it may reasonably deem necessary or desirable in respect to the premises owned or leased by the corporation for the health, safety and convenience of the tenant-shareholders, in addition to, or in substitution for those house rules set forth in the form of proprietary lease used by the corporation. Copies thereof and of changes therein shall be furnished to each tenant-shareholder. Such rules shall be binding upon all tenant-shareholders.

Section 11. Executive Committee: The Board of Directors may, by resolution approved by a majority of the number of directors fixed by Section 1 of this Article III, appoint an Executive Committee consisting of three or more directors of the corporation. The Executive Committee, to the extent provided in the resolution that creates it, shall have and may exercise all of the powers of the Board of Directors in the management of the business affairs of the corporation during the intervals between meetings of the Board of Directors, so far as may be permitted by law, except that the Executive Committee shall not have the power to determine the cash requirements defined in the proprietary leases made by the corporation, or to fix the amount of rent to be paid under the proprietary leases, or to vary the terms of payment thereof as fixed by the Board of Directors. Vacancies in the membership of the Executive Committee shall be filled by the Board of Directors at a regular or special meeting. The Executive Committee shall keep regular minutes of its proceedings and shall report same to the Board of Directors when required. Any one or more of the members of the Executive Committee may participate in meetings of the Executive Committee by means of a conference telephone or other similar communications equipment allowing all person participating in the meeting to hear each other at the same time and participation by such means shall constitute presence in person at such meeting.

ARTICLE IV

Officers

Section 1. Number and Election: The officers of the corporation shall be a president, one or more vice presidents, a secretary and a treasurer. Such officers shall be elected at the first meeting of the Board of Directors after these by-laws become effective, and thereafter at the regular meeting of the Board of Directors following each annual meeting of shareholders, and shall serve until the meeting of the Board of Directors following the next annual meeting of shareholders and until their successors shall have been elected and qualify.

Section 2. Assistants: The Board of Directors may at any time or from time to time appoint one or more assistant secretaries and one or more assistant treasurers to hold office at the pleasure of the Board. Such assistants, if any, in order of their seniority or in any other order determined by the Board of Directors shall, in the absence or disability of the secretary or treasurer, as the case may be, perform the duties and exercise the powers of the secretary or treasurer, as the case may be, and shall perform such other duties as the Board of Directors or the secretary or treasurer, as the case may be, shall prescribe.

Section 3. Qualifications: Removal and Vacancies: None of the officers need be a member of the Board of Directors. One person may hold two offices at the same time, except that the same person may not hold the offices of president and secretary. Any officer appointed by the Board of Directors pursuant to the provisions of Section 1 and 2 of the Article IV may be removed by the Board of Directors at any time, with or without cause. Vacancies occurring in any office may be filled by the Board of Directors at any time. If any officer who was a shareholder at the time of his selection as an officer ceases to be a shareholder, he shall be deemed to have resigned as an officer.

Section 4. Duties of President and Vice Presidents: The president shall preside at all meetings of the shareholders and of the Board of Directors. The president or any vice president shall sign in the name of the corporation all certificates for shares of the corporation, proprietary and other leases and subleases, contracts and other instruments which are authorized from time to time by the Board of Directors. The president, subject to the control of the Board of Directors, shall have general management of the affairs of the corporation and perform all the duties incidental to the office. If the president is absent from the City of New York or is unable to act, the vice president if there is only one, or if there is more than one the vice president senior in rank (or, if he is absent or unable to act, the vice president next senior in rank) shall have the powers and perform the duties of the president.

Section 5. Duties of Treasurer: The treasurer shall have the care and custody of all funds and securities of the corporation, and shall deposit such funds in the name of the corporation in such bank or trust companies as the Board of Directors may determine, and he shall perform all other duties incidental to his office. If so required by the Board of Directors, he shall, before receiving any such funds, furnish to the corporation a bond with a surety company as surety, in such form and amount as the Board

of Directors from time to time shall determine. The premium upon such bond shall be paid by the corporation. As promptly as possible, after the close of each calendar year, but in no event later than March 15th after the close of such calendar year, the treasurer shall cause to be furnished to each tenant-shareholder whose proprietary lease is then in effect, a statement of the receipts, disbursements and paid-in surplus of the corporation during such year, on which statement shall be indicated the amount, allocated on a per share basis, of rental paid by tenant-shareholders under their proprietary leases during such year which has been used by the corporation, for the payment of taxes on the real property owned by the Corporation, interest on any mortgage indebtedness, the principal of any mortgage, and any other capital expenditure and such other information as may be necessary to permit him to compute his income tax liability or income tax benefits that may accrue to him in respect thereof.

Within four months after the end of each fiscal year of the corporation, the treasurer shall cause to be transmitted to each tenant-shareholder whose proprietary lease is then in effect, an annual report of operations, including a balance sheet and profit and loss statement, of the corporation certified by an independent certified public accountant.

Section 6. Duties of Secretary: The secretary shall keep the minutes of the meetings of the Board of Directors and of the meetings of the shareholders; he shall attend to the giving and serving of all notices of the corporation, shall be empowered to affix the corporate seal to all written instruments authorized by the Board of Directors or these by-laws, shall attest every certificate of shares issued by the corporation and shall have the authority to sign in the name of the corporation all proprietary leases authorized from time to time by the Board of Directors. He shall also perform all other duties incidental to his office. He shall cause to be kept a shareholders' record book containing the names, alphabetically arranged, and addresses, of all shareholders, the number of shares held by each, the date when they respectively become the owners of record thereof, the amount paid therefor and the denomination and the amount of all issuance or transfer stamps affixed thereto, and such book shall be open for inspection as provided by law.

Section 7. Compensation: No salary or other compensation for services shall be paid to any officer of the corporation for services rendered as such officer, but this shall not preclude an officer of the corporation from performing any other service for the corporation and receiving compensation therefor.

ARTICLE V

Proprietary Leases

Section 1. Form of Lease: The Board of Directors shall adopt a form of proprietary lease to be used by the corporation for the leasing of all apartments in the apartment building of the corporation (to which shares of the corporation have been allocated) to tenant-shareholders. Such proprietary leases shall be for such terms, with or without provisions for renewals, and shall contain such restrictions, limitations and provisions in respect to the assignment thereof, the subletting and use of the premises

demised thereby and the sale and/or transfer of the shares of the corporation allocated to the apartment covered thereby, and such other terms, provisions, conditions and covenants as the Board of Directors may determine. After a proprietary lease in the form so adopted by the Board of Directors shall have been executed and delivered by the corporation, all proprietary leases subsequently executed and delivered shall be the same (except with respect to the statement as to the number of shares owned by the lessee and the date of the commencement of the term), unless varied in accordance with the terms thereof.

Section 2. Assignment: Proprietary leases shall be assigned or transferred only in compliance with, and shall never be assigned or transferred in violation of, the terms, conditions or provisions of such proprietary leases. A duplicate original of each proprietary lease shall always be kept on file in the principal office of the corporation or with the managing agent of the apartment building of the corporation.

Section 3. Allocation of Shares: The Board of Directors shall allocate to each apartment in the apartment building of the corporation to be leased to tenant-shareholders under proprietary leases the number of shares of the corporation that must be owned by the proprietary lessee of such apartment. The allocations of shares to an apartment shall bear a reasonable relationship to the portion of the value of the corporation's equity in the apartment building and the land which is attributable to the apartment on the date of issuance of the shares.

Section 4. Fees on Assignment, Subletting or Reallocation: Subject to the provisions of the form of proprietary lease adopted by the Board of Directors, (a) the Board of Directors shall have authority before an assignment of a proprietary lease or a subletting thereunder, or a reallocation of shares takes effect as against the corporation as lessor, to fix a reasonable fee to cover actual expenses and attorneys' fees of the corporation in connection with each such proposed transaction, and may direct that such attorneys' fees be paid directly to the attorneys; and (b) in connection with any such transaction, the Board of Directors may, at its option, require a credit or title search, at the expense of the tenant-shareholder(s) of the subject apartment(s), as the Board of Directors sees fit.

Section 5. Lost Proprietary Leases: In the event that any proprietary lease in full force and effect is lost, stolen, destroyed or mutilated, the Board of Directors may authorize the issuance of a new proprietary lease in lieu thereof, in the same form and with the same terms, provisions, conditions and limitations. The Board may, in its discretion, before the issuance of any such new proprietary lease, require the owner thereof, or the legal representative of the owner, to make an affidavit or affirmation setting forth such facts as to the loss, destruction or mutilation as it deems necessary, and to give the corporation a bond in such reasonable sum as it directs, not exceeding double the value of the shares appurtenant to such lease, to indemnify the corporation.

Section 6. Regrouping the Space: The Board of Directors, upon the written request of the owner or owners of the shares appurtenant to one or more proprietary leases covering one or more apartments in the apartment building may, in its discretion, at any time, permit such owner or owners, at his or their own expense, as determined or approved by the Board of Directors:

(a)(i) to subdivide any apartment into any desired number of apartments, (ii) combine all or any portions of any such apartments into one or any desired number of apartments, and (iii) to reallocate the shares issued to accompany the proprietary lease or leases, but, subject to subsection (b) of this Section, the total number of the shares so reallocated shall not be more or less than the number of shares previously allocated to the apartment or apartments involved; or

(b) to incorporate one or more servant's rooms or other space in the building not covered by any proprietary lease, into one or more apartments covered by a proprietary lease, whether in connection with any regrouping of space pursuant to subsection (a) of this Section or otherwise, and in allocating shares to any such resulting apartment or apartments, shall determine the number of theretofore unissued shares to be issued and allocated in connection with the appropriation of such additional space, in accordance with the principle set forth in Section 3 of this Article V.

Upon any regrouping pursuant to subsections (a) or (b) above, the proprietary leases so affected, and the accompanying certificates of shares, shall be surrendered and there shall be executed and delivered in place thereof, respectively, a new proprietary lease for each separate apartment involved, and a new certificate of shares for the number of shares so reallocated to each new proprietary lease.

The holders of Unsold Shares, however, shall have the absolute right, without payment of any fee or charge, to change the size and layout of any apartment including the right to subdivide any apartment owned by any of them into two or more apartments, or to combine all or any portion of such apartments into any desired number of apartments, provided such alterations do not unreasonably encroach on public areas commonly used as such.

Section 7. Allocation of Shares to Additional Space: The Board of Directors may, in its discretion, authorize the conversion of space in the building not covered by a proprietary lease into space suitable for the primary purposes of the corporation, as set forth in the certificate of incorporation, allocate theretofore unissued shares to such space, and authorize the execution of a proprietary lease or leases covering such space.

Section 8. Rights of Existing Tenants: In the event any apartment shall be occupied on the date of the closing under the Plan, the lessee under any proprietary lease shall not have any right to evict the tenant in occupancy of such apartment who shall qualify as an "eligible senior citizen" or as an "eligible disabled person" as such terms are defined in Section 352-eeee of the General Business Law of the State of New York (other than in the event of the occurrence of a default by such tenant in

the performance of obligations under the terms of his lease or occupancy) notwithstanding any provision to the contrary contained in the RSL or the Rent Control Law as such terms are defined in this Plan.

ARTICLE VI

Capital Shares

Section 1. Authorization and Rights: No shares hereafter issued or acquired by the corporation shall be issued or reissued except in connection with the execution by the purchaser and delivery by the corporation of a proprietary lease of an apartment. The ownership of shares shall entitle the holder thereof to occupy the apartment for the purposes specified in the proprietary lease to which the shares are appurtenant, subject to the provisions, covenants and agreements contained in such proprietary lease.

Section 2. Form and Record of Shares: Certificates of shares of the corporation shall be in the form adopted by the Board of Directors, and shall be signed by the president or a vice president, and by the secretary or an assistant secretary and sealed with the seal of the corporation, and shall be numbered in the order in which issued. Certificates shall be bound and issued in consecutive order, and in the margin or stub thereof shall be entered the name of the person holding the shares therein represented, the number of shares, the date of issue; and the same of the transfer agent. Each certificate exchanged or returned to the corporation shall be cancelled, and the date of cancellation shall be indicated thereon by the transfer agent, and such certificate shall be immediately pasted in the certificate book opposite the memorandum of its issue.

Section 3. Issuance of Certificates: Shares allocated to the apartment covered by each proprietary lease shall be issued in the amount allocated by the Board of Directors to the apartment or other space described in such proprietary lease. Unless and until all proprietary leases which shall have been executed by the corporation shall have been terminated, no shares shall be issued, transferred or reissued except to tenants under proprietary leases.

Section 4. Transfers: Transfers of shares shall be made upon the books of the corporation only by the holder in person or by power of attorney, duly executed and filed with the secretary of the corporation and on the surrender of the certificate for such shares, except that shares sold by the corporation to satisfy any lien which it holds thereon may be transferred without the surrender of the certificate representing such shares. No transfer of shares shall be valid as against the corporation, its shareholders and creditors for any purposes except to render the transferee liable for the debts of the corporation to the extent provided for in the Business Corporation Law or any other applicable provision of law, until it shall have been entered in the shares ledger, or as required by any then existing applicable provision of law, by an entry stating from whom and to whom transferred. Subject to the provisions of the form of proprietary lease adopted by the Board of Directors, the Board of Directors shall have authority before an assignment of shares takes effect as against the corporation, to fix a reasonable fee to cover actual expenses and attorneys' fees of the corporation in connection with each such proposed assignment, and may direct that such attorneys' fees be paid direct to the attorneys.

Section 5. Units of Issuance: Except as otherwise provided in Article V, Section 6, unless and until all proprietary leases which shall have been executed by the corporation shall have been terminated, the shares appurtenant to each proprietary lease shall not be sold or assigned except as an entirety to the corporation or an assignee of such proprietary lease, after complying with and satisfying the requirements of such proprietary lease in respect to the assignment thereof.

Section 6. Corporation's Lien: The corporation shall at all times have a lien upon the shares owned by each shareholder, which shall be superior to all other liens, for all indebtedness and obligations owing and to be owing by such shareholder to the corporation, arising under the provisions of any proprietary lease issued by the corporation and at any time held by such shareholder, or otherwise arising. Unless and until such shareholder as lessee shall make default in the payment of any of the rental or in the performance of any of the covenants or conditions of such proprietary lease, and/or unless and until such shareholder shall make default in the payment of any indebtedness or obligation owing by such shareholder to the corporation otherwise arising, such shares shall continue to stand in the name of the shareholder upon the books of the corporation, and the shareholders shall be entitled to exercise the right to vote thereon as though said lien did not exist. The Board of Directors may refuse to consent to the transfer of such shares until any indebtedness of the shareholder to the corporation is paid. The corporation shall have the right to issue to any purchaser of such shares upon the enforcement by the corporation of such lien, or to the nominee of such purchaser, a certificate of the shares so purchased substantially of the tenor of the certificate issued to such defaulting shareholder, and thereupon the certificate for such shares theretofore issued to such defaulting shareholder shall become void and such defaulting shareholder agrees to surrender such last mentioned certificate to the corporation upon the latter's demand, but the failure of such defaulting shareholder so to surrender such certificate shall not affect the validity of the certificate issued in replacement thereof.

Section 7. Lost Certificates: In the event that any certificate of shares is lost, stolen, destroyed or mutilated, the Board of Directors may authorize the issuance of a new certificate of the same tenor and for the same number of shares in lieu thereof. The Board may, in its discretion, before the issuance of such new certificate, require the owner of the lost, stolen, destroyed or mutilated certificate, or the legal representative of the owner, to make an affidavit or affirmation setting forth such facts as to the loss, destruction or mutilation as it deems necessary and to give the corporation a bond in such reasonable sum as it directs, but not more than double the value of the shares, to indemnify the corporation.

Section 8. Legend on Stock Certificates: Unless and until all proprietary leases which shall have been executed by the corporation shall have been terminated, all certificates representing shares of stock of the corporation shall bear a legend reading as follows:

"The rights of any holder of the shares evidenced by this certificate are subject to the provisions of the certificate of incorporation and the by-laws of PATRICIA GARDENS OWNERS, INC. and to all the terms, covenants, conditions, provisions and agreements contained in a certain proprietary lease made between PATRICIA GARDENS OWNERS, INC., as lessor, and the person in whose name this certificate is issued, as lessee, for an apartment in the premises known as 1825-29-33 Palmer Avenue, Larchmont New York, which limit and restrict the title and rights of any transferee of such shares and this certificate. The shares represented by this certificate are transferable only as an entirety and only to an approved assignee of the aforementioned proprietary lease. Copies of the certificate of incorporation, by-laws and the proprietary lease are on file and available for inspection at the office of the corporation.

Pursuant to the certificate of incorporation and by-laws, certain actions of the Board of Directors and of the shareholders require a greater quorum and/or a greater vote than would otherwise be required by law.

Pursuant to the by-laws, the corporation has a lien on the shares represented by this certificate for all sums due and to become due under the aforesaid proprietary lease and the Board of Directors may refuse to consent to the transfer of the shares represented by this certificate until any indebtedness of the shareholder to the corporation is paid."

Section 9. Distributions: The tenant-shareholders shall not be entitled (either conditionally or unconditionally) to receive any distribution not out of earnings and profits of the corporation, except upon a complete or partial liquidation of the corporation.

ARTICLE VII

Seal

Section 1. Form: The seal of the corporation shall contain, within a circle, the name of the corporation, the words "Corporate Seal New York", and the year of incorporation.

ARTICLE VIII

Negotiable Instruments

Section 1. Checks, etc.: All checks, drafts, orders for payment of money and negotiable instruments shall be signed by such officer or officers or employee or employees as the Board of Directors may from time to time, by standing resolution or special order, prescribe.

Section 2. Transfer of Securities: Endorsement on transfers of shares, bonds or other securities shall be signed by the president or any vice president and by the secretary or an assistant secretary unless the Board of Directors, by special resolution in one or more instances, prescribes otherwise.

Section 3. Safe Deposit Boxes: Such officer or officers, as from time to time shall be designated by the Board of Directors, shall have access to any safe of the corporation in the vault of any safe deposit company.

Section 4. Securities: Such officer or officers as from time to time shall be designated by the Board of Directors shall have power to control and direct the disposition of any shares, bonds or other securities or property of the corporation deposited in the custody of any trust company, bank or other custodian.

ARTICLE IX

Fiscal Year

Section 1. Calendar Year: The fiscal year of the corporation shall be the calendar year.

ARTICLE X

Indemnification of Directors, Officers and Employees

Section 1. Right to Indemnification: Any person made a party to any action, suit or proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he, his testator or intestate, is or was a director or officer of the corporation, shall be indemnified by this corporation, to the extent permitted and in the manner provided by law, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense of such action, suit or proceeding, or in connection with an appeal therein, except in relation to matters as to which such director or officer is adjudged to have breached his duty to the corporation under Section 717 of the Business Corporation Law of the State of New York, but such indemnification shall in no case include:

(1) Amounts paid in settling or otherwise disposing of a threatened action, suit or proceeding, or a pending action, suit or proceeding, with or without court approval, or

(2) Expenses incurred in defending a threatened action, suit or proceeding, or a pending action, suit or proceeding, which is settled or otherwise disposed of without court approval.

Any person, made, or threatened to be made, a party to an action, suit or proceeding other than one by or in the right of the corporation to procure a judgment in its favor, whether civil or criminal, including an action, suit or proceeding by or in the right of any other corporation of any type or kind, domestic or foreign, which any director or officer of the corporation served in any capacity at the request of the corporation, by reason of the fact that he, his testator or intestate, was a director or officer

of the corporation, or served such other corporation in any capacity, shall be indemnified by this corporation against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred as a result of such action, suit or proceeding, or any appeal therein, if such director or officer acted, in good faith, for a purpose which he reasonably believed to be in the best interests of the corporation, and, in criminal actions or proceedings, in addition, had no reasonable cause to believe that his conduct was unlawful. The termination of any such civil or criminal action, suit or proceeding by judgment, settlement, conviction or upon a plea of nolo contendere, or its equivalent, shall not in itself create a presumption that any such director or officer did not act in good faith, for a purpose which he reasonably believed to be in the best interests of the corporation, or that he had reasonable cause to believe that his conduct was unlawful.

Section 2. Other Rights and Payment: Any such right of indemnification as set forth in Section 1 of Article X of these by-laws shall not be deemed exclusive of any other rights to which any such director or officer may be lawfully entitled either (a) apart from the provisions of Sections 722 and 723 of the Business Corporation Law of the State of New York or (b) under and by virtue of Section 725 of the Business Corporation Law. Any amount payable by way of indemnity shall be determined and paid in accordance with Sections 724 and/or 725 of the Business Corporation Law of the State of New York or in any other lawful manner.

ARTICLE XI

Sale, Lease, Demolition or Disposition of Property

Section 1. No decision to demolish or reconstruct any building standing on the land owned or leased by the corporation, or to sell or exchange the corporation's fee simple interest therein, or to lease any such building in its entirety or substantially in its entirety, shall be made except upon the affirmative vote of two-thirds of the total number of directors of the corporation who are members of the Board of Directors at the time such determination is voted upon and upon the approval of the holders of two-thirds of the shares of the corporation then issued and outstanding.

ARTICLE XII

Amendments

Section 1. By the Shareholders. These by-laws may be amended, altered, repealed or added to at any shareholders' meeting by vote of shareholders of record, present in person or by proxy, of at least two-thirds (2/3) of the then outstanding capital shares, provided that the proposed amendment or the substance thereof has been inserted in the notice of meeting or that all of the shareholders are present in person or by proxy. The consent of all holders of Unsold Shares shall be required where such amendment, alteration, repeal or addition would materially affect the rights of holders of Unsold Shares.

Section 2. By the Directors: The Board of Directors may, by a vote of the majority of the then authorized total number of directors at any meeting (regular or special) of the board, make, alter, amend, or repeal these by-laws, other than Article I Section 3, Article II Section 5, Article III Sections 8 and 9, Article IV Section 7, Article V Sections 1 and 6; provided, however, that the proposed amendment or the substance thereof shall have been contained in the notice of said meeting or that all directors shall be present in person and, provided further, that the Board may not repeal or modify an amendment to these by-laws adopted by the shareholders pursuant to Section 1 of this Article XII.

Section 3. General. Anything herein contained to the contrary notwithstanding, these by-laws and any provision hereof may not be altered, amended or repealed in such a manner as would adversely affect the rights or interests of the Sponsor under said Offering Plan (or its successors and assigns) in any shares and accompanying proprietary leases that may have been pledged with the Sponsor in connection with financing the purchase of apartments in the building. Anything herein contained to the contrary notwithstanding, so long as any Unsold Shares are issued and outstanding, these by-laws may not be altered, amended, repealed or added to without the unanimous consent of all of the holders of Unsold Shares.

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SPONSOR'S CERTIFICATE

CERTIFICATION OF SPONSOR AND SPONSOR'S
PRINCIPALS PURSUANT TO PART 18 OF THE
REGULATIONS ISSUED PURSUANT TO GENERAL
BUSINESS LAW, ARTICLE 23-A, AS AMENDED

New York State Department of Law
Two World Trade Center
New York, New York 10047

Attention: Real Estate Financing Bureau

Re: 1825-33 Palmer Avenue
Larchmont, New York

Gentlemen:

The undersigned, certify as follows:

We are the sponsor and the principal(s)* of sponsor
of the cooperative offering plan for the captioned property.

We understand that we have primary responsibility
for compliance with the provisions of Article 23-A of the General
Business Law, the regulations promulgated by the Department of
Law in Part 18 and such other laws and regulations as may be
applicable.

We have read the entire offering plan. We have
investigated the facts set forth in the offering plan and the
underlying facts. We have exercised due diligence to form a
basis for this certification. We jointly and severally certify
that the offering plan does, and that documents submitted here-
after by us which amend or supplement the offering plan will:

*"Principal(s)" means all individual sponsors; all general
partners of sponsors that are partnerships; all officers,
directors and shareholders of a corporate sponsor that are
actively involved in the planning or consummation of the
offering; and all other individuals who both (i) own an interest
in or control sponsor and (ii) actively participate in the planning
or consummation of the offering, regardless of the form of
organization of sponsor.

(1) set forth the detailed terms of the transaction and be complete, current and accurate;

(2) afford potential investors, purchasers and participants an adequate basis upon which to found their judgment;

(3) not omit any material fact;

(4) not contain any untrue statement of a material fact;

(5) not contain any fraud, deception, concealment, suppression, false pretense or fictitious or pretended purchase or sale;

(6) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;

(7) not contain any representation or statement which is false, where we: (i) knew the truth; (ii) with reasonable effort could have known the truth; (iii) made no reasonable effort to ascertain the truth, or (iv) did not have knowledge concerning the representation or statement made.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

By: 1825 Palmer Associates
1825 PALMER ASSOCIATES

SPONSOR'S PRINCIPALS:

Marie M. Firenze
MARIE M. FIRENZE

Shirley G. Fuchsberg
SHIRLEY G. FUCHSBERG

Earle S. Altman
EARLE S. ALTMAN

Sworn to before me this
14th day of July, 1983.

Alan L. Fuchsberg
Notary Public

ALAN L. FUCHSBERG
Notary Public, State of New York
No. 31-4764255
Qualified in New York County
Commission Expires March 21, 1984

J. YARMUS, INC.

Engineering and Construction Consultants

10 SQUADRON BLVD.
EW CITY, N. Y. 10956
914-834-3580

118 BROADWAY
HILLSDALE, N. J. 07642
201-664-3540

175 MAIN STREET, SUITE 612
WHITE PLAINS, N. Y. 10601
914-997-1828

6039 COLLINS AV. SUITE 1523
MIAMI BEACH, FLA. 33140
305-868-4963

New York State Department of Law
Two World Trade Center
New York, New York 10047

Attention: Real Estate Bureau, Rm. 48-61

RE: Patricia Gardens
Larchmont, New York

The sponsor of the offering plan to convert the captioned property to cooperative ownership retained our firm to prepare a report disclosing the condition of the property (the "Report"). We visually inspected the property on 5/19/83 and prepared the report dated July 13, 1983, a copy of which is intended to be incorporated into the offering plan so that prospective purchasers may rely on the Report.

We understand that we are responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Attorney General in part 18 insofar as they are applicable to this report.

We have read the entire Report and investigated the facts set forth in the Report and the facts underlying it and conducted the visual inspection referred to above with due diligence in order to form a basis for this certification. We certify that the Report and all documents prepared by us disclose all the material facts which were then discernable from a visual inspection of the property. This certification is made for the benefit of all persons whom this offer is made. We certify that the Report based on our visual inspection:

- (i) sets forth in narrative form the physical condition of the entire property and is current and accurate as of the date of inspection;
- (ii) affords potential investors, purchasers and participants an adequate basis upon which to found their judgement concerning the physical condition of the property;

- (iii) does not omit any material fact;
- (iv) does not contain any untrue statement of a material fact;
- (v) does not contain any fraud, deception, concealment, or suppression;
- (vi) does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;
- (vii) does not contain any representation or statement which is false, where we: (a) knew the truth; (b) with reasonable effort could have known the truth; (c) made no reasonable effort to ascertain the truth, or (d) did not have knowledge concerning the representations or statement made.

We further certify that we are not owned or controlled by and have no beneficial interest in the sponsor and that our compensation for preparing this Report is not contingent on the conversion of the property to a cooperative or on the profitability or price of the offering. This statement is not intended as a guarantee or warranty of the physical condition of the property.

J. YARMUS, INC.

BY: *[Signature]*
PRESIDENT

Sworn to before me
 this 13th day of July, 1983.

[Signature]
 NOTARY PUBLIC

MARIANNE CATANIA
 NOTARY PUBLIC, State of New York
 No. 47123-6
 Qualified in Westchester County
 Commission Expires March 30, 1984



SEYMOUR ORLOFSKY, INC.
Real Estate • 199 Main Street, White Plains, N.Y. 10601 • (914) 328-1800

CERTIFICATION OF SPONSOR'S EXPERT CONCERNING ADEQUACY OF BUDGET

New York State Department of Law
Two World Trade Center
New York, New York 10047

Re: Patricia Gardens
1825-1833 Palmer Avenue
Larchmont, New York 10538

The undersigned, Seymour Orlofsky, Inc., a licensed real estate broker, certifies as follows:

The sponsor of the offering plan of cooperative conversion of the above-captioned property retained our firm to prepare Schedule B, containing projections of income and expenses for the first year of cooperative operation. Our experience includes acting as Managing Agent of 2,500 residential units of which 700 are under cooperative ownership. In addition, our principals have been engaged in the real estate management business for over ten years.

We understand that we are responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law in Part 18 insofar as they are applicable to Schedule B.

We have reviewed the Schedule and investigated the facts set forth in the Schedule and the facts underlying it with due diligence in order to form a basis for this certification. We also have relied on our experience in managing residential buildings.

We certify that the projections in Schedule B appear reasonable and adequate under existing circumstances, and the projected income appears to be sufficient to meet the anticipated operating expenses for the projected first year of cooperative operation.

We certify that the Schedule:

- (i) sets forth in detail the projected income and expenses for the first year of cooperative operation;

- (ii) affords potential investors, purchasers and participants an adequate basis upon which to found their judgment concerning the first year of cooperative operation;
- (iii) does not omit any material fact;
- (iv) does not contain any untrue statement of a material fact;
- (v) does not contain any fraud, deception, concealment, or suppression;
- (vi) does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;
- (vii) does not contain any representation or statement which is false, where we (a) knew the truth; (b) with reasonable effort could have known the truth; (c) made no reasonable effort to ascertain the truth; or (d) did not have knowledge concerning the representations or statements made.

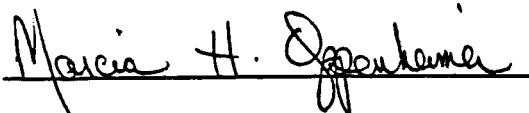
We further certify that we are not owned or controlled by the sponsor. We understand that a copy of this certification is intended to be incorporated into the offering plan. This statement is not intended as a guarantee or warranty of the income and expenses for the first year of cooperative operation.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

SEYMOUR ORLOFSKY, INC.

By 
Andrew Orlofsky, President

Sworn to before me this
13th day of July, 1983.



MARCIA H. OPPENHEIMER
Notary Public, State of New York
No. 60-2968373
Qualified in Westchester County
Commission Expires March 30, 1985

