

NINETEENTH AMENDMENT

Apartment Corporation:
PATRICIA GARDENS OWNERS, INC.

Holder of Unsold Shares:
DEARBORN UNITS CORP. ("Dearborn")
LEONARDSON, LLC ("Leonardson")
SEF CONSULTING LLC ("SEF")
DAYTONA PROPERTY LLC ("Daytona")

The Cooperative Offering Plan, a Plan to convert to cooperative ownership premises at 1825, 1829 and 1833 Palmer Avenue, Larchmont, New York, dated August 1, 1984 as heretofore amended (the "Plan") is hereby further amended as follows:

FIRST: Certified Financial Statement

The most recent Certified Financial Statement for the year ending December 31, 2020 and December 31, 2019 is annexed hereto as Document 1. Dearborn has not participated in the preparation of these documents and has not independently verified the information contained therein. Leonardson has not participated in the preparation of these documents and has not independently verified the information contained therein. SEF has not participated in the preparation of these documents and has not independently verified the information contained therein. Daytona has not participated in the preparation of these documents and has not independently verified the information contained therein. The copies were obtained from the Apartment Corporation.

SECOND: Budget

The 2022 Budget for the Apartment Corporation as provided by the Corporation's managing agent is annexed hereto as Document 2. Dearborn has not participated in the preparation of these documents and has not independently verified the information contained therein. Leonardson has not participated in the preparation of these documents and has not independently verified the information contained therein. SEF has not participated in the preparation of these documents and has not independently verified the information contained therein. Daytona has not participated in the preparation of these documents and has not independently verified the information contained therein.

THIRD: Directors and Officers of the Apartment Corporation

The Sponsor relinquished control of the Board of Directors of the Apartment Corporation on April 20, 1987 when the Sponsor initially transferred title in the property to the apartment corporation. The current Board of Directors of the Apartment Corporation was elected at the annual stockholders' meeting which was held on November 29, 2018. The following were elected as officers and directors:

Arthur Coleman – President
Robert Orlofsky – Vice President
Eric Gelb – Vice President
Katie FitzGerald –Secretary
Eileen Chase – Treasurer

None of the foregoing are affiliated with Leonardson, SEF, Daytona or Dearborn.

FOURTH: Holder of Unsold Shares/Sponsor's Financial Disclosure

I. Dearborn Units Corp:

(a) A list of the apartments currently held by Dearborn is set forth in Document 3 annexed hereto.

(b) The aggregate monthly maintenance payable for all unsold shares owned by Dearborn is \$4,333.12.

(c) The current aggregate monthly rents payable by tenants residing in apartments owned by Dearborn is approximately \$7,585.07.

(d) Dearborn is not aware of any financial obligations to the Apartment Corporation which will become due within twelve (12) months of the date hereof (other than the payment of maintenance charges).

(e) No unsold shares have been pledged as collateral for loans or otherwise represent security for financial arrangements.

(f) The maintenance obligations of Dearborn, as set forth above, will be funded from the receipt of rental income and the net proceeds of the sale of Unsold Shares held by Dearborn.

(g) Dearborn is current on all financial obligations owed to the Apartment Corporation, including, but not limited to, maintenance charges, assessments and payments for repairs or improvements required by the Plan.

(h) Dearborn is not in control of the Board of Directors of the Apartment Corporation.

II. Leonardson, LLC:

(a) A list of the apartments currently held by Leonardson is set forth in Document 3 annexed hereto.

(b) The aggregate monthly maintenance payable for all unsold shares owned by Leonardson is \$4,938.71.

(c) The current aggregate monthly rents payable by tenants residing in apartments owned by Leoanrdson is approximately \$6,691.69.

(d) Leonardson is not aware of any financial obligations to the Apartment Corporation which will become due within twelve (12) months of the date hereof (other than the payment of maintenance charges).

(e) No unsold shares have been pledged as collateral for loans or otherwise represent security for financial arrangements.

(f) The maintenance obligations of Leoanrdson, as set forth above, will be funded from the receipt of rental income and the net proceeds of the sale of Unsold Shares held by Leoanrdson.

(g) Leoanrdson is current on all financial obligations owed to the Apartment Corporation, including, but not limited to, maintenance charges, assessments and payments for repairs or improvements required by the Plan.

(h) Leoanrdson is not in control of the Board of Directors of the Apartment Corporation.

III. SEF Consulting LLC:

(a) A list of the apartments currently held by SEF is set forth in Document 3 annexed hereto.

(b) The aggregate monthly maintenance payable for all unsold shares owned by SEF is \$6,077.97.

(c) The current aggregate monthly rents payable by tenants residing in apartments owned by SEF is approximately \$11,920.00.

(d) SEF is not aware of any financial obligations to the Apartment Corporation which will become due within twelve (12) months of the date hereof (other than the payment of maintenance charges).

(e) No unsold shares have been pledged as collateral for loans or otherwise represent security for financial arrangements.

(f) The maintenance obligations of SEF, as set forth above, will be funded from the receipt of rental income and the net proceeds of the sale of Unsold Shares held by SEF.

(g) SEF is current on all financial obligations owed to the Apartment Corporation, including, but not limited to, maintenance charges, assessments and payments for repairs or improvements required by the Plan.

(h) SEF is not in control of the Board of Directors of the Apartment Corporation.

IV. Daytona Property LLC:

(a) A list of the apartments currently held by Daytona is set forth in Document 3 annexed hereto.

(b) The aggregate monthly maintenance payable for all unsold shares owned by Daytona is \$2,005.36.

(c) The current aggregate monthly rents payable by tenants residing in apartments owned by Daytona is approximately \$3,490.00.

(d) Daytona is not aware of any financial obligations to the Apartment Corporation which will become due within twelve (12) months of the date hereof (other than the payment of maintenance charges).

(e) No unsold shares have been pledged as collateral for loans or otherwise represent security for financial arrangements.

(f) The maintenance obligations of Daytona, as set forth above, will be funded from the receipt of rental income and the net proceeds of the sale of Unsold Shares held by Daytona.

(g) Daytona is current on all financial obligations owed to the Apartment Corporation, including, but not limited to, maintenance charges, assessments and payments for repairs or improvements required by the Plan.

(h) Daytona is not in control of the Board of Directors of the Apartment Corporation.

FIFTH: Maintenance Charges

The current maintenance charges are \$1.76 per share per month, as set by the Board of Directors of the Apartment Corporation.

SIXTH: List and Status of Holder of Unsold Shares's Other Public Offerings

I. DEARBORN UNITS CORP:

The principals of Dearborn do not currently own more than ten (10%) percent of the unsold shares or units in any other cooperatives, condominiums or homeowners associations, except for (i) Orienta Gardens, Inc., 1015 Old Post Road / 953 West Boston Post Road, Mamaroneck, New York; DOL file # NA050070 and (ii) 345 Montgomery Owners Corp., 345 Montgomery Street, Brooklyn, New York; DOL File # C840296.

II. LEONARDSON, LLC:

The principals of Leonardson do not currently own more than ten (10%) percent of the

unsold shares or units in any other cooperatives, condominiums or homeowners associations.

III. SEF CONSULTING LLC:

The principals of SEF do not currently own more than ten (10%) percent of the unsold shares or units in any other cooperatives, condominiums or homeowners associations.

IV. DAYTONA PROPERTY LLC:

The principals of Daytona do not currently own more than ten (10%) of the unsold shares or units in any other cooperatives, condominiums or homeowner's associations.

SEVENTH: New York State Tax Law Section 1404(A)

Purchaser shall pay the transfer taxes which are normally the Sponsor's obligation to pay in connection with the sale of an Apartment. Any prior references in the Offering Plan to a grossed up calculation in connection with Purchaser's obligation to pay the New York State Transfer Tax are no longer applicable and shall be removed. The Purchase Agreement as revised to reflect the foregoing is attached hereto as Document 4.

EIGHTH: Definitions

All terms used in this Amendment not otherwise defined herein shall have the same meanings ascribed to them as in the Plan.

NINTH: Incorporation of the Amended Plan

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

TENTH: Effective Period for Using the Plan is Extended

The Plan, as modified and supplemented hereby, may not be used after twelve (12) months following the Filing Date of this Amendment unless the Plan is further amended or extended.

ELEVENTH: No Material Changes

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

Dearborn Units Corp., Leonardson, LLC,
Daytona Property LLC and SEF Consulting LLC
Holder of Unsold Shares

DOCUMENT 1

Financial Statements for Year Ending in December 2020

PATRICIA GARDENS OWNERS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

PATRICIA GARDENS OWNERS, INC.

TABLE OF CONTENTS

DECEMBER 31, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT	Page 1
Balance Sheets	2
Statements of (Loss) Income	3
Statements of Retained Earnings (Deficit)	4
Statements of Cash Flows	5-6
Notes to Financial Statements	7-13
INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION	14
Schedule of Budget with Actual Operating Amounts	15-16



BLOOM AND STREIT LLP
CERTIFIED PUBLIC ACCOUNTANTS

ROGER BERMAN, CPA
WILLIAM J. RANK, CPA, CFP
MARK COHEN, CPA
LORI LERMAN, CPA

INDEPENDENT AUDITORS' REPORT

**To the Board
PATRICIA GARDENS OWNERS, INC.**

We have audited the accompanying financial statements of Patricia Gardens Owners, Inc., which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of (loss) income, retained earnings (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 11, the entity has not estimated the remaining lives and replacement costs of the common property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.



BLOOM AND STREIT LLP
Certified Public Accountants
March 4, 2021

PATRICIA GARDENS OWNERS, INC.

Balance Sheets

As of December 31,

	<u>2020</u>	<u>2019</u>
ASSETS		
CURRENT ASSETS		
Cash in Banks	8,847	4,169
Cash in Operating Account	10,115	33,835
Tenants' Accounts Receivable	10,321	10,899
Mortgagee Escrow Deposits	103,190	78,892
Prepaid Expenses	<u>20,593</u>	<u>39,209</u>
Total Current Assets	<u>153,066</u>	<u>167,004</u>
RESERVE FOR CONTINGENCIES		
Cash and Money Funds	<u>380,561</u>	<u>378,336</u>
PROPERTY AND EQUIPMENT -		
Net Book Value	<u>2,045,478</u>	<u>2,107,653</u>
OTHER ASSETS		
Investment in NCB Stock	<u>8,990</u>	<u>8,990</u>
Total Other Assets	<u>8,990</u>	<u>8,990</u>
TOTAL ASSETS	<u>2,588,095</u>	<u>2,661,983</u>

	<u>2020</u>	<u>2019</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	37,867	22,003
Accrued Interest on Mortgage	9,617	9,838
Rents Received in Advance	6,386	10,644
Exchanges Payable	6,319	8,220
First Mortgage Payable - Amortization payments due within one year	<u>70,182</u>	<u>67,207</u>
Total Current Liabilities	<u>130,371</u>	<u>117,912</u>
LONG-TERM LIABILITIES		
Security Deposits	17,225	14,975
First Mortgage Payable (Due after one year)	2,853,278	2,923,460
Less: Unamortized Debt Issuance Costs	<u>(29,276)</u>	<u>(35,131)</u>
Total Long-Term Liabilities	<u>2,841,227</u>	<u>2,903,304</u>
STOCKHOLDERS' DEFICIT		
Common Stock \$1.00 par value; Authorized, 35,000 shares, Issued and Outstanding 33,282	33,282	33,282
Paid-in Capital	1,444,908	1,444,908
Retained Earnings (Deficit)	(1,909,193)	(1,884,923)
Appropriated Retained Earnings:		
Reserve for Contingencies	<u>47,500</u>	<u>47,500</u>
Total Stockholders' Deficit	<u>(383,503)</u>	<u>(359,233)</u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	<u><u>2,588,095</u></u>	<u><u>2,661,983</u></u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Statements of (Loss) Income

For the years ended December 31,

	<u>2020</u>	<u>2019</u>
INCOME		
Carrying Charge	702,552	682,091
Parking Income	20,722	20,520
Resale Waiver Fee	0	3,000
Laundry Room Income	4,800	4,800
NCB Dividend	4,978	2,442
Interest Income	2,303	8,415
Miscellaneous Income	1,816	2,370
Total Income	<u>737,171</u>	<u>723,638</u>
EXPENSES		
Administrative Expenses	55,261	52,287
Utilities Expenses	85,123	73,438
Maintenance Expenses	181,832	148,505
Taxes and Insurance Expenses	242,955	236,234
Financial Expenses	114,740	116,984
Interest Expense - Debt Issuance Costs	5,855	5,855
Total Expenses Before Depreciation	<u>685,766</u>	<u>633,303</u>
NET INCOME BEFORE DEPRECIATION	51,405	90,335
Depreciation Expense	<u>(75,675)</u>	<u>(70,730)</u>
NET (LOSS) INCOME FOR THE YEAR	<u>(24,270)</u>	<u>19,605</u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Statements of Retained Earnings (Deficit)

For the years ended December 31,

	<u>2020</u>	<u>2019</u>
RETAINED EARNINGS (DEFICIT) - Beginning of Year	(1,884,923)	(1,904,528)
Net (Loss) Income for the Year	<u>(24,270)</u>	<u>19,605</u>
RETAINED EARNINGS (DEFICIT) - End of Year	<u>(1,909,193)</u>	<u>(1,884,923)</u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Statements of Cash Flows

For the years ended December 31,

	<u>2020</u>	<u>2019</u>
Cash Flows From Operating Activities		
Net (Loss) Income	(24,270)	19,605
Adjustments to reconcile net (loss) income to net cash (used) provided by operating activities:		
Depreciation	75,675	70,730
Interest Expense - Debt Issuance Costs	5,855	5,855
Revenue allocated to financing activities	(67,207)	(64,971)
Decrease (Increase) in operating assets		
Tenants' Accounts Receivable	578	2,291
Mortgagee Escrow Deposits	(24,298)	(1,518)
Prepaid Expenses	18,616	(2,062)
Increase (Decrease) in operating liabilities:		
Accounts Payable	15,864	(12,384)
Accrued Interest Payable	(221)	(213)
Rents Received in Advance	(4,258)	4,165
Deposits and Exchanges	349	(3,374)
Net cash (used) provided by operating activities	<u>(3,317)</u>	<u>18,124</u>
Cash Flows From Investing Activities		
Purchase of Property and Equipment	<u>(13,500)</u>	<u>(236,518)</u>
Cash Flows From Financing Activities		
Increase in Reserve Funds	(2,225)	194,457
Portion of Carrying Charges applied to Monthly Amortization of Mortgage	67,207	64,971
Monthly Amortization of Mortgage	<u>(67,207)</u>	<u>(64,971)</u>
Net cash (used) provided by financing activities	<u>(2,225)</u>	<u>194,457</u>
Decrease in Cash and Cash Equivalents (carryforward)	(19,042)	(23,937)

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Statements of Cash Flows

For the years ended December 31,

	<u>2020</u>	<u>2019</u>
Decrease in Cash and Cash Equivalents (brought forward)	(19,042)	(23,937)
Cash and Cash Equivalents at Beginning of Year	<u>38,004</u>	<u>61,942</u>
Cash and Cash Equivalents at End of Year (see below)	<u>18,962</u>	<u>38,005</u>
Represented by:		
Cash in Banks and On Hand	8,847	4,169
Cash in Operating Account	<u>10,115</u>	<u>33,835</u>
Cash and Cash Equivalents (as above)	<u>18,962</u>	<u>38,004</u>
Supplemental Disclosure:		
Interest Paid	<u>114,961</u>	<u>117,197</u>
Taxes Paid	<u>2,980</u>	<u>3,070</u>

See accompanying notes and auditors' report

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 1

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. Patricia Gardens Owners, Inc. is a cooperative housing corporation whose primary purpose is to manage the operations of its buildings, consisting of 65 residential apartments, and maintain common elements.

The sponsor elected to treat the transfer of the real property to the cooperative as an exchange in accordance with Section 351 of the Internal Revenue Code. As a result, the cooperative'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 statements.

Note 2

Summary of Significant Accounting Policies

The financial statements have been presented in accordance with the accounting principles prescribed by the audit and accounting guide for common interest realty associations issued by the American Institute of Certified Public Accountants. The guide describes conditions and procedures unique to the industry (including cooperative housing corporations and condominium associations) and illustrates the form and content of the financial statements of common interest realty associations as well as informative disclosures relating to such statements. In addition, the guide requires that all revenues from tenant-stockholders, including maintenance charges and special assessments, be recognized as revenue in the statements of (loss) income.

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

The cooperative classifies its marketable debt securities as "held to maturity" since it has the positive intent and ability to hold the securities to maturity. Securities classified as "held to maturity" are carried at amortized cost.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 2

Summary of Significant Accounting Policies - continued

Tenant-stockholders are subject to monthly charges to provide funds for the cooperative's operating expenses, future capital acquisitions, and major repairs and replacements.

Tenants' Accounts Receivable at the balance sheets date represent various fees due from tenant-stockholders. Any excess charges at year end are retained by the cooperative for use in the succeeding year.

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

Costs incurred in obtaining long-term financing, included under mortgage payable on the balance sheets, are amortized on a straight-line basis, which approximates the effective interest method, over the terms of the related debt agreement. The amortization of these costs are being recognized as interest expense-debt issuance costs on the statements of (loss) income.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The cooperative accounts for certain revenue items differently for financial reporting and income tax purposes. The principal differences are permanent in nature and relate to any portion of maintenance charges and special assessments allocated for mortgage amortization and capital improvements which are being accounted for as contributions to additional paid-in capital for income tax purposes whereas such items are recognized as revenue for financial reporting.

Note 3

Concentration of Credit Risk

The cooperative has investments in money funds which are not bank deposits or F.D.I.C. insured and are not guaranteed by the brokerage house. These funds are subject to investment risks including possible loss of the principal amount invested.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 4

Property and Equipment

Property and Equipment consists of the following:

	<u>2020</u>	<u>2019</u>
Land	689,960	689,960
Building	1,713,000	1,713,000
Building Improvements	2,201,664	2,188,164
Furniture and Fixtures	<u>20,087</u>	<u>20,087</u>
	4,624,711	4,611,211
Less: accumulated depreciation	<u>2,579,233</u>	<u>2,503,558</u>
Total Property and Equipment	<u>2,045,478</u>	<u>2,107,653</u>

Depreciation expense for the years ending December 31, 2020 and 2019 was \$75,675 and \$70,730, respectively.

Note 5

Mortgages Payable

On August 26, 2015, the cooperative refinanced its previous mortgages and line of credit with a new mortgage held by National Cooperative Bank (NCB) in the principal sum of \$3,250,000. The new mortgage which consolidated the prior two mortgages and line of credit previously held by NCB, requires monthly payments in the amount of \$15,180.64, which includes principal and interest calculated at a rate of 3.82% per annum pursuant to a thirty year amortization schedule. The mortgage matures on September 1, 2025 at which time the entire unpaid principal and accrued interest will be due and payable.

Principal maturities of the mortgage are as follows:

2021	70,182
2022	72,949
2023	75,825
2024	78,520
2025	2,625,984

Pursuant to the loan agreement with NCB, the cooperative was required to purchase shares of NCB Class B1 Capital Stock. This stock is reflected on the cooperative's balance sheet with a cost basis of \$8,990. For the year ended December 31, 2020 and 2019, the cooperative received \$4,978 and \$2,442, respectively in patronage dividends.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 6

Reserve Fund

The cooperative maintains a contingency reserve fund to be used for capital repairs, replacements and improvements, or for such other cooperative purposes as are determined by the Board. As of December 31, 2020 and 2019, specific funds held in the Reserve for Contingencies totaled \$380,561 and \$378,336, respectively.

The amount accumulated in the contingency fund may not be adequate to meet all future needs for major repairs and replacements. If additional funds are needed, the cooperative can increase regular carrying charges, pass special assessments, borrow needed funds, or delay major repairs and replacements until funds are available.

Note 7

Sponsor/Holder of Unsold Shares Ownership

As of December 31, 2020 and 2019, the sponsor/holder of unsold shares owned approximately 29% of the outstanding shares of the cooperative's stock, representing eighteen apartments. As of that date, the sponsor/holder of unsold shares was current in the payment of carrying charges.

The most recent Disclosure Statement filed with the Attorney General's Office (seventeenth amendment to the Cooperative Offering Plan) dated July 16, 2019, indicates that the aggregate monthly maintenance for all unsold shares is \$17,595. The aggregate monthly rents received from tenants residing in the apartments owned by the sponsor/holder of unsold shares is \$28,563. No subsequent amendments have been filed.

Note 8

Benefits

The cooperative participated in the 32BJ North Pension Fund, Employer Identification Number 13-1819138, Plan 001, for the years ended December 31, 2020 and 2019. The cooperative participated in this multi-employer plan, for the years ended December 31, 2020 and 2019 under the terms of collective-bargaining agreements that cover its union represented employees. This collective bargaining agreement expires September 30, 2022 and the cooperative has no intention of withdrawing from the plan.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 8

Benefits - continued

The risks of participating in multi-employer plans are different from single-employer plans for the following reasons: 1) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, 2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers and 3) if the cooperative chooses to stop participating in its multi-employer pension plan, the cooperative may be required to pay the plan an amount based on the underfunded status of the plan, which is referred to as a withdrawal liability.

The zone status is based on information that the cooperative received from the plan and is certified by the plan's actuary. Plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded and plans in the green zone are at least 80 percent funded. The most recent Pension Protect Act (PPA) zone status available is for the plan's year-end beginning January 1, 2020 and 2019. The certified zone status for the plan for 2020 and 2019 was green and red, respectively. A rehabilitation plan was implemented for 2019 which involved a surcharge to the cooperative.

In addition to the Pension Fund, the cooperative also participated in a Health Fund for the years ended December 31, 2020 and 2019. The fund provides health benefits (medical, surgical, hospital, prescription drugs, behavioral health, optical, dental) and life insurance coverage for eligible participants and their covered dependents. Retired employees are eligible for health benefits if they retire before age 65, but after age 62; accumulated 15 combined years of pension service credit; worked both 90 days immediately before retirement and at least 36 months of the 60 months before retiring; and are receiving an early or regular retirement pension from the 32BJ North Pension Fund. These benefits continue for the retired employee and eligible dependents until they become eligible for Medicare, until age 65, or until the retiree's pension is suspended, whichever occurs first.

The cooperative made the following contributions to the plans:

	<u>2020</u>	<u>2019</u>
Pension Contributions	4,288	4,008
Health Contributions	19,068	18,408

The cooperative's contributions to the plan were not greater than 5% of the plan's total contributions.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 9

Real Estate Taxes - Tax Abatements

The cooperative is entitled to and has received tax abatements on behalf of its stockholders during 2020 and 2019. The abatements, which include Star and Veterans abatements (where applicable) have been passed on to the stockholders by direct payment or as a credit against carrying charges. Any undistributed abatements as of the fiscal year end have been included on the Balance Sheets in Current Liabilities as Exchanges Payable. As the abatements benefit the stockholders, the real estate tax expense reflected in these financial statements is gross of all the aforementioned tax abatements.

Note 10

Income Taxes

Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. Under Subchapter T, income from non-patronage sources in excess of expenses properly attributable thereto may be subject to tax. The cooperative believes that all of its income is patronage sourced. Accordingly, no provisions for taxes, if any, that could result from the application of Subchapter T to the cooperative's income has been reflected in the accompanying financial statements. New York State Franchise taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the cooperative's capital base.

Losses incurred in years prior to 2018, may be carried forward for twenty years from the year incurred and may be used to offset 100% of taxable income. Due to a change in the tax law, federal net operating losses incurred in 2018 and thereafter may be carried forward indefinitely, but may only be used to offset 80% of taxable income each year. This law was subsequently modified under the CARES Act, which was enacted March 27, 2020. Under the CARES Act, the 80% taxable income limitation is delayed until years beginning after December 31, 2020. The 80% limitation will apply to any net operating loss arising in a year beginning after December 31, 2017 and deducted for a year beginning after December 31, 2020. Additionally, the Act provides that for losses arising in 2018, 2019 and 2020, such loss shall be a net operating loss carryback to each of the prior five taxable years. Additionally, as is the case under pre-2018 law, the taxpayer may make an election to waive the carryback and instead treat losses arising in these years as net operating loss carryovers.

PATRICIA GARDENS OWNERS, INC.

Notes to Financial Statements

December 31, 2020 and 2019

Note 10

Income Taxes - continued

As of December 31, 2020, the cooperative has available federal net operating loss carryforwards to apply to future taxable income of approximately \$1,852,000. These net operating loss carryforwards consist of carryforwards of approximately \$1,589,000 which expire beginning in 2021 and continuing through 2037 and carryforwards of approximately \$263,000 which were incurred in 2018 and thereafter. New York State substantially limits the use of these net operating loss carryforwards.

In accordance with accounting rules for uncertainty in income tax guidance, which clarifies the accounting and recognition for tax positions taken or expected to be taken in its income tax returns, the cooperative's tax filings are subject to audit by various taxing authorities. The cooperative's federal and state income tax returns for the last three years remain open to examination. In evaluating its tax provisions and accruals, the cooperative believes that its estimates are appropriate based on current facts and circumstances.

Note 11

Future Major Repairs and Replacements

The cooperative 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 cooperative may borrow, utilize available cash, 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 12

Subsequent Events

Management has evaluated subsequent events through March 4, 2021, the date at which the financial statements became available for issuance. No events have occurred that would require adjustments to, or disclosure in, the financial statements.

**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

**To the Board
PATRICIA GARDENS OWNERS, INC.**

We have audited the financial statements of Patricia Gardens Owners, Inc. as of and for the years ended December 31, 2020 and 2019, and our report thereon dated March 4, 2021, which expressed an unqualified opinion on those financial statements, appears on Page 1. Our audits were performed for the purpose of forming an opinion on the financial statements as a whole. The schedule of budget with actual operating amounts, which is the responsibility of the entity's management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information, except for the portion marked "unaudited" was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. That information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information is fairly stated in all material respects in relation to the financial statements as a whole. The information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Bloom and Streit LLP

**BLOOM AND STREIT LLP
Certified Public Accountants
March 4, 2021**

PATRICIA GARDENS OWNERS, INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>Dec. 31, 2020</u> (Unaudited)	Actual Year Ended <u>Dec. 31, 2020</u>	Actual Year Ended <u>Dec. 31, 2019</u>
RECEIPTS			
Carrying Charges	702,552	702,552	682,091
Parking Income	20,700	20,722	20,520
Resale Waiver Fee	0	0	3,000
Laundry Room Income	4,800	4,800	4,800
NCB Dividend	0	4,978	2,442
Interest and Miscellaneous Income	3,000	4,119	10,785
Total Receipts	<u>731,052</u>	<u>737,171</u>	<u>723,638</u>
EXPENDITURES			
ADMINISTRATIVE EXPENSES			
Management Fee	33,000	33,000	30,000
Legal Expense	5,000	875	3,249
Auditing	9,800	9,800	9,350
Telephone	2,000	1,971	1,897
Office and Administrative Expenses	6,000	9,615	7,791
Total Administrative Expenses	<u>55,800</u>	<u>55,261</u>	<u>52,287</u>
UTILITIES EXPENSES			
Heat	55,000	38,364	31,886
Electricity and Gas	12,500	12,334	11,745
Water	23,500	34,425	29,807
Total Utilities Expenses	<u>91,000</u>	<u>85,123</u>	<u>73,438</u>
MAINTENANCE EXPENSES			
Payroll and Additional Labor	88,000	106,813	89,922
Supplies	12,000	15,902	13,099
Repairs and Maintenance	25,000	37,870	20,388
Landscaping and Trees	22,000	16,991	20,858
Exterminating	5,500	4,256	4,238
Total Maintenance Expenses	<u>152,500</u>	<u>181,832</u>	<u>148,505</u>

See auditors' report on supplementary information

PATRICIA GARDENS OWNERS, INC.

Schedule of Budget with Actual Operating Amounts

	Budget Year Ended <u>Dec. 31, 2020</u> (Unaudited)	Actual Year Ended <u>Dec. 31, 2020</u>	Actual Year Ended <u>Dec. 31, 2019</u>
TAXES AND INSURANCE			
Real Estate Taxes	173,000	167,115	163,940
Payroll Taxes	4,500	5,351	4,444
Insurance	45,000	43,381	41,386
Union Welfare and Pension Fund	24,250	24,128	23,394
Franchise Taxes	3,000	2,980	3,070
Total Taxes and Insurance	<u>249,750</u>	<u>242,955</u>	<u>236,234</u>
FINANCIAL EXPENSES			
Interest on Mortgage	114,740	114,740	116,984
Total Financial Expenses	<u>114,740</u>	<u>114,740</u>	<u>116,984</u>
CONTRIBUTIONS TO EQUITY			
Amortization of Mortgage	67,208	67,207	64,971
Total Contributions to Equity	<u>67,208</u>	<u>67,207</u>	<u>64,971</u>
Total Expenditures	<u>730,998</u>	<u>747,118</u>	<u>692,419</u>
NET SURPLUS (DEFICIT) FOR THE YEAR	<u>54</u>	<u>(9,947)</u>	<u>31,219</u>

See auditors' report on supplementary information

DOCUMENT 2

2022 Budget

PATRICIA GARDENS OWNERS, INC.

APPROVED OPERATING BUDGET

For the Year Ending December 31, 2022

RECEIPTS

CARRYING CHARGES - APARTMENTS	723,629 (*)	
PARKING INCOME	20,700	
NCB DIVIDEND	3,000	
LAUNDRY ROOM INCOME	4,800	
INTEREST AND MISCELLANEOUS INCOME	2,000	
TOTAL RECEIPTS		754,129

EXPENDITURES

ADMINISTRATIVE EXPENSES

MANAGEMENT FEE	33,000	
LEGAL FEE AND DISBURSEMENTS	2,000	
AUDITING	10,300	
TELEPHONE/INTERNET/BOILER ALARM	2,000	
OFFICE AND ADMINISTRATIVE EXPENSES	7,000	
TOTAL ADMINISTRATIVE EXPENSES		54,300

UTILITIES EXPENSES

HEATING FUEL	55,000	
ELECTRICITY & GAS	13,000	
WATER	32,000	
TOTAL UTILITIES EXPENSES		100,000

MAINTENANCE EXPENSES

MAINTENANCE PAYROLL	67,000	
ADDITIONAL LABOR	25,000	
SUPPLIES	13,000	
LANDSCAPING AND TREE WORK	20,000	
SNOW REMOVAL	2,000	
REPAIRS AND MAINTENANCE	27,000	
EXTERMINATING	4,000	
TOTAL MAINTENANCE EXPENSES		158,000

PATRICIA GARDENS OWNERS, INC.
APPROVED OPERATING BUDGET (cont'd)
For the Year Ending December 31, 2022

TAXES AND INSURANCE

REAL ESTATE TAXES	173,500	
PAYROLL TAXES	5,000	
INSURANCE	50,000	
UNION WELFARE AND PENSION FUND	27,000	
NEW YORK STATE FRANCHISE TAX	1,700	
TOTAL TAXES AND INSURANCE		257,200

FINANCIAL EXPENSES

INTEREST ON FIRST MORTGAGE		109,223
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CONTRIBUTIONS TO EQUITY

AMORTIZATION OF FIRST MORTGAGE		72,949
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TOTAL EXPENDITURES		751,672
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NET SURPLUS		2,457
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(*) Carrying Charges reflect an approved increase of 3%, effective January 1, 2022.

DOCUMENT 3

Unsold Shares Owned by Dearborn Units Corp.

Unit	Maintenance	Shares	Rent	Purchase Price
1829 #1B	\$905.94	515	\$1,650.00	\$194,695.12
1829 #3D	\$721.23	410	\$1,700.00	\$155,000.00
1833 #2F	\$946.86	507	\$795.07	\$191,671.35
1833 #3J	\$985.09	560	\$1,540.00	\$211,708.00
1825 #1D	\$774.00	440	\$1,900.00	\$166,342.00

Unsold Shares Owned by LEONARDSON, LLC

Unit	Maintenance	Shares	Rent	Purchase Price
1825 #2B	\$1,163.23	630	\$870.61	\$238,171.50
1825 #3C	\$870.75	495	1,575.00	\$187,134.75
1833 #3A	\$738.82	420	\$1,650.00	\$158,781.00
1833 #3C	\$1,180.82	640	\$1,900.00	\$241,952.00
1833 #3K	\$985.09	560	\$696.08	\$211,708.00

Unsold Shares Owned by SEF CONSULTING LLC

Unit	Maintenance	Shares	Rent	Purchase Price
1825 #3F	\$1,125.82	640	\$2,050.00	\$241,952.00
1829 #2C	\$1,108.23	630	\$2,275.00	\$238,171.50
1829 #2G	\$649.11	369	\$1,365.00	\$139,500.45
1829 #1C	\$1,125.82	640	\$2,005.00	\$241,952.00
1833 #1K	\$1,029.06	585	\$2,000.00	\$221,159.25
1833 #3E	\$1,039.93	615	\$2,225.00	\$232,500.75

Unsold Shares Owned by DAYTONA PROPERTY LLC

Unit	Maintenance	Shares	Rent	Purchase Price
1829 #1F	\$1,143.40	650	\$1,900.00	\$245,732.50
1833 #3B	\$861.96	490	\$1,590.00	\$185,244.50

Document 4
Revised Purchase Agreement

RIDER TO CONTRACT OF SALE DATED _____, 20__
BETWEEN
_____, **AS SELLER,**
AND
_____, **AS PURCHASER**
FOR APARTMENT _____
AT _____

31. In the event of any inconsistency between the provisions of this Rider and the provisions of the printed form ("Printed Form") (collectively referred to herein as the "Contract") to which it is annexed, the provisions of this Rider shall govern and be binding.

32. Add the following to Paragraph 11 of the Printed Form at the end thereof:

"11.8 If the Corporation or its managing agent charges separately for a credit check on Purchaser and/or members of Purchaser's family, such fee shall be paid by Purchaser, regardless of whether the transaction is approved or whether the transaction is approved in accordance with Paragraph 6 herein."

33. Add the following to Paragraph 12.1 of the Printed Form at the end thereof:

"The parties agree to indemnify and hold each other harmless from and against any and all claims, judgments, liabilities, costs or expenses, including without limitation, reasonable attorneys' fees to the prevailing party, arising out of any breach of the other parties' representation contained in Paragraph 12 or in connection with any claim for a brokerage commission, finders' fee or similar fee. The provisions and representation contained in this Paragraph shall survive the closing."

34. Add the following to Paragraph 4.1.9.2 of the Printed Form herein at the end thereof:

"The notation of judgment liens, tax liens or mechanics liens which do not affect the Unit and are not against the Seller shall not be deemed a lien against the Unit provided Seller deliver at Closing an affidavit stating that such liens are not liens against the Unit or the Seller and did not arise from Seller's acts or the acts of Seller's agents, provided that Purchaser's lender will fund with any such liens or judgments."

36. Notwithstanding the provisions of Paragraph 4.1.5, which remains in effect, Seller makes no representation that the Maintenance set forth in Paragraph 1.17 of this

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Contract and/or the Assessment as set forth in Paragraph 1.18 of this Contract, if any, or the nonexistence thereof, shall be the same at the Closing. Purchaser shall independently confirm the actual Maintenance and/or Assessment with Management for the Corporation.

37. Supplementing paragraphs 3.1 and 7.1 of the Printed Form, and notwithstanding anything to the contrary contained in this Contract except as stated herein below, Seller is not obligated to install any equipment or appliances in the Unit or to make any repairs, improvements or decorations to the Unit or its equipment, appliances and fixtures, except to deliver the appliances to the extent same is the Seller's responsibility to maintain, in working order at the Closing, and to the best of Sellers' actual knowledge, and solely to the extent that Sellers are responsible for such maintenance, Sellers represent that the plumbing, electrical, heating and air conditioning systems shall be in working order and the Unit is free of leaks and/or any water damage at closing.

38. Purchaser warrant and represent that with financing permitted hereunder, Purchaser has assets sufficient to complete this transaction.

39. (a) Seller cannot state to a maximum certainty that a lead-based substance has been used on the Premises. Purchaser may, at Purchaser's own cost and expense, within ten (10) days from the date of this Contract, have the premises inspected or have a risk assessment of the Premises conducted by a certified company for the purpose of determining if there is a lead-based substance on the Premises. In the event a lead-based substance is found on the Premises, a copy of the results of the inspection and/or risk assessment shall be provided on the Seller's attorney within twenty (20) days from the date hereof. Upon receipt and review of said report by the Seller's attorney, Seller may do one of the following: (a) eliminate or remove the lead-based substance using a certified or licensed remover, in which even Purchaser agrees to continue with the Contract, (b) terminate this Contract by refunding the down payment to the Purchaser, and upon receipt by the Purchaser of the down payment this Contract shall be null and void and shall have no further force or effect or (c) Seller and Purchaser shall mutually determine the terms and conditions upon which this transaction shall proceed.

(b) The parties hereto agree to execute the attached "Disclosure of information on Lead Based Paint and Lead Based Paint Hazards", attached hereto as Exhibit "A". Purchaser acknowledges that they have received the pamphlet Protect Your Family From Lead in Your Home.

40. Acceptance by Purchaser of the Shares and Proprietary Lease of the Corporation shall constitute full performance and discharge of every agreement and obligation on the part of Seller to be performed pursuant to the provisions hereof except those obligations that survive closing.

41. The submission of this contract by Seller or Seller's attorneys to Purchaser does not constitute an offer or an acceptance of an offer. This contract shall not be binding upon the Seller unless (i) the same has been fully executed by Purchaser and Seller and a fully-executed copy has been delivered to each party or their respective attorneys named above; and

(ii) Purchaser has paid the Contract Deposit pursuant to Paragraph 1.16.1 of the contract.

42. This contract shall not be recorded by Purchaser. Any recordation or attempted recordation by Purchaser hereof shall be void and shall constitute a default.

43. Seller reserves the right to include in this transaction an IRC, Section 1031 tax deferred exchange for the benefit of Seller, at no cost, expense or liability to Purchaser. Purchaser further agrees to execute any and all documents (subject to the reasonable approval of Purchaser's counsel) as are reasonably necessary in connection therewith, provided that the closing of this transaction for the conveyance of Seller's property shall not be contingent upon or subject to the completion of such exchange.

44. Purchaser acknowledges that Seller or Seller's affiliate corporations are licensed real estate brokers. Seller shall be obligated to pay any commission due to Seller or Seller's affiliate.

45. Purchaser shall pay the real estate transfer taxes which are normally the Seller's obligation to pay in connection with the sale of the Apartment.

Seller:

Purchaser:

By: _____

ESCROW AGENT:

KAGAN LUBIC LEPPER FINKELSTEIN & GOLD, LLP

By: _____

ESCROW RIDER

1. The law firm of Kagan, Lubic, Lepper, Finkelstein & Gold, LLP, with an address at 200 Madison Avenue, 24th Floor, New York, NY 10016, telephone number 212-252-0300, shall serve as escrow agent ("Escrow Agent") for Sponsor and Purchaser. Escrow Agent has designated the following attorneys to serve as signatories: Jack E. Lepper and Ronald Jay Gold. All designated signatories are admitted to practice law in the State of New York. Neither the Escrow Agent nor any authorized signatories on the account are the Sponsor, Selling Agent, Managing Agent, or any principal thereof, or have any beneficial interest in any of the foregoing.
2. Escrow Agent and all authorized signatories hereby submit to the jurisdiction of the State of New York and its Courts for any cause of action arising out of the Purchase Agreement or otherwise concerning the maintenance of release of the Deposit from escrow.
3. The Escrow Agent has established the escrow account at TD Bank located at 475 Park Avenue South, New York, New York 10016, in the State of New York ("Bank"), a bank authorized to do business in the State of New York. All references to the address of the Bank set forth in the Plan shall be revised accordingly. The escrow account is entitled Kagan Lubic Lepper Finkelstein & Gold, LLP, Attorney Escrow Account ("Escrow Account"). The Escrow Account is federally insured by the FDIC at the maximum amount of \$250,000 per deposit. Any deposit in excess of \$250,000 will not be insured. In addition, the Escrow Account is not an Interest On Lawyer (IOLA) Account.
4. All Deposits received from Purchaser shall be in the form of checks, money orders, wire transfers, or other instruments, and shall be made payable to or endorsed by the Purchaser to the order of Kagan, Lubic Lepper, Finkelstein & Gold, as Escrow Agent.
5. The interest rate for all Deposits made into the Escrow Account shall be the prevailing rate for such accounts. Interest shall begin to accrue upon placing the Deposit into the Escrow Account. All interest earned thereon shall be paid to or credited to the Purchaser at closing. No fees of any kind may be deducted from the Escrow Account, and the Sponsor shall bear all costs associated with the maintenance of the Escrow Account.
6. Within five (5) business days after the Purchase Agreement has been tendered to Escrow Agent along with the Deposit, the Escrow Agent shall sign the Purchase Agreement/Escrow Agreement and place the Deposit into the Escrow Account. Within ten (10) business days of the placing the deposit in the Escrow Account, Escrow Agent shall provide written notice to Purchaser and Sponsor, confirming the Deposit. The notice shall provide the account number and the initial interest rate to be earned on the Deposit. Any Deposits made for upgrades, extras, or custom work shall be initially deposited into the Escrow Account, and released in accordance to the terms of the Purchase Agreement/Escrow Agreement.
7. The Escrow Agent is obligated to send notice to the Purchaser once the Deposit is placed in the Escrow Account. If the Purchaser does not receive notice of such deposit within fifteen (15) business days after tender of the Deposit, he or she may cancel the Purchase Agreement

within ninety (90) days after tender of the Purchase Agreement and Deposit to Escrow Agent. Complaints concerning the failure to honor such cancellation requests may be referred to the New York State Department of Law, Real Estate Finance Bureau, 28 Liberty Street, New York, N.Y. 10271. Rescission shall not be afforded where proof satisfactory to the Attorney General is submitted establishing that the Deposit was timely placed in the Escrow Account in accordance with the New York State Department of Law's regulations concerning Deposits and requisite notice was timely mailed to the Purchaser.

8. All Deposits, except for advances made for upgrades, extras, or custom work received in connection with the Purchase Agreement, are and shall continue to be the Purchaser's money, and may not be comingled with any other money or pledged or hypothecated by Sponsor, as per GBL § 352-h.

9. Under no circumstances shall Sponsor seek or accept release of the Deposit of a defaulting Purchaser until after consummation of the Plan, as evidenced by the acceptance of a post-closing amendment by the New York State Department of Law. Consummation of the Plan does not relieve the Sponsor of its obligations pursuant to GBL §§ 352-e(2-b) and 352-h.

10. The Escrow Agent shall release the Deposit if so directed:

(a) pursuant to terms and conditions set forth in the Purchase Agreement in upon closing of title to the Shares; or

(b) in a subsequent writing signed by both Sponsor and Purchaser; or

(c) by a final, non-appealable order or judgment of a court.

If the Escrow Agent is not directed to release the Deposit pursuant to paragraphs (a) through (c) above, and the Escrow Agent receives a request by either party to release the Deposit, then the Escrow Agent must give both the Purchaser and Sponsor prior written notice of not fewer than thirty (30) days before releasing the Deposit. If the Escrow Agent has not received notice of objection to the release of the Deposit prior to the expiration of the thirty (30) day period, the Deposit shall be released and the Escrow Agent shall provide further written notice to both parties informing them of said release. If the Escrow Agent receives a written notice from either party objecting to the release of the Deposit within said thirty (30) day period, the Escrow Agent shall continue to hold the Deposit until otherwise directed pursuant to paragraphs (a) through (c) above. Notwithstanding the foregoing, the Escrow Agent shall have the right at any time to deposit the Deposit contained in the Escrow Account with the clerk of the county where the building is located and shall give written notice to both parties of such deposit.

The Sponsor shall not object to the release of the Deposit 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.

The Department of Law may perform random reviews and audits of any records involving the Escrow Account to determine compliance with all applicable statutes and regulations.

11. Any provision of the Purchase Agreement or separate agreement, whether oral or in writing, by which a Purchaser purports to waive or indemnify any obligation of the Escrow Agent holding any Deposit in trust is absolutely void. The provisions of the Attorney General's regulations and GBL §§ 352-e(2-b) and 352-h concerning escrow trust funds shall prevail over any conflicting or inconsistent provisions in the Purchase Agreement, Plan, or any amendment thereto.

12. Escrow Agent shall maintain the Escrow Account under its direct supervision and control.

13. A fiduciary relationship shall exist between Escrow Agent and Purchaser, and Escrow Agent acknowledges its fiduciary and statutory obligations pursuant to GBL §§ 352-e(2-b) and 352(h).

14. Escrow Agent may rely upon any paper or document which may be submitted to it in connection with its duties under this Purchase Agreement and which is believed by Escrow Agent to be genuine and to have been signed or presented by the proper party or parties and shall have no liability or responsibility with respect to the form, execution, or validity thereof.

15. Sponsor agrees that it shall not interfere with Escrow Agent's performance of its fiduciary duties and statutory obligations as set forth in GBL §§ 352-e(2-b) and 352-(h) and the New York State Department of Law's regulations.

16. Sponsor shall obtain or cause the selling agent under the Plan to obtain a completed and signed Form W-9 or W-8, as applicable, from Purchaser and deliver such form to Escrow Agent together with the Deposit and this Purchase Agreement.

17. Prior to release of the Deposit, Escrow Agent's fees and disbursements shall neither be paid by Sponsor from the Deposit nor deducted from the Deposit by any financial institution under any circumstance.

18. Sponsor agrees to defend, indemnify, and hold Escrow Agent harmless from and against all costs, claims, expenses and damages incurred in connection with or arising out of Escrow Agent's responsibilities arising in connection with this Purchase Agreement or the performance or non-performance of Escrow Agent's duties under this Purchase Agreement, except with respect to actions or omissions taken or suffered by Escrow Agent in bad faith or in willful disregard of the obligations set forth in this Purchase Agreement or involving gross negligence of Escrow Agent. This indemnity includes, without limitation, disbursements and attorneys' fees

either paid to retain attorneys or representing the hourly billing rates with respect to legal services rendered by Escrow Agent to itself.

Seller:

Purchaser:

By: _____

ESCROW AGENT:

KAGAN LUBIC LEPPER FINKELSTEIN & GOLD, LLP

By: _____