

NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2003 and 2002

NAGLE APARTMENTS CORP.

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INDEPENDENT AUDITORS' REPORT

To The Board of Directors and Shareholders
Nagle Apartments Corp.
31, 37 Nagle Avenue
14 Bogardus Place
New York, NY 10040

We have audited the accompanying balance sheet of Nagle Apartments Corp. as of December 31, 2003 and 2002, and the related statements of operations (with supporting schedules), changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nagle Apartments Corp. as of December 31, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Nagle Apartments Corp. has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is required to supplement, although not required to be a part of, the basic financial statements.

Newman, Newman & Kaufman, LLP

Newman, Newman & Kaufman, LLP
Certified Public Accountants

January 29, 2004

NAGLE APARTMENTS CORP.

BALANCE SHEET

December 31,	2003	2002
Assets		
Current Assets:		
Cash and cash equivalents:		
Operating account	\$ -	\$ 52,227
Working capital	159,623	95,017
Mortgage escrow	3,071	28,977
	162,694	176,221
Receivables:		
Maintenance - apartments	25,350	12,565
Due from vendors	5,919	4,183
	31,269	16,748
Prepaid expenses:		
Real estate tax	38,681	36,996
Water and sewer	24,979	23,901
Insurance	6,104	16,208
Fuel inventory	-	2,856
	69,764	79,961
Total Current Assets	263,727	272,930
Property and Improvements: (Notes 2 and 4)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	1,087,792	696,967
Total	3,200,792	2,809,967
Less: accumulated depreciation	(1,336,088)	(1,260,009)
Net Property and Improvements	1,864,704	1,549,958
Other Assets:		
Notes receivable (Note 3)	39,779	44,261
Investment in NCB Class B1 Stock (Note 2)	20,783	3,000
Unamortized mortgage costs (Note 2)	60,259	26,849
Deferred lease costs (Note 2)	47,228	-
Cash: security deposits	5,950	-
	173,999	74,110
Total Other Assets	173,999	74,110
Total Assets	\$ 2,302,430	\$ 1,896,998

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

BALANCE SHEET

December 31,	2003	2002
Liabilities		
Current Liabilities:		
Cash operating - overdraft	\$ 1,234	\$ -
Accounts payable	86,291	40,088
Mortgage payable - current portion	72,491	-
Building improvements payable	50,202	48,829
Due to shareholders - real estate tax abatements	25,484	17,868
Accrued mortgage interest	13,897	11,500
Advance maintenance	1,990	2,946
Accrued corporation taxes	401	310
Insurance loan payable	-	8,015
Accrued line of credit interest	<u>-</u>	<u>1,594</u>
Total Current Liabilities	<u>251,990</u>	<u>131,150</u>
Long-Term Liabilities:		
Mortgage payable - net of current portion (Note 5)	2,587,269	1,725,000
Security deposits payable	5,413	6,451
NCB line of credit (Note 5)	<u>-</u>	<u>450,000</u>
Total Long-Term Liabilities	<u>2,592,682</u>	<u>2,181,451</u>
Total Liabilities	<u>2,844,672</u>	<u>2,312,601</u>
Stockholders' Equity		
Common stock - \$1.00 par value, 15,000 shares authorized, 12,120 shares issued	12,120	12,120
Paid-in capital in excess of par value	175,880	175,880
Paid-in capital from treasury stock (Note 6)	159,408	159,408
Accumulated deficit	(722,565)	(595,926)
Less: treasury stock at cost (2,085 shares) (Note 6)	<u>(167,085)</u>	<u>(167,085)</u>
Total Stockholders' Equity	<u>(542,242)</u>	<u>(415,603)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,302,430</u>	<u>\$ 1,896,998</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENT OF OPERATIONS

Year Ended December 31,	2003	2002
Revenue		
Maintenance	\$ 655,943	\$ 655,943
Garage income	80,000	-
Other shareholder fees	18,595	14,630
Laundry	8,100	8,100
Interest and dividend income	4,331	2,732
Shareholder interest income	<u>3,234</u>	<u>3,725</u>
Total Revenue	<u>770,203</u>	<u>685,130</u>
Cost of Operations		
Administrative expenses	Schedule 1 64,545	138,414
Operating expenses	Schedule 2 327,061	283,985
Repairs and maintenance	Schedule 3 76,185	77,594
Interest expense	165,289	152,440
Real estate tax	150,867	120,231
Corporation taxes	<u>3,107</u>	<u>1,390</u>
Total Cost of Operations	<u>787,054</u>	<u>774,054</u>
Loss from operations before special items and depreciation and amortization expense	(16,851)	(88,924)
Unsold unit expenses	(20,034)	(9,400)
Write-down of garage rental arrears (Note 7)	<u>-</u>	<u>32,294</u>
Loss Before Depreciation and Amortization	(36,885)	(130,618)
Depreciation and amortization expense	<u>(89,754)</u>	<u>(82,994)</u>
Net Loss For The Year	<u><u>(\$ 126,639)</u></u>	<u><u>(\$ 213,612)</u></u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

Year Ended December 31,	2003	2002
Administrative Expenses:		
	Schedule 1	
Management fee	\$ 35,000	\$ 32,500
Professional fees	14,497	94,377
Other administrative	11,289	7,916
Telephone and communications	<u>3,759</u>	<u>3,621</u>
Total Administrative Expenses	<u>\$ 64,545</u>	<u>\$ 138,414</u>
Operating Expenses:		
	Schedule 2	
Utilities		
Fuel and gas heat	\$ 86,743	\$ 66,364
Water and sewer	48,880	46,029
Gas and electricity	<u>19,523</u>	<u>15,095</u>
	<u>155,146</u>	<u>127,488</u>
Payroll		
Wages	94,531	95,565
Union benefits	11,934	11,214
Payroll taxes	7,531	7,610
Workers' compensation and disability insurance	<u>7,313</u>	<u>5,780</u>
	<u>121,309</u>	<u>120,169</u>
Other		
Insurance	46,620	31,334
Permits and miscellaneous operating	<u>3,986</u>	<u>4,994</u>
	<u>50,606</u>	<u>36,328</u>
Total Operating Expenses	<u>\$ 327,061</u>	<u>\$ 283,985</u>
Repairs and Maintenance:		
	Schedule 3	
Materials and supplies	\$ 15,589	\$ 15,073
Grounds, landscaping and exterior repairs	14,840	13,448
Elevator contract and repair	13,635	16,826
Heating and boiler repairs	7,014	2,376
Plumbing	6,899	11,968
Painting, plastering and flooring	6,180	5,491
Exterminating	4,993	4,880
Compactor and rubbish removal	3,505	-
Equipment repair	3,386	3,565
Intercom and miscellaneous	144	945
Doors, locks and windows	<u>-</u>	<u>3,022</u>
Total Repairs and Maintenance	<u>\$ 76,185</u>	<u>\$ 77,594</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31,	2003	2002
Common Stock		
Balance - January 1,	\$ 12,120	\$ 12,120
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 12,120</u>	<u>\$ 12,120</u>
Paid-In Capital in Excess of Par Value		
Balance - January 1,	\$ 175,880	\$ 175,880
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 175,880</u>	<u>\$ 175,880</u>
Paid-In Capital From Treasury Stock		
Balance - January 1,	\$ 159,408	\$ 159,408
Transactions during the year	<u>-</u>	<u>-</u>
Balance - December 31,	<u>\$ 159,408</u>	<u>\$ 159,408</u>
Accumulated Deficit		
Balance - January 1,	(\$ 595,926)	(\$ 382,314)
Net loss for the year	<u>(126,639)</u>	<u>(213,612)</u>
Balance - December 31,	<u>(\$ 722,565)</u>	<u>(\$ 595,926)</u>
Treasury Stock		
Balance - January 1, (2,085 and 540 shares)	(\$ 167,085)	(\$ 17,085)
Acquisition of 1,545 shares at cost	<u>-</u>	<u>(150,000)</u>
Balance - December 31, (2,085 shares)	<u>(\$ 167,085)</u>	<u>(\$ 167,085)</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENT OF CASH FLOWS

Year Ended December 31,	2003	2002
Cash Flows From Operating Activities		
Net loss for the year	(\$ 126,639)	(\$ 213,612)
Adjustments to reconcile net loss to cash (used) provided by operating activities:		
Depreciation and amortization	89,754	82,994
Other changes that provided (used) cash:		
Receivables	(14,521)	181,140
Prepaid expenses	10,197	(20,586)
Escrow account	-	53,739
Deferred lease costs	(47,228)	-
Security deposits	(5,950)	-
Accounts payable	46,203	5,154
Other current liabilities	773	14,734
Security deposits payable	(1,038)	(4,286)
Total Adjustments	<u>78,190</u>	<u>312,889</u>
Cash (Used) Provided By Operating Activities	<u>(48,449)</u>	<u>99,277</u>
Cash Flows From Investing Activities		
Purchase of NCB stock (Note 2)	(20,783)	-
NCB stock redemption	3,000	-
Proceeds from notes receivable (Note 3)	4,482	4,203
Increase in building improvements (Note 4)	(390,825)	(75,396)
Increase in building improvements payable	<u>1,373</u>	<u>48,829</u>
Cash Used By Investing Activities	<u>(402,753)</u>	<u>(22,364)</u>
Cash Flows From Financing Activities		
Proceeds from refinanced mortgage (Note 5)	2,700,000	-
Repayment of mortgage payable	(1,725,000)	-
Repayment of line of credit	(450,000)	(300,000)
Increase in unamortized mortgage costs	(47,085)	(15,150)
Amortization of mortgage payable	(40,240)	-
Principal payment of mortgage	-	(25,000)
Proceeds from line of credit	-	450,000
Acquisition of treasury stock (Note 6)	<u>-</u>	<u>(150,000)</u>
Cash Provided (Used) By Financing Activities	<u>437,675</u>	<u>(40,150)</u>
Net change in cash and cash equivalents	(13,527)	36,763
Cash and cash equivalents at beginning of year	<u>176,221</u>	<u>139,458</u>
Cash and cash equivalents at end of year	<u>\$ 162,694</u>	<u>\$ 176,221</u>
Supplemental Disclosures		
Interest paid	\$ 164,485	\$ 154,737
Corporation taxes paid	\$ 3,016	\$ 600

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 1. ORGANIZATION

On May 20, 1980, Nagle Apartments Corp. (the "Corporation") was formed in order to acquire the property at 31, 37 Nagle Avenue, 14 Bogardus Place, New York, New York. The Corporation acquired the land and building on August 3, 1982. It is a qualified Cooperative Housing Corporation under Section 216(b)(1) of the Internal Revenue Code and contains 111 apartments. The primary purpose of the Corporation is to manage the operations of the property and maintain the common elements.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Property and Improvements

Property and improvements are stated at cost. The building is depreciated on the straight-line method over an estimated life of thirty-five years. Building improvements are depreciated on the straight-line method over estimated lives of twenty-seven and one-half years. Maintenance and repairs that do not increase the useful life of an asset are expensed as incurred.

Investment in NCB Stock

As part of the refinancing, the Corporation purchased \$20,783 of Class B1 Stock of the bank. Each year, NCB distributes its surplus income to its members/borrowers as a return on the one percent of stock purchase.

Deferred Expenses

Deferred lease costs associated with the garage lease are amortized over the terms of the lease. Mortgage financing costs incurred as part of the Corporation's refinancing transactions have been deferred and are being amortized over the original life of the respective loan.

Revenue Recognition

Shareholder maintenance is based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share ownership. This income is recognized when due and payable. The Corporation retains excess operating funds at the end of the operating year, if any, for use in future periods.

Corporation Taxes

The financial statements do not contain a provision for Federal income tax due to cumulative net operating losses for tax purposes which are available to be carried forward to future tax periods. Federal income tax is computed pursuant to Subchapter T of the Internal Revenue Code. New York State Franchise and New York City Corporation taxes are calculated by utilizing special tax rates available to cooperative housing corporations based on the Corporation's capital base.

Statement of Cash Flows

Cash and cash equivalents are stated at cost which approximates market. The Corporation considers all highly liquid investments with a maturity of three months or less at date of purchase to be cash equivalents.

Concentration of Credit Risk

The Corporation maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Corporation has not experienced any losses in such accounts.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. The Corporation has not promulgated a study to determine the remaining useful lives of the components of the building and estimates of the costs of major repairs and replacements that may be required.

When funds are required for major repairs and replacements, the Corporation has the right to utilize available cash reserves and/or borrow, increase maintenance and/or impose assessments, or delay repairs and replacements until funds are available.

Note 3. NOTES RECEIVABLE

On sales of treasury stock shares appurtenant to three units, the Corporation financed notes receivable in the amount of \$62,806. During 2003 and 2002, principal payments of \$4,482 and \$4,203 were received reducing the outstanding notes receivable to \$39,779 and \$44,261, respectively, at the balance sheet date. Terms of the notes financed by the Corporation require equal monthly installments applied to interest at the rate of 8% per annum and the balance as a reduction of principal pursuant to seven, fifteen and twenty year amortization schedules.

Note 4. PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

	<u>2003</u>	<u>2002</u>
Elevator upgrade	\$ 234,885	\$ 41,911
Water and sewer lines	64,380	26,800
Gym room and equipment	39,676	-
Fuel storage tank	31,857	-
Compactor installation	17,100	-
ADA ramp project (consultant)	2,927	-
Storage lockers	-	6,685
	<u> </u>	<u> </u>
Total	<u>\$ 390,825</u>	<u>\$ 75,396</u>

Note 5. MORTGAGE PAYABLE

On April 16, 2003 the Corporation refinanced its mortgage payable. The new mortgage is held by National Cooperative Bank ("NCB") in the original principal amount of \$2,700,000. Terms require equal monthly installments of \$19,767 applied first to interest at the rate of 6.27% per annum and the balance as a reduction of principal based on a twenty year amortization schedule. The mortgage matures on May 1, 2023 at which time the mortgage will be satisfied in full.

Principal payments due on the mortgage payable over the next five years are as follows:

2004	\$ 72,491
2005	77,169
2006	82,149
2007	87,451
2008	93,094

Prepayment Terms

No prepayment shall be allowed prior to May 1, 2010. Thereafter, the loan may be prepaid in whole only and will be subject to a prepayment penalty in accordance with a yield maintenance formula as set forth in the loan documents. Prepayment in whole may be made without penalty during the ninety day period preceding maturity.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 5. **MORTGAGE PAYABLE** (continued)

Line of Credit

On April 16, 2003, as part of the mortgage refinancing transaction, the Corporation repaid the existing line of credit in the amount of \$450,000 plus accrued interest and established a new \$250,000 revolving line of credit. Terms of the credit line require interest only payments at the rate of 2% over the NCB Base Rate Index. The credit line will mature at the earlier of May 1, 2023 or a refinance of the underlying first mortgage. As of the balance sheet date, no funds had been drawn.

Prior to refinancing, the wrap-around mortgage payable in the original principal amount of \$1,850,000 was held by Ellwoods Garden Company and 20-20 Realty Corporation. Terms required interest only payments on the outstanding principal balance at the rate of 8% per annum. The Corporation had the right to prepay a maximum of \$25,000 in each year of the mortgage. At December 31, 2002, the mortgage payable balance was \$1,725,000. The loan was to mature on August 31, 2006.

Note 6. **ACQUISITION AND SALE OF TREASURY STOCK**

On May 29, 2002, the Corporation acquired the Sponsor's remaining 1,545 shares appurtenant to twelve apartments for a purchase price of \$150,000. The following schedule summarizes the acquisition and sales of treasury stock shares:

Acquisition:

	<u>Shares</u>	<u>Cost</u>
Through 2000	1,780	\$ 113,254
2002	<u>1,545</u>	<u>150,000</u>
	<u>3,325</u>	<u>\$ 263,254</u>

Sales:

	<u>Shares</u>	<u>Gross Sales Price</u>	<u>Selling/Closing Costs</u>	<u>Acquisition Costs</u>	<u>Gain on Sales</u>
1997	685	\$ 120,500	\$ 26,824	\$ 47,424	\$ 46,252
1998	130	30,000	724	1,905	27,371
1999	315	103,500	15,349	28,386	59,765
2000	<u>110</u>	<u>46,000</u>	<u>1,526</u>	<u>18,454</u>	<u>26,020</u>
	<u>1,240</u>	<u>\$ 300,000</u>	<u>\$ 44,423</u>	<u>\$ 96,169</u>	<u>\$ 159,408</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2003 and 2002, the Corporation held 2,085 shares of treasury stock appurtenant to 17 apartments. The monthly shortfall on the seventeen apartments is approximately \$1,555.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 7. GARAGE LEASE

The Corporation, as lessor under the lease, will receive minimum base rents over each of the next five years as follows:

2004	\$ 121,000
2005	133,320
2006	134,653
2007	136,000
2008	137,360

The lease also contains a real estate tax escalation clause allowing for additional rents.

Note 8. LEGAL MATTERS

The Corporation is involved in legal proceedings arising in the ordinary course of business. Management believes that the final outcome of these proceedings will not result in any significant liability.

INDEPENDENT ACCOUNTANT'S REPORT ON SUPPLEMENTARY AND PROSPECTIVE INFORMATION

To The Board of Directors and Shareholders
Nagle Apartments Corp.
31, 37 Nagle Avenue
14 Bogardus Place
New York, NY 10040

Our report on our audits of the basic financial statements of Nagle Apartments Corp. for the years ended December 31, 2003 and 2002 appears on Page 1 and was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Comparative Schedule of Revenue and Expenditures - Budget, Historical and Budget Forecast is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information, except for the portion marked "unaudited," on which we expressed no opinion, 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.

We also have compiled the accompanying budget forecast of Nagle Apartments Corp. for the year ending December 31, 2004, in accordance with guidelines established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of forecasted data information that is the representation of management and does not include evaluation of the support for the assumptions underlying the presentation. We have not examined the presentation and, accordingly, do not express an opinion or any other form of assurance in the accompanying presentation or assumptions. Furthermore, there will usually be differences between the forecast and actual results, because events and circumstances frequently do not occur as expected, and these differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Newman, Newman & Kaufman, LLP

Newman, Newman & Kaufman, LLP
Certified Public Accountants

January 29, 2004 for Historical Statements
November 17, 2003 for Budget Forecast

SUPPLEMENTARY AND PROSPECTIVE INFORMATION

NAGLE APARTMENTS CORP.

Comparative Schedule of Revenue and Expenditures - Budget, Historical and Budget Forecast

	For The Year		Prior Year	Next Year
	January 1, 2003 - December 31, 2003		January 1, 2002 - December 31, 2002	January 1, 2004 - December 31, 2004
	Budget (Unaudited)	Actual	Actual	Budget Forecast (Unaudited)
REVENUE				
Maintenance	\$ 656,000	\$ 655,943	\$ 655,943	\$ 656,000
Garage income	100,000	80,000	-	132,000
Other shareholder fees	14,400	18,595	14,630	14,600
Laundry	7,900	8,100	8,100	7,900
Interest and dividend income	2,800	4,331	2,732	-
Shareholder interest income	-	3,234	3,725	-
TOTAL REVENUE	<u>781,100</u>	<u>770,203</u>	<u>685,130</u>	<u>810,500</u>
EXPENDITURES				
Management fee	30,000	35,000	32,500	34,000
Professional fees	41,400	14,497	94,377	33,000
Other administrative	12,100	11,289	7,916	12,100
Telephone and communications	3,300	3,759	3,621	2,700
Fuel and gas heat	40,000	86,743	66,364	91,200
Water and sewer	24,000	48,880	46,029	50,000
Gas and electricity	28,000	19,523	15,095	20,000
Wages	84,500	94,531	95,565	88,100
Union benefits	12,600	11,934	11,214	13,200
Payroll taxes	9,400	7,531	7,610	7,000
Workers' comp. & disability insurance	5,200	7,313	5,780	7,000
Insurance	31,900	46,620	31,334	55,000
Permits and miscellaneous operating	3,000	3,986	4,994	6,300
Repairs and maintenance	46,900	76,185	77,594	54,200
Mortgage interest and amortization	223,700	199,951	138,189	237,200
Real estate tax	153,000	150,867	120,231	151,800
Corporation taxes	1,600	3,107	1,390	3,100
Line of credit interest	-	5,578	14,251	-
Contingency/reserve funding	29,300	-	-	-
TOTAL EXPENDITURES	<u>779,900</u>	<u>827,294</u>	<u>774,054</u>	<u>865,900</u>
Budgeted Surplus (Deficit)	<u>\$ 1,200</u>			<u>(\$ 55,400)</u>
ACTUAL OPERATING LOSS		(57,091)	(88,924)	
Mortgage amortization		40,240	-	
Unsold unit expenses		(20,034)	(9,400)	
Write-down of garage rental arrears (Note 7)		-	(32,294)	
LOSS BEFORE DEPRECIATION AND AMORTIZATION		<u>(\$ 36,885)</u>	<u>(\$ 130,618)</u>	

See Accountant's Compilation Report and Summary of Significant Accounting Policies and Budget Forecast Assumptions.

NAGLE APARTMENTS CORP.

Summary of Significant Accounting Policies and Budget Forecast Assumptions Year Ended December 31, 2004

This financial budget forecast presents, to the best of management's knowledge and belief, the Corporation's expected results of operations for the budget forecast period. Accordingly, the budget forecast reflects management's judgment, as of the date of this budget forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the budget forecast. There will usually be differences between forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. The comparative historical information for 2003 and 2002 is extracted from the Corporation's financial statements for those years. Those financial statements should be read for additional information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The budget forecast has been prepared using generally accepted accounting principles that the Corporation expects to use when preparing its historical financial statements.

FORECAST ASSUMPTIONS

Revenue

Maintenance charges have been computed based on \$4.52 per share per month and remains unchanged from the previous year. Garage income is based upon a new lease that commenced February 1, 2003.

Expenses

Utilities and Other Expenses

Assumes increases based upon industry consensus.

Labor

The Corporation's labor union contract with Local 32E covers substantially all building employees. Labor costs are forecasted based upon the current contract.

Repairs and Maintenance

Based upon historical experience and expected maintenance requirements.

Real Estate Tax

Based upon an approximate 1% increase over 2003.