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NAGLE APARTMENTS CORP.

**Financial Statements and
Supplementary Information for the
Years Ended December 31, 2000 and 1999**

**Prisand-Newman
Certified Public Accountants**

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**PRISAND-NEWMAN**

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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, 2000 and 1999, 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 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 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, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

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.

Our audits were conducted for the purpose of forming an opinion on the financial statements referred to above. The budget information included in the comparative data on page 14 is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

February 8, 2001

NAGLE APARTMENTS CORP.**BALANCE SHEET**December 31,20001999**ASSETS****Current Assets:****Cash and cash equivalents:**

Operating account	\$ 4,274	\$ 1,689
Working capital money market account	<u>77,184</u>	<u>50,653</u>
	<u>81,458</u>	<u>52,342</u>

Receivables:

Garage income	56,972	49,551
Maintenance - apartments	28,782	16,362
Due from management	2,500	2,500
Laundry income	675	-
Rental income	68	992
	<u>88,997</u>	<u>69,405</u>

Prepaid expenses:

Real estate tax	32,494	31,436
Water and sewer	21,263	21,053
Fuel inventory	6,253	3,341
Insurance	2,041	1,147
Corporate taxes	789	960
	<u>62,840</u>	<u>57,937</u>

Escrows:

Line of credit escrow (Note 5)	52,463	51,168
Mortgage escrow	<u>20,149</u>	<u>25,180</u>
	<u>72,612</u>	<u>76,348</u>

Total Current Assets	<u>305,907</u>	<u>256,032</u>
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Property and Improvements: (Notes 2 and 3)

Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	<u>621,571</u>	<u>621,571</u>
Total	<u>2,734,571</u>	<u>2,734,571</u>
Less: accumulated depreciation	(<u>1,108,946</u>)	(<u>1,032,111</u>)

Net Property and Improvements	<u>1,625,625</u>	<u>1,702,460</u>
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Other Assets:

Notes receivable (Note 4)	52,345	55,929
Unamortized mortgage costs	23,597	26,516
Investment in NCB Class B Stock	<u>3,000</u>	<u>3,000</u>

Total Other Assets	<u>78,942</u>	<u>85,445</u>
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Total Assets	<u>\$ 2,010,474</u>	<u>\$ 2,043,937</u>
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The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.**BALANCE SHEET**

<u>December 31,</u>	<u>2000</u>	<u>1999</u>
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LIABILITIES

Current Liabilities:

Accounts payable	\$ 42,626	\$ 40,172
Due to shareholders - real estate tax abatements	12,801	5,542
Accrued mortgage interest	11,667	11,833
Advance maintenance	3,904	1,799
Accrued line of credit interest	2,537	2,448
Building improvements payable	<u>—</u>	<u>16,124</u>
Total Current Liabilities	<u>73,535</u>	<u>77,918</u>

Long-Term Liabilities:

Mortgage payable (Note 5)	1,750,000	1,775,000
NCB line of credit (Note 5)	300,000	300,000
Security deposits payable	<u>10,737</u>	<u>10,737</u>
Total Long-Term Liabilities	<u>2,060,737</u>	<u>2,085,737</u>
Total Liabilities	<u>2,134,272</u>	<u>2,163,655</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	133,388
Accumulated deficit	(454,121)	(424,021)
Less: Treasury stock at cost (540 shares) (Note 6)	(17,085)	(17,085)
Total Stockholders' Equity	(123,798)	(119,718)
Total Liabilities and Stockholders' Equity	<u>\$ 2,010,474</u>	<u>\$ 2,043,937</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.**STATEMENT OF OPERATIONS**

Year Ended December 31,	2000	1999
REVENUE		
Maintenance	\$ 626,180	\$ 620,228
Garage income	40,552	41,657
Late and other fees	28,180	6,972
Laundry	8,100	6,000
Shareholder interest income	4,345	4,619
Interest and dividend income	<u>2,316</u>	<u>2,053</u>
Total Revenue	<u>709,673</u>	<u>681,529</u>
COST OF OPERATIONS		
Administrative expenses	Schedule 1 56,139	50,935
Operating expenses	Schedule 2 265,459	214,726
Repairs and maintenance	Schedule 3 51,739	36,088
Interest expense		170,102
Real estate tax		111,900
Corporation taxes	<u>696</u>	<u>593</u>
Total Cost Of Operations	<u>656,035</u>	<u>575,472</u>
Income from operations before special items and depreciation and amortization expense	53,638	106,057
Unsold unit expenses	Schedule 4 (3,984)	(15,861)
Prior year water and sewer charges	<u>-</u>	<u>(15,188)</u>
INCOME BEFORE DEPRECIATION AND AMORTIZATION EXPENSE	49,654	75,008
Depreciation and amortization expense	(<u>79,754</u>)	(<u>73,517</u>)
Net (Loss) Income For The Year	<u>(\$ 30,100)</u>	<u>\$ 1,491</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

<u>Year Ended December 31,</u>	<u>2000</u>	<u>1999</u>
Administrative Expenses:		<u>Schedule 1</u>
Management fee	\$ 30,000	\$ 27,000
Professional fees	15,595	10,598
Other administrative	8,098	10,483
Telephone and communications	<u>2,446</u>	<u>2,854</u>
Total Administrative Expenses	<u>\$ 56,139</u>	<u>\$ 50,935</u>
Operating Expenses:		<u>Schedule 2</u>
Energy		
Gas	\$ 58,258	\$ 21,637
Water and sewer	42,512	41,137
Electricity	20,714	15,678
Fuel	<u>19,837</u>	<u>17,750</u>
	<u>141,321</u>	<u>96,202</u>
Payroll		
Wages	84,727	76,707
Union benefits	10,958	12,017
Payroll taxes	7,180	6,715
Workers' compensation and disability insurance	<u>1,852</u>	<u>1,306</u>
	<u>104,717</u>	<u>96,745</u>
Other		
Insurance	12,697	14,108
Permits and miscellaneous operating	<u>6,724</u>	<u>7,671</u>
	<u>19,421</u>	<u>21,779</u>
Total Operating Expenses	<u>\$ 265,459</u>	<u>\$ 214,726</u>
Repairs and Maintenance:		<u>Schedule 3</u>
Materials and supplies	\$ 14,514	\$ 6,800
Elevator contract and repair	10,327	9,259
Roof and exterior	5,640	-
Doors, locks and windows	4,149	400
Heating and boiler repairs	4,104	2,559
Painting, plastering and flooring	3,935	4,500
Exterminating	3,140	2,078
Plumbing	3,102	-
Intercom and miscellaneous	1,379	2,444
Equipment repair	1,449	1,529
Electrical repair	-	3,583
Rubbish removal	-	<u>2,936</u>
Total Repairs and Maintenance	<u>\$ 51,739</u>	<u>\$ 36,088</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

<u>Year Ended December 31,</u>	<u>2000</u>	<u>1999</u>
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Unsold Unit Expenses: Schedule 4

Rental income	\$ 25,328	\$ 18,040
Maintenance on unsold units	(29,312)	(33,901)
Total Unsold Unit Expenses	(\$ 3,984)	(\$ 15,861)

The accompanying notes are an integral part of this statement.

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NAGLE APARTMENTS CORP.**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

Year Ended December 31,	2000	1999
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,	\$ 133,388	\$ 73,623
Sale of 110 and 315 shares of treasury stock in excess of cost	<u>26,020</u>	<u>59,765</u>
Balance - December 31,	<u>\$ 159,408</u>	<u>\$ 133,388</u>
ACCUMULATED DEFICIT		
Balance - January 1,	(\$ 424,021)	(\$ 425,512)
Net (loss) income for the year	<u>(30,100)</u>	<u>1,491</u>
Balance - December 31,	<u>(\$ 454,121)</u>	<u>(\$ 424,021)</u>
TREASURY STOCK		
Balance - January 1, (540 and 855 shares)	(\$ 17,085)	(\$ 45,471)
Acquisition of 110 shares at cost	<u>(18,454)</u>	<u>-</u>
Sale of 110 and 315 shares at cost	<u>18,454</u>	<u>28,386</u>
Balance - December 31, (540 and 540 shares)	<u>(\$ 17,085)</u>	<u>(\$ 17,085)</u>

The accompanying notes are an integral part of this statement.

PRISAND-NEWMAN

NAGLE APARTMENTS CORP.**STATEMENT OF CASH FLOWS**

<u>Year Ended December 31,</u>	<u>2000</u>	<u>1999</u>
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CASH FLOWS FROM OPERATING ACTIVITIES

Net (loss) income for the year	(\$ 30,100)	\$ 1,491
<u>Adjustments to reconcile net (loss) income to cash provided (used) by operating activities:</u>		
Depreciation and amortization	79,754	73,517
Increase in receivables	(33,046)	(40,429)
Increase in prepaid expenses	(4,903)	(5,341)
Decrease (increase) in escrow accounts	3,736	(52,823)
Increase in accounts payable	2,454	289
Increase in other current liabilities	9,287	3,494
(Decrease) in security deposits payable	-	(3,450)
Total Adjustments	<u>57,282</u>	<u>(24,743)</u>
Cash Provided (Used) By Operating Activities	<u>27,182</u>	<u>(23,252)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from notes receivable	3,584	3,309
Increase in building improvements	-	(273,924)
Decrease in building improvements payable	(16,124)	(11,579)
Increase in NCB stock	-	(3,000)
Cash Used By Investing Activities	<u>(12,540)</u>	<u>(285,194)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Increase in unamortized mortgage costs	-	(23,189)
Principal payment of mortgage	(25,000)	(25,000)
Proceeds of credit line	-	300,000
Proceeds from sale of treasury stock	<u>39,474</u>	<u>88,151</u>
Cash Provided By Financing Activities	<u>14,474</u>	<u>339,962</u>
Net change in cash and cash equivalents	29,116	31,516
Cash and cash equivalents at beginning of year	<u>52,342</u>	<u>20,826</u>
Cash and cash equivalents at end of year	<u>\$ 81,458</u>	<u>\$ 52,342</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.**STATEMENT OF CASH FLOWS**

<u>Year Ended December 31,</u>	2000	1999
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SUPPLEMENTAL DISCLOSURES

Interest paid	\$ 170,179	\$ 162,509
Corporation taxes paid	\$ 525	\$ 1,200

NONCASH TRANSACTIONS

At December 31, 2000, the cost of treasury stock includes a credit of outstanding arrears in the amount of \$13,454.

The accompanying notes are an integral part of this statement.

PRISAND-NEWMAN

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.

At December 31, 2000 and 1999, Ellwood Gardens Company (the "Sponsor") owned 1,655 shares which represent 13.7% of the total shares issued.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of Presentation and Use of Estimates**

The financial statements have been prepared in accordance with generally accepted accounting principles on the accrual basis. 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.

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.

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.

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.

NAGLE APARTMENTS CORP.**Notes to Financial Statements****Note 3 - PROPERTY AND IMPROVEMENTS**

There were no building improvements capitalized in 2000. During 1999, the following building improvements were capitalized:

	<u>1999</u>
Garage reinforcement	\$ 234,825
Playground	23,971
Exterior restoration	6,139
Security cameras	4,714
Storage lockers	<u>4,275</u>
 Total	 <u>\$ 273,924</u>

Note 4 - NOTES RECEIVABLE

On sales of treasury stock shares appurtenant to three units, the Corporation financed notes receivable in the amount of \$62,806. During 2000 and 1999, principal payments of \$3,584 and \$3,309 respectively, were received reducing the outstanding notes receivable to \$52,345 and \$55,929, 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 5 - MORTGAGE PAYABLE

The wrap-around mortgage payable to Ellwood Gardens Company and 20-20 Realty Corp. in the original principal balance of \$1,850,000 bears interest at the rate of 8% per annum. The Corporation has the right to prepay a maximum of \$25,000 in each year of the mortgage. Prepayments may be cumulative so that if such right is not exercised in any one or more loan years, the amount may be carried forward and added to the amount that may be prepaid in a future loan year. For the years ending December 31, 2000 and 1999, the Corporation paid down \$25,000 in each year. The mortgage may be fully prepaid at any time after September 1, 2003. Terms of the loan require interest only payments on the outstanding principal balance. The loan matures August 31, 2006.

Line of Credit

On January 29, 1999, the Corporation established a secured line of credit with National Cooperative Bank ("NCB") with a maximum draw of \$300,000. Terms of the loan require payments of interest only (on funds drawn from the credit line) for the first year at the interest rate of 3% over the Libor rate adjusted monthly. During the second year, monthly payments were to include both interest and principal pursuant to a ten year amortization schedule. Pursuant to the original terms, the loan matures on the earlier of any prepayment or refinancing of the first mortgage or August 31, 2006. As of December 31, 2000, NCB did not request, and the Corporation did not make, any principal payments as per the terms of the loan. NCB is currently reviewing the terms of the loan while the Corporation continues to make interest only payments. The average interest rate for 2000 was 9.5%. NCB placed \$50,000 of the \$300,000 credit line proceeds into an escrow account to be released upon the sale of no less than six of nine apartments owned by an investor. Subsequent to the balance sheet date, five of the nine units have been sold. A sixth unit is vacant and available for sale.

NAGLE APARTMENTS CORP.**Notes to Financial Statements****Note 6 - ACQUISITION AND SALE OF TREASURY STOCK**

The following schedule summarizes the acquisition and sales of treasury stock shares:

Acquisition:

	<u>Shares</u>	<u>Cost</u>
Prior	105	\$ 17,449
1995	595	24,174
1996	260	1,905
1997	500	32,825
1998	210	18,447
2000	<u>110</u>	<u>18,454</u>
	<u>1,780</u>	<u>\$ 113,254</u>

Sales:

	<u>Shares</u>	<u>Gross Sales</u> <u>Price</u>	<u>Selling/Closing</u> <u>Costs</u>	<u>Acquisition</u> <u>Costs</u>	<u>Gain</u> <u>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, 2000 and 1999, the Corporation held 540 shares of treasury stock appurtenant to 5 occupied apartments. The monthly shortfall on the five apartments is approximately \$288.

Note 7 - CORPORATION TAXES

The Corporation has incurred net operating losses for tax purposes since the date of inception. As a result, such losses 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 tax and New York City Corporate Tax is calculated by utilizing special tax rates available to cooperative housing corporation based on the corporation's capital base.

SENT BY:

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IPPF/WHR, INC.→

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SUPPLEMENTARY INFORMATION

NAGLE APARTMENTS CORP.**Comparative Data: Actual vs. Budget**

	<u>For The Year</u>		<u>Prior Year</u>	<u>Next Year</u>
	<u>January 1, 2000 - December 31, 2000</u>		<u>January 1, 1999 - December 31, 1999</u>	<u>January 1, 2001 - December 31, 2001</u>
	<u>Budget</u> (Unaudited)	<u>Actual</u>	<u>Actual</u>	<u>Budget</u> (Unaudited)
REVENUE				
Maintenance	\$ 620,230	\$ 626,180	\$ 620,228	\$ 654,000
Garage income	40,000	40,552	41,657	40,000
Late and other fees	8,500	28,180	6,972	10,600
Laundry	7,900	8,100	6,000	8,000
Shareholder interest income	4,600	4,345	4,619	-
Interest and dividend income	1,000	2,316	2,053	-
TOTAL REVENUE	682,230	709,673	681,522	712,600
EXPENDITURES				
Management fee	30,000	30,000	27,000	30,000
Professional fees	34,400	15,595	10,598	30,300
Other administrative	8,800	8,098	10,483	6,600
Telephone and communications	2,500	2,446	2,854	2,700
Gas and electricity	23,000	78,972	37,315	76,000
Water and sewer	40,000	42,512	41,137	40,000
Fuel	28,700	19,837	17,750	33,600
Wages	74,850	84,727	76,707	80,650
Union benefits	10,600	10,958	12,017	11,700
Payroll taxes	6,600	7,180	6,715	8,800
Workers' comp. & disability insurance	2,100	1,852	1,306	5,100
Insurance	13,000	12,697	14,108	14,200
Permits and miscellaneous operating	3,500	6,724	7,671	6,400
Repairs and maintenance	66,800	51,739	36,088	47,000
Mortgage interest and amortization	167,000	166,500	168,500	167,000
Line of credit interest and amortization	27,600	28,602	21,290	30,000
Real estate tax	120,750	111,900	108,340	120,750
Corporation taxes	1,800	696	593	1,800
Contingency/reserve funding	30,000	-	-	-
TOTAL EXPENDITURES	692,000	681,035	600,472	712,600
Budgeted (Deficit) Surplus	(9,770)			-0-
ACTUAL OPERATING INCOME				
Add: Mortgage pay-down	25,000	25,000	25,000	25,000
Garage settlement income	49,300	-	-	-
Less: Prior year water and sewer charge	-	-	(15,188)	-
Unsold unit expenses	(10,235)	(3,984)	(15,861)	-
INCOME BEFORE DEPRECIATION	\$ 54,295	\$ 49,654	\$ 75,008	\$ 25,000