

NAGLE APARTMENTS CORP.

Financial Statements and
Supplementary Information for the
Years Ended December 31, 2004 and 2003

NNK
Newman, Newman & Kaufman, LLP
CERTIFIED PUBLIC
ACCOUNTANTS

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, 2004 and 2003, 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, 2004 and 2003, 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

February 4, 2005

NAGLE APARTMENTS CORP.

BALANCE SHEET

December 31,	2004	2003
Assets		
Current Assets:		
Cash and cash equivalents:		
Working capital	\$ 14,765	\$ 159,623
Mortgage escrow	4,179	3,071
	<u>18,944</u>	<u>162,694</u>
Receivables:		
Maintenance - apartments	30,607	25,350
Due from vendors	4,546	5,919
	<u>35,153</u>	<u>31,269</u>
Prepaid expenses (Note 3)	<u>79,487</u>	<u>69,764</u>
Total Current Assets	<u>133,584</u>	<u>263,727</u>
Property and Improvements: (Notes 2 and 5)		
Land	316,950	316,950
Building	1,796,050	1,796,050
Building improvements	<u>1,254,848</u>	<u>1,087,792</u>
Total	3,367,848	3,200,792
Less: accumulated depreciation	<u>1,430,430</u>	<u>1,336,088</u>
Net Property and Improvements	<u>1,937,418</u>	<u>1,864,704</u>
Other Assets:		
Notes receivable (Note 4)	139,279	39,779
Investment in NCB Class B1 Stock (Note 2)	20,783	20,783
Unamortized mortgage costs (Note 2)	54,986	60,259
Deferred lease costs (Note 2)	49,954	47,228
Cash - security deposits	<u>5,406</u>	<u>5,950</u>
Total Other Assets	<u>270,408</u>	<u>173,999</u>
Total Assets	<u>\$ 2,341,410</u>	<u>\$ 2,302,430</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

BALANCE SHEET

December 31,	2004	2003
Liabilities		
Current Liabilities:		
Cash operating - overdraft	\$ 14,107	\$ 1,234
Accounts payable	40,599	86,291
Mortgage payable - current portion	77,169	72,491
Due to shareholders - real estate tax abatements	25,567	25,484
Advance maintenance/rental income	14,538	1,990
Accrued mortgage interest	13,518	13,897
Building improvements payable	10,145	50,202
Insurance loan payable	6,188	-
Accrued corporation taxes	<u>773</u>	<u>401</u>
Total Current Liabilities	<u>202,604</u>	<u>251,990</u>
Long-Term Liabilities:		
Mortgage payable - net of current portion (Note 6)	2,510,100	2,587,269
Security deposits payable	<u>5,406</u>	<u>5,413</u>
Total Long-Term Liabilities	<u>2,515,506</u>	<u>2,592,682</u>
Total Liabilities	<u>2,718,110</u>	<u>2,844,672</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 7)	414,599	159,408
Accumulated deficit	(841,106)	(722,565)
Less: treasury stock at cost (1,720 and 2,085 shares) (Note 7)	<u>(138,193)</u>	<u>(167,085)</u>
Total Stockholders' Equity	<u>(376,700)</u>	<u>(542,242)</u>
Total Liabilities and Stockholders' Equity	<u>\$ 2,341,410</u>	<u>\$ 2,302,430</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.
STATEMENT OF OPERATIONS

Year Ended December 31,	2004	2003
Revenue		
Maintenance	\$ 674,056	\$ 655,943
Garage income	65,167	80,000
Shareholders' parking	26,749	-
Interest and dividend income	22,265	4,331
Other shareholder fees	20,302	18,595
Laundry	10,100	8,100
Electricity rebilling	9,328	-
Shareholder interest income	<u>5,792</u>	<u>3,234</u>
Total Revenue	<u>833,759</u>	<u>770,203</u>
Cost of Operations		
Administrative expenses	Schedule 1 98,420	64,545
Operating expenses	Schedule 2 344,278	327,061
Repairs and maintenance	Schedule 3 70,954	76,185
Interest expense	164,328	165,289
Real estate tax	155,648	150,867
Corporation taxes	<u>1,777</u>	<u>3,107</u>
Total Cost of Operations	<u>835,405</u>	<u>787,054</u>
Loss from operations before special item and depreciation and amortization expense	(1,646)	(16,851)
Unsold unit expenses	(<u>11,730</u>)	(<u>20,034</u>)
Loss Before Depreciation and Amortization Expense	(13,376)	(36,885)
Depreciation and amortization expense	(<u>105,165</u>)	(<u>89,754</u>)
Net Loss For The Year	(<u>\$ 118,541</u>)	(<u>\$ 126,639</u>)

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

SUPPORTING SCHEDULES - STATEMENT OF OPERATIONS

Year Ended December 31,	2004	2003
--------------------------------	-------------	-------------

Administrative Expenses:

Schedule 1

Professional fees	\$ 47,954	\$ 14,497
Management fee	39,000	35,000
Other administrative	7,886	11,289
Telephone and communications	<u>3,580</u>	<u>3,759</u>
 Total Administrative Expenses	 <u>\$ 98,420</u>	 <u>\$ 64,545</u>

Operating Expenses:

Schedule 2

Utilities		
Fuel and gas heat	\$ 92,904	\$ 86,743
Water and sewer	51,532	48,880
Gas and electricity	<u>28,823</u>	<u>19,523</u>
	<u>173,259</u>	<u>155,146</u>
Labor		
Wages	99,245	94,531
Union benefits	12,660	11,934
Payroll taxes	7,301	7,531
Workers' compensation and disability insurance	<u>5,080</u>	<u>7,313</u>
	<u>124,286</u>	<u>121,309</u>
Other		
Insurance and related interest	42,801	46,620
Permits and miscellaneous operating	<u>3,932</u>	<u>3,986</u>
	<u>46,733</u>	<u>50,606</u>
 Total Operating Expenses	 <u>\$ 344,278</u>	 <u>\$ 327,061</u>

Repairs and Maintenance:

Schedule 3

Materials and supplies	\$ 15,215	\$ 15,589
Elevator contract and repair	12,197	13,635
Painting, plastering and flooring	11,650	6,180
Grounds, landscaping and exterior repairs	6,402	14,840
Exterminating	5,171	4,993
Plumbing	5,099	6,899
Heating and boiler repairs	4,972	7,014
Electrical repairs	3,507	-
Equipment repair	3,166	3,386
Doors, locks and windows	2,907	-
Intercom and miscellaneous	668	144
Compactor and rubbish removal	<u>-</u>	<u>3,505</u>
 Total Repairs and Maintenance	 <u>\$ 70,954</u>	 <u>\$ 76,185</u>

The accompanying notes are an integral part of this statement.

NAGLE APARTMENTS CORP.

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year Ended December 31,	2004	2003
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
Sale of 365 shares of treasury stock in excess of allocated cost	<u>255,191</u>	<u>-</u>
Balance - December 31,	<u>\$ 414,599</u>	<u>\$ 159,408</u>
Accumulated Deficit		
Balance - January 1,	(\$ 722,565)	(\$ 595,926)
Net loss for the year	<u>(118,541)</u>	<u>(126,639)</u>
Balance - December 31,	<u>(\$ 841,106)</u>	<u>(\$ 722,565)</u>
Treasury Stock		
Balance - January 1, (2,085 shares)	(\$ 167,085)	(\$ 167,085)
Sale of 365 shares at allocated cost	<u>28,892</u>	<u>-</u>
Balance - December 31, (1,720 and 2,085 shares)	<u>(\$ 138,193)</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,	2004	2003
Cash Flows From Operating Activities		
Net loss for the year	(\$ 118,541)	(\$ 126,639)
Adjustments to reconcile net loss to cash used by operating activities:		
Depreciation and amortization	105,165	89,754
Other changes in operating assets and liabilities that provided (used) cash:		
Receivables	(3,884)	(14,521)
Prepaid expenses	(9,723)	10,197
Deferred lease costs	(8,276)	(47,228)
Security deposits	544	(5,950)
Accounts payable	(45,692)	46,203
Other current liabilities	31,685	773
Security deposits payable	(7)	(1,038)
Total Adjustments	<u>69,812</u>	<u>78,190</u>
Cash Used By Operating Activities	<u>(48,729)</u>	<u>(48,449)</u>
Cash Flows From Investing Activities		
(Increase) decrease in notes receivable (Note 4)	(99,500)	4,482
Increase in building improvements (Note 5)	(167,056)	(390,825)
(Decrease) increase in building improvements payable	(40,057)	1,373
Purchase of NCB stock (Note 2)	-	(20,783)
NCB stock redemption	<u>-</u>	<u>3,000</u>
Cash Used By Investing Activities	<u>(306,613)</u>	<u>(402,753)</u>
Cash Flows From Financing Activities		
Amortization of mortgage payable	(72,491)	(40,240)
Proceeds from sale of treasury stock	284,083	-
Proceeds from refinanced mortgage (Note 6)	-	2,700,000
Repayment of mortgage payable	-	(1,725,000)
Repayment of line of credit	-	(450,000)
Increase in unamortized mortgage costs	<u>-</u>	<u>(47,085)</u>
Cash Provided By Financing Activities	<u>211,592</u>	<u>437,675</u>
Net change in cash and cash equivalents	(143,750)	(13,527)
Cash and cash equivalents at beginning of year	<u>162,694</u>	<u>176,221</u>
Cash and cash equivalents at end of year	<u>\$ 18,944</u>	<u>\$ 162,694</u>
Supplemental Disclosures		
Interest paid	\$ 164,707	\$ 164,485
Corporation taxes paid	\$ 1,345	\$ 3,016

The accompanying notes are an integral part of this statement.

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 a refinancing transaction, 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 approximate 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. PREPAID EXPENSES

	<u>2004</u>	<u>2003</u>
Real estate tax	\$ 40,062	\$ 38,681
Water and sewer	26,157	24,979
Insurance	<u>13,268</u>	<u>6,104</u>
Total	<u>\$ 79,487</u>	<u>\$ 69,764</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 2004 and 2003, principal payments of \$3,345 and \$4,482 were received, reducing the outstanding notes receivable to \$36,434 and \$39,779, respectively, at the balance sheet date. Terms of the two remaining notes financed by the Corporation for the above units require equal monthly installments applied to interest at the rate of 8% per annum and the balance as a reduction of principal pursuant to five and fifteen year amortization schedules.

During 2004, the Corporation financed the sale of an additional treasury stock unit in the amount of \$100,000. Terms do not require any monthly payments. Interest accrues at the rate of 6.75% per annum compounded monthly until maturity on July 9, 2019. The balance, as of December 31, 2004 was \$102,845.

Note 5. PROPERTY AND IMPROVEMENTS

Building improvements and equipment were capitalized as follows:

	<u>2004</u>	<u>2003</u>
Submetering	\$ 44,215	\$ -
Fuel storage tank	40,000	31,857
ADA ramp project (consultant)	20,973	2,927
Fencing	17,145	-
Emergency lighting system	16,908	-
CCTV installation	12,872	-
Mailbox installation	12,569	-
Gym room and equipment	2,374	39,676
Elevator upgrade	-	234,885
Water and sewer lines	-	64,380
Compactor installation	<u>-</u>	<u>17,100</u>
Total	<u>\$ 167,056</u>	<u>\$ 390,825</u>

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 6. MORTGAGE PAYABLE

The 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:

2005	\$ 77,169
2006	82,149
2007	87,451
2008	93,094
2009	99,102

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.

Line of Credit

The Corporation maintains a \$250,000 revolving line of credit with NCB. 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.

Note 7. 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>
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	110	46,000	1,526	18,454	26,020
2004	<u>365</u>	<u>302,500</u>	<u>18,417</u>	<u>28,892</u>	<u>255,191</u>
	<u>1,605</u>	<u>\$ 602,500</u>	<u>\$ 62,840</u>	<u>\$ 125,061</u>	<u>\$ 414,599</u>

The gain on sales is recorded as paid-in capital from treasury stock. At December 31, 2004 and 2003, the Corporation held 1,720 and 2,085 shares of treasury stock appurtenant to 14 and 17 apartments, respectively. The monthly shortfall on these apartments is approximately \$1,434.

NAGLE APARTMENTS CORP.

Notes to Financial Statements

Note 8. GARAGE LEASE

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

2005	\$ 133,320
2006	134,653
2007	136,000
2008	137,360
2009	138,734

The above rents will be reduced by the aggregate monthly charges billed to monthly resident parkers which shall be collected directly by the Corporation. The lease also contains a real estate tax escalation clause allowing for additional rents.

**INDEPENDENT AUDITORS' 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, 2004 and 2003 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, 2005, 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

February 4, 2005 for Historical Statements
November 17, 2004 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, 2004 - December 31, 2004		January 1, 2003 -	January 1, 2005 -
	Budget	Actual	December 31, 2003	December 31, 2005
	(Unaudited)		Actual	Budget Forecast
				(Unaudited)
REVENUE				
Maintenance	\$ 656,000	\$ 674,056	\$ 655,943	\$ 726,400
Garage income	132,000	65,167	80,000	131,300
Shareholders' parking	-	26,749	-	-
Interest and dividend income	-	22,265	4,331	-
Other shareholder fees	14,600	20,302	18,595	19,400
Laundry	7,900	10,100	8,100	7,900
Electricity rebilling	-	9,328	-	50,000
Shareholder interest income	-	5,792	3,234	-
TOTAL REVENUE	<u>810,500</u>	<u>833,759</u>	<u>770,203</u>	<u>935,000</u>
EXPENDITURES				
Professional fees	33,000	47,954	14,497	34,000
Management fee	34,000	39,000	35,000	36,000
Other administrative	12,100	7,886	11,289	5,800
Telephone and communications	2,700	3,580	3,759	3,200
Fuel and gas heat	91,200	92,904	86,743	96,600
Water and sewer	50,000	51,532	48,880	53,000
Gas and electricity	20,000	28,823	19,523	70,000
Wages	88,100	99,245	94,531	91,800
Union benefits	13,200	12,660	11,934	13,800
Payroll taxes	7,000	7,301	7,531	7,000
Workers' comp. & disability insurance	7,000	5,080	7,313	7,000
Insurance and related interest	55,000	42,801	46,620	57,500
Permits and miscellaneous operating	6,300	3,932	3,986	3,300
Repairs and maintenance	54,200	70,954	76,185	50,700
Mortgage interest and amortization	237,200	236,819	199,951	237,200
Real estate tax	151,800	155,648	150,867	159,600
Corporation taxes	3,100	1,777	3,107	3,000
Line of credit interest	-	-	5,578	-
TOTAL EXPENDITURES	<u>865,900</u>	<u>907,896</u>	<u>827,294</u>	<u>929,500</u>
Budgeted (Deficit) Surplus	(\$ 55,400)			\$ 5,500
ACTUAL OPERATING LOSS		(74,137)	(57,091)	
Mortgage amortization		72,491	40,240	
Unsold unit expenses		(11,730)	(20,034)	
LOSS BEFORE DEPRECIATION AND AMORTIZATION		(\$ 13,376)	(\$ 36,885)	

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

**Summary of Significant Accounting Policies and Budget Forecast Assumptions
Year Ended December 31, 2005**

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 2004 and 2003 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 \$4.99 per share per month and remains unchanged from the previous level. Garage income is based upon existing lease terms.

Expenses

Utilities

Reflect increases, if any, based upon industry consensus and rates set by appropriate regulatory agencies.

Labor and Union Benefits

The Corporation's labor union contract with Local 32E covers substantially all building employees. Labor costs and union benefits 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 2.5% increase over 2004.