

30 BOGARDUS OWNERS LTD.

FINANCIAL STATEMENTS

DECEMBER 31, 2011

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
30 Bogardus Owners Ltd.

We have audited the accompanying balance sheet of 30 Bogardus Owners Ltd. (a cooperative housing corporation) as of December 31, 2011, and the related statements of revenue and expenses and cash flows for the year 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 audit.

We conducted our audit 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of 30 Bogardus Owners Ltd. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Supplemental Information, Supplemental Information on Operating Budget and Expense Analysis by Percentage are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

30 Bogardus Owners Ltd. has not compiled the supplementary information on future major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such 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.

Czarnowski & Beer LLP

September 7, 2012

30 Bogardus Owners Ltd.
(A Cooperative Housing Corporation)
Balance Sheet
December 31, 2011

ASSETS

Current Assets

Cash - operating account	\$3,111
Cash - reserve fund	1,002
Short-term investment	100,452
Escrow account - taxes/water and sewer	10,852
Escrow account - pending claim	15,032
Maintenance receivable - tenant shareholders	2,310
Accrued interest income	172
Prepaid expenses	49,823
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Total Current Assets	182,754

Fixed Assets

Land	358,520
Building	2,629,145
Building improvements	575,781
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Total Fixed Assets	3,563,446
Less: Accumulated depreciation	(2,264,654)
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Net Fixed Assets	1,298,792

Other Assets

Investment in NCB Stock	21,250
Restricted cash - NCB reserve account	25,096
Mortgage refinancing costs	43,374
Less: Accumulated amortization	(4,337)
	<hr/>
Net Other Assets	85,383
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Total Assets	\$1,566,929

30 Bogardus Owners Ltd.
(A Cooperative Housing Corporation)
Balance Sheet
December 31, 2011

LIABILITIES AND SHAREHOLDERS' EQUITY

Current Liabilities

Accounts payable and accrued expenses	\$90,296
Accounts payable - capital	19,441
Abatements payable	9,960
Prepaid maintenance	2,705
Current portion of long-term debt	<u>25,825</u>
 Total Current Liabilities	 148,227

Long-Term Debt

Mortgage payable - less current portion	<u>1,953,125</u>
 Total Liabilities	 <u>2,101,352</u>

Shareholders' Equity

Capital Stock - \$1 par value - authorized 10,000 shares, issued and outstanding 8,466 shares	<u>8,466</u>
 Additional paid in capital - beginning of year	 1,679,199
Contributions for mortgage amortization	<u>21,050</u>
Additional paid in capital - end of year	<u>1,700,249</u>
 Accumulated deficit - beginning of the year	 (1,863,512)
Deficiency of revenue over expenses	<u>(379,626)</u>
Accumulated deficit - end of the year	<u>(2,243,138)</u>
 Total Shareholders' Equity	 <u>(534,423)</u>
 Total Liabilities and Shareholders' Equity	 <u><u>\$1,566,929</u></u>

30 Bogardus Owners Ltd.
(A Cooperative Housing Corporation)
Statement of Revenue and Expenses
For the Year Ended December 31, 2011

Revenue

Maintenance charges	\$406,516
Less: Abatements	(19,616)
Less: Portion allocated to mortgage amortization	(21,050)
Abatement assessment	14,966
Other income	20,683
	20,683
 Total Revenue	 401,499

Expenses

Repairs, supplies and maintenance	\$142,134
Mortgage interest	113,168
Real estate taxes	88,385
Energy	81,923
Water and sewer	32,792
Insurance	31,448
Professional fees	25,757
Payroll and related	23,636
Management fees	21,000
Office and administrative	2,505
Line of credit interest	704
Corporation taxes	486
	486
 Total Expenses	 563,938

Deficiency of Revenue over Expenses before Other Items	(162,439)
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Other Items

Depreciation and amortization	(155,570)
Write off prepayment penalty - old mortgage	(11,617)
Environmental remediation costs	(50,000)
	(50,000)
 Total Other Items	 (217,187)
 Deficiency of Revenue over Expenses	 (\$379,626)

30 Bogardus Owners Ltd.
(A Cooperative Housing Corporation)
Statement of Cash Flows
For the Year Ended December 31, 2011

Cash Flows from Operating Activities

Deficiency of Revenue over Expenses	(\$379,626)
Adjustments to reconcile deficiency to net cash used for operating activities:	
Depreciation and amortization	155,570
Write off prepayment penalty - old mortgage	11,617
Decrease (increase) in:	
Maintenance receivable - tenant shareholders	7,463
Receivable - other	325
Escrow account - taxes/water and sewer	(4,204)
Escrow account - pending claim	(15,032)
Accrued interest income	(172)
Prepaid expenses	(14,091)
Increase (decrease) in:	
Accounts payable and accrued expenses	47,978
Abatements payable	464
Prepaid maintenance	1,806
Cash Used for Operating Activities	<u>(187,902)</u>

Cash Flows from Investing Activities

Purchase of building improvements	(16,510)
Purchase of short-term investment	(100,452)
Investment in NCB stock	(21,250)
Cash Used for Investing Activities	<u>(138,212)</u>

Cash Flows from Financing Activities

Change in restricted cash - NCB	(25,096)
Mortgage costs - new mortgage	(43,374)
Mortgage costs - old mortgage	46,900
Satisfaction of line of credit facility	(342,707)
Proceeds from new mortgage	2,000,000
Portion of maintenance for mortgage amortization	21,050
Payments of mortgage principal	(21,050)
Satisfaction of old mortgage principal	(1,366,591)
Cash Provided by Financing Activities	<u>269,132</u>

Net Decrease in Cash	(56,982)
Cash and equivalents - Beginning of Year	<u>61,095</u>
Cash and equivalents - End of Year	<u><u>\$4,113</u></u>

Supplemental Disclosures of Cash Flow Information

Cash used for:	
Interest paid	\$112,824
Corporation taxes paid	\$486
Non-cash investing activity:	
Building improvements payable	<u><u>\$19,441</u></u>

See Notes to Financial Statements
Exhibit C

30 Bogardus Owners Ltd.
Notes to Financial Statements
December 31, 2011

Note 1 - Significant Accounting Policies

(A) Nature of Organization

30 Bogardus Owners Ltd. (the "Corporation") is a Cooperative Housing Corporation whose principal asset consists of a six-story building located in New York, New York. The building consists of 48 residential units and a superintendent apartment. The primary purpose of the Corporation is to maintain and manage the property.

(B) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Corporation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(C) Depreciation and Amortization

Fixed assets are recorded at cost without regard for net realizable value. The various methods of depreciation and amortization used are as follows:

<u>Classification</u>	<u>Method</u>	<u>Useful Life</u>
Building	Straight-line	27.5 Years
Building improvements	Straight-line	7 - 40 Years
Mortgage costs	Straight-line	10 Years

(D) Maintenance Assessments

Tenant-shareholders are subject to monthly assessments to provide funds for the Corporation's operating expenses, major repairs and replacements. Tenant-shareholder receivables reflected on the balance sheet may include amounts due for maintenance, late payment charges, or expenses which were incurred by the Corporation but which are the responsibility of individual tenant-shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of delinquent shareholders if the shareholders are unwilling to work with the managing agent to resolve defaults. Any excess assessments at year end are retained by the Corporation for use in future years.

30 Bogardus Owners Ltd.
Notes to Financial Statements
December 31, 2011

Note 1 - Significant Accounting Policies (cont'd)

(E) Cash Equivalents and Short-term Investments

The Corporation considers unrestricted money market accounts and certificates of deposit, with original maturities of three months or less, to be cash equivalents. Certificates of deposit with original maturities over three months are classified as short-term investments. Cash equivalents and short-term investments are stated at cost which approximates market value.

(F) Uncertainty in Income Taxes

Pursuant to accounting principles generally accepted in the United States of America for Uncertainty in Income Taxes, the Corporation has evaluated its income tax position for any required adjustments. No adjustments have been made for income taxes in these financial statements. The Corporation believes that its income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect to the Corporation's financial condition. The Corporation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Corporation believes it is no longer subject to income tax examinations prior to 2008.

(G) Maintenance Income Allocation to Shareholders' Equity

The portion of the maintenance income used to amortize the mortgage has been allocated to additional paid-in capital. Under generally accepted accounting principles in the United States of America, all maintenance income is included as income in the current period's operations. This allocation in no way affects the combined balance of shareholders' equity at year end.

(H) Subsequent Event

Management has evaluated subsequent events through September 7, 2012, the date the financial statements were available to be issued.

Note 2 - Dependency on Holder of Unsold Shares

As of December 31, 2011, 30 Bogardus, LLC (a successor to the Sponsor) owns approximately 13% of the corporate stock. Maintenance and assessment charges on these units totaled approximately \$55,000 for the year ended December 31, 2011.

30 Bogardus Owners Ltd.
Notes to Financial Statements
December 31, 2011

Note 3 - Mortgage Payable

In January 2011, the Corporation refinanced its mortgage and paid off its line of credit from the proceeds of a \$2,000,000 mortgage obtained from NCB. The mortgage matures on February 1, 2021, requires monthly payments of \$11,469 applied first to interest at 5.59% per annum and the balance to the reduction of principal based upon a thirty-year amortization schedule. A prepayment penalty of the greater of 1% of the principal being repaid or a yield maintenance premium is due in the event the Corporation prepays the entire loan prior to July 31, 2020. There is no prepayment penalty if principal is paid anytime from July 31, 2020 until maturity date. The mortgage is secured by the Corporation's land and buildings.

The outstanding balance at December 31, 2011 was \$1,978,950 and the amount of debt per share equaled \$233.75.

Principal maturities for the next five years ended December 31, are as follows:

<u>Year</u>	<u>Amount</u>
2012	\$25,825
2013	27,647
2014	29,255
2015	30,957
2016	32,457
Thereafter	<u>1,832,809</u>
	\$1,978,950

Under the mortgage terms, the Corporation is required to maintain a reserve account (the "Reserve Account") in an amount equal to \$25,000.

The Corporation was required to deposit \$15,000 into an escrow account with NCB during the first year of the loan. The Corporation may withdraw funds solely for major capital improvements and/or unbudgeted operating expenses. NCB agreed to allocate \$15,000 of the Reserve Account to cover this requirement until March 1, 2012.

Note 4 - Line of Credit

The Corporation also obtained from NCB a \$500,000 unsecured line of credit facility to provide financing for funding capital improvements and reserves. The line of credit will mature at the earlier of ten years or the refinancing of the first mortgage. The interest rate equals the greater of 5% per annum or 3.95% per annum above the one month LIBOR rate which will be interest only until February 2016 and thereafter it will be interest plus \$500 per month. An annual

30 Bogardus Owners Ltd.
Notes to Financial Statements
December 31, 2011

Note 4 - Line of Credit (continued)

maintenance fee of \$1,250 will be charged for having this facility. As of December 31, 2011, the Corporation has not drawn down on this facility.

Note 5 - Investment - NCB Stock

As a condition of obtaining the mortgage and line of credit from NCB, the Corporation was required to purchase at par \$21,250 of NCB Class B-1 Stock (the "Stock").

The Stock is only transferrable to new NCB borrowers pursuant to policies established by NCB and redeemable by NCB at par at its option, after all loans are repaid by the Corporation. It is the current policy of NCB to permit the sale of this initial investment to new NCB borrowers pursuant to NCB restrictions or upon repayment of loans. Unless repurchased by NCB, this stock must be held until satisfaction of the mortgage, at which time, NCB will arrange the sale of this stock, at par, to a new borrower from the bank.

Additionally, the Stock pays patronage dividends (at NCB's option) in the form of 35% cash and 65% in allocated surplus, which becomes part of the permanent capital of the Bank. Distributions from the allocated capital will only be possible upon the liquidation of the Bank. Therefore, allocated surplus on the NCB Stock has not been reflected as an asset in these financial statements.

Note 6 - Commitments

A laundry service contract exists with Birchwood Coin-Op Laundries ("Birchwood") which requires Birchwood to supply and maintain laundry equipment for use by the shareholders. Birchwood collects the revenue from the service and remits \$325 monthly to the Corporation. The contract is non-cancelable by the Corporation and expires April 2017.

In 2011, the Corporation entered into a contract for the installation of storage units and bike racks totaling \$35,951, of which \$16,510 was paid through December 31, 2011 and \$19,441 is included as accounts payable - capital.

30 Bogardus Owners Ltd.
Notes to Financial Statements
December 31, 2011

Note 7 - Corporation Taxes

The Corporation qualifies under Section 216 of the Internal Revenue Code as a cooperative housing corporation. Net operating losses which have not been applied to prior years are carried forward up to a maximum of twenty years to reduce tax, if any, in those years. Carry forward losses totaling approximately \$1,815,000 have accumulated through December 31, 2011 and will expire in various years from 2012 to 2031. The Corporation is unable to determine the future benefit, if any, of the carry forward losses.

New York State and City impose a tax on the net capital value of the Corporation adjusted for any appreciation since conversion on real property, if the capital tax is greater than the income tax.

Note 8 - Future Major Repairs and Replacements

The Corporation's governing documents do not require the accumulation of funds in advance of actual need 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, borrow, and impose special assessments, increase maintenance assessments, or delay repairs and replacements until funds are available. The effect on future assessments has not been determined.

Note 9 - Contingency – Pending Claim

The Corporation has been informed of a complaint to the U.S. Occupational Safety and Health Administration by a former employee claiming discriminatory employment practice. The claim has been referred to the Corporation's insurance carrier who is providing defense and possibly indemnification to the Corporation within the limits of the policy. A \$15,000 escrow account was established with NCB pending resolution of the complaint. No provision for any liability has been included in these financial statements.

Note 10 - Subsequent Events

Commencing February 1, 2012 the Corporation increased maintenance charges by 7.5%.

30 Bogardus Owners Ltd.
(A Cooperative Housing Corporation)
Supplemental Information
For the Year Ended December 31, 2011

<u>Other income</u>	
Laundry income	\$3,575
Sublet fees	2,338
Transfer fees	9,945
Other income	355
Miscellaneous income	3,212
Interest income	1,258
	<u>\$20,683</u>
<u>Payroll and related</u>	
Payroll	\$20,250
Payroll taxes	2,488
Workers' compensation insurance	787
Payroll processing	111
	<u>\$23,636</u>
<u>Energy</u>	
Fuel	\$70,333
Electric	10,173
Gas	1,417
	<u>\$81,923</u>
<u>Repairs, supplies and maintenance</u>	
Basement repairs	\$61,445
Plumbing	17,197
Air conditioning	17,000
Supplies	10,371
Heating	7,142
Elevator	7,152
Fire escape painting	6,300
Miscellaneous	15,527
	<u>\$142,134</u>
<u>Professional fees</u>	
Accounting	\$10,313
Legal fees	13,426
Other professional	2,018
	<u>\$25,757</u>

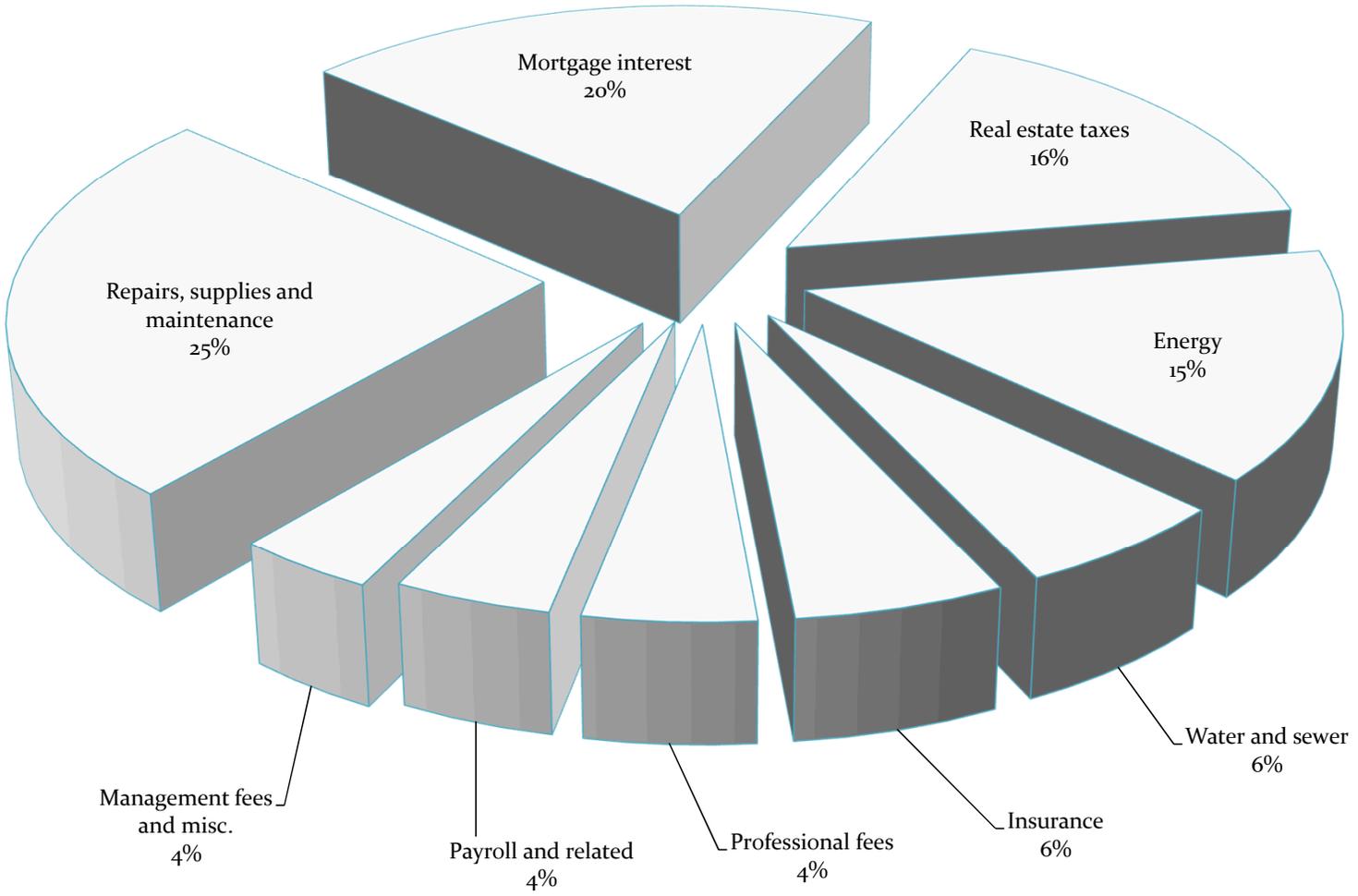
See Independent Auditor's Report

30 Bogardus Owners Ltd.
(A Cooperative Housing Corporation)
Supplemental Information on Operating Budget
For the Year Ended December 31, 2011

<u>Revenue</u>	<u>Actual</u>	<u>Budget</u>
Maintenance charges	\$406,516	\$406,516
Abatement assessment	14,966	14,965
Other income	20,683	12,020
	<hr/>	<hr/>
Total Revenue	442,165	433,501
	<hr/>	<hr/>
<u>Expenses</u>		
Repairs, supplies and maintenance	142,134	37,403
Mortgage payments	134,218	115,731
Real estate taxes, gross of real estate tax abatements	108,001	108,822
Energy	81,923	47,800
Water and sewer	32,792	41,950
Insurance	31,448	25,300
Professional fees	25,757	12,325
Payroll and related	23,636	21,550
Management fees	21,000	21,000
Office and administrative	2,505	1,020
Line of credit interest	704	0
Corporation taxes	486	600
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Total Expenses	604,604	433,501
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Excess (Deficiency) of Revenue over Expenses before Other Items	(\$162,439)	\$0
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See Independent Auditor's Report

**30 Bogardus Owners Ltd.
Expense Analysis by Percentage
Year Ended December 31, 2011**



See Independent Auditor's Report