SAMPLE COOPERATIVE CORPORATION

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

SAMPLE COOPERATIVE CORPORATION

INDEX

Greenberg & Brennan, CPA's, P.C.

Certified Public Accountants

352 SEVENTH AVENUE
SUITE 207
NEW YORK, NY 10001

TELEPHONE (212) 370-1488
FAX (212) 370-1513
www.greenbrenn.com

ALBERT M. KUSHNIROV, CPA
JOHN J. BRENNAN, CPA

WILLIAM J. GREENBERG, CPA
(1924 - 2012)

A PRACTICE LIMITED TO
COOPERATIVES AND CONDOMINIUMS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders of
Sample Cooperative Corporation

We have audited the accompanying financial statements of Sample Cooperative Corporation (the "Corporation"), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations and accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Cooperative Corporation as of December 31, 2013 and 2012, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter

The management has omitted 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 missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

GREENBERG & BRENNAN, CPA's, P.C.

New York, New York
March 2, 2014

SAMPLE COOPERATIVE CORPORATION

BALANCE SHEETS

ASSETS

	December 31, 2013	December 31, 2012
Current Assets		
Cash – Operating Account	$ 140,778	$ 207,666
Reserve Fund *(Note 2J)*	201,416	257,339
Accounts Receivable: *(Note 2F)*		
Shareholders	8,896	3,591
Commercial	22,792	14,184
Other Receivables	1,735	1,319
Real Estate Tax Refund *(Note 11)*	11,221	–
Total Accounts Receivable	44,644	19,094
Prepaid Expenses:		
Insurance	30,107	28,335
Real Estate Taxes	23,115	5,378
Other	–	1,176
Total Prepaid Expenses	53,222	34,889
Total Current Assets	440,060	518,988
Real Estate *(Notes 2C and 12)*		
Land	1,116,660	1,116,660
Building	3,959,068	3,959,068
Building Improvements	2,086,512	1,892,012
Machinery and Equipment	54,549	49,367
	7,216,789	7,017,107
Less Accumulated Depreciation *(Note 2D)*	4,799,478	4,719,148
Real Estate – Net of Accumulated Depreciation	2,417,311	2,297,959
Other Assets		
Good Faith Deposit – Mortgage Refinancing *(Note 3)*	40,000	–
Deferred Certiorari Fees – Net of Accumulated Amortization *(Notes 2E and 11)*	34,590	35,440
Deferred Mortgage Costs – Net of Accumulated Amortization *(Note 2E)*	4,200	29,404
Total Other Assets	78,790	64,844
TOTAL ASSETS	$ 2,936,161	$ 2,881,791

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE COOPERATIVE CORPORATION

BALANCE SHEETS

LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31,	
	2013	2012
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 82,103	$ 77,682
Construction in Progress – Contracts Payable	4,756	17,683
Prepaid Maintenance	4,481	5,703
Real Estate Tax Abatements/Exemptions Payable *(Note 8)*	64,706	54,177
SCRIE Payable	756	–
Security Deposits Payable	37,730	31,730
Total Current Liabilities	194,532	186,975
Long-Term Liabilities		
First Mortgage Payable *(Note 3A)*	1,280,000	1,280,000
Second Mortgage Payable *(Note 3B)*	600,000	600,000
Certiorari Fees Payable *(Note 11)*	25,947	13,304
Total Long-Term Liabilities	1,905,947	1,893,304
Total Liabilities	2,100,479	2,080,279
Shareholders' Equity		
Common Stock, $1 Par Value, Authorized 10,000 Shares, Issued and Outstanding 6,547 Shares	6,547	6,547
Paid-In Capital *(Note 2H)*	5,214,228	5,145,028
Less: Accumulated Deficit	4,385,093	4,350,063
Total Shareholders' Equity	835,682	801,512
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,936,161	$ 2,881,791

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE COOPERATIVE CORPORATION

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

	For the Years Ended December 31, 2013	2012
INCOME		
Maintenance Charges *(Note 2F)*	$ 1,189,459	$ 1,144,677
Assessment – Real Estate Tax Abatements *(Note 8)*	113,656	88,777
Capital Assessment *(Note 10)*	69,200	75,421
Less: Real Estate Tax Abatements/Exemptions *(Note 8)*	140,409	106,325
Contribution to Paid-In Capital – Capital Assessment *(Note 2H)*	69,200	75,421
	1,162,706	1,127,129
Transfer Fees *(Note 2I)*	128,250	91,020
Sublet Fees	15,160	21,618
Storage Fees	13,710	13,830
Late Charges and Miscellaneous	980	3,039
Commercial Rent *(Note 6)*	22,500	22,500
Commercial Escalation *(Note 6)*	14,734	14,184
Laundry	5,036	6,000
Interest and Dividends	52	489
Real Estate Tax Refund *(Note 11)*	11,221	4,581
TOTAL INCOME	1,374,349	1,304,390
COST OF OPERATIONS		
Operating Expenses – *Schedule 1*	569,906	530,097
Repairs and Maintenance – *Schedule 2*	58,677	55,920
Administrative Expenses – *Schedule 3*	103,214	95,251
Taxes – *Schedule 4*	433,855	445,223
Interest Expense – First Mortgage *(Note 3A)*	88,000	88,000
Interest Expense – Second Mortgage *(Note 3B)*	33,540	33,540
TOTAL COST OF OPERATIONS	1,287,192	1,248,031
Operating Surplus Before Depreciation and Amortization	87,157	56,359
Less: Depreciation *(Note 2D)*	80,330	72,231
Amortization of Deferred Mortgage Costs *(Note 2E)*	25,204	25,204
Amortization of Deferred Certiorari Fees *(Notes 2E and 11)*	16,653	13,493
NET (DEFICIT) FOR THE YEAR	(35,030)	(54,569)
Accumulated Deficit – January 1	(4,350,063)	(4,295,494)
Accumulated Deficit – December 31	$ (4,385,093)	$ (4,350,063)

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE COOPERATIVE CORPORATION

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

	For the Years Ended December 31, 2013	2012
SCHEDULE 1		
OPERATING EXPENSES		
Payroll and Related Costs		
Wages	$241,984	$234,239
Payroll Taxes	19,872	19,550
Workers' Compensation and Disability Insurance	9,433	9,947
Employees' Union Benefits *(Note 9)*	75,406	70,356
Uniforms and Other Payroll Costs	4,776	4,657
Total Payroll and Related Costs	351,471	338,749
Utilities		
Heating	123,367	100,969
Electricity and Gas	22,975	24,113
Water and Sewer	72,093	66,266
Total Utilities	218,435	191,348
TOTAL OPERATING EXPENSES	$569,906	$530,097
SCHEDULE 2		
REPAIRS AND MAINTENANCE		
Elevator	$ 13,341	$ 12,693
Plumbing	5,775	5,395
Heating	1,210	2,113
Intercom and Building Security	12,786	1,752
Painting and Plastering	850	–
Permits and Inspections	3,343	3,596
Exterminating	6,473	10,952
Other Interior	1,363	7,854
Windows	1,209	–
Other Exterior	4,809	650
Building Supplies	10,558	13,094
Less: Repairs Charged Back to Shareholders	3,040	2,179
TOTAL REPAIRS AND MAINTENANCE	$ 58,677	$ 55,920

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE COOPERATIVE CORPORATION

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

	For the Years Ended December 31, 2013	2012
SCHEDULE 3		
ADMINISTRATIVE EXPENSES		
Building Insurance	$ 41,271	$ 39,312
Management Fees	38,000	36,500
Auditing Fees	7,500	7,250
Legal Fees	5,724	310
Other Professional Fees	723	623
Telephone and Cable	2,677	2,912
Other Administrative Expenses	7,319	8,344
TOTAL ADMINISTRATIVE EXPENSES	$ 103,214	$ 95,251
SCHEDULE 4		
TAXES		
NYC Real Estate Taxes – Gross	$ 566,180	$ 546,371
Less: Real Estate Tax Abatements/Exemptions *(Note 8)*	140,409	106,325
	425,771	440,046
New York State and City Corporation Taxes *(Note 5)*	8,084	5,177
TOTAL TAXES	$ 433,855	$ 445,223

See Independent Auditors' Report and Notes to Financial Statements.

SAMPLE COOPERATIVE CORPORATION

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (Deficit) for the Year	$ (35,030)	$ (54,569)
Adjustments to Reconcile Net (Deficit) to Net Cash Provided by Operating Activities:		
Depreciation	80,330	72,231
Amortization of Deferred Mortgage Costs	25,204	25,204
Amortization of Deferred Expenses	16,653	13,493
Decrease (Increase) in Accounts Receivable	(25,550)	4,939
Decrease (Increase) in Prepaid Expenses	(18,333)	(8,079)
Decrease (Increase) in Security Deposits	–	20,222
(Decrease) Increase in Accounts Payable and Accrued Expenses	4,421	6,135
(Decrease) Increase in Abatements/Exemptions Payable	10,529	627
(Decrease) Increase in Prepaid Maintenance	(1,222)	2,989
(Decrease) Increase in SCRIE Payable	756	(2,200)
(Decrease) Increase in Security Deposits Payable	6,000	(17,221)
Total Adjustments	98,788	118,340
Net Cash Provided by Operating Activities	63,758	63,771
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (Increase) in Reserve Fund	55,923	(4,176)
Capital Expenditures	(199,682)	(103,671)
(Decrease) Increase in Construction Contracts Payable	(12,927)	17,683
Net Cash (Used) by Investing Activities	(156,686)	(90,164)
CASH FLOWS FROM FINANCING ACTIVITIES:		
(Increase) Decrease in Deferred Expenses	(15,803)	(16,630)
Good Faith Deposit – Mortgage Refinancing	(40,000)	–
Contribution to Paid-In Capital	69,200	75,422
Increase (Decrease) in Long-Term Liabilities	12,643	13,304
Net Cash Provided by Financing Activities	26,040	72,096
Net Increase (Decrease) in Cash and Equivalents	(66,888)	45,703
Cash and Equivalents, Beginning	207,666	161,963
Cash and Equivalents, Ending	$ 140,778	$ 207,666
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash Paid During the Year:		
Corporation Taxes	$ 5,279	$ 6,353
Interest	$ 121,540	$ 121,540

See Independent Auditors' Report and Notes to Financial Statements.

NOTE 1 – NATURE OF ORGANIZATION

The Corporation was formed in March 1982 pursuant to the Business Corporation Law of the State of New York. Operations commenced in March 1985 by taking title to the land and building located at ...... Street, New York, New York pursuant to an offering plan for the conversion of the property to cooperative ownership. The primary purpose of the Corporation is to provide 101 apartment residences to its shareholders. Under Section 216(b) of the Internal Revenue Code, the Corporation qualifies as a Cooperative Housing Corporation.

As of December 31, 2013, the Sponsor owned 8.0% of the capital stock allocated to 9 apartments and therefore paid that percentage of the maintenance and assessments. The Sponsor is also the lessor of the ground floor offices. At the balance sheet date, the Sponsor was in arrears in the amount of $8,059.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A) Basis of Presentation

The accrual method of accounting is followed in which income is recognized when earned and expenses are recognized when incurred.

B) Cash and Equivalents

For purposes of the statement of cash flows, the Corporation considers all highly liquid investments with maturity of approximately three months or less to be cash equivalents.

C) Real Estate

Real Estate is stated at acquisition cost less accumulated depreciation without consideration of present realizable value.

D) Depreciation

Building, Building Improvements and Equipment are carried at cost and are being depreciated using the straight-line method over their estimated useful lives ranging from 5 to 40 years. As of the balance sheet date, the building had been fully depreciated.

E) Amortization

Deferred Mortgage Costs are being amortized over the term of the mortgages on the straight-line basis.

Deferred Certiorari Fees are being amortized over the term of five years on the straight-line basis.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

F) Shareholders' Maintenance and Receivables

Maintenance charges are based on an annual budget determined by the Board of Directors. Shareholders are billed monthly based on their respective share holdings. The Corporation retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.

In 2013 and 2012, annual maintenance was $181.68 and $174.84 per share respectively. For 2014, the Board approved an operating budget with an 8.3% increase in maintenance charges.

Shareholders' receivables at the balance sheet date represent maintenance fees due from shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of stock of shareholders whose maintenance charges are delinquent. The Corporation considers all shareholders and commercial receivables as of the balance sheet date to be collectible. Accordingly, no allowance for doubtful accounts is required. If any receivables become uncollectible, they will be charged to operations when that determination is made.

G) Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

H) Contributions to Paid-In Capital

The Corporation treats special assessments used for the acquisition of capital improvements as contributions to Paid-In Capital. These contributions increase the cost basis of each shareholder's apartment. *(See also Note 10.)*

I) Transfer Fees (Flip Taxes)

Sellers of the Corporation's common stock, representing an apartment ownership, are required to pay a special transfer fee equal to 3% of the sales price to the Corporation at the time of transfer. The proceeds derived from such fees are recognized as patronage income to the Corporation at the time of transfer.

J) Marketable Securities

The Corporation's policy is to classify equity securities as available for sale securities and record them at current market prices with any unrealized gains and losses reported as a component of equity. Realized gains and losses are reported as income.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

K) Concentration of Credit Risk

The Corporation maintains its cash in bank accounts, which, at times, may exceed federally insured limits. In addition, deposits are maintained in money market funds, which do not have federal deposit insurance. The Corporation has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and equivalents.

NOTE 3 – MORTGAGES PAYABLE

A) First Mortgage

Lender:	JP Morgan Chase, as Trustee
Principal:	$1,280,000
Maturity:	March 1, 2014
Interest Rate:	6.875%
Payments:	$7,333 monthly, for interest only.
Prepayment:	Only in full with a "Make Whole" penalty

B) Second Mortgage

In 2004, the Corporation placed a second mortgage on the property as follows:

Lender:	JP Morgan Chase, as Trustee
Principal:	$600,000
Maturity:	March 1, 2014
Interest Rate:	5.59%
Payments:	$2,795 monthly, for interest only.
Prepayment:	In full, upon proper notice and with a "Make Whole" penalty

As of December 31, 2013, the entire line has been drawn.

NOTE 3 – MORTGAGES PAYABLE *(Continued)*

Refinancing

Subsequent to the balance sheet date, on February 28, 2014, the Corporation consolidated and refinanced its first and second mortgages with Customers Bank. A new mortgage in the amount of $2,000,000 is payable at the annual interest rate of 4% for the term of ten years with monthly payments of interest only.

The Corporation also obtained a new $500,000 revolving line of credit with a variable interest rate equal to the greater of the Prime Rate as published in the Wall Street Journal plus 1% or 4% adjusted daily for the term of ten years.

NOTE 4 – INCOME TAX STATUS

The Mortgage Forgiveness Debt Relief Act of 2007 was signed into law on December 20, 2007, and is effective for corporations whose tax years end on or after December 21, 2007. Among the various provisions of this new law, there is an amendment to section 216 of the Internal Revenue Code that substantially broadened the previously existing requirements for cooperative corporations. Specifically, section 216(b)(1) of the Code was amended to provide that a corporation qualifies as a cooperative housing corporation by meeting any one of the following three requirements:

- Income Test: Eighty percent or more of the cooperative's gross income for the taxable year is "patronage" – derived from members (shareholders), the existing test prior to this amendment.

- Square Footage Test: Eighty percent or more of the total square footage of the Corporation's property is used by or available to members for residential purposes or purposes ancillary to residential use.

- Expenditures Test: Ninety percent or more of the expenditures of the Corporation, paid or incurred during the current taxable year are for acquisition, construction, management, maintenance or care of the Corporation's property for the benefit of the members (shareholders).

The Corporation satisfied one or more of the above requirements in 2013 and 2012.

NOTE 5 – CORPORATION TAXES

During 1996, in a case involving a conventional cooperative, the United States Tax Court ruled that Subchapter T of the Internal Revenue Code, not Section 277, applies to housing cooperatives that qualify under Section 216 of the Internal Revenue Code. Subchapter T requires allocations of patronage and non-patronage source income.

NOTE 5 – CORPORATION TAXES *(Continued)*

The Corporation is qualified to prepare its tax returns pursuant to the provisions of Subchapter T of the Internal Revenue Code. Subchapter T provides that expenses attributable to the generation of patronage income, i.e., income from business done with or for patrons (shareholders), are deductible only to the extent of patronage income. The Corporation believes that all of its income for the year ended December 31, 2013 is patronage income within the meaning of Subchapter T. The Corporation has also determined that there are no uncertain tax positions that require either recognition or disclosure in the accompanying financial statements.

Effective September 15, 2009, the Corporation adopted Financial Accounting Standards Board (FASB) Interpretation Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement Accounting for uncertainty in Income Taxes. Under this interpretation, a tax position taken is recognized if it is determined that the position will be "more-likely-than-not" sustained upon examination by a tax authority. The interpretation also establishes measurement guidance with respect to positions that have met the recognition threshold. The Corporation does not expect the requirements of this interpretation to have any impact on these financial statements.

For the years 2013 and 2012 there were net losses after depreciation and amortization and no provision has been made for federal income taxes. New York State and City taxes are based upon higher of net income or capital. For 2013, taxes will be paid on the capital base of the Corporation.

It is believed that the Corporation will not benefit from any deferred tax benefits resulting from prior net operating losses. Therefore, no deferred tax assets have been recognized.

NOTE 6 – COMMERCIAL LEASE

Ground floor offices:

Term:	To March 2025
Annual Rent:	$22,500
Escalation:	2% of increases in certain expenses

NOTE 7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Corporation has not estimated the remaining useful lives and replacement costs of the building's systems and major components and has not presented estimates of the costs of major repairs and replacements that may be required in the future. Although the presentation of this information is required by the American Institute of Certified Public Accountants to supplement the basic financial statements, such presentation is not required by law or other governmental rules or regulations.

NOTE 7 – FUTURE MAJOR REPAIRS AND REPLACEMENTS *(Continued)*

The Corporation's governing documents do not require the accumulation of funds to finance estimated future major repairs and replacements. When funds are required to meet future needs for major repairs and replacements, the Corporation can borrow, increase maintenance charges, assess shareholders, utilize existing reserves or delay repairs and replacements until funds are available. The effect on future maintenance charges and assessments has not been determined.

NOTE 8 – REAL ESTATE TAX ABATEMENTS/PERSONAL EXEMPTIONS

As a result of revisions to the New York State Real Property Tax Law, the City of New York has afforded a partial abatement of real estate taxes to owners of certain cooperative and condominium properties. The abatement program was created by law to partially reduce the disparate tax burden borne by owners of cooperative and condominium units in New York City in comparison to that currently assumed by the owners of one, two and three family homes. In February 2013, legislation was signed extending the abatement program through June 30, 2015, although the abatement is being phased out for apartments owned by those who are not residents (for income tax purposes) of New York City.

Abatements are based upon the assessed valuation of the land and building as multiplied by the current tax rate less any other abatements. Shareholders may also be eligible for certain personal exemptions (senior citizen, disability, veteran, and STAR) in addition to the co-op abatement, which applies to the apartment alone.

The portion of the abatement, granted when the tax is due to be paid, serves to directly reduce the amount of real estate tax payable. By law, the abatements and exemptions are to be returned to the eligible shareholders. It is the intention of management to comply with this law by issuing credits against maintenance.

In 2013 and 2012 the Corporation imposed an assessment approximately equal to the coop abatement to accommodate rising operating costs without the necessity of substantial increases in maintenance charges.

NOTE 9 – UNION BENEFITS

Substantially all of the Corporation's employees are members of the Service Employees International Union Local 32BJ (the "Union") and are covered by the Union sponsored, collectively bargained, multiemployer defined benefit pension, annuity and health insurance plan (the "Plan"). The Corporation's contributions to the Plan are determined in accordance with the provisions of the negotiated labor agreement, which expires on April 20, 2018. The Corporation's contributions to the Plan were less than 5% of the Plan's total contributions for the year ending December 31, 2013.

NOTE 9 – UNION BENEFITS *(Continued)*

The Corporation's contributions to the Building Service 32BJ Pension Fund (the "Fund"), EIN 13-1879376, for 2013 and 2012 were $15,791 and $16,569 respectively. The contributions to the Fund are not segregated or restricted to provide benefits only to the Corporation's employees. Information as to the Corporation's portion of the unfunded vested benefits and Fund's accumulated assets is not determinable. Under the Employee Retirement Income Security Act, as amended, an employer, upon withdrawal from the Plan, is required to continue to pay its proportionate share of the Fund's unfunded vested benefits. The Corporation has no intention of withdrawing from the Plan.

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary, which summarizes the Fund's funding status. The Fund's most recently available certified zone status was "red", which indicates that the Fund was less than 65% funded as of the Plan's year end date of June 30, 2013. The Fund is considered to be in critical status for the Plan's year beginning July 1, 2013, and its actuary has determined that there will be a funding deficiency within the next three years. A rehabilitation plan to restore the Fund's financial health has been adopted. The rehabilitation plan may involve a surcharge on employers or a reduction or elimination of certain benefits.

NOTE 10 – CAPITAL ASSESSMENT

The Corporation imposed a special assessment for capital improvements at 96¢ per share, per month, commencing December 1, 2003 and continuing for ten years.

NOTE 11 – REAL ESTATE TAX REDUCTION

In 2013, 2012, 2011, 2010 and 2008, settlements were reached with the City of New York resulting in reductions in the assessed value of land and building for the tax years 2007/2008 through 2013/2014. The Corporation's tax payments will be reduced through the 2017/2018 tax year. Certiorari fees of approximately $74,922, based on refunds, credits and future tax savings, were incurred, and the portion attributable to 2013 was expensed. The portions attributable to future periods have been deferred and will be charged to operations in the periods benefited.

NOTE 12 – CAPITAL EXPENDITURES

Capital Expenditures for 2013 and 2012 were as follows:

	2013	2012
Hallway Renovation	$ 181,636	$ 62,837
Waterproofing Project	9,105	25,838
Windows Replacement	3,759	2,158
Backflow Preventer	–	375
Water Tank Upgrade	–	5,618
New Telephone Entry System	2,069	–
Miscellaneous Equipment and Appliances	3,113	6,846
	$ 199,682	$ 103,672

NOTE 13 – CLAIMS OR LITIGATION

In calendar year 2012, the Corporation was named as a defendant in an action by a third party who claims to have been wrongfully denied approval with respect to his application to purchase a unit in the Apartment Corporation's building at 210 East 36th Street, New York, NY. The Corporation is being defended through counsel appointed by its insurance carrier and is vigorously disputing the allegations of this third party inasmuch as the application was rejected for reasons falling under this business judgment rule. Based upon the Corporation's discussions with counsel on this matter, it is the opinion of the Corporation's management that this claim is without merit and the losses that may stem from this litigation, if any, would not have a material adverse effect on the financial position or results of operations of the Corporation. Other than this one action, there is no other litigation pending against the Corporation.

NOTE 14 – SUBSEQUENT EVENTS

The Corporation has evaluated its subsequent events through the date that the accompanying financial statements were issued. The Corporation had no material subsequent events requiring disclosure.