76TH STREET OWNERS' CORP.

Financial Statements
as of December 31, 2014 and 2013
and for the years then ended

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
76th Street Owners' Corp.:

We have audited the accompanying financial statements of 76th Street Owners' Corp. (the "Corporation"), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues, expenses 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

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.

Auditor's 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 auditor's 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 auditor considers 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 76th Street Owners' Corp. as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 11, the Corporation has not estimated the remaining useful lives and replacement costs of the real property and, therefore, has not presented information about the estimates of future costs of major repairs and replacements that will be required in the future that accounting principles generally accepted in the United States of America has determined is required to supplement, although not required to be a part of, the basic financial statements.

Syed N. Haque, CPA

Rego Park, New York
May 5, 2015

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

BALANCE SHEETS
as of December 31, 2014 and 2013

ASSETS:	2014	2013
Cash (Note 3)	$957,629	$780,123
Receivables from shareholders (Note 4)	22,798	12,789
Prepaid expenses (Note 5)	57,478	44,096
Deferred mortgage refinancing costs, net of accumulated amortization of $18,790 and $10,737 (Note 2)	61,742	69,795
Property and improvements, net of accumulated depreciation of $5,909,645 and $5,662,379 (Notes 2 and 6)	2,467,411	2,584,734
Total assets	$3,567,058	$3,491,537

LIABILITIES AND STOCKHOLDERS' EQUITY:		
Accounts payable and accrued expenses	$66,476	$73,246
Deferred maintenance charges	13,478	19,411
Due to shareholders	19,963	8,316
Due to sponsor	14,067	13,194
Other	6,501	31,676
Mortgage note payable (Note 7)	3,200,000	3,200,000
Total liabilities	3,320,485	3,345,843
Stockholders' equity:		
Common stock, par value $1; authorized 80,000 shares; issued and outstanding 74,715 shares	74,715	74,715
Treasury stock (Note 13)		(180,343)
Additional paid-in capital	5,410,493	5,355,923
Accumulated deficit	(5,238,635)	(5,104,601)
Total stockholders' equity	246,573	145,694
Total liabilities and stockholders' equity	$3,567,058	$3,491,537

The accompanying notes are an integral
part of these financial statements

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

STATEMENTS OF REVENUES, EXPENSES AND ACCUMULATED DEFICIT
for the years ended December 31, 2014 and 2013

	2014	2013
REVENUES:		
Maintenance charges (Note 2)	$863,587	$862,669
Rent income - storage bins (Note 15)	21,525	14,765
Interest income	2,485	3,776
Laundry income	13,850	13,350
Special assessments (Note 12)	57,531	36,311
Sublet fees	4,179	4,743
Recovery of legal fees and closing costs (Note 14)	86,273	
Shareholder fine	6,139	
Other income	2,683	1,969
Total revenues	1,058,252	937,583
EXPENSES:		
Payroll and related expense	99,222	95,322
Union pension and benefits (Note 10)	41,505	39,630
Real estate taxes	231,865	205,513
Interest expenses	129,778	129,778
Fuel, gas and electric	213,971	192,844
Repairs, maintenance and supplies	58,208	76,436
Insurance	42,552	44,448
Professional fees	25,789	22,276
Water and sewer	65,898	54,378
Management fees (Note 9)	18,333	17,833
Income taxes (Note 8)	1,199	554
License and permits	1,440	1,310
Telephone	6,265	5,255
Other	942	3,518
Total expenses before depreciation and amortization	936,967	889,095
Excess of revenues over expenses before depreciation and amortization	121,285	48,488
Less: depreciation and amortization	(255,319)	(241,651)
Deficiency of revenues over expenses	(134,034)	(193,163)
Accumulated deficit at January 1, 2014 and 2013	(5,104,601)	(4,911,438)
Accumulated deficit at December 31, 2014 and 2013	($5,238,635)	($5,104,601)

The accompanying notes are an integral
part of these financial statements

76TH STREET OWNERS' CORP.
(A Cooperative Housing Corporation)

STATEMENTS OF CASH FLOWS
for the years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Deficiency of revenues over expenses	($134,034)	($193,163)
Adjustments to reconcile deficiency of revenues over expenses to net cash provided by (used in) operating activities:		
Depreciation and amortization	255,319	241,651
(Increase) decrease in:		
Receivables from shareholders	(10,009)	23,880
Prepaid expenses	(13,382)	(3,227)
Other		6,953
(Decrease) increase in:		
Accounts payable and accrued expenses	(6,770)	(223,205)
Deferred maintenance charges	(5,933)	(14,957)
Due to shareholders	11,647	3,046
Due to sponsor	873	11,276
Other	(25,175)	27,675
Net cash provided by (used in) operating activities	72,536	(120,071)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in property and improvements	(129,943)	(177,526)
Net cash used in investing activities	(129,943)	(177,526)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in additional paid-in capital	54,570	
(Decrease) increase in treasury stock	180,343	(180,343)
Net cash provided by (used in) financing activities	234,913	(180,343)
Net increase (decrease) in cash	177,506	(477,940)
Cash, beginning of year	780,123	1,258,063
Cash, end of year	$957,629	$780,123
SUPPLEMENTAL DISCLOSURE FOR STATEMENTS OF CASH FLOWS:		
Interest paid	$129,778	$129,778
Income taxes paid	$1,062	$605

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

1. Organization:

76th Street Owners' Corp. (the "Corporation"), a cooperative housing corporation, was incorporated in the State of New York on June 4, 1984. The Corporation owns the building located at 35-36 76th Street, Jackson Heights, New York. This building has 113 residential units, and a superintendent apartment.

2. Summary of Significant Accounting Policies:

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Property and improvements are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the individual assets.

Deferred mortgage refinancing costs are amortized on the straight-line method over the term of the loan. Amortization on the interest method would not be materially different.

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.

For statement of cash flows, all cash in bank, including demand deposits, certificate of deposits and money market accounts are considered cash by the Corporation.

3. Cash:

The cash balances consist of the following:

	2014	2013
Operating accounts	$351,482	$167,065
Money market accounts	606,147	613,058
	$957,629	$780,123

4. Receivables from Shareholders:

At December 31, 2014 and 2013, receivables from shareholders amounted to \$22,798 and \$12,789, respectively. The Corporation has first lien upon the shares owned by shareholders for indebtedness arising under the provision of the proprietary lease issued to the shareholders. As a result, the Corporation believes that the fair market value of delinquent shares is sufficient to cover maintenance charges in arrears. Accordingly, no allowance for uncollectible maintenance charges is deemed necessary.

5. Prepaid expenses:

Prepaid expenses are comprised of the following:

	2014	2013
Real estate taxes	\$39,791	\$30,277
Boiler service contract	1,572	1,572
Insurance	16,115	12,247
	\$57,478	\$44,096

6. Property and Improvements:

Property and improvements are comprised of the following:

	2014	2013
Land	\$996,757	\$996,757
Building and improvements	7,380,299	7,250,356
	8,377,056	8,247,113
Less: accumulated depreciation	(5,909,645)	(5,662,379)
	\$2,467,411	\$2,584,734

For the year ended December 31, 2014 and 2013, the Corporation incurred \$129,943 and \$307,469 for capital improvements. Such costs are included in building and improvements.

7. Mortgage Note Payable:

On September 4, 2012, the Corporation refinanced its mortgage note payable with Valley National Bank for \$3,200,000 at an interest rate of 4% per annum. The mortgage note is secured by the land and building, and requires monthly interest only payment of approximately \$10,667. The mortgage will mature on September 30, 2022 at which time the remaining balance will be due. At December 31, 2014 and 2013, mortgage note payable amounted to \$3,200,000.

8. Income Taxes:

The Corporation qualifies under Section 216 of the Internal Revenue Code as a cooperative housing corporation. This section permits shareholders to deduct their proportionate share of real estate taxes and mortgage interest on their own tax returns.

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 (tenant cooperators), are deductible only to the extent of patronage income. The Corporation believes that all of its income is patronage income within the meaning of Subchapter T.

For the year ended December 31, 2014, the Corporation has a net taxable income of $52,872, which has been offset by utilizing the net operating loss carryforwards. In 2013, the Corporation incurred net operating loss of $6,580. As a result, the Corporation is not subject to federal income tax in 2014 and 2013. State and local franchise taxes are computed based on the capital method for cooperative housing corporations, which amounted to $1,199 and $554 in 2014 and 2013, respectively.

At December 31, 2014 and 2013, the Corporation has federal net operating loss carryforwards of $628,244 and $681,268, respectively, which are available to reduce future taxable income. Net operating loss carryforwards expire through the year 2034.

The net losses per financial statements reconciled to taxable income (loss) on federal income tax returns are as follows:

	2014	2013
Net loss per financial statements	($134,034)	($193,163)
Financial depreciation in excess of tax depreciation	186,906	186,583
Taxable income (loss) before net operating loss deduction	$52,872	($6,580)

The Corporation's tax filings are subject to audit by various taxing authorities. The Corporation's federal, state and city income tax returns for years ended December 31, 2011 through 2014 remain open to examination by various taxing authorities. In evaluating the Corporation's tax provisions and accruals, the Corporation believes that its estimates are appropriate based on current facts and circumstances.

9. Related Party Transactions:

Maxx Properties (Maxx), an affiliate of the Sponsor, Equity Investments, is the managing agent of the Corporation. The management contract with Maxx was renegotiated in 2013 for an additional three-year period with a fee of $18,000 for year one, $18,500 for year two and $19,000 for year three, effective May 1, 2013.

The Corporation incurred management fees of $18,333 and $17,833 for the years ended December 31, 2014 and 2013, respectively.

Maxx serves as the paymaster for the employees of the Corporation and is reimbursed for all payroll and related costs incurred on the Corporation's behalf. Employees of Maxx serve on the board of directors of the Corporation.

At December 31, 2014 and 2013, the sponsor owned approximately 12% and 16%, respectively, of the outstanding shares of the Corporation. Maintenance charges to the sponsor amounted to $99,819 and $142,828 in 2014 and 2013, respectively. For years ended December 31, 2014 and 2013, the sponsor also paid a special assessment of $6,634 and $5,991, respectively.

10. Union Pension and Benefits:

The Corporation's employees are members of Local 32B-J of the Service Employees International Union, AFL-C10. In 2014 and 2013, the Corporation incurred $41,505 and $39,630, respectively, for employee pension and welfare benefits to the union sponsored plans.

11. Future Major Repairs and Replacements:

The Corporation has not conducted a study to determine the remaining useful lives of the components of real property and current estimates of the costs of major repairs and replacements that may be required in the future. The board has also not developed a plan to fund those needs. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to increase regular maintenance, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

12. Special Assessments:

In 2014 and 2013, the board of directors approved special assessments to offset the tax abatements granted to certain shareholders by the City of New York in the amount of $57,531 and $36,311, respectively. Such assessments have been recorded as income. During

2014 and 2013, the Corporation on the other hand distributed $56,496 and $52,625, respectively, as Coop and STAR abatements to eligible shareholders.

13. Treasury Stock:

In August 2013, the Corporation acquired the apartment 429 for $180,343 including closing costs. Subsequently, the apartment was renovated at the cost of $28,985 including appliances. In April 2014, the apartment was sold for $280,000 less closing costs of $16,102. The Corporation realized a net gain of $54,570, which is recorded as additional paid-in capital.

14. Recovery of legal fees and closing costs:

In 2014, the Corporation recovered $76,273 of legal fees incurred in litigation, 76th Street Owners' Corp. vs Elshiekh, which were expensed in prior years. Additionally, the Corporation recovered closing costs of $10,000.

15. Rent Income – Storage Bins:

At the start of 2013, the Board decided to simplify the billing of storage bins by shifting charges to a February to February billing cycle. To do that, shareholders needed to be given credits for the unused fees that they paid the prior year. These partial-year credits offset full-year bin charges that were assessed in February 2013. Since these credits were awarded in 2013, revenues from storage bins were lower than they would be during a year in which storage bin renters are charged the full amount with no offsets.

16. Impairment:

In accordance with FASB ASC 360 long-lived assets, including property and equipment, are reviewed for impairment and written down to fair value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable through future discounted cash flows. The amount of the impairment loss is the excess of the carrying amount of the impaired assets over the fair value of the assets based upon discounted future cash flows. The management believes that there has not been any impairment in 2014 and 2013.

17. Concentration of Credit Risk:

The Corporation maintains accounts with financial institutions. At times, cash balances may exceed the maximum coverage provided by the Federal Deposit Insurance Corporation ("FDIC") on insured depositor accounts. The Corporation believes it mitigates risk by investing its cash and cash equivalents with major financial institutions. As of December 31, 2014 and 2013, the uninsured cash balances amounted to $213,903 and $2,495, respectively.

18. Date of Management's Review:

Management has evaluated subsequent events through May 5, 2015, the date on which the financial statements were available to be issued. As of May 5, 2015, there are no subsequent events to be recognized or reported.

19. Reclassifications:

Certain 2013 balances have been restated to conform to 2014 presentation.