

THIRTY- FIFTH AMENDMENT

TO

OFFERING PLAN FOR
COOPERATIVE OWNERSHIP

OF

76-10 34TH AVENUE
JACKSON HEIGHTS, NEW YORK

DATED: SEPTEMBER 25, 2015

THIS AMENDMENT MODIFIES AND SUPPLEMENTS THE TERMS OF THE ORIGINAL OFFERING PLAN DATED APRIL 6, 1983 AND THE FIRST THROUGH THIRTY-FOURTH AMENDMENTS THERETO AND SHOULD BE READ IN CONJUNCTION WITH SAID OFFERING PLAN AND PRIOR AMENDMENTS.

76-10 34TH AVENUE
JACKSON HEIGHTS, NEW YORK

THIRTY-FIFTH AMENDMENT TO THE OFFERING PLAN
TO CONVERT TO COOPERATIVE OWNERSHIP

This Amendment modifies and supplements the terms of the Offering Plan dated April 6, 1983 and the First through Thirty-Fourth Amendments thereto and should be read in conjunction with the Offering Plan and prior Amendments. The Offering Plan and prior Amendments are hereinafter collectively referred to as the Plan.

The terms of this Thirty-Fifth Amendment are as follows:

A. FINANCIAL DISCLOSURES

The New York State Department of Law requires that a Financial Disclosure Amendment be filed each year for all effective offering plans for buildings in which the Sponsor or Holder of Unsold Shares (“Holder”) own more than 10% of shares of the cooperative corporation. The following disclosures are made in accordance with the requirements of the Department of Law.

1. The Holder owns 5,581 shares allocated to 21 apartments in the building. This constitutes 19.79% of the total shares in the building. Annexed hereto as Exhibit A is a List of Unsold Shares.
2. The aggregate monthly maintenance payable for all shares owned by Holder is \$13,209.87. The maintenance is \$2.37 per share. The maximum offering price for unsold units is \$501,800.00 (Apartment 5N).
3. The aggregate monthly rents received from tenants of all units owned by Holder in the building are \$22,296.26.
4. The Holder also owns a one-half interest in eight (8) other apartments in the building. The Corporation owns the other half-interest. The aggregate monthly maintenance payable by Holder is \$2,539.70. The aggregate monthly rents received by tenants payable to the Holder are \$4,527.50.
5. Except for Holder's obligation to pay monthly maintenance, there are no financial obligations that will become due to the Apartment Corporation within twelve (12) months from the date of this Amendment. Holder is current on all other financial obligations under the Plan, including, but not limited to, reserve and working capital fund payments and payments for repairs and improvements promised in the Plan.

6. Holder pays its maintenance in a timely fashion, and is aware that under Section 352-1 of the General Business Law a cooperative corporation may collect rents directly from the tenant of a dwelling unit owned by a non-occupying owner if maintenance, assessments or late fees are not paid within certain prescribed periods.

7. The unsold shares are no longer subject to a financing commitment. The previous loan by Capital One Bank, N.A. which encumbered the shares has been paid in full.

8. The payments or obligations disclosed in paragraph 2 and 4 of this Amendment will be funded from the revenues generated from the rental of Holder-owned units in the building and projected sales of such units. If there are no sales, or fewer sales than expected, Holder makes no representation about and is posting no security for the funding of said obligations. However, nothing stated above should be construed so that the undersigned incurs any additional obligations other than its present obligations.

9. The Holder is current on all financial obligations under the Plan, including, but not limited to, maintenance, reserve or working capital fund payments, assessments, and payments for repairs or improvement promised in the Plan.

10. Annexed to the Amendment as Exhibit B is a list of all buildings in which Holder or the principal of Holder, as individual holder of unsold shares (or units) or as a general partner or principal of the Holder or holder, owns more than 10% of the shares (or units). The Offering Plans for these buildings are on file with the Department of Law and are available for public inspection.

11. The holders of the buildings listed in Exhibit B are current on their respective financial obligations under the respective Offering Plans.

12. The Board of Directors is made up of seven (7) members: Lawrence Bernstein, Patti Finnis, Madhu Kapadia, Sophia Manusos, Maria Protopopov and Jan Rogowski. There is one (1) vacancy. Mr. Bernstein is the sole Holder representative on the Board of Directors. The Holder is not in control of the Board of Directors and has not been in control of the Board since its acquisition of the unsold units in 2002.

B. CERTIFIED FINANCIAL STATEMENTS/OPERATING BUDGET

A copy of the Certified Financial Statements for the Apartment Corporation for the years ending December 31, 2014 and December 31, 2013 is annexed hereto as Exhibit C.

A copy of the approved Budget for 2015 is annexed hereto as Exhibit D. The Corporation imposed two assessments:

1. \$.319237 per share assessment payable September through December, 2015
This assessment may be offset for certain shareholders eligible for the New York City tax abatement for cooperatives; and

2. In addition, the corporation elected to continue the \$0.2212 per share per month assessment payable through December 31, 2015 for additional operating funds.

C. INCORPORATION OF PLAN

The Plan as modified and supplemented hereby is incorporated herein by reference with the same effect as if set forth at length.

D. DEFINITIONS

All terms in this Amendment not otherwise defined herein shall have the meanings ascribed to them in the Plan.

E. NO OTHER MATERIAL CHANGES

Except as set forth in this Amendment, there have been no material changes in the Plan.

DATED: September 25, 2015

HOLDER:

ARBERN VERSAILLES
APARTMENTS LLC

By: s/Lawrence Bernstein
Lawrence Bernstein, Manager

EXHIBIT A

List of Unsold Shares

76-10 Shares	
Apt	Shares
1B	236
1J	236
2A	238
2B	238
2F	317
2J	238
2T	238
3C	320
3F	320
3G	240
3H	240
4C	323
4J	242
4O	137
5C	326
5G	244
5J	244
5M	326
5N	386
6G	246
6K	246

EXHIBIT B

<u>ADDRESS OF PROPERTY §</u>	<u>HOLDER OF UNSOLD SHARES</u>	<u>LOCATION</u>
207 OCEAN PARKWAY	ARBERN 207-227 OCEAN PARKWAY LLC	BROOKLYN, NY
125 EASTERN PARKWAY	ARBERN 125 EASTERN PARKWAY LLC	BROOKLYN, NY
310 WINDSOR PLACE	ARBERN WINDSOR APARTMENTS LLC	BROOKLYN, NY
135 PROSPECT PARK W	TRS HOLDINGS LLC	BROOKLYN NY
94-11 59 TH AVENUE	ARBERN 94-11 59 TH AVENUE LLC	REGO PARK, NY
66-15 WETHEROLE STREET	ARBERN WETHEROLE APARTMENTS LLC	REGO PARK, NY
67-41 BURNS STREET	ARBERN FOREST HILLS APARTMENTS LLC	FOREST HILLS, NY
76-10 34 TH AVENUE	ARBERN VERSAILLES APARTMENTS LLC	JACKSON HEIGHTS, NY
BOULEVARD TENANTS CORP.*	ARBERN BOULEVARD APARTMENTS LLC	FOREST HILLS, NY

§ Arbern Realty Company is the sole member of the respective limited liability companies. The partners of Arbern Realty are Terry S. Bernstein, Rosebern Realty Family Limited Partnership, Deena Bernstein, Lawrence Bernstein and Bradley Bernstein.

* Multiple building complex comprised of 64-35 Yellowstone Boulevard, 105-25 65th Avenue, 105-24 64th Road, 105-37 65th Avenue & 105-38 64th Road

EXHIBIT C

Certified Financial Statements for the years
ending December 31, 2014 and December 31, 2013

**VERSAILLES APARTMENTS OWNERS, INC.
FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2014 AND 2013
AND
INDEPENDENT AUDITOR'S REPORT**

SHAVELSON, NEUMAN & COMPANY, LLP

SHAVELSON, NEUMAN & COMPANY, LLP

Certified Public Accountants

Steven Neuman, CPA
Jeffrey Shavelson, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
Versailles Apartments Owners, Inc.
76-10 34th Avenue
Jackson Heights, NY 11372

We have audited the accompanying financial statements of Versailles Apartments Owners, Inc. which comprise the balance sheets as of December 31, 2014 and 2013, 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

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.

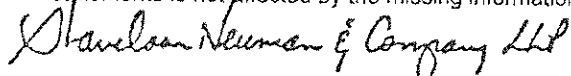
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Versailles Apartments Owners, Inc. as of December 31, 2014 and 2013, 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.

Other Matters

Management has omitted the information about the estimates of future costs of 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 the missing information.



SHAVELSON, NEUMAN & COMPANY, LLP
Certified Public Accountants

March 23, 2015

VERSAILLES APARTMENTS OWNERS, INC.

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

<u>ASSETS</u>		
	<u>2014</u>	<u>2013</u>
<u>CURRENT ASSETS:</u>		
Cash and cash equivalents (Note 2E)	\$ 32,730	\$ 83,788
Accounts receivable from tenants (Note 2C)	62,023	33,572
Fuel inventory (Note 2G)	7,792	6,854
Prepaid insurance	9,380	6,537
Prepaid real estate taxes	32,024	32,261
Prepaid corporate taxes	<u>0</u>	<u>201</u>
Total Current Assets	<u>143,949</u>	<u>163,213</u>
 <u>INVESTMENTS:</u>		
Reserve fund (Notes 2B and 4)	<u>133,091</u>	<u>153,715</u>
 <u>COMMON PROPERTY:</u> (Notes 2A and 3)		
Land, building and improvements	7,253,279	7,253,279
Accumulated depreciation	<u>(3,581,103)</u>	<u>(3,473,390)</u>
Net Common Property	<u>3,572,176</u>	<u>3,779,889</u>
 <u>OTHER ASSETS:</u>		
Deferred J-51 costs, net	2,980	3,311
Deferred mortgage refinancing costs, net (Note 5)	27,939	38,099
Escrow for violations (Note 5)	<u>0</u>	<u>15,000</u>
Total Other Assets	<u>30,919</u>	<u>56,410</u>
TOTAL ASSETS	\$ <u>3,880,135</u>	\$ <u>4,153,227</u>

The accompanying notes are an integral part of these financial statements.

VERSAILLES APARTMENTS OWNERS, INC.

BALANCE SHEETS

DECEMBER 31, 2014 AND 2013

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>2014</u>	<u>2013</u>
<u>CURRENT LIABILITIES:</u>		
Accounts payable	\$ 85,048	\$ 165,766
Prepaid charges	11,452	11,264
Due to shareholders (Note 9)	23,737	23,816
Due to Sponsor - SCRIE (Note 9)	<u>71,508</u>	<u>27,245</u>
Total Current Liabilities	<u>191,745</u>	<u>228,091</u>
<u>LONG TERM LIABILITIES:</u>		
Security deposits payable	6,025	6,025
Line of Credit payable (Note 5)	401,406	401,406
Mortgage note payable (Note 5)	<u>3,100,000</u>	<u>3,100,000</u>
Total Long Term Liabilities	<u>3,507,431</u>	<u>3,507,431</u>
Total Liabilities	<u>3,699,176</u>	<u>3,735,522</u>
<u>COMMITMENTS:</u> (Note 6)		
<u>SHAREHOLDERS' EQUITY:</u>		
Common shares, \$1.00 par value, 28,026 shares authorized, 28,026 issued of which 1,317 shares are held as treasury stock	28,026	28,026
Less: treasury stock, at cost (Note 7)	(88,025)	(88,025)
Additional paid-in capital	2,828,536	2,828,536
Accumulated (deficit)	<u>(2,587,578)</u>	<u>(2,350,832)</u>
Total Shareholders' Equity	<u>180,959</u>	<u>417,705</u>
TOTAL LIABILITY AND SHAREHOLDERS' EQUITY	\$ <u>3,880,135</u>	\$ <u>4,153,227</u>

The accompanying notes are an integral part of these financial statements.

VERSAILLES APARTMENTS OWNERS, INC.
STATEMENTS OF OPERATIONS AND ACCUMULATED (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
INCOME:		
Maintenance charges (Notes 2C and 12)	\$ 752,199	\$ 729,238
Capital assessments (Note 11)	74,394	66,882
Operating assessments (Note 10)	51,406	37,104
Apartment rents (Notes 7 and 12)	64,487	68,488
Other income	<u>109,327</u>	<u>94,334</u>
	<u>1,051,813</u>	<u>996,046</u>
EXPENSES:		
Payroll and related	183,463	166,245
Heating - oil and gas - net (Note 10)	68,851	142,204
Utilities - electricity and gas	23,662	22,211
Water and sewer charges	75,050	71,716
Repairs and maintenance	115,556	117,276
Insurance	46,319	44,773
Professional fees	42,537	7,973
Management fee (Note 6)	31,200	31,200
Real estate taxes (Note 13)	252,625	181,643
Corporate taxes and miscellaneous	16,889	16,184
Mortgage and line of credit interest	<u>214,203</u>	<u>204,144</u>
	<u>1,070,355</u>	<u>1,005,569</u>
(Loss) before depreciation and amortization	(18,542)	(9,523)
Less: Depreciation	(207,713)	(188,894)
Amortization	<u>(10,491)</u>	<u>(10,160)</u>
Net (loss)	(236,746)	(208,577)
Accumulated (deficit) beginning of year	<u>(2,350,832)</u>	<u>(2,142,255)</u>
Accumulated (deficit) end of year	\$ <u>(2,587,578)</u>	\$ <u>(2,350,832)</u>

The accompanying notes are an integral part of these financial statements.

VERSAILLES APARTMENTS OWNERS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net (loss)	\$ (236,746)	\$ (208,577)
Adjustments to Reconcile Net (Loss) to Net Cash (Used in) Provided By Operating Activities:		
Depreciation	207,713	188,894
Amortization	10,491	10,160
Interest earned on reserve fund	(71)	(234)
Change in Assets and Liabilities:		
(Increase) in accounts receivable from tenants	(28,451)	(16,005)
(Increase) in prepaid expenses and inventory	(3,343)	(5,230)
(Decrease) Increase in accounts payable	(80,718)	33,655
Increase in due to Sponsor	44,263	13,365
(Decrease) increase in due to shareholder and security deposits payable	(79)	1,616
Increase in prepaid charges	188	4,249
Decrease in escrow for violations	<u>15,000</u>	<u>0</u>
Net cash (used in) provided by operating activities	<u>(71,753)</u>	<u>21,893</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Expenditures for deferred J-51 costs	0	(3,311)
Decrease (increase) in reserve fund principal	20,695	(54,298)
Expenditures for common property additions	<u>0</u>	<u>(286,272)</u>
Net cash provided by (used in) investing activities	<u>20,695</u>	<u>(343,881)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Proceeds from line of credit payable	<u>0</u>	<u>350,000</u>
Net cash provided by financing activities	<u>0</u>	<u>350,000</u>
Net (decrease) increase in cash and cash equivalents	(51,058)	28,012
Cash and cash equivalents, beginning of year	<u>83,788</u>	<u>55,776</u>
Cash and cash equivalents, end of year	\$ <u><u>32,730</u></u>	\$ <u><u>83,788</u></u>
<u>CASH AND CASH EQUIVALENTS CONSISTED OF:</u>		
Cash - Operating	\$ 4,886	\$ 7,415
Cash - Money Market	<u>27,844</u>	<u>76,373</u>
	\$ <u><u>32,730</u></u>	\$ <u><u>83,788</u></u>
<u>CASH PAID DURING THE YEAR FOR:</u>		
Interest expense	\$ <u>214,203</u>	\$ <u>202,038</u>
Corporate taxes paid	\$ <u>1,789</u>	\$ <u>2,483</u>
<u>NON CASH TRANSACTIONS:</u>		
Common property additions included in accounts payable	\$ <u>0</u>	\$ <u>12,871</u>

The accompanying notes are an integral part of these financial statements.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

1. **ORGANIZATION:**

The Corporation was formed for the purpose of providing residences for its shareholders by leasing to them, under proprietary leases, apartments in the building owned by the Corporation. On October 18, 1984, the Corporation purchased the land and building at 76-10 34th Avenue, Jackson Heights, New York, consisting of 108 apartments, in a cooperative conversion. The Corporation's primary purpose is to manage the operations of the property and maintain the common elements.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A. **Common Property:**

Common property consists of land, building and improvements and is stated at cost. Depreciation has been computed by means of the straight-line method over the estimated useful life of the respective asset, ranging from 5 to 27.5 years.

B. **Future Needs For Major Repairs and Replacements:**

The Corporation has accumulated some funds for major repairs and replacements, however, the Corporation has not conducted a study to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. Accordingly, the Corporation is unable to disclose that information. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to borrow, increase regular assessments, pass special assessments, or delay replacements until funds are available. The effect on future assessments has not been determined at this time.

C. **Maintenance Charges:**

Tenant-shareholders are subject to monthly maintenance charges to provide funds for the Corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Accounts receivable from tenants at the balance sheet date represent maintenance charges due from tenant-shareholders. The Corporation's policy is to retain legal counsel and place liens on the shares of tenant-shareholders that are substantially delinquent. Any excess maintenance charges at year end are retained by the Corporation for use in future years.

Effective July 1, 2013, the Board of Directors implemented a 7% increase in maintenance in order to fund rising operating costs.

D. **Corporation Income Tax:**

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. Therefore, for Federal tax purposes, the Corporation's taxes are filed pursuant to Subchapter T of the Internal Revenue Code.

Subchapter T Corporations divide their income and expenses between patronage and non-patronage sources. Income is considered patronage sourced if it is derived from an activity that is characterized as directly related to and inseparable from the Corporation's principal business activity and business purpose. Consequently, income from non-patronage sources (non-tenant-shareholder) such as commercial rent, professional apartment rental, etc., in excess of expenses properly attributable thereto, may be subject to Federal tax.

VERSAILLES APARTMENTS OWNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (CONT'D)**

D. Corporation Income Tax (Cont'd):

As of December 31, 2014, the Corporation had available approximately \$2,868,000 of unused net operating loss carryovers that may be applied against future taxable income and expire in various years from 2018 to 2034. Due to the uncertainty of the Corporation's ability to generate sufficient taxable income before the expiration dates of these net operating losses, no deferred tax asset has been recorded in the accompanying financial statements. The Corporation is also subject to New York State franchise tax and New York City Corporation tax, both of which have been provided for based upon capital rather than income.

The Corporation's tax returns for all years since 2011 remain open to examination by the various taxing authorities. There are currently no tax examinations in progress.

E. Cash and Cash Equivalents:

For purposes of the Statement of Cash Flows, the Corporation considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

F. Use of Estimates:

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

G. Fuel Inventory:

The Corporation values inventory at cost using the First-in, First-out (FIFO) inventory valuation method.

H. Accounting Method and Policy

The Corporation maintains its books and records on the accrual basis of accounting and therefore recognizes revenue when earned, and liabilities when incurred. Bad debts, if any, are recognized in the period in which they are deemed to be uncollectible.

3. **COMMON PROPERTY:**

Common property at December 31, 2014 and 2013 is summarized as follows:

	<u>2014</u>	<u>2013</u>
Land	\$ 647,825	\$ 647,825
Building	3,062,513	3,062,513
Improvements	<u>3,542,941</u>	<u>3,542,941</u>
	7,253,279	7,253,279
Less: accumulated depreciation	<u>(3,681,103)</u>	<u>(3,473,390)</u>
	\$ <u>3,572,176</u>	\$ <u>3,779,889</u>

In 2013, the Corporation incurred costs of \$163,257 for construction related to exterior facade and fire escape restoration and \$123,015 for costs related to the gas conversion project.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

4. INVESTMENTS:

The Corporation has a cash management program which provides for investing excess cash in highly rated (low risk) financial instruments.

These investments consisted of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Chase - Money Market		
Interest rate 0.10% as of December 31, 2014 and 2013	\$ 62,488	\$ 82,059
Santander Bank		
Five year Certificate of Deposit, due 1/27/15		
Interest rate 0.05%	<u>70,603</u>	<u>70,656</u>
TOTAL INVESTMENTS	\$ <u>133,091</u>	\$ <u>153,715</u>

5. MORTGAGE PAYABLE:

On October 5, 2007, the Corporation refinanced a previous mortgage by obtaining a new mortgage in the amount of \$3,100,000 from Santander Bank (formerly Sovereign Bank). The mortgage is interest only for a ten year period at a rate of 5.91% per annum, calculated using a 360 day year and matures on November 1, 2017 at which time the entire principal and accrued interest becomes due and payable. In connection with obtaining the mortgage, the Corporation incurred \$101,594 of refinancing costs, which are being amortized over the ten year term of the mortgage. At closing, \$15,000 was held by the title company in escrow until all Department of Building Violations have been cleared. The funds were released and returned to the corporation in early 2014.

Concurrent with the refinancing of the mortgage, the lender also made a \$1,000,000 revolving credit line loan available to the Corporation. Interest is calculated on a daily basis at the index LIBOR rate for deposits in U.S. dollars for three month contracts plus 175 basis points. The rate of interest shall not be less than 6.99%. The line of credit is to be used solely for the purpose of capital improvements. During 2012, \$51,406 had been drawn down from this credit line. During 2013, an additional \$350,000 was drawn on the line of credit bringing the balance due as of December 31, 2014 and 2013 to \$401,406 with an interest rate of 6.99%.

6. COMMITMENTS:

The Corporation currently has a management agreement with Metro Management Corp. at the rate of \$2,600 per month to manage the property. The agreement provides for the management agent to be in charge of (a) collecting all rents and other charges, (b) maintaining the building premises adequately, (c) entering into building contracts, (d) purchasing of supplies, (e) keeping all books and records of the Corporation, (f) supervising building personnel, and (g) procuring insurance.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

7. TREASURY STOCK:

As of December 31, 2014, the Corporation holds 1,317 shares of treasury stock at a cumulative cost of \$88,025. The following is a summary of the acquisition transactions:

In 1993 Versailles Apartment Owners Inc. acquired Apartment 5S with total shares of 244 at a cost of \$5,025.

In 1995, Versailles Apartment Owners, Inc. and Algin Management Co. entered into a joint venture and purchased Apartments 1N, 6T and 6S with total shares of 374, 246 and 246, respectively. Each company paid \$20,000, \$10,000 and \$10,000 respectively, for each of these units. The parties have an equal interest in the ownership of said units and share equally in all income, expenses and profits or losses.

In 1996, Versailles Apartment Owners, Inc. and Algin Management Co. entered into a joint venture and purchased Apartments 1H, 1P, and 6R with total shares of 236, 314 and 246, respectively. Each Company paid \$8,000, \$11,000 and \$9,000 respectively, for each of these units. The parties have an equal interest in the ownership of said units and share equally in all income, expenses and profits or loss.

In 1997, Versailles Apartments Owners, Inc. and Algin Management Co. entered into a joint venture and purchased apartments 2R and 6J with total shares of 238 and 246, respectively. Each Company paid \$10,000 and \$5,000 for these two units respectively. The parties will have an equal interest in the ownership of said units and will share equally in all income, expenses and profits or losses.

Net income from units held in treasury is included in apartment rent (see Note 12).

8. ADDITIONAL PAID-IN CAPITAL - CONTRIBUTIONS:

The Corporation treats assessments or maintenance charges for the amortization of mortgage principal or acquisition of capital improvements as contributions to additional paid-in capital for income tax reporting purposes only.

For the years ended December 31, 2014 and 2013, increases to additional paid-in capital for income tax reporting purposes were \$74,394 and \$66,882, respectively.

9. DUE TO SHAREHOLDERS:

As a result of revisions to Section 467 (a) of the New York State Real Property Tax Law, certain shareholders of the cooperative units are eligible for partial abatements of their real estate taxes over the tax years 1996/1997 to 2014/2015. In 1998, the New York State School Tax relief Program (STAR) was authorized by Section 425 of the Real Estate Property Tax Law. The Star Program provides an exemption from school property taxes for owner occupied primary residences.

During 2014, the Corporation received credits of \$54,273 on its real estate tax bills, which represents the Co-op abatement, STAR and other credits for the calendar year. These amounts are due to individual shareholders who qualify under these programs. At December 31, 2014 credits totaling \$23,737 had not yet been credited to the shareholders' accounts, but will be credited in 2015.

During 2013, the Corporation received credits of \$47,632 on its real estate tax bills, which represents the Co-op abatement, STAR and other credits for the calendar year. These amounts are due to individual shareholders who qualify under these programs. At December 31, 2013 credits totaling \$23,816 had not yet been credited to the shareholders' accounts, but were credited in 2014.

VERSAILLES APARTMENTS OWNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

9. DUE TO SHAREHOLDERS: (CONT'D)

The Corporation also received Senior Citizens Rent Increase Exemption (SCRIE) credits against its real estate tax bills in 2014 and 2013 of \$34,107 and \$13,365, respectively. These credits are due to the Sponsor for apartments rented by senior citizens who qualify for rent increase exemptions. During the year ended December 31, 2014 it was discovered that credits relating to prior years totaling \$37,401 were not returned to the Sponsor. These credits resulted in an increase to real estate tax expenses for the year ended December 31, 2014 (see Note 13). At December 31, 2014 and 2013, SCRIE credits payable to the Sponsor were \$71,508 and \$27,245, respectively.

10. ASSESSMENTS:

In 2014, the Board of Directors approved an assessment payable over three consecutive months, to approximate the co-op abatement tax credit that generated a total of \$51,406.

In 2013, the Board of Directors approved an assessment payable over three consecutive months, to approximate the co-op abatement tax credit that generated a total of \$37,104.

For the years ended December 31, 2014 and 2013, the Board imposed a utility assessment of \$0.428 per share, which totaled \$12,000 each year. This charge is included as a reduction to heating - oil and gas in the financial statements.

11. CAPITAL ASSESSMENT:

During 2009, the Board of Directors had approved a capital assessment of \$14.27 per share to be paid over four years beginning August 1, 2009 and ending July 1, 2013. The assessment was used to recover the cost of a gas pipe replacement and related expenses which occurred in 2009. Shareholders were given the option of paying the entire assessment by December 31, 2009 and taking a ten percent discount. Total capital assessment revenue for the year ended December 31, 2013 and was \$29,685.

Due to ongoing capital projects, including repointing and converting to gas heat, the Board of Directors implemented an additional capital assessment equal to 10% of the monthly maintenance charges that were in effect as of June 1, 2013. The assessment commenced July 1, 2013, was for a period of six months, and continued throughout the year ended December 31, 2014. Total income generated from this assessment amounted to \$74,394 and \$37,197 for the years ended December 31, 2014 and 2013.

The total of all Capital Assessments for the years ended December 31, 2014 and 2013 was \$74,394 and \$66,882.

12. APARTMENT RENT:

All units held as Treasury apartments (most of which are owned jointly (see Note 7), are rented out at market value to various tenants. Associated maintenance charges and other unit charges are treated as concessions and are credited against the Corporation's Maintenance charges income. Total concessions netted with maintenance charges amounted to \$43,823 and \$40,746 for the years ended December 31, 2014 and 2013, respectively. Apartment rent income, net of a \$5,000 vacancy charge in 2013, consists of net of rents shared with the joint owner of the units and the rent collected on the one unit owned outright by the Corporation and totaled \$ 64,487 and \$68,488 for the years ended December 31, 2014 and 2013, respectively.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

13. REAL ESTATE TAXES:

Included in real estate taxes for the year ended December 31, 2014 is an abatement credit adjustment of \$7,490 for the fiscal 2011/12 year and an adjustment for prior year SCRIE's due the Sponsor in the amount of \$37,401. Actual real estate tax expense for the year ended December 31, 2014 was \$207,734.

14. MULTI EMPLOYER PENSION PLAN:

The Corporation participates in 2014 Apartment Building Agreement between Realty Advisory Board on Labor Relations Incorporated and Service Employees International Union, Local 32BJ, effective for the period April 21, 2014 to April 20, 2018. The Corporation is obligated to pay into the Pension Fund, Health Fund, and Legal/Training Service Fund for employees covered under the collective bargaining agreement. Contributions paid under these plans are expensed as incurred and amounted to \$10,004 in 2014. The Corporation's contribution is less than 5 percent of the total contributions made to the plan by all contributing employers. In the event of withdrawal from the plan, the Corporation may, under the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended, be required to pay its proportionate share of the plans' unfunded balance, which cannot be determined at this time. The Corporation has no intention of withdrawing from the plans.

In accordance with the Pension Protection Act of 2006, the Fund receives an annual certified zone status from its actuary which summarizes its funding status. Plans in the "red zone" are generally less than 65% funded, plans in the "yellow zone" are 65% to 80% funded, and plans in the "green zone" is a least 80% funded. As of July 1, 2014, the Fund's most recent available certified zone status was "red".

The Plan was certified to be in "critical" status for the Plan Year beginning July 1, 2014 because there was a projected Funding Standard Account deficiency within three years. In an effort to improve the Plan's funding situation, the Board of Trustees (the "Trustees") adopted a Rehabilitation Plan on September 28, 2010 designed to assist the Plan in emerging from critical status by the end of the Rehabilitation Period applicable to the Plan. The Rehabilitation Period for this plans is a ten year rehabilitation period that began July 1, 2013.

In September 2011, the Financial Accounting Standard Board (FASB) issued Accounting Standard Update No. 2011-09 which revised the accounting disclosure requirement for employer participating in multi employer plans. These new disclosure requirements are effective for non public entities with annual reporting periods ending after December 15, 2012. The following tables present the Plans' status for the most current reporting period.

Pension Fund Information

Legal Name of Pension Plan:	Building Service 32BJ Pension Fund
Employer Identification Number (EIN):	13-1879376
Plan Number:	001
Type of Plan:	Defined Benefit Pension Plan
Most Current Annual Report for Plan Year End Date:	June 30, 2014 (will be filed by 4/15/2015)
Zone Status:	July 1, 2013 - Red July 1, 2014 - Red
Has the Rehabilitation Plan Been Implemented:	Yes
Surcharges Paid to Plan:	None
Total Contributions Received From All Employers By Plan Year End Date:	June 30, 2013 - \$221,948,010 June 30, 2014 - \$224,457,394
Total Number of Employers Contributing More Than 5% During Plan Year:	June 30, 2013 - 1 June 30, 2014 - 1

VERSAILLES APARTMENTS OWNERS, INC.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

15. SUBSEQUENT EVENTS:

The Board of Directors and management have evaluated subsequent events that would require adjustments to, or disclosure in the year end financial statements through March 23, 2015, at which time the financial statements became available for issuance.

SHAVELSON, NEUMAN & COMPANY, LLP

Certified Public Accountants

Steven Neuman, CPA
Jeffrey Shavelson, CPA

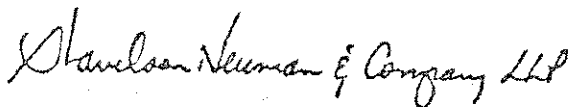
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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Shareholders
Versailles Apartments Owners, Inc.
76-10 34th Avenue
Jackson Heights, NY 11372

Our report on our audits of the financial statements of Versailles Apartments Owners, Inc. appears on Page 1. These audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedules are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



SHAVELSON, NEUMAN & COMPANY, LLP
Certified Public Accountants

March 23, 2015

VERSAILLES APARTMENTS OWNERS, INC.

SUPPLEMENTARY INFORMATION

OTHER INCOME

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
Garage	\$ 50,013	\$ 46,765
Laundry	15,000	15,000
Sublet fees	13,000	10,050
Storage	5,070	5,520
Late fees	6,219	2,025
Flip tax	6,250	5,250
Application fees	4,000	5,000
Miscellaneous	9,598	4,424
Interest	<u>177</u>	<u>300</u>
	\$ <u>109,327</u>	\$ <u>94,334</u>

See independent auditor's report on
supplementary information.

VERSAILLES APARTMENTS OWNERS, INC.

SUPPLEMENTARY INFORMATION

DETAIL OF EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
<u>PAYROLL AND RELATED:</u>		
Salaries including temporary help	\$ 114,321	\$ 115,346
Payroll taxes	9,430	9,552
Pension and welfare benefits	56,625	39,438
Payroll service	<u>3,087</u>	<u>1,909</u>
	\$ <u>183,463</u>	\$ <u>166,245</u>
<u>REPAIRS AND MAINTENANCE:</u>		
Janitorial supplies	\$ 11,765	\$ 14,277
Painting, plastering, and other repairs	8,003	6,316
Exterminator	6,947	4,448
Heating, plumbing and boiler	55,936	68,145
Electric repairs and supplies	1,960	490
Elevator	16,598	13,334
Doors and locks	3,263	2,433
Cleaning and maintenance	812	1,300
Sprinkler and fire safety equipment	7,570	5,342
Water treatment	766	849
Intercom	0	342
Windows	936	0
Roof	<u>1,000</u>	<u>0</u>
	\$ <u>115,556</u>	\$ <u>117,276</u>
<u>CORPORATE TAXES AND MISCELLANEOUS:</u>		
Stationery, printing and miscellaneous administrative expenses	\$ 4,732	\$ 5,075
Telephone	6,117	7,643
Licenses, fees and violations	4,050	2,352
Corporate income taxes	<u>1,990</u>	<u>1,114</u>
	\$ <u>16,889</u>	\$ <u>16,184</u>

See independent auditor's report on
supplementary information.

EXHIBIT D

2015 Operating Budget

THE VERSAILLES APT OWNERS	
	2015
	Budget
Income	
MAINTENANCE	796,022
CORP APT CREDIT	(7,413)
APT ALLOWANCES	(32,436)
RENT	101,160
PARKING	47,513
LAUNDRY	15,000
ASSESSMENT	51,452
R/E TAX ASMT	43,489
COOP TAX CREDITS	(30,510)
STAR CR	(12,979)
VETERANS CR	(994)
SCHE/SCRIE/DRIE	(3,042)
LATE FEES	2,000
REPAIRS	5,000
UTILITY CHARGES	12,000
FLIP TAX	4,500
LOCKER FEES	5,040
SUBLET FEE	13,800
ACCESS CARD/KEY INCOME	1,000
MOVE-IN/OUT FEE	500
APPLICATION FEE	5,000
MISC INCOME	200
CREDIT CHECK & OTHER	500
Total Income	1,016,802
Expenses	
Administrative Expenses	60,130
Payroll Taxes & Benefits	177,668
Utilities	195,205
Operating Expenses	10,040
Maintenance Expenses	75,625
Insurance	43,840
Financial Expenses & Corp. Taxes	213,368
Real Estate Taxes	190,146
Other Disbursements	50,780
Total Expenses	1,016,802
Net Surplus Deficit	0