

THIRTY-SIXTH AMENDMENT

TO

OFFERING PLAN FOR  
COOPERATIVE OWNERSHIP

OF

76-10 34<sup>TH</sup> AVENUE  
JACKSON HEIGHTS, NEW YORK

DATED: OCTOBER 24, 2016

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

76-10 34<sup>TH</sup> AVENUE  
JACKSON HEIGHTS, NEW YORK

THIRTY-SIXTH 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-Fifth 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-Sixth 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 twenty-one (21) apartments in the building. This constitutes 19.79% of the total shares in the building.
2. The aggregate monthly maintenance payable for all shares owned by Holder is \$13,209.77. 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 \$22,572.49. Annexed hereto as Exhibit A is a List of Unsold Shares.
4. The Holder also owns a one-half (1/2) 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 \$3,786.00.
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 not subject to a financing commitment.

8. The payments or obligations disclosed in paragraph 2 and 6 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 here 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, Juan Castro, Sophia Manusos, Maria Protopopov, Jaime Ramos, Jan Rogowski and Adam Wojtyna. 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.**

Annexed hereto as Exhibit C is a copy of the Certified Financial Statements for the Apartment Corporation for the years ending December 31, 2015 and December 31, 2014 .

Annexed hereto as Exhibit D is a copy of the approved 2016 Budget. The Corporation elected to continue the assessment of \$0.2212 per share for additional operating funds payable monthly through December 31, 2016.

**C. NEW MANAGING AGENT**

The Corporation has retained First Management as its new Managing Agent, effective October 1, 2015. The new agency does not have any relationship with the Holder.

**D. 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.

**E. DEFINITIONS**

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

**F. NO OTHER MATERIAL CHANGES**

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

DATED: OCTOBER 24, 2016

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**

<b><u>ADDRESS OF PROPERTY §</u></b>	<b><u>HOLDER OF UNSOLD SHARES</u></b>	<b><u>LOCATION</u></b>
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 <sup>TH</sup> AVENUE	ARBERN 94-11 59 <sup>TH</sup> 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 <sup>TH</sup> 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 65<sup>th</sup> Avenue, 105-24 64<sup>th</sup> Road, 105-37 65<sup>th</sup> Avenue & 105-38 64<sup>th</sup> Road

**EXHIBIT C**

Certified Financial Statements for the years ending  
December 31, 2015 and December 31, 2014



**VERSAILLES APARTMENTS OWNERS, INC.**

**FINANCIAL STATEMENTS AND**

**REPORT OF INDEPENDENT AUDITORS**

**AS OF AND FOR THE YEARS ENDED**

**DECEMBER 31, 2015 AND 2014**

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VERSAILLES APARTMENTS OWNERS, INC.  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

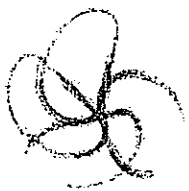
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# JEFFREY SHAVELSON, CPA, P.C.

— A DIVISION OF —



**NUSSBAUM YATES  
BERG KLEIN & WOLPOW, LLP**

Certified Public Accountants

445 Broadhollow Road | Suite 319  
Melville, NY 11747  
(516) 579-2880  
(631) 845-5252 | Fax (631) 845-5279

112 Madison Avenue | 5th Floor  
New York, NY 10016  
(212) 684-2414 | Fax (212) 684-5433  
www.NYBKW.com

## Report of Independent Auditors

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

### Report on the Financial Statements

We have audited the accompanying financial statements of Versailles Apartments Owners, Inc., which comprise the balance sheet as of December 31, 2015, and the related statements of operations and accumulated deficit and cash flows for the year 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 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 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, 2015, 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.

### Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as of and for the year ended December 31, 2015, as a whole. The accompanying supplementary information on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the 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 for the year ended December 31, 2015, has been subjected to the auditing procedures applied in the audit 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 or to 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 accompanying supplementary information for the year ended December 31, 2015 is fairly stated in all material respects in relation to the financial statements as a whole.

The financial statements of Versailles Apartments Owners, Inc., as of and for the year ended December 31, 2014, were audited by other auditors whose report dated March 23, 2015 expressed an unmodified opinion on those statements. The supplementary information for the year ended December 31, 2014, was audited by other auditors, whose report dated March 23, 2015, expressed an unmodified opinion on such information in relation to the financial statements as a whole.

**Omission of Required Supplementary Information about Future Major Repairs and Replacements**

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 the 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.

*Nussbaum Yates Berg Klein & Wolpow, LLP*

Melville, New York

April 14, 2016

**VERSAILLES APARTMENTS OWNERS, INC.**

**BALANCE SHEETS**

**DECEMBER 31, 2015 AND 2014**

**ASSETS**

	<u>2015</u>	<u>2014</u>
<b><u>CURRENT ASSETS:</u></b>		
Cash and cash equivalents	\$ 88,448	\$ 32,730
Accounts receivable from tenant-shareholders	19,260	62,023
Fuel inventory	6,848	7,792
Prepaid insurance	12,912	9,380
Prepaid real estate taxes	-	32,024
Due from New York State	<u>70,603</u>	<u>-</u>
Total Current Assets	<u>198,071</u>	<u>143,949</u>
<b><u>INVESTMENTS:</u></b>		
Reserve fund	<u>70,112</u>	<u>133,091</u>
<b><u>COMMON PROPERTY:</u></b>		
Land, building and improvements	7,263,379	7,253,279
Less: accumulated depreciation	<u>(3,889,182)</u>	<u>(3,681,103)</u>
Net Common Property	<u>3,374,197</u>	<u>3,572,176</u>
<b><u>OTHER ASSETS:</u></b>		
Deferred J-51 costs, net	2,649	2,980
Deferred mortgage refinancing costs, net	<u>17,780</u>	<u>27,939</u>
Total Other Assets	<u>20,429</u>	<u>30,919</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>3,662,809</u></b>	<b>\$ <u>3,880,135</u></b>

**LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)**

<b><u>CURRENT LIABILITIES:</u></b>		
Accounts payable	\$ 113,357	\$ 85,048
Deferred income	4,919	11,452
Due to shareholders	27,342	23,737
Due to Sponsor - SCRIE	<u>13,149</u>	<u>71,508</u>
Total Current Liabilities	<u>158,767</u>	<u>191,745</u>
<b><u>LONG TERM LIABILITIES:</u></b>		
Security deposits payable	10,025	6,025
Line of Credit payable	401,406	401,406
Mortgage payable	<u>3,100,000</u>	<u>3,100,000</u>
Total Long Term Liabilities	<u>3,511,431</u>	<u>3,507,431</u>
Total Liabilities	<u>3,670,198</u>	<u>3,699,176</u>
<b><u>SHAREHOLDERS' EQUITY (DEFICIT):</u></b>		
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	(88,025)	(88,025)
Additional paid-in capital	2,828,536	2,828,536
Accumulated deficit	<u>(2,775,926)</u>	<u>(2,587,578)</u>
Total Shareholders' Equity (Deficit)	<u>(7,389)</u>	<u>180,959</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ <u>3,662,809</u></b>	<b>\$ <u>3,880,135</u></b>

See notes to financial statements.

**VERSAILLES APARTMENTS OWNERS, INC.**  
**STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
<b><u>INCOME:</u></b>		
Maintenance charges	\$ 752,874	\$ 752,199
Special assessments	74,394	74,394
Operating assessments	35,790	51,406
Apartment rents	67,864	64,487
Other income	<u>108,740</u>	<u>109,327</u>
	<u>1,039,662</u>	<u>1,051,813</u>
<b><u>EXPENSES:</u></b>		
Payroll and related	176,370	183,463
Heating - oil and gas, net	57,258	68,851
Utilities - electricity and gas	21,679	23,662
Water and sewer charges	77,106	75,050
Repairs and maintenance	119,352	115,556
Insurance	52,669	46,319
Professional fees	9,611	42,537
Management fee	30,650	31,200
Real estate taxes	231,792	252,625
Corporate taxes and miscellaneous	18,751	16,889
Mortgage and line of credit interest	<u>214,203</u>	<u>214,203</u>
	<u>1,009,441</u>	<u>1,070,355</u>
Income (loss) before depreciation and amortization	30,221	(18,542)
Less: Depreciation and amortization	<u>218,569</u>	<u>218,204</u>
Net loss	(188,348)	(236,746)
Accumulated deficit beginning of year	<u>(2,587,578)</u>	<u>(2,350,832)</u>
Accumulated deficit end of year	\$ <u>(2,775,926)</u>	\$ <u>(2,587,578)</u>

See notes to financial statements.

VERSAILLES APARTMENTS OWNERS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b><u>OPERATING ACTIVITIES:</u></b>		
Net loss	\$ (188,348)	\$ (236,746)
Adjustments to Reconcile Net Loss to Net Cash provided by (used in) Operating Activities:		
Depreciation and amortization	218,569	218,204
Interest earned on reserve fund	(186)	(71)
Change in Operating Assets and Liabilities:		
Accounts receivable from tenant-shareholders	42,763	(28,451)
Prepaid expenses and fuel inventory	29,436	(3,343)
Accounts payable	28,309	(80,718)
Due to Sponsor - SCRIE	(58,359)	44,263
Due to shareholder	3,605	(79)
Security deposits payable	4,000	-
Deferred income	(6,533)	188
Escrow for violations	<u>-</u>	<u>15,000</u>
Net cash provided by (used in) operating activities	<u>73,256</u>	<u>(71,753)</u>
<b><u>INVESTING ACTIVITIES:</u></b>		
(Increase) decrease in reserve fund principal	(7,438)	20,695
Expenditures for common property additions	<u>(10,100)</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>(17,538)</u>	<u>20,695</u>
Net increase (decrease) in cash and cash equivalents	55,718	(51,058)
Cash and cash equivalents, beginning of year	<u>32,730</u>	<u>83,788</u>
Cash and cash equivalents, end of year	\$ <u>88,448</u>	\$ <u>32,730</u>
<b><u>CASH PAID DURING THE YEAR FOR:</u></b>		
Interest	\$ <u>214,203</u>	\$ <u>214,203</u>
Corporate taxes	\$ <u>2,607</u>	\$ <u>1,789</u>

**SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING ACTIVITIES:**

See Note 4 for additional changes in Reserve Fund balance.

See notes to financial statements.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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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 34<sup>th</sup> 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 (excluding land), 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. Maintenance charges have not been increased since July 1, 2013, when the Board of Directors implemented a 7% increase in maintenance in order to fund rising operating costs.

D. Corporation Income Tax:

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.

As of December 31, 2015, the Corporation had available approximately \$3,060,000 of unused net operating loss carryovers that may be applied against future taxable income and expire in various years from 2019 to 2035. 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.



VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

D. Corporation Income Tax (Continued):

The Corporation applies ASC Topic 7400, the provision pertaining to uncertain tax positions, and has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. The income tax returns of the Association for tax years subsequent to 2011 are open and subject to examination by the taxing authorities.

E. Cash and Cash Equivalents:

The Corporation considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents, unless they are held for reserve fund purposes. See Note 4.

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.

I. Fair Value of Financial Instruments:

The Association uses the following methods and assumptions to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents - The carrying amount approximates fair value because of the short maturity of those instruments.

Reserve Fund - The carrying amount approximates fair value because of the short maturity of those instruments.

Accounts receivable from tenant-shareholders - The carrying value of accounts receivable approximates fair value due to their short-term nature and historical collectability.

Accounts payable - The carrying value of accounts payable approximates fair value due to the short-term nature of the obligations.

Mortgage payable and line of credit - The carrying amount approximates fair value because of the maturity of those instruments and interest rates prevalent in the agreements.

**VERSAILLES APARTMENTS OWNERS, INC.**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014**

**3. COMMON PROPERTY:**

Common property at December 31, 2015 and 2014 is summarized as follows:

	<u>2015</u>	<u>2014</u>
Land	\$ 647,825	\$ 647,825
Building	3,062,513	3,062,513
Improvements	<u>3,553,041</u>	<u>3,542,941</u>
	7,263,379	7,253,279
Less: accumulated depreciation	<u>(3,889,182)</u>	<u>(3,681,103)</u>
	\$ <u>3,374,197</u>	\$ <u>3,572,176</u>

In 2015, the Corporation incurred costs of \$10,100 for bicycle racks and improvements to the tank room.

**4. INVESTMENTS:**

The Corporation has a cash management program which provides for investing excess cash in highly rated (low risk) financial instruments. These funds are designated as Reserve Funds and are to be used for major repairs and/or capital improvements as needs arise. These investments consisted of the following as of December 31:

	<u>2015</u>	<u>2014</u>
<b>Chase</b>		
Money Market		
Interest rate 0.10% as of December 31, 2014	\$ -	\$ 62,488
<b>Ponce DeLeon</b>		
Five year Certificate of Deposit, due 12/4/20		
Interest rate 2.08%	70,112	-
<b>Santander Bank</b>		
Five year Certificate of Deposit, due 1/27/15		
Interest rate 0.05%	<u>-</u>	<u>70,603 (a)</u>
<b>TOTAL INVESTMENTS</b>	\$ <u>70,112</u>	\$ <u>133,091</u>

(a) Upon the maturity of this certificate of deposit, the Corporation did not claim the funds and Santander Bank sent those funds to New York State as unclaimed funds. Management applied to retrieve the funds and the entire amount plus interest was returned in April 2016.

**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. The mortgage terms call for interest only payments 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.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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**5. MORTGAGE PAYABLE (CONTINUED):**

Concurrent with the refinancing of the mortgage, the lender also made a \$1,000,000 revolving credit line loan available to the Corporation through November 1, 2017. 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, 2015 and 2014 to \$401,406 with an interest rate of 6.99%.

**6. COMMITMENTS:**

The Corporation entered into a management agreement with First Management Corp. at the rate of \$29,000 per annum 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.

**7. TREASURY STOCK:**

As of December 31, 2015, 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 year ended December 31, 2014, increases to additional paid-in capital for income tax reporting purposes was \$74,394. There were no increases in the year ending December 31, 2015.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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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 2017/2018. In 1997, 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 the years ended December 31, 2015 and 2014, the Corporation received credits of \$54,744 and \$54,273 on its real estate tax bills, which represents the Co-op abatement, STAR and other credits for the calendar years. These amounts are due to individual shareholders who qualify under these programs. At December 31, 2015 and 2014 credits totaling \$27,342 and \$23,737 had not yet been credited to the shareholders' accounts.

The Corporation also received Senior Citizens Rent Increase Exemption (SCRIE) credits against its real estate tax bills in 2015 and 2014 of \$26,467 and \$34,107, respectively. These credits are due to the Sponsor because the apartments are rented to 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, 2015 and 2014, SCRIE credits payable to the Sponsor were \$13,149 and \$71,508, respectively.

10. OPERATING ASSESSMENTS:

In 2015, the Board of Directors approved an assessment payable over four consecutive months, to approximate the co-op abatement tax credit that generated a total of \$35,790.

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.

For the years ended December 31, 2015 and 2014, 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. SPECIAL ASSESSMENTS:

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 and continued throughout the years ended December 31, 2015 and 2014. During the year ended December 31, 2015 the Board of Directors voted to continue this assessment in order to fund operating costs.

The total income from Assessments for the years ended December 31, 2015 and 2014 was \$74,394 for each year.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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**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 based on short term or month to month leases. 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 \$43,149 and \$43,823 for the years ended December 31, 2015 and 2014, respectively. Apartment rent income, consists of net rents shared with the joint owner of the units and the rent collected on the one unit owned outright by the Corporation and totaled \$67,864 and \$64,487 for the years ended December 31, 2015 and 2014, respectively.

**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 the 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 \$44,246 and \$56,625 in 2015 and 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, 2013 because there was a projected Funding Standard Account deficiency within three years. In an effort to improve the Plan's funding situation, the plan's 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.

VERSAILLES APARTMENTS OWNERS, INC.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

14. MULTI EMPLOYER PENSION PLAN (CONTINUED) :

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, 2015 (will be filed by 4/15/2016)
Zone Status:	July 1, 2014 - Red July 1, 2015 - 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, 2014 - \$226,695,282 June 30, 2015 - \$242,299,997
Total Number of Employers Contributing More Than 5% During Plan Year:	June 30, 2014 - 1 June 30, 2015 - 1

15. RELATED PARTIES:

As of December 31, 2015 and 2014, the Holder of Unsold Shares, Aberdeen Versailles Apts. LLC, held approximately 20% and 22% of the outstanding shares of the Corporation. Annual charges relating to these shares in 2015 and 2014 totaled \$188,858 and \$204,812, respectively. Included in accounts receivable from tenants-shareholders related to these shares as of December 31, 2015 and 2014 was \$4,224 and \$43,592, respectively.

16. 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 April 14, 2016 at which time the financial statements became available for issuance.

VERSAILLES APARTMENTS OWNERS, INC.

OTHER INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

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	<u>2015</u>	<u>2014</u>
Garage	\$ 46,887	\$ 50,013
Laundry	15,145	15,000
Sublet fees	17,000	13,000
Storage	5,170	5,070
Late fees	6,328	6,219
Flip tax	1,500	6,250
Application fees	10,250	4,000
Miscellaneous	6,274	9,598
Interest	<u>186</u>	<u>177</u>
	\$ <u>108,740</u>	\$ <u>109,327</u>

VERSAILLES APARTMENTS OWNERS, INC.

DETAIL OF EXPENSES

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<b><u>PAYROLL AND RELATED:</u></b>		
Salaries	\$ 119,950	\$ 114,321
Payroll taxes	9,700	9,430
Pension and welfare benefits	44,246	56,625
Payroll service	<u>2,474</u>	<u>3,087</u>
	\$ <u>176,370</u>	\$ <u>183,463</u>
<b><u>REPAIRS AND MAINTENANCE:</u></b>		
Janitorial supplies	\$ 9,840	\$ 11,765
Painting, plastering, and other repairs	6,423	8,003
Exterminator	4,236	6,947
Heating, plumbing and boiler	63,378	55,936
Electric repairs and supplies	7,541	1,960
Elevator	12,820	16,598
Doors and locks	3,443	3,263
Cleaning and maintenance	1,353	812
Sprinkler and fire safety equipment	7,393	7,570
Water treatment	256	766
Intercom	1,956	-
Windows	713	936
Roof	<u>-</u>	<u>1,000</u>
	\$ <u>119,352</u>	\$ <u>115,556</u>
<b><u>CORPORATE TAXES AND MISCELLANEOUS:</u></b>		
Stationery, printing and miscellaneous administrative expenses	\$ 2,265	\$ 4,732
Telephone	6,146	6,117
Licenses, fees and violations	7,733	4,050
Corporate taxes	<u>2,607</u>	<u>1,990</u>
	\$ <u>18,751</u>	\$ <u>16,889</u>



**EXHIBIT D**

2016 Budget

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**VERSAILLES APARTMENT OWNERS INC.**  
**COMPARATIVE SCHEDULE OF INCOME AND EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2014 (HISTORICAL) AND**  
**FOR THE YEARS ENDED DECEMBER 31, 2015 & 2016 (FORECASTED)**

	<u>ACTUAL</u> JAN. 1, 2014 DEC. 31, 2014	<u>PROJECTED</u> JAN. 1, 2015 DEC. 31, 2015	<u>ACTUAL</u> BUDGET JAN. 1, 2015 DEC. 31, 2015	<u>PROPOSED</u> BUDGET JAN. 1, 2016 DEC. 31, 2016	
<b><u>INCOME:</u></b>					
Maintenance charges	\$ 752,199	\$ 751,213	\$ 756,173	\$ 740,328	(1)
Apartment rents - net	64,487	81,956	50,580	76,326	(2)
Garage income	50,013	46,887	47,513	43,044	(3)
Laundry	15,000	17,395	15,000	18,000	(3)
Assessment - Abatement	51,406	33,081	43,489	54,650	(3)
Assessment - Operating		73,130	51,452	36,768	(4)
Late Fee	6,219	6,328	2,000	4,000	(5)
Sublet Fees	13,000	17,000	13,800	18,600	(3)
Storage	5,070	5,170	5,040	4,920	(3)
Flip Tax	6,250	1,500	4,500	1,500	(3)
Application fees	4,000	10,250	5,000	5,000	(5)
Other tenant income - utilities	-	12,008	12,000	12,000	
Interest	177	74	-	-	
Miscellaneous income	9,598	7,972	7,200	2,000	(5)
	<u>977,419</u>	<u>1,063,965</u>	<u>1,013,747</u>	<u>1,017,136</u>	
<b><u>EXPENDITURES PAYROLL AND RELATED:</u></b>					
Wages	114,321	119,950	117,820	122,000	(6)
Taxes	9,430	8,915	9,680	9,200	(6)
Welfare & Pension costs	56,625	44,246	43,718	45,600	(6)
Payroll fees	3,087	2,671	2,800	2,800	(6)
<b>TOTAL</b>	<u>183,463</u>	<u>175,781</u>	<u>174,018</u>	<u>179,600</u>	
<b><u>ADMINISTRATIVE:</u></b>					
Management fees	31,200	30,650	31,200	29,000	(7)
Accounting & legal	42,537	9,411	5,800	9,700	(6)
Telephone	6,117	6,190	7,000	4,400	(6)
Licenses, fees and permits	4,050	7,524	4,455	5,700	(6)
Administrative & office expenses	4,732	2,248	5,000	2,000	(6)
<b>TOTAL</b>	<u>88,636</u>	<u>56,022</u>	<u>53,455</u>	<u>50,800</u>	
<b><u>OPERATING:</u></b>					
Electric - Con Ed	23,662	17,839	25,765	17,000	(8)
Heating oil & gas	68,851	76,450	90,060	75,000	(8)
Water and sewer	75,050	76,581	79,380	78,100	(9)
<b>TOTAL</b>	<u>167,563</u>	<u>170,869</u>	<u>195,205</u>	<u>170,100</u>	
<b><u>REPAIRS AND MAINTENANCE AND SUPPLIES:</u></b>					
Supplies	11,765	9,421	13,800	8,500	(10)
Plumbing and boiler repairs	55,936	45,490	45,000	42,500	(10)
Intercom/cameras	-	1,956	300	2,000	(10)
Elevator	16,598	14,065	10,000	12,000	(10)
Cleaning/Compactor	812	1,352	-	1,400	(10)
Electrical	1,960	7,542	500	5,000	(10)
Sprinkler	7,570	11,075	2,000	5,000	(10)
Miscellaneous repairs	-	1,909	2,000	3,500	(10)
Exterminating	6,947	2,118	5,095	2,100	(10)
Exterior repairs - pointing & roof	1,000	-	-	3,000	(10)
Door, Floors & Windows	4,199	5,077	500	5,100	(10)
Consulting	-	10,650	8,520	5,000	(10)
Painting & Plastering	8,003	3,593	1,000	1,000	(10)
Water treatment	766	256	1,025	1,000	(10)
<b>TOTAL</b>	<u>115,556</u>	<u>114,505</u>	<u>89,740</u>	<u>97,100</u>	
<b><u>MORTGAGE/TAXES/INSURANCE:</u></b>					
Insurance	46,319	56,201	50,290	54,000	(11)
First mortgage	185,755	188,093	183,210	185,755	(12)
Second mortgage	28,448	26,110	28,058	28,448	(12)
Corporate taxes	1,990	2,607	2,100	3,000	(13)
Real estate tax	252,625	237,029	237,671	247,500	(9)
<b>TOTAL</b>	<u>515,137</u>	<u>510,040</u>	<u>501,329</u>	<u>518,703</u>	
<b>TOTAL EXPENSES</b>	1,070,355	1,027,218	1,013,747	1,016,303	
<b>BUDGETED SURPLUS (DEFICIT)</b>			\$ -	\$ 833	
				<b>0.11%</b>	
<b>ACTUAL SURPLUS (DEFICIT)</b>	\$ <u>(92,936)</u>	\$ <u>36,748</u>			

**No assurance is provided on these financial statements**