

GLEN OAKS VILLAGE OWNERS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2004

AND

DECEMBER 31, 2003

GLEN OAKS VILLAGE OWNERS, INC.

BALANCE SHEETS

	As At	
	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash & Cash Equivalents	\$ 1,774,914	\$ 2,473,075
Investments - Reserve Fund	11,525,142	10,002,283
Cash - Tenant Security	267,263	267,084
Stockholders' Accounts Receivable - Net	188,230	27,998
Rent Receivable	31,101	49,900
Mortgage Escrow Account	476,374	-
Prepaid Expenses	1,173,038	1,998,443
Fuel & Supply Inventories	613,089	406,783
Sundry Receivables	55,646	36,042
<u>Total Current Assets</u>	<u>16,104,797</u>	<u>15,261,608</u>
<u>Property & Equipment (Note 2)</u>		
Land	17,250,000	17,250,000
Buildings	87,202,136	87,202,136
Building Improvements	26,073,087	24,785,358
Furniture, Fixtures & Equipment	1,098,840	1,048,696
Transportation Equipment	713,792	658,860
Communication Equipment	8,244	8,244
	<u>132,346,099</u>	<u>130,953,294</u>
Less: Accumulated Depreciation	70,937,955	67,353,212
<u>Total Property & Equipment</u>	<u>61,408,144</u>	<u>63,600,082</u>
<u>(Net)</u>	<u>61,408,144</u>	<u>63,600,082</u>
<u>Other Assets</u>		
Deferred Mortgage Cost - Net	405,715	431,611
Investment in Apartments	50,396	38,396
Notes Receivable - Long Term	1,350,403	441,368
Notes Receivable - Homestead Program - Long Term (Note 5)	251,000	296,120
<u>Total Other Assets</u>	<u>2,057,514</u>	<u>1,207,495</u>
	<u>\$ 79,570,455</u>	<u>\$ 80,069,185</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.

BALANCE SHEETS

	As At	
	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
<u>Current Liabilities</u>		
Accounts Payable & Accrued Expenses	\$ 2,489,176	\$ 1,541,190
Mortgage Interest Payable	208,833	216,434
Mortgage Payable - Current Portion	1,564,091	1,471,442
Due to National Cooperative Bank Escrow	-	51,739
Security Deposits Payable	<u>267,263</u>	<u>267,084</u>
<u>Total Current Liabilities</u>	<u>4,529,363</u>	<u>3,547,889</u>
<u>Long-Term Liabilities</u>		
Mortgage Payable (Note 7)	<u>38,375,765</u>	<u>39,939,856</u>
<u>Total Liabilities</u>	<u>42,905,128</u>	<u>43,487,745</u>
<u>Stockholders' Equity</u>		
Capital Stock - \$1 Par Value Per Share		
Authorized - 400,000 Shares		
Issued & Outstanding		
At 12/31/04 - 336,040 Shares	387,479	387,479
At 12/31/03 - 334,416 Shares	80,211,980	77,385,433
Capital in Excess of Par Value	(210,863)	(210,863)
Treasury Stock (Note 9)	<u>(43,723,269)</u>	<u>(40,980,609)</u>
Deficit	<u>36,665,327</u>	<u>36,581,440</u>
<u>Total Stockholders' Equity</u>	<u>\$ 79,570,455</u>	<u>\$ 80,069,185</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENTS OF OPERATIONS AND DEFICIT

	For The Years Ended December 31,	
	<u>2004</u>	<u>2003</u>
Total Income (Schedule A)	\$ 20,234,351	\$ 19,364,065
Total Expenses (Schedule B)	<u>19,746,443</u>	<u>18,310,226</u>
<u>Operating Profit Before Depreciation & Amortization</u>	487,908	1,053,839
Depreciation	(3,606,397)	(3,554,583)
Amortization	<u>(25,896)</u>	<u>(25,896)</u>
<u>Loss Before Provision for Taxes</u>	(3,144,385)	(2,526,640)
Provision for Taxes	<u>(75,796)</u>	<u>(55,200)</u>
<u>Net Loss</u>	(3,220,181)	(2,581,840)
Deficit at Beginning of Year	(40,116,642)	(37,534,802)
Unrealized (Loss) on Investments	<u>(386,446)</u>	<u>(863,967)</u>
<u>DEFICIT AT END OF YEAR</u>	<u>\$(43,723,269)</u>	<u>\$(40,980,609)</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF INCOME

	For The Years Ended	
	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Income</u>		
Maintenance - Shareholders	\$ 15,954,160	\$ 15,337,329
Apartment Rental Income	2,286,299	2,288,756
Garage Rental Income	560,946	562,167
Parking Permit Income	31,820	43,425
Capital Improvement Fund Contribution	86,500	92,500
Maintenance Service Repair Income	144,620	144,740
Laundry Income	40,124	39,760
Resale & Sublet Fees	445,740	438,164
Management of Rental Apartments	26,744	45,620
Cable Income	62,046	23,736
Late Charges & House Rule Violations	82,035	62,202
Investment Income	357,735	234,663
Interest from GOVO Issued Mortgages	54,679	27,056
National Cooperative Bank - Patronage		
Dividend	19,551	14,401
Recovery of Bad Debt	50,000	-
Miscellaneous Income	<u>31,352</u>	<u>9,546</u>
<u>TOTAL INCOME</u>	<u>\$ 20,234,351</u>	<u>\$ 19,364,065</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF EXPENSES

<u>Expenses</u>	For The Years Ended	
	<u>2004</u>	<u>2003</u>
<u>Administrative & Management</u>		
Office Salaries	\$ 725,011	\$ 693,946
Community Contributions	13,219	8,095
Telephone	39,442	38,870
Legal Fees & Other Professional Fees	137,043	118,645
Auditing Fees	32,400	35,400
Computer Maintenance	39,423	24,451
Postage	37,463	30,518
Office Expense	117,617	119,244
Miscellaneous Admin. & Mngmt. Exp.	37,645	41,955
<u>Total Admin. & Mngmt. Exp.</u>	<u>1,179,263</u>	<u>1,111,124</u>
<u>Operating Expenses</u>		
Salaries	2,755,343	2,655,146
Janitorial & Maintenance Supplies	41,386	42,532
Water & Sewer	1,417,851	1,363,337
Electric & Cooking Gas	522,509	455,566
Heating Costs	2,233,652	2,004,386
Licenses & Permits	12,010	20,139
Exterminating Services	40,107	40,875
Protection Services	439,948	417,504
Sanitation & Cleaning	68,001	62,524
Vehicle Fleet Expenses	110,230	106,621
Miscellaneous Expenses	1,684	119
<u>Total Operating Expenses</u>	<u>7,642,721</u>	<u>7,168,749</u>
<u>Repairs & Maintenance</u>		
Repairs	1,447,474	1,304,267
Landscaping & Grounds Maintenance	237,168	187,405
<u>Total Repairs & Maintenance</u>	<u>1,684,642</u>	<u>1,491,672</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF EXPENSES
(CONTINUED)

	For The Years Ended	
	December 31,	
	<u>2004</u>	<u>2003</u>
<u>Taxes, Insurance & Employee Benefits</u>		
Real Estate Taxes	\$ 4,332,384	\$ 3,880,490
Payroll Taxes	305,786	295,671
Insurance	1,317,602	1,083,854
Employee Benefits - Union Welfare, Pension & Disability	<u>735,286</u>	<u>642,363</u>
<u>Total Taxes, Insurance & Employee Benefits</u>	<u>6,691,058</u>	<u>5,902,378</u>
<u>Financial</u>		
Interest on Mortgage Payable	<u>2,548,759</u>	<u>2,636,303</u>
<u>Total Financial</u>	<u>2,548,759</u>	<u>2,636,303</u>
<u>TOTAL EXPENSES</u>	<u>\$ 19,746,443</u>	<u>\$ 18,310,226</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENTS OF CASH FLOWS

	For The Years Ended	
	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
<u>Net Cash Flow From Operating Activities:</u>		
Net Loss	\$(3,220,181)	\$(2,581,840)
Adjustments To Reconcile Net Loss to		
Net Cash Provided By Operating Activities:		
Depreciation & Amortization	3,632,293	3,580,479
Changes in Assets & Liabilities:		
Stockholders' Accounts Rec.	(160,232)	(16,959)
Cash in Name of Agent - Tenant		
Security	(179)	(4,864)
Rent Receivable	18,799	9,276
Mortgage Escrow Account	(528,113)	53,430
Prepaid Expenses	825,405	(102,605)
Fuel & Supply Inventories	(206,306)	-
Sundry Receivables	(19,604)	17,625
Accounts Payable	947,986	58,892
Mortgage Interest Payable	(7,601)	(7,060)
Security Deposits Payable	179	4,864
<u>Net Cash Provided By Operating Activities</u>	<u>1,282,446</u>	<u>1,011,238</u>
<u>Net Cash Flow From Investing Activities</u>		
Purchases of Property, Plant & Equip.	(1,414,458)	(1,689,499)
Sale (Purchases) of Investments		
(Reserve Account)	(1,045,339)	(488,367)
Investment in Apartments	(12,000)	-
<u>Net Cash (Used In) Investing Activities</u>	<u>(2,471,797)</u>	<u>(2,177,866)</u>
<u>Net Cash Flow From Financing Activities</u>		
Repayment of Long-Term Debt	(1,471,442)	(1,384,291)
Proceeds from Sale of Treasury Stock	2,826,547	2,214,451
Notes Receivable - Long Term	(863,915)	(106,930)
<u>Net Cash Provided By Financing Activities</u>	<u>491,190</u>	<u>723,230</u>
Net (Decrease) in Cash	(698,161)	(443,398)
Cash Balance - Beginning of Year	<u>2,473,075</u>	<u>2,916,473</u>
<u>CASH BALANCE - END OF YEAR</u>	<u>\$ 1,774,914</u>	<u>\$ 2,473,075</u>

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENTS OF CASH FLOWS
(CONTINUED)

Supplemental Disclosures of Cash Flows Information:

	For the Years Ended	
	<u>December 31,</u>	
	<u>2004</u>	<u>2003</u>
Cash Paid for Interest	\$2,541,158	\$2,629,243
Cash Paid for Income Taxes	75,796	55,200

Disclosure of accounting policy:

For purposes of the statement of cash flows the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

See notes to financial statement.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

NOTE 1 - NATURE OF ORGANIZATION

SB Investors, Ltd., a Florida limited partnership, as Sponsor, and Glen Oaks Village Owners, Inc., a New York corporation, (the "Company") entered into a Contract of Sale (the "Contract"), dated February 25, 1980, to sell, transfer and convey fee and leasehold title to the land and buildings known as Glen Oaks Village, located in the Glen Oaks area of Queens County in the City and State of New York (the "Property").

Pursuant to the terms, covenants and conditions of the Contract and that certain Offering Plan (the "Plan") to convert the Property to Cooperative Ownership, dated October 24, 1980, as amended, the Company acquired (i) fee title to 134 separate buildings, (ii) all of Sponsor's right, title and interest in the leasehold estate ("Ground Lease") covering the buildings and the entire parcel of land on which the buildings are located, and (iii) fee title to the land.

The Property was conveyed to the Company on April 14, 1981.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Depreciation

For financial reporting the Property and Equipment acquired from SB Investors, Ltd., are being carried at cost. Depreciation is recorded on the straight-line method over lives of five (5) years for equipment, thirty-five (35) years for building, fifteen (15) to thirty-five (35) years for building improvements and three (3) years for transportation equipment.

For tax purposes, the acquisition of the property is being reported as an exchange pursuant to Section 351 and all regulations thereunder of the Internal Revenue Code.

Depreciation for tax purposes is being provided for on the straight-line method as follows:

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Class</u>	<u>Life in Years</u>
Buildings	35
Building Improvements	15 - 35
Equipment	5
Transportation Equipment	3

Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred.

Cash Equivalents

Cash equivalents consist of short-term, highly liquid debt instruments with maturities of three months or less at the date of purchase. Items classified as cash equivalents include insured bank certificates of deposit and commercial paper. At times cash balances at a limited number of banks may exceed insurable amounts. The corporation believes it mitigates its risks by investing in or through major financial institutions.

Maintenance Assessments

Tenant-shareholders are subject to monthly assessments to provide funds for the corporation's operating expenses, future capital acquisitions, and major repairs and replacements. Tenant-shareholder receivables at the balance sheet date represent maintenance fees due from tenant-shareholders. Any excess assessments at year end are retained by the corporation for use in the succeeding year.

Estimates

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.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

NOTE 3 - PURCHASE OF FDIC & RTC APARTMENTS

On or about February 9, 1994, Glen Oaks Village Owners, Inc. ("GOVO") was assigned all of the rights in the unsold shares held by GOV Corp. GOV Corp. had previously acquired 64,063 shares allocated to various sponsor owned apartments as a result of a foreclosure of American Savings Bank's security interest in the shares and proprietary leases. GOV Corp.'s shares represented approximately 16.5% of the total shares of GOVO and were allocated to 435 units of which 414 were occupied/rent regulated units and 21 were unoccupied units. On or about February 9, 1994, GOV Corp. assigned to GOVO any and all of its rights with respect to these unsold shares, including any claims to any surplus upon the transfer or sale of the shares.

As at December 31, 2004, a total of 274 were occupied/rent regulated units and 1 was an unoccupied unit.

Glen Oaks Village Owners, Inc. took title to the shares of Coronet Realty Company, effective February 10, 1993. Coronet Realty Company had defaulted by failing to pay maintenance and other charges in the sum of \$61,312. The secured party with respect to these shares was Ensign Savings Bank under the Receivership of the Resolution Trust Corporation. The original stock and leases respecting such shares were returned to Glen Oaks Village Owners, Inc. by the Resolution Trust Corporation in 1993. The former Coronet shares represent approximately 4.8% of the total shares in Glen Oaks Village Owners, Inc. These shares total 134 units of which 119 were occupied/rent regulated units and 15 were unoccupied units.

As at December 31, 2004, a total of 70 were occupied/rent regulated units and 1 was an unoccupied unit.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Glen Oaks Village Owners, Inc.'s business activity is to operate as a cooperative housing corporation as described in Note 1. As such, the corporation's sole source of revenue is from its tenant-shareholders. Under the provisions of FASB-105 the corporation is exposed to a regional concentration of credit risk if a significant portion of their tenant-shareholders did not pay their monthly maintenance charges.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

NOTE 5 - NOTES RECEIVABLE - HOMESTEAD PROGRAM - LONG-TERM

The corporation sold certain rent regulated apartments which it owned to the occupants of these apartments. The corporation received notes receivable from the buyer. These notes require no interest or principal payments during their life. The principal comes due upon sale or transfer of the apartment. The corporation will allow one transfer to a family member during the term of the note.

NOTE 6 - RESERVE FUNDS

The reserve funds consist of investments in various mutual funds, money market accounts and certificates of deposit. Dividends and other distributions are reinvested.

Investments are as follows:

	<u>Market Value</u>	<u>Cost</u>
The Vanguard Group - Funds	\$ 179,851	\$ 162,862
Fidelity Investments - Funds	9,408,635	9,812,071
Money Market Accounts	<u>1,936,656</u>	<u>1,936,650</u>
<u>Total Reserve Funds</u>	<u>\$11,525,142</u>	<u>\$11,911,583</u>

NOTE 7 - MORTGAGE PAYABLE

On August 1, 1995 the company refinanced its mortgage and loan payable. The mortgage is in two pieces as follows:

Principal amount - \$36,682,393 at an interest rate of 6% per annum, maturing on August 1, 2020.

Principal amount - \$14,050,000 at an interest rate of 6.879% per annum, maturing on August 1, 2020.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

NOTE 7 - MORTGAGE PAYABLE (Continued)

Scheduled principal payments during the next five years and thereafter are approximately as follows:

2005	\$ 1,564,095
2006	1,662,597
2007	1,767,319
2008	1,878,654
2009	1,997,021
Thereafter	<u>31,070,174</u>
	39,939,860
Less: Current Portion	<u>1,564,095</u>
<u>Total Long-Term</u>	<u>\$38,375,765</u>

NOTE 8 - TREASURY STOCK

The corporation on occasion has purchased apartments on the open market for its own administrative use. Four such units were acquired and are being used as administrative office space for management and sales personnel.

NOTE 9 - FUTURE MAJOR REPAIRS & REPLACEMENTS

The corporation has not conducted a study to determine the remaining useful lives of the components of common property and estimates of the costs of major repairs and replacements that may be required in the future. The corporation, however, directs its maintenance department to provide it with periodic reports of needed repairs and replacements. Repairs and replacements are then funded on an annual basis in a comprehensive on-going building repair program. When funds are needed, the corporation may borrow, utilize funds from the reserve account, increase maintenance, levy a special assessment, delay the repairs or replacement until funds become available or any combination of these.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2004 & 2003

NOTE 10 - SUBSEQUENT EVENT

The corporation is refinancing its mortgage. The amount of the mortgage will be \$39,000,000. The mortgage will be for 20 years at a fixed interest rate of 5.87%. This rate has been locked in. The annual savings will be \$687,996. The new mortgage will close on August 1, 2005.

March 28, 2005

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Glen Oaks Village Owners, Inc.
Glen Oaks, NY 11004

Dear Board Member:

We have audited the accompanying balance sheets of Glen Oaks Village Owners, Inc. as of December 31, 2004 and 2003, and the related statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Glen Oaks Village Owners, Inc. as of December 31, 2004 and 2003, 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.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

March 28, 2005

Glen Oaks Village Owners, Inc. has not presented the supplementary information on future major repairs and replacements that the American Institute of Certified Public Accountants has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Very truly yours,

Landau Arnold Laufer & Company LLP