THIS IS A "NON-EVICTION" PLAN. SEE SECTION "RIGHTS OF EXISTING TENANTS".

NO NON-PURCHASING TENANT WILL BE EVICTED BY REASON OF CONVERSION TO COOPERATIVE OWNERSHIP.

COOPERATIVE OFFERING PLAN

FOR

PREMISES AT

1620 AVENUE I

BROOKLYN, NEW YORK 11230

Total cash amount of offering (6,284 Shares, 125 Apartments)	$10,368,600
Mortgage Indebtedness	3,000,000
Total Purchase Price	$13,368,600
Less Working Capital to be retained by Apartment Corporation*	10,000
Less Reserve Fund to be retained by Apartment Corporation†	235,650
Net Purchase Price of Property to Sponsor	$13,122,950

* This fund will be increased or reduced to the extent of the net closing adjustments. Such fund, however, will not be reduced to less than $1,000.

† See section "Reserve Fund and Working Capital Fund."

NAME AND ADDRESS OF SPONSOR:

MAXEM REALTY CO.
2172 86th Street
Brooklyn, New York 11214

NAME AND ADDRESS OF SELLING AGENT:

ERIC MOSKOWITZ
151-05 Cross Island Parkway
Whitestone, New York 11357

NAME AND ADDRESS OF APARTMENT CORPORATION WHOSE SHARES ARE OFFERED:

WATERFALL APTS INC.
c/o Schiff, Turek & Kakoyiannis
136 East 57th Street
New York, New York 10022

THE APPROXIMATE DATE OF THE FIRST OFFERING OF THIS PLAN IS MARCH 31, 1986. THIS PLAN MAY NOT BE USED AFTER 12 MONTHS FROM SUCH DATE UNLESS EXTENDED OR AMENDED.

SEE PAGE 1 FOR SPECIAL RISKS TO PURCHASERS.

THIS OFFERING PLAN IS THE ENTIRE OFFER TO SELL THESE COOPERATIVE UNITS. NEW YORK LAW REQUIRES THE SPONSOR TO DISCLOSE ALL MATERIAL INFORMATION IN THIS PLAN AND TO FILE THIS PLAN WITH THE NEW YORK STATE DEPARTMENT OF LAW PRIOR TO SELLING OR OFFERING TO SELL THE UNITS. FILING WITH THE DEPARTMENT OF LAW DOES NOT MEAN THAT THE DEPARTMENT OR ANY OTHER GOVERNMENT AGENCY HAS APPROVED THIS OFFERING.

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SPECIAL RISK FACTORS

PHYSICAL CONDITION OF BUILDING

REFERENCE SHOULD BE MADE TO PART II OF THIS PLAN, SPECIFICALLY SECTIONS ENTITLED "SPONSOR'S STATEMENT OF BUILDING CONDITION" AND "DESCRIPTION OF PROPERTY AND BUILDING CONDITION", AS WELL AS THE REPORT OF DONALD GOLDBERG/TERRANCE O'CONNOR, ARCHITECTS. THE APARTMENTS AND THE PROPERTY ARE BEING OFFERED IN THEIR CURRENT CONDITION "AS IS" WITH NO REPRESENTATIONS OR UNDERSTANDINGS EXCEPT AS EXPRESSLY SET FORTH HEREIN. THE SPONSOR WILL HAVE NO OBLIGATION TO MAKE REPAIRS OR IMPROVEMENTS, EXCEPT AS EXPRESSLY SET FORTH HEREIN. SPONSOR MAKES NO REPRESENTATION OR WARRANTY AS TO THE ADEQUACY OF THE WORKING CAPITAL FUND OR THE RESERVE FUND PROVIDED FOR IN THE PLAN TO COVER FUTURE EXPENSES OF THE APARTMENT CORPORATION WHICH MAY ARISE IN CONNECTION WITH THE REPAIR OR IMPROVEMENT OF THE BUILDING.

SHARES OF STOCK

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS OFFERING PLAN OR DOCUMENTS FILED THEREWITH, THE SHARES OF STOCK BEING OFFERED ARE NOT BEING OFFERED FOR INVESTMENT. THE PURPOSE OF THIS OFFERING IS THE SALE OF APARTMENTS FOR USE AS HOMES BY PURCHASERS ON A COOPERATIVE BASIS.

THESE SHARES ARE NOT OFFERED WITH AN EMPHASIS ON THE ECONOMIC BENEFITS TO THE PURCHASER FROM APPRECIATION OF VALUE OR EXPECTATION OF PROFIT RESULTING FROM THE RESALE OF THESE SHARES OF STOCK, NOR IS IT INTENDED THAT THE OFFERING PLAN LEAD A PURCHASER TO EXPECT PROFITS OF ANY SORT FROM THE EFFORTS OF THE SPONSOR, APARTMENT CORPORATION OR A THIRD PARTY.

SUBSCRIPTION AGREEMENT

REFERENCE IS MADE TO PARAGRAPH 14 OF THE SUBSCRIPTION AGREEMENT. TIME SHALL BE OF THE ESSENCE WITH RESPECT TO ALL PAYMENTS REQUIRED TO BE MADE BY A PURCHASER PURSUANT TO THE SUBSCRIPTION AGREEMENT AND THE PLAN. IF SUCH PAYMENTS ARE NOT MADE ON TIME, THE PURCHASER WILL BE IN DEFAULT OF HIS SUBSCRIPTION AGREEMENT.

IF PURCHASERS' OBLIGATIONS ARE CONTINGENT UPON OBTAINING A COMMITMENT FOR FINANCING, THE PURCHASER MUST NOTIFY THE SPONSOR OF HIS INABILITY TO SECURE SUCH FINANCING WITHIN 30 DAYS FROM THE DATE OF THE EXECUTION OF THE SUBSCRIPTION AGREEMENT. IN THE EVENT PURCHASER FAILS TO NOTIFY THE SPONSOR IN SUCH PERIOD OF TIME, IT SHALL BE DEEMED THAT THE PURCHASER'S OBLIGATION TO SECURE FINANCING HAS BEEN FULFILLED. IN THE EVENT PURCHASER SECURES FINANCING OR A COMMITMENT FOR SUCH FINANCING, THE COMMITMENT MAY EXPIRE OR THE TERMS OF THE COMMITMENT MAY CHANGE PRIOR TO THE ACTUAL CLOSING. IF PURCHASER'S OBLIGATIONS ARE CONTINGENT UPON SECURING A FINANCING COMMITMENT AND THE FINANCING COMMITMENT LAPSES OR EXPIRES PRIOR TO CLOSING AND THE PURCHASER HAS MADE A GOOD EFFORT TO EXTEND THE COMMITMENT, THE SPONSOR WILL GRANT PURCHASER A RIGHT OF RESCISSION TO BE EXERCISED WITHIN 15 DAYS AFTER THE COMMITMENT HAS LAPSED OR HAS BEEN SUBSTANTIALLY CHANGED.

SPECIAL RISK FACTORS, continued

WRAP-AROUND MORTGAGE

THE APARTMENT CORPORATION WILL TAKE TITLE TO THE PROPERTY SUBJECT T WRAP-AROUND MORTGAGE IN THE PRINCIPAL AMOUNT OF $3,000,000. THIS WRAP-AR MORTGAGE, WHICH WILL MATURE ON THE 10TH ANNIVERSARY OF THE CLOSING, REQU MONTHLY PAYMENTS OF INTEREST ONLY, WITH AN INTEREST RATE OF 9.5% FOR THE FIRST YEARS, AND INCREASING 1/2 PERCENT EVERY TWO YEARS SO THAT FOR THE NINTH AND T YEARS, THE ANNUAL INTEREST RATE WILL BE 11.5%. IT SHOULD BE NOTED THAT AS INTEREST RATE INCREASES EVERY TWO YEARS, THERE WILL BE A CORRESPONDING INCREAS MONTHLY AND YEARLY MORTGAGE PAYMENTS OF $1,250 AND $15,000, RESPECTIVELY, FOR INCREASE WHICH, MAY CAUSE A CORRESPONDING INCREASE IN MONTHLY AND AN MAINTENANCE CHARGES. SEE "TERMS OF MORTGAGES," BELOW.

INSURANCE COVERAGE

THE SPONSOR'S PROJECTED BUDGET FOR THE FIRST YEAR OF COOPERATIVE OPERAT (SCHEDULE B) INCLUDES A PROJECTION FOR INSURANCE COSTS PREDICATED ON A REPLACE COST POLICY WITH COVERAGE OF $4,000,000. THE AMOUNT OF COVERAGE IS BASED UP WRITTEN OPINION FROM THE SPONSOR'S INSURANCE BROKER. THE APARTMENT CORPORATI BOARD OF DIRECTORS MAY WISH TO SECURE ADDITIONAL COVERAGE TO PROTECT AGAIN TOTAL LOSS.

INTRODUCTION

The purpose of this Offering Plan is to set forth all the material terms of this offer. This Plan may be amended from time to time, by filing an amendment with the New York State Department of Law. All amendments will be served on all "offerees" defined as: Residential tenants; subscribers who have executed and delivered subscription agreements to the Sponsor, Apartment Corporation or selling agent, and are not in default; shareholders of the Apartment Corporation; and any other person entitled to service pursuant to law or regulation.

The building at 1620 Avenue I, Brooklyn, New York and the land on which it is erected ("Property") are owned by Maxem Realty Co., which acquired the Property on March 23, 1982. Maxem Realty Co. ("Sponsor") has entered into an agreement to sell the Property to Waterfall Apts Inc. (the "Apartment Corporation"), and in the event this Plan is declared effective and is thereafter consummated, the Sponsor will convey title to the Property to the Apartment Corporation.

Under this Plan, a total of 6,284 shares of capital stock of the Apartment Corporation have been allocated in blocks to apartments. These blocks of shares are initially being offered for sale for a period of 90 days from the date this Plan is presented to the existing residential tenants in occupancy for $1,250 per share; vacant apartments are offered for $1,650 per share. After the expiration of this 90 day exclusive period, these blocks of stock will be offered to non-tenants and residential tenants in occupancy as well, for $1,650 per share. Sponsor will not accept subscription agreements for occupied apartments from non-tenant purchasers during the 90 Day Exclusive Period. There will be no increase in prices during the 90 Day Exclusive Period. The blocks of stock are sold to raise funds to enable the Apartment Corporation to purchase the Property at closing.

The building contains 125 apartments, of which 86 are rent stabilized and 39 are rent controlled, plus one permanent superintendent's apartment (116) and one porter's apartment (C6) for which no shares have been allocated. The building also contains an indoor garage which can safely accommodate 35 parking spaces (although the garage license permits 48 cars). Those tenants (purchasing and non-purchasing) who already have parking spaces will be entitled to same for so long as they remain residents in the building. The rights to parking spaces are <u>not</u> assignable. As of February 1, 1986, there were 10 vacant apartments.

The prices for the blocks of shares allocated to the various apartments in the building are found in Schedule A. THESE PRICES HAVE BEEN SET BY THE SPONSOR AND ARE NOT SUBJECT TO APPROVAL BY THE DEPARTMENT OF LAW OR ANY OTHER GOVERNMENT AGENCY. See Schedule A for price information. The estimated annual maintenance charges for each apartment for the first year of cooperative operation are also set forth in Schedule A.

The purchaser of a cooperative apartment buys shares of the Apartment Corporation which owns the property in which his apartment is located. Ownership of the shares entitles the purchaser to a special lease to his apartment commonly known as a proprietary lease. As a shareholder, he will have the right to vote annually for members of the Board of Directors who will conduct the affairs of the Apartment Corporation and supervise the operation

of the building. As a lessee, he will pay as rent (customarily called "main tenance charges") a proportionate share of the Apartment Corporation's cas requirements for the operation and maintenance of the property and creatic of such a reserve for contingencies as the Board of Directors may dee proper, as well as any assessments which may be levied by the Board c Directors.

This Plan is being presented as a "Non-Eviction Plan" in compliance wit the procedures contained in General Business Law §352-eeee. As a result non-purchasing tenants may not be evicted as a result of the conversion t cooperative ownership. However, such non-purchasing tenants may be evicte for reason of non-payment of rent, or a breach of his obligations to tl landlord or to the owner of shares of his apartment. See section "Rights Existing Tenants."

This Plan contains all of the detailed terms of this offering. Copi of the Plan and all documents referred to in this Plan, including all exh bits submitted to the Department of Law in connection with the filing of t Plan, will be available for inspection without charge and for copying at reasonable charge to prospective purchasers and their attorneys at the offi of the Sponsor.

This offering is being made to residents of the State of New York, years or older. This offer to sell is contingent upon the Plan bei declared effective and upon compliance with the relevant conditions and ti periods described in the Offering Plan.

THE PURCHASE OF A COOPERATIVE APARTMENT HAS MANY SIGNIFICANT LEGAL I FINANCIAL CONSEQUENCES AND MAY BE ONE OF THE MOST IMPORTANT FINANCIAL TRAI ACTIONS OF YOUR LIFE. THE ATTORNEY GENERAL STRONGLY URGES YOU TO READ TI OFFERING PLAN CAREFULLY AND TO CONSULT WITH AN ATTORNEY BEFORE SIGNING SUBSCRIPTION AGREEMENT.

SCHEDULE A

SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS (and related information at the date of presentation of the Plan)

PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS, ESTIMATED MAINTENANCE CHARGES AND ESTIMATED INCOME TAX DEDUCTIONS FOR THE FIRST YEAR OF COOPERATIVE OPERATION (JULY 1, 1986 - JUNE 30, 1987)

Apt.	(1) No. of Rooms & Baths	(2) Shares	(3) Cash Purchase Price @$1,250 Per Share for Tenants in Occupancy (during "90 Day Exclusive Period")	Cash Purchase Price @ $1,650 Per Share For Non-Tenants	(4) Portion of Mortgage Allocated to Shares @$477.403 Per Share	(5) Estimated Annual Maintenance Charges @ $110.28 Per Share	Estimated Monthly Maintenance Charges @ $9.19 Per Share	(6) Estimated Annual Tax Deduction @$58.319 Per Share
C1 C	4 + 1	43	53,750.00	70,950.00	20,528.33	4,742.04	395.17	2,507.72
101 S	3.5 + 1	32	40,000.00	52,800.00	15,276.90	3,528.96	294.08	1,866.21
201 S	5 + 1T	58	72,500.00	95,700.00	27,689.37	6,396.24	533.02	3,382.50
301 S	5 + 1T	59	73,750.00	97,350.00	28,166.78	6,506.52	542.21	3,440.82
401 S	5 + 1T	60	75,000.00	99,000.00	28,644.18	6,616.80	551.40	3,499.14
501 C	5 + 1T	61	76,250.00	100,650.00	29,121.58	6,727.08	560.59	3,557.46
601 V	5 + 1T	62	77,500.00	102,300.00	29,598.99	6,837.36	569.78	3,615.78
C2 S	4 + 1	40	50,000.00	66,000.00	19,096.12	4,411.20	367.60	2,332.76
102 C	4.5 + 1T	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
202 S	4.5 + 1T	53	66,250.00	87,450.00	25,302.36	5,844.84	487.07	3,090.91
302 S	4.5 + 1T	54	67,500.00	89,100.00	25,779.76	5,955.12	496.26	3,149.23
402 C	4.5 + 1T	55	68,750.00	90,750.00	26,257.17	6,065.40	505.45	3,207.55
502 S	4.5 + 1T	56	70,000.00	92,400.00	26,734.57	6,175.68	514.64	3,265.86
602 C	4.5 + 1T	57	71,250.00	94,050.00	27,211.97	6,285.96	523.83	3,324.18
C3 S	3 + 1	32	40,000.00	52,800.00	15,276.90	3,528.96	294.08	1,866.21
103 S	3.5 + 1	34	42,500.00	56,100.00	16,231.70	3,749.52	312.46	1,982.85
203 S	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
303 S	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
403 S	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
503 C	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
603 C	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
C4 S	2.5 + 1	24	30,000.00	39,600.00	11,457.67	2,646.72	220.56	1,399.66
104 S	2.5 + 1	26	32,500.00	42,900.00	12,412.48	2,867.28	238.94	1,516.29
204 C	3.5 + 1	35	43,750.00	57,750.00	16,709.11	3,859.80	321.65	2,041.17
304 S	3.5 + 1	36	45,000.00	59,400.00	17,186.51	3,970.08	330.84	2,099.48
404 S	3.5 + 1	37	46,250.00	61,050.00	17,663.91	4,080.36	340.03	2,157.80
504 S	3.5 + 1	38	47,500.00	62,700.00	18,141.31	4,190.64	349.22	2,216.12
604 S	3.5 + 1	39	48,750.00	64,350.00	18,618.72	4,300.92	358.41	2,274.44

C = Rent Controlled S = Rent Stabilized V = Vacant P = Patio T = Terrace

SCHEDULE A

SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS
(and related information at the date of presentation of the Plan)

PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS, ESTIMATED MAINTENANCE CHARGES AND ESTIMATED INCOME TAX DEDUCTIONS FOR THE FIRST YEAR OF COOPERATIVE OPERATION (JULY 1, 1986 - JUNE 30, 1987)

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C5 S	3 + 1	34	42,500.00	56,100.00	16,231.70	3,749.52	312.46	1,982.85
105 S	2.5 + 1	26	32,500.00	42,900.00	12,412.48	2,867.28	238.94	1,516.29
205 S	2.5 + 1	28	35,000.00	46,200.00	13,367.28	3,087.84	257.32	1,632.93
305 S	2.5 + 1	29	36,250.00	47,850.00	13,844.69	3,198.12	266.51	1,691.25
405 S	2.5 + 1	30	37,500.00	49,500.00	14,322.09	3,308.40	275.70	1,749.57
505 S	2.5 + 1	31	38,750.00	51,150.00	14,799.49	3,418.68	284.89	1,807.89
605 S	2.5 + 1	32	40,000.00	52,800.00	15,276.90	3,528.96	294.08	1,866.21
C6 S	2.5 + 1	PORTER'S APARTMENT - NOT OFFERED FOR SALE.				.00	.00	.00
106 S	3 + 1	31	38,750.00	51,150.00	14,799.49	3,418.68	284.89	1,807.89
206 S	3 + 1	33	41,250.00	54,450.00	15,754.30	3,639.24	303.27	1,924.53
306 S	3 + 1	34	42,500.00	56,100.00	16,231.70	3,749.52	312.46	1,982.85
406 C	3 + 1	35	43,750.00	57,750.00	16,709.11	3,859.80	321.65	2,041.17
506 S	3 + 1	36	45,000.00	59,400.00	17,186.51	3,970.08	330.84	2,099.48
606 C	3 + 1	37	46,250.00	61,050.00	17,663.91	4,080.36	340.03	2,157.80
C7 S	4 + 2	40	50,000.00	66,000.00	19,096.12	4,411.20	367.60	2,332.76
107 S	6 + 2T	70	87,500.00	115,500.00	33,418.21	7,719.60	643.30	4,082.33
207 C	6 + 2T	71	88,750.00	117,150.00	33,895.61	7,829.88	652.49	4,140.65
307 C	6 + 2T	72	90,000.00	118,800.00	34,373.02	7,940.16	661.68	4,198.97
407 C	6 + 2T	73	91,250.00	120,450.00	34,850.42	8,050.44	670.87	4,257.29
507 C	6 + 2T	74	92,500.00	122,100.00	35,327.82	8,160.72	680.06	4,315.61
607 C	6 + 2T	75	93,750.00	123,750.00	35,805.23	8,271.00	689.25	4,373.93
C8 S	2.5 + 2	24	30,000.00	39,600.00	11,457.67	2,646.72	220.56	1,399.66
108 S	6.5 + 2P	78	97,500.00	128,700.00	37,237.43	8,601.84	716.82	4,548.88
208 C	6.5 + 2T	79	98,750.00	130,350.00	37,714.84	8,712.12	726.01	4,607.20
308 C	6.5 + 2T	80	100,000.00	132,000.00	38,192.24	8,822.40	735.20	4,665.52
408 S	6.5 + 2T	81	101,250.00	133,650.00	38,669.64	8,932.68	744.39	4,723.84
508 C	6.5 + 2T	82	102,500.00	135,300.00	39,147.05	9,042.96	753.58	4,782.16
608 S	6.5 + 2T	83	103,750.00	136,950.00	39,624.45	9,153.24	762.77	4,840.48

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(and related information at the date of presentation of the Plan)

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C9 S	4 + 1	43	53,750.00	70,950.00	20,528.33	4,742.04	395.17	2,507.72
109 C	4.5 + 1P	54	67,500.00	89,100.00	25,779.76	5,955.12	496.26	3,149.23
209 S	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
309 S	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
409 C	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
509 C	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
609 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
110 S	4.5 + 1P	54	67,500.00	89,100.00	25,779.76	5,955.12	496.26	3,149.23
210 S	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
310 C	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
410 S	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
510 C	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
610 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
111 S	4 + 1	47	58,750.00	77,550.00	22,437.94	5,183.16	431.93	2,740.99
211 C	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
311 S	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
411 S	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
511 S	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
611 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
112 S	3.5 + 1	32	40,000.00	52,800.00	15,276.90	3,528.96	294.08	1,866.21
212 C	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
312 S	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
412 C	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
512 C	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
612 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
114 C	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
214 C	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
314 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
414 S	4.5 + 1	53	66,250.00	87,450.00	25,302.36	5,844.84	487.07	3,090.91
514 C	4.5 + 1	54	67,500.00	89,100.00	25,779.76	5,955.12	496.26	3,149.23
614 S	4.5 + 1	55	68,750.00	90,750.00	26,257.17	6,065.40	505.45	3,207.55

C = Rent Controlled S = Rent Stabilized V = Vacant P = Patio T = Terrace

SCHEDULE A

SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS (and related information at the date of presentation of the Plan)

PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS, ESTIMATED MAINTENANCE CHARGES AND ESTIMATED INCOME TAX DEDUCTIONS FOR THE FIRST YEAR OF COOPERATIVE OPERATION (JULY 1, 1986 – JUNE 30, 1987)

Apt.	(1) No. of Rooms & Baths	(2) Shares	(3) Cash Purchase Price @$1,250 Per Share for Tenants in Occupancy (during "90 Day Exclusive Period")	Cash Purchase Price @ $1,650 Per Share For Non-Tenants	(4) Portion of Mortgage Allocated to Shares @$477.403 Per Share	(5) Estimated Annual Maintenance Charges @ $110.28 Per Share	Estimated Monthly Maintenance Charges @ $9.19 Per Share	(6) Estimated Annual Tax Deduction @$58.319 Per Share
115 S	3.5 + 1	32	40,000.00	52,800.00	15,276.90	3,528.96	294.08	1,866.21
215 C	3.5 + 1	35	43,750.00	57,750.00	16,709.11	3,859.80	321.65	2,041.17
315 S	3.5 + 1	36	45,000.00	59,400.00	17,186.51	3,970.08	330.84	2,099.48
415 C	3.5 + 1	37	46,250.00	61,050.00	17,663.91	4,080.36	340.03	2,157.80
515 S	3.5 + 1	38	47,500.00	62,700.00	18,141.31	4,190.64	349.22	2,216.12
615 S	3.5 + 1	39	48,750.00	64,350.00	18,618.72	4,300.92	358.41	2,274.44
116 S	4.5 + 1	SUPERINTENDENT'S APARTMENT - NOT OFFERED FOR SALE.						
216 S	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
316 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
416 S	4.5 + 1	53	66,250.00	87,450.00	25,302.36	5,844.84	487.07	3,090.91
516 C	4.5 + 1	54	67,500.00	89,100.00	25,779.76	5,955.12	496.26	3,149.23
616 S	4.5 + 1	55	68,750.00	90,750.00	26,257.17	6,065.40	505.45	3,207.55
117 S	5 + 1T	68	85,000.00	112,200.00	32,463.40	7,499.04	624.92	3,965.69
217 S	5 + 1T	69	86,250.00	113,850.00	32,940.81	7,609.32	634.11	4,024.01
317 S	5 + 1T	70	87,500.00	115,500.00	33,418.21	7,719.60	643.30	4,082.33
417 C	5 + 1T	71	88,750.00	117,150.00	33,895.61	7,829.88	652.49	4,140.65
517 C	5 + 1T	72	90,000.00	118,800.00	34,373.02	7,940.16	661.68	4,198.97
617 S	5 + 1T	73	91,250.00	120,450.00	34,850.42	8,050.44	670.87	4,257.29
118 S	4.5 + 1T	58	72,500.00	95,700.00	27,689.37	6,396.24	533.02	3,382.50
218 C	7.5 + 1T	100	125,000.00	165,000.00	47,740.30	11,028.00	919.00	5,831.90
318 S	4.5 + 1T	54	67,500.00	89,100.00	25,779.76	5,955.12	496.26	3,149.23
418 V	4.5 + 1T	55	68,750.00	90,750.00	26,257.17	6,065.40	505.45	3,207.55
518 S	4.5 + 1T	56	70,000.00	92,400.00	26,734.57	6,175.68	514.64	3,265.86
618 S	4.5 + 1T	57	71,250.00	94,050.00	27,211.97	6,285.96	523.83	3,324.18

C = Rent Controlled S = Rent Stabilized V = Vacant P = Patio T = Terrace

SCHEDULE A

SCHEDULE OF PURCHASE PRICES OF SHARES ALLOCATED TO APARTMENTS (and related information at the date of presentation of the Plan)

PURCHASE PRICES, SHARE ALLOCATIONS, MORTGAGE ALLOCATIONS, ESTIMATED MAINTENANCE CHARGES AND ESTIMATED INCOME TAX DEDUCTIONS FOR THE FIRST YEAR OF COOPERATIVE OPERATION (JULY 1, 1986 - JUNE 30, 1987)

	(1)	(2)	(3)		(4)	(5)		(6)
Apt.	No. of Rooms & Baths	Shares	Cash Purchase Price @$1,250 Per Share for Tenants in Occupancy (during "90 Day Exclusive Period")	Cash Purchase Price @ $1,650 Per Share For Non-Tenants	Portion of Mortgage Allocated to Shares @$477.403 Per Share	Estimated Annual Maintenance Charges @ $110.28 Per Share	Estimated Monthly Maintenance Charges @ $9.19 Per Share	Estimated Annual Tax Deduction @$58.319 Per Share
119 S	3 + 1	31	38,750.00	51,150.00	14,799.49	3,418.68	284.89	1,807.89
319 S	3 + 1	34	42,500.00	56,100.00	16,231.70	3,749.52	312.46	1,982.85
419 C	3 + 1	35	43,750.00	57,750.00	16,709.11	3,859.80	321.65	2,041.17
519 S	3 + 1	36	45,000.00	59,400.00	17,186.51	3,970.08	330.84	2,099.48
619 S	3 + 1	37	46,250.00	61,050.00	17,663.91	4,080.36	340.03	2,157.80
120 S	4 + 1	47	58,750.00	77,550.00	22,437.94	5,183.16	431.93	2,740.99
220 S	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
320 S	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
420 S	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
520 S	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
620 S	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
121 S	4.5 + 1	47	58,750.00	77,550.00	22,437.94	5,183.16	431.93	2,740.99
221 S	4.5 + 1	48	60,000.00	79,200.00	22,915.34	5,293.44	441.12	2,799.31
321 S	4.5 + 1	49	61,250.00	80,850.00	23,392.75	5,403.72	450.31	2,857.63
421 C	4.5 + 1	50	62,500.00	82,500.00	23,870.15	5,514.00	459.50	2,915.95
521 C	4.5 + 1	51	63,750.00	84,150.00	24,347.55	5,624.28	468.69	2,974.27
621 C	4.5 + 1	52	65,000.00	85,800.00	24,824.96	5,734.56	477.88	3,032.59
	TOTALS:	6,284	$7,855,000.00	$10,368,600.00	$3,000,000.45	$692,999.52	$57,749.96	$366,476.60

C = Rent Controlled S = Rent Stabilized V = Vacant P = Patio T = Terrace

FOOTNOTES TO SCHEDULE "A"

(1) Any floor plan or sketch shown to a prospective purchaser is only an approximation of the dimensions and layout of the apartment. The actual layout of the apartment may have been altered. Accordingly, each apartment should be inspected prior to purchase to determine its actual dimensions, layout and the physical condition. The number of rooms was calculated on the basis that each bedroom, living room and kitchen is considered one room, while dining areas are considered half rooms. Bathrooms are not counted as rooms. The number of rooms listed herein may not in all cases correspond with the number of rooms listed on individual leases, or on registrations filed with DHCR.

(2) Shares were allocated by considering the number of rooms within a given apartment, its location within the building and its proportionate fair market value.

(3) These prices have been set by the Sponsor and are not subject to approval by any Government agency.

All apartments are offered to tenants. All such tenants in occupancy on the date this Plan is presented are offered the shares for their respective apartments at $1,250 per share, only if such tenants enter into purchase agreements for their respective apartments within 90 days from the presentation of the Plan.

Thereafter, apartments will be offered to tenants in occupancy as well as non-tenants at $1,650 per share.

The prices for the shares allocated to these apartments may be changed from time to time during this offering so that prior or subsequent purchasers may pay or may have paid less or more than the subscribers for shares allocated to similar apartments. Accordingly, the prices are negotiable. See section "Changes in Prices and Units."

There will be no costs to be paid by the purchaser in connection with the closing of his transaction (other than the purchase price of his shares) except that if he secures financing he will be required to pay the costs assessed by the lending institution as well as $350 to the firm of Schiff, Turek & Kakoyiannis; and if he secures leasehold insurance, the title company fees and charges. See "Procedure to Purchase", below.

(4) Although shareholders will not be personally liable to pay the mortgage on the building, the Apartment Corporation will be responsible for these payments and the shareholders' maintenance charges include the amounts to pay the debt service on the mortgage. A failure on the part of a certain number of shareholders to make maintenance payments may result in a foreclosure and a loss of each individual shareholder's equity in his apartment.

(5) Estimated maintenance charges do not include the cost of gas or electricity furnished to the apartments. Each tenant shareholder will be responsible for the utility costs for his apartment as well as interior repairs, maintenance, cable television service (if available), painting and decorating of his apartment and the equipment and appliances contained therein; as well as the cost of insurance he may desire to secure covering his personal property as well as liability to others for personal injury or property damage. Projected maintenance charges do not include any amount for financing by a purchaser, which will be an additional expense.

(6) The estimated tax deduction is based upon a full twelve months of operation as a cooperative and is predicated on the estimated real estate taxes and mortgage interest shown in Schedule "B". The amount of tax deductions will vary in later years because of changes in the amount of real estate taxes due to changes in assessed value of the Property or the tax rate or the method of assessing real property; as well as interest on the mortgage indebtedness of the Apartment Corporation due to any amortization of the principal indebtedness. (See "Attorney's Income Tax Opinion"). Projected tax deductions do not include interest paid by purchasers for financing the purchase of their units, which in the opinion of the Apartment Corporation's counsel, may also be deductible.

The interest rate on the mortgage for the first two years of cooperative ownership will be 9.5% per annum and shall increase by 1/2 of one percent each alternate anniversary of the loan so that for the last two years (9th and 10th) the annual interest rate shall be 11.5%.

SCHEDULE B

BUDGET FOR FIRST YEAR OF COOPERATIVE OPERATION
BEGINNING JULY 1, 1986

Projected Income:

Maintenance Charges (6,284 shares at $110.28 per share) (A)	$693,000
Parking (B)	27,300
Laundry (C)	6,144
TOTAL	$726,444

Projected Expenses

Labor (1)	$104,060
Heating (2)	$ 91,303
Utilities (Electricity and Gas) (3)	$ 31,298
Water Charges and Sewer Rents (4)	$ 11,200
Repairs, Maintenance (5)	$ 40,000
Service Contracts (6)	$ 5,200
Insurance (7)	$ 10,400
Management Fees (8)	$ 30,000
Legal Fees and Audit Fees (9)	$ 4,000
Franchise and Corporate Taxes (10)	$ 960
Real Estate Taxes (11)	$ 99,160
Mortgage Payments (12)	$285,000
Other (13)	$ 3,000
Contingency (14)	$ 10,863
TOTAL	$726,444

FOOTNOTES TO SCHEDULE "B"

(A) If the actual date of commencement of cooperative ownership is delayed more than six months from the anticipated first day, the Sponsor will amend this Plan to include a revised budget. If the revised budget projection exceeds the original projection by twenty-five (25%) percent or more, all subscribers shall be offered (in such amendment) the right to rescind their subscription agreements within 15 days from the date of presentation of such amendment. The Sponsor will return any downpayment promptly to such subscriber who so elects to rescind.

(B) There are 35 on-site self-parking spaces which are presently rented by rent stabilized tenants for varying amounts which average $65 per month, per space. As and when vacant parking spaces become available, they will be offered first to shareholders on a first come, first served basis for $65 per month plus tax. For that purpose, the managing agent will maintain a sign-up list for these spaces. The budget projection is based upon this rate.

(C) Laundry equipment consisting of washers and dryers is owned and maintained in the building's laundry room by Coinmach Industries pursuant to a written agreement expiring March 31, 1990. The Apartment Corporation will receive $512 per month as rental income and will have to provide heat, hot water and electricity to the laundry room. (See section "Management Agreement, Contracts and Leases.")

(1) The existing staff servicing the building consists of one full-time resident superintendent, two full-time porters and one doorman which is the same staff projected for the cooperative. The staff are members of the Service Employees International Union Local 32B, whose contract expires April 20, 1987.

The budget includes the following present costs, plus a 10% projected increase:

	Super	Porters(2)	Doorman	Total
Base Wage	$21,000	$36,931	$18,466	$76,397
Workers' Compensation	521	922	461	1,904
Disability	71	142	71	284
FICA (@7.15%)	1,501	2,641	1,320	5,462
Employee Pension & Welfare	2,428	4,856	2,428	9,712
Unemployment Insurance	210	420	210	840

The wages are in excess of the State Minimum Wage Laws. In addition to his wages, the superintendent presently occupies Apartment 116 and the porter occupied Apartment C6 free of charge.

(2) Heating of the building is by means of an oil fired burner. The fuel used is #6 oil. It is projected that 96,108 gallons of oil will be used for the first year of operations, and that the cost per gallon of #6 oil will be $.95, including sales tax. The basis for this projection is the prior history of the building for the past three years as follows:

12 Months Ending	Gallons	Total Cost
2/28/85	91,653	73,903
2/28/84	96,014	78,629
2/28/83	100,657	83,947

In view of the current energy situation, it is not possible to predict with certainty whether the budgeted figure will accurately reflect the cost of fuel oil during the first year of cooperative operation.

(3) Includes gas and electricity for the public areas (which includes the superintendent's and porter's apartments. Tenant/ shareholders will be responsible for the costs of utilities for their individual apartments. The estimate for utility consumption is based on the average consumption of electricity (151,413 kilowatt/hours) and gas (4,910 hundred cubic feet) for the past three years as follows:

12 Months Ending	Gas Hundred Cubic Feet	Cost	Electricity Kwhrs	Cost
2/28/85	4,791	$4,268	135,168	$20,274
2/28/84	4,760	$4,194	152,940	$22,273
2/28/83	5,179	$4,689	166,131	$24,087

The estimate of the cost for electricity and gas is based on the current cost of $.15 per kwhr, including tax, and $.8916 per hundred cubic foot, including tax, respectively. In view of the current energy situation, it is not possible to predict with certainty whether the budgeted figure will be in accord with actual costs to be incurred during the first year of cooperative operation.

(4) Water charges and sewer rents are projected on the basis of prior experience. The 1985/86 water charges and sewer rents are $7,392 and $3,696, respectively. For the past three years they were:

Year	Water Charges	Sewer Rents
1984/85	$7,392	$3,696
1983/84	$6,575	$3,288
1982/83	$6,129	$3,064

(5) Repairs and maintenance includes: Repairs to the building-wide plumbing, electrical and heating systems, hallways, roof and other public areas; maintenance of the building-wide common areas and mechanical systems; painting of common halls and stairways; cleaning and hardware supplies. Tenant/shareholders will be responsible for the cost of interior maintenance and repairs to their respective apartments, including appliances.

(6) The following service contracts are presently in effect:

Service	Contractor	Cost Per Year	Expiration
Exterminator	Abalon Exterminators	$ 780	Month-to-Month
Elevator Maintenance	Staley Elevator Co.	$3,960	Month-to-Month
Water Treatment	Aqua Electrol Co.	$ 135	Month-to-Month
Garage Door Maintenance	Polaris Garage Door Co.	$ 325	Month-to-Month

(7) The Apartment Corporation will have in place at closing, fire and casualty insurance. The insurance contempated in the budget will be adequate to replace the building in the event of total loss and to avoid being a co-insurer in the event of a partial loss, in accordance with the written opinion of Liberty Mutual, insurance brokers, updated on February 12, 1986. The insurance items covered are as follows:

Items Covered	Coverage Amount
Building All Risk	$4,000,000
General Liability	$1,000,000
Officers & Directors Liability	$ 500,000
Rent Insurance	$ 500,000
Boiler and Machinery	$1,000,000
Elevator Collision	$ 50,000
Garage Keeper	$ 60,000
Water Damage	$ 50,000

Shareholders may desire to secure additional insurance at their own cost to cover such risks as fire and casualty losses to unit contents, replacement, additions, upgraded fixtures and improvements, as well as liability coverage for occurances within the unit.

(8) A Management Contract will be entered into with Almarc Realty Corp., at an annual fee of $30,000. The contract will be for an initial term of two years to be renewed automatically from year to year thereafter. However, either party will have the right to cancel the agreement any time after the second year on not less than 30 days written notice. (See "Management Agreement, Contracts and Leases", below.)

(9) Legal fees and audit fees are for limited legal services and for the services of an accountant to render an annual certified report to shareholders and to render a report necessary for individual tax deductions.

(10) Franchise and Corporate Taxes are based on New York City and New York State taxes, respectively at the rate of .0004 mil for each such tax, of the business capital of the Apartment Corporation, calculated as follows: The actual assessed valuation of the Property ($1,200,000) x .0008.

(11) The New York City tax assessor, the assessing authority, has transitionally assessed the Property at $1,072,000 for 1986/1987. The present tax rate is $9.15 per $100.00. The budget is based upon this assessed valuation and a 9.25% tax rate.

The assessed valuation of the Property and the tax rate for the previous four years are as follows:

Year	Assessed Valuation		Tax Rate	Taxes Paid
	Actual	Transitional		
1985/86	$1,200,000	$977,000	9.15	$89,396
1984/85	$1,110,000	$882,000	9.15	$80,703
1983/84	$1,050,000	$805,000	9.057	$72,909
1982/83	$ 800,000	$740,000	8.95	$66,230

The present actual assessed valuation of the Property is $1,200,000. However, the increase over the base assessed valuation will be transitionally phased in over a five-year period. Accordingly, under the present schedule, the actual assessed valuation will be completely phased in (i.e., $1,200,000) for 1989/90. No representation or warranty is made as to whether or not there will be a further increase in the assessed valuation or change in tax rate during this five-year period.

There are no tax certiorari proceedings presently pending.

The tax assessments of cooperative apartment buildings are governed by Real Property Law §581. This law requires the tax assessor to disregard the cooperative form of ownership in valuing such properties and to value the building in the same manner as similar but non-cooperatively-owned rental buildings. Thus, while the fact of conversion of this building to cooperative ownership will not automatically cause an increase in assessed value, the assessed valuation may increase in the future in accordance with New York City assessment practices.

(12) The Apartment Corporation will take title to the Property subject to a purchase money wrap-around mortgage in the principal amount of $3,000,000. The mortgage will require monthly payments of $23,750 representing interest only at the rate of 9.5% per annum, for the first two years of the mortgage. Thereafter, the annual interest rate will increase by 1/2% each alternate year. When the mortgage matures on the tenth anniversary of the closing, the entire principal indebtedness ($3,000,000) plus accrued interest, if any, will become due and payable. See section "Terms of Mortgages."

(13) Includes such miscellaneous expenses as license fees, registrations, permits, telephone expenses and interest on closing adjustment promissory notes (not ascertainable at this time) (see "Reserve Fund and Working Capital Fund.")

(14) The contingency fund is intended to provide for unanticipated expenses or unanticipated increases in projected expenses. This contingency fund is anticipated to be used in connection with the ordinary operations of the building as a cooperative and not as a fund from which major repairs or capital expenditures will be made. The working capital fund and the reserve funds to be retained by the Apartment Corporation are anticipated to be used for purposes of defraying the cost of major repairs and capital improvements, respectively.

IN THE OPINION OF THE SPONSOR, THE PROJECTED RECEIPTS ARE ADEQUATE TO MEET THE ESTIMATED EXPENSES AS SET FORTH IN SCHEDULE B FOR THE FIRST YEAR OF OPERATION OF THE PROPERTY AS A COOPERATIVE. SCHEDULE B HOWEVER IS NOT INTENDED AND SHOULD NOT BE TAKEN AS A GUARANTEE OR WARRANTY THAT THE PROJECTED MAINTENANCE CHARGES OR OTHER PROJECTED RECEIPTS OR THE ESTIMATED EXPENSES WILL BE AS SET FORTH IN SCHEDULE B FOR THE FIRST YEAR OF OPERATION AS A COOPERATIVE OR FOR ANY SUBSEQUENT PERIOD. IT IS LIKELY THAT THE ACTUAL MAINTENANCE CHARGES AND OTHER INCOME AS WELL AS EXPENSES WILL VARY FROM THE AMOUNTS SHOWN IN SCHEDULE B.

CHANGES IN PRICES AND UNITS

The cash purchase prices for the apartments, as set forth in Schedule A may be changed from time to time during this offering so that prior or subsequent purchasers may pay less or more than the subscribers for similar apartments. The cash purchase price for tenants in occupancy will not be increased during the 90 Day Exclusive Period. No across-the-board price increases or decreases affecting one or more lines of units or unit models, advertised price changes or price increase for an individual purchaser may be effective except by filed amendment. Prices are negotiable. The Sponsor or Apartment Corporation may enter into an agreement with an individual non-tenant purchaser to sell one or more units at prices lower than those set forth in the Plan, without the need to file an amendment; however, in such event these subscription agreements shall not be counted toward declaring the Plan effective.

Any change in the cash purchase price will not affect the maintenance charges or the share allocation of any apartment (including apartments whose cash purchase prices have not changed), or vary the total number of shares to be issued under this Plan or affect the cash payment requirement stated in any Subscription Agreement then in effect. Unless an affected purchaser consents, no material change will be made in his unit's size, layout or share allocation if a subscription agreement has been executed and delivered to the Apartment Corporation or Sponsor for that unit and the purchaser is not in default. Further, no material change will be made in the total number of shares or in the size or quality of public areas unless purchasers who executed and delivered subscription agreements to the Apartment Corporation or Sponsor and are not in default, receive a right to rescind on not less than 15 days after the presentation of the amendment reflecting such changes. Sponsor will return any downpayment promptly to to any subscriber who rescinds.

In the event of a change in price, share allocation or the total number of shares prior to closing, the Sponsor will obtain prior to closing a further opinion that a reasonable relationship will exist between the purchase prices of each block of shares and that portion of the equity of the Apartment Corporation in the land and building attributable to the apartment to which such shares are allocated.

In order to meet possible varying demands for the number and type of apartments, or to meet particular requirements of a prospective purchaser or for any other reason, the Sponsor reserves the right to change the layout of apartments; and to change the number of apartments by subdividing one or more apartments or combining separate apartments into one or more apartments, provided that the approval of all government authorities having jurisdiction is first obtained, if such approval is required by law. Any change in the size of an apartment, or in the number of apartments, the number of shares, or the size or quality of public areas will be reflected in a filed amendment to this Plan.

H.K. BENJAMIN REALTY, INC.
SALES & MARKETING DIVISION
SUITE LL
475 NORTHERN BOULEVARD
GREAT NECK, NY 11021
(516) 466-5455

OPINION OF REASONABLE RELATIONSHIP

Waterfall Apartments, Inc.
c/o Schiff, Turek, Kakianis
136 E. 57th Street
New York, N.Y. 10022

Re: Offering Plan ("Plan") of Cooperative Ownership of 1620 Avenue I, Brooklyn New York ("Building")

Gentlemen:

The undersigned has reviewed the allocation of shares and Total Cash Payment for each apartment contained in "Schedule A - Offering Prices and Related Information" for inclusion in the above referenced Plan. The allocation of shares for each apartment is based on an analysis of a number of factors including the amount of floor space, location of the apartment, uniqueness, overall dimensions and other factors of relative value.

In our opinion, at the date of this letter, the Total Cash Payment to be paid for each and every apartment is not less than an amount that bears a reasonable relationship to the portion of the fair market value of the equity you will acquire on consummation of the Plan in the above captioned Building which is attributable to such apartment. We are also of the opinion that such reasonable relationship will continue until the Plan is consumated, at which time, if such be the case, we will give you a further written opinion that the actual Total Cash Payment paid for each block of shares meets such reasonable relationship standard.

We are aware that under the Plan, you will have the right to change the Total Cash Payments of apartments from time to time, provided no such change will be made without obtaining our

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written opinion on or before the Closing Date that such reasonable relationship test is preserved. As a result of such changes, the purchasers of an apartment may pay more or less than the purchaser of a comparable apartment having the same number of shares. It is our opinion that such reasonable relationship will be maintanied notwithstanding that comparable apartments, with the same number of shares allocated to each, are sold for different Total Cash Payments in accordance with the foregoing. It is our further opinion that such reasonable relationship exists notwithstanding that the Total Cash Payment per share to bona fide tenants in occupancy is lower than that paid by others, all as provided in the aforesaid schedule.

The undersigned is the Selling Agent for the property but is no otherwise affiliated with any of the Principals of the Sponsor under the plan, nor with any of its principals, and has no financial stake with respect to the offering under the Plan except for its fee for services rendered in connection with its preparation of Schedule A and Schedule B contained in the Plan.

Our firm is a licensed real estate brokerage and management firm that has been engaged in the real estate management business for over 4 years.

You have advised us of your intention to incorporate this letter and said Schedule in the above referenced Offering Plan, and we hereby consent to such incorporation.

Very Truly Yours,

H.K. BENJAMIN REALTY, INC.

By: Eric Moskowitz

Marc Heppen
CERTIFIED PUBLIC ACCOUNTANT
140 GRACE STREET
PLAINVIEW, N.Y. 11803
(516) 938-0726

To the Partners
Maxem Realty Co.

Partners:

I have examined the accompanying statement of rental income and specified operating expenses relating to the operations of the property located at 1620 Avenue I, Brooklyn, New York for the years ended December 31, 1984 and 1983. My examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as I considered necessary in the circumstances.

In my opinion such statement presents fairly the rental income and specified operating expenses of said property in conformity with generally accepted accounting principles applied on a consistent basis.

Marc Heppen

June 5, 1985
Plainview, New York

MAXEM REALTY CO.
STATEMENT OF RENTAL INCOME AND SPECIFIED
OPERATING EXPENSES OF THE PROPERTY LOCATED AT
1620 AVENUE I, BROOKLYN, NEW YORK

	Year Ended December 31, 1984	Year Ended December 31, 1983
RENTAL INCOME	$612,282	$558,474
OPERATING EXPENSES (Note 2)		
Payroll	$ 78,140	$ 74,114
Payroll taxes and related expenses	16,989	16,892
Fuel	77,827	69,272
Utilities	17,926	21,197
Interest		
First mortgage	51,130	54,578
Second mortgage	65,416	65,620
Real estate taxes	76,073	68,836
Water and sewer	10,585	9,504
Repairs, maintenance and supplies	39,139	47,044
Painting	6,825	7,008
Insurance	5,944	5,823
Filing fees and permits	116	1,306
Sundry	718	866
TOTAL OPERATING EXPENSES	$446,828	$442,060

See notes to financial statement.

MAXEM REALTY CO.
NOTES TO STATEMENT OF RENTAL INCOME AND SPECIFIED
OPERATING EXPENSES OF THE PROPERTY LOCATED AT
1620 AVENUE I, BROOKLYN, NEW YORK
DECEMBER 31, 1984

NOTE 1 - This statement does not include the following expenses which would be required for a statement of net income of the building:

Depreciation expense
Bad debt expense
Accounting fees
Management expense
Administrative expenses

NOTE 2 - INTEREST ON MORTGAGES

	Principal Balance December 31, 1984
The first mortgage on 1620 Avenue I has an interest rate of 9½% per annum and is held by the Dollar Savings Bank of New York. Monthly payments of $6,747.00 are applied first to interest and the balance of the mortgage in reduction of principal. On June 15, 1985, the unpaid balance of the mortgage in the amount of $535,927.40 and any accrued interest come due.	$548,773
The purchase money second mortgage on 1620 Avenue I has an interest rate of 10%. Interest only is payable monthly from March 23, 1982 until March 1, 1984 and monthly thereafter based upon the decreasing principal balance outstanding. Monthly payments of principal of $564.84 are payable from April 1, 1986 until March 23, 1992 when the unpaid balance of $565,433.47 and any accrued interest come due.	$651,287

LAW OFFICES
SCHIFF, TUREK & KAKOYIANNIS

A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

136 EAST 57TH STREET
NEW YORK, NEW YORK 10022
(212) 935-7600

ATTORNEY'S INCOME TAX OPINION

June 25, 1985

Waterfall Apts Inc.
1620 Avenue I
Brooklyn, New York 11230

Gentlemen:

Under the provisions of Section 216 of The United States Internal Revenue Code, Section 615 of the New York State Law and Section T.46.15.0 of the Administrative Code of the City of New York, tenant/shareholder of a cooperative housing corporation are entitled to deduct from their gross income for Federal, New York State and New York City income tax purposes, their proportionate shares of the real estate taxes and interest on the mortgage paid by the cooperative housing corporation, provided that the requirements of those statutes are satisfied. For purposes of these provisions, a cooperative housing corporation is a corporation where outstanding stock meets the statutory requirements, whose stockholders are entitled to occupy their apartments for dwelling purposes by reason of their stock ownership, and 80% of whose gross income is derived from tenant/stockholders.

H. K. Benjamin Realty, Inc. has advised the Sponsor that in its opinion, on the original issue date, a reasonable relationship will exist between the purchase price of each block of shares and that portion of the equity of the apartment corporation in the land and building attributable to the apartment to which such shares are allocated.

In our opinion, you, the Apartment Corporation will be a cooperative housing corporation if this Cooperative Plan is consummated as herein set forth and provided further that the following conditions are fulfilled:

(1) The Apartment Corporation may have only one class of stock outstanding;

(2) Each stockholder must be entitled, solely by reason of his ownership of the corporation's shares, to occupy for dwelling purposes an apartment in the building owned or leased by the corporation. In this regard the regulations of the Internal Revenue Service provide that the stockholder is not required to occupy the premises. The right as against the corporation to occupy the premises is sufficient. This right must be conferred on each stockholder solely by reason of his ownership of stock in the corporation, that is, stock ownership must entitle the owner thereof either to occupy the premises or to a lease of the premises. [Treasury Regulation §1.216-1(d)(2)];

ANT

(3) No stockholder is entitled, either conditionally or unconditionally, to receive any distribution not out of earnings and profits of the corporation except upon a complete or partial liquidation of the corporation; and

(4) 80% or more of the corporation's gross income for the taxable year in which real estate taxes and mortgage interest are paid or incurred by the corporation must be derived from qualified tenants/stockholders.

Provision (4) contains three distinct, but related tests that must be met.

The first of these, is that qualified tenant/stockholders must be individuals. Provisions of §531 of the Revenue Act of 1978 provide that for three years following closing of title, income received from the Sponsor of a Cooperative Plan of Organization qualifies as income received from qualified tenant/stockholders. Thereafter, Sponsor will provide individual person or persons, acting upon their own account, who will purchase any shares unsold at the time of closing which are still unsold three years thereafter, and execute proprietary leases for those apartments. Futher, these individuals will not be acting as nominees. Accordingly, we are of the opinion that the case of Eckstein v. United States, 452 F. 2d 1036 (Ct. Cl., 1971), does not apply.

The second criterion that the shares of the cooperative housing corporation must be fully paid for and the amount paid for each block allocated to an apartment bear a reasonable relationship to the fair market value of that apartment as a portion of the fair market value of the entire property. Assuming the correctness of the opinion of the Sponsor and H. K. Benjamin Realty, Inc., but without passing upon the accuracy of such opinion, having regard to that portion of the Plan which provides that no change in such stock allocation may be made without a further opinion which will state that the aforesaid "reasonable relationship" has been maintained, we believe that this test has been met.

Finally, 80% of the gross income of the corporation must be derived from payments of maintenance charges by qualified tenant/stockholders under their respective proprietary leases. Based upon the estimate of income and expenses set forth in the Plan for the first year of operation as a cooperative housing corporation, but without making any guarantee or warranty in that regard, we believe, that this test has been met.

The actual amount of any income tax deduction may increase or decrease as the amount of real estate taxes or mortgage interest paid by the Apartment Corporation changes. The exact amount of any tax savings to any individual will depend upon his individual tax bracket, the manner in which he reports his income, and his individual tax situation.

Finally, we note that there is some speculation arising from recent IRS audits which consider whether §277 of the Internal Revenue Code applies to apartment corporations. It is our opinion that §277, which provides that membership organizations cannot use income from non-member sources to reduce charges for services, facilities or other valuable items furnished to members, is not applicable to apartment corporations. Our opinion is based upon the definition of "membership organizations" (Treasury Regulations §1.277-1B) as well as the intent and purpose of §277. In any event, should §277 be ruled to apply to apartment corporations, it might then be necessary for the Apartment Corporation to segregate for tax purposes income received from non-member sources, if any, which will be taxable.

In our opinion, the Apartment Corporation will qualify as a cooperative housing corporation and tenant-stockholders will be entitled to income tax deductions. However, this opinion is not a guarantee; it is based upon existing rules of law applied to the facts and documents referred to above. No assurances can be given that the tax laws upon which counsel based this opinion will not change. In no event will the Sponsor, Sponsor's counsel, the Apartment Corporation, counsel to the Apartment Corporation, the selling agent or any other person be liable if the Apartment Corporation ceases to meet the requirements of the Internal Revenue Code of 1954, as amended, or the New York State tax law, as amended, if there are changes in the facts on which counsel relied in issuing this opinion, or if there are changes in the applicable statutes, regulations, decisional law or Internal Revenue Service rulings on which counsel relied.

Very truly yours,

SCHIFF, TUREK & KAKOYIANNIS

By: _____

RIGHTS OF EXISTING TENANTS

This offering plan is being presented as a "Non-Eviction Plan". **THIS PLAN MAY NOT BE AMENDED AT ANY TIME TO PROVIDE FOR AN EVICTION PLAN.** Therefore a non-purchasing tenant will not be subject to eviction by the Sponsor or by purchasers of the shares allocated to his dwelling unit, even if the purchaser wants to use the apartment himself or for occupancy by a member of his family. Non-purchasing tenants are subject to eviction however, for failure to pay rent or as a result of any other default in their obligations as tenants which would permit a termination of their tenancy and eviction in accordance with applicable law. Any tenant's renewal lease or renewal sublease may provide that eviction proceedings may be commenced by the owner of the shares allocated to their dwelling unit, for non-payment of rent, illegal use or occupancy of the premises, refusal to provide access to the owner or a similar breach by the non-purchasing tenant of his obligations to the landlord.

All bona fide tenants in occupancy on the date the Plan is accepted for filing will have the exclusive right to subscribe to purchase the shares allocated to their dwelling units for 90 days after the Plan is presented. Any bona fide tenant with the right to renew his lease on the date the Plan is accepted for filing has the right to subscribe at the cash purchase price for tenants in occupancy during the exclusive period. Any bona fide tenant who has the right to continued occupancy on the date the Plan is accepted for filing has the right to subscribe at the cash purchase price for tenants in occupancy during the exclusive period. For the purpose of determining who has the right to subscribe during the exclusive period, a bona fide tenant of record with an unexpired lease on the date the Plan is accepted for filing, who has the right to renew their lease or has the legal right to continued occupancy, shall be presumed to be a "tenant in occupancy" even though the tenant has sublet his or her dwelling unit or the dwelling unit is not the tenant's primary residence. A bona fide sublessee in occupancy on the date the Plan is accepted for filing has the right to subscribe during the exclusive period if he or she: (i) sublets from a non-bona fide tenant; or (ii) has obtained written permission to purchase the shares allocated to his or her dwelling unit from a bona fide tenant of record. Nothing herein shall be construed to deprive an owner of any legal remedy for illegal occupancy. Any tenant in occupancy which is a corporation, partnership, trust, estate or other non-individual entity will be permitted to purchase the shares allocated to its apartment.

Pursuant to Section 352-eeee of the General Business Law, the Sponsor guarantees that all dwelling units occupied by non-purchasing tenants will be managed by the same managing agent who manages the other units in the building, and that such managing agent will provide to non-purchasing tenants all of the services and facilities required by law on a non-discriminatory basis. (See section "Obligations of Holders of Shares of Dwelling Units Occupied by Non-Purchasing Tenants".)

The Sponsor shall, on the 30th, 60th, 88th and 90th day after the Plan has been presented, and at least once every 30 days thereafter until the Plan is declared effective or is abandoned, as the case may be, and on the 10th and 2nd day before the expiration of any exclusive period provided in a substantial

amendment to the Plan, (1) file with the Attorney General a written statement, under oath setting forth the percentage of the dwelling units in the building subscribed for by bona fide tenants in occupancy or bona fide purchasers who represent that they intend that they or one or more members of their immediate family will occupy the dwelling unit when it becomes vacant as of the date of such statement and (2) before noon on the date such statement is filed, post a copy of such statement in a prominent place accessible to all tenants in the building, which shall remain posted until the next statement is posted. The notice filed with the Department of Law shall include the following:

A. The date and time of statement;
B. The date the Plan was filed with the Department of Law;
C. The date of presentation;
D. The last day of any exclusive period;
E. The number of dwelling units in the building;
F. The number of non-tenant subscribers;
G. The number of apartments subscribed for by tenants in occupancy on the filing date; and
H. The percentage of apartments subscribed for as of the specified time on the date of the statement.

Copies of the posting notice shall be available for inspection at the office of the Selling Agent at 113-20 Queens Boulevard, Flushing, New York 11375, during business hours.

As of the date of presentation of this Plan, of the 125 apartments being offered, 39 are rent-controlled and 86 are Rent Stabilized. Non-purchasing tenants shall continue to remain subject to the same Government regulations for so long as they remain in possession. So long as a non-purchasing tenant has the right to remain in possession of his apartment, his rent and other conditions of his tenancy shall continue to be subject to the New York City Rent and Eviction Law, the New York City Rent Stabilization Law and Code, the New York State Emergency Tenant Protection Act and the Omnibus Housing Act of 1983, whichever is applicable; if there is no law that governs his particular apartment, no unconscionable increases in rent may be made nor shall such rent be in excess of the rent charged for comparable apartments. Complaints of unconscionable rent increases may be referred to the New York State Department of Law, Real Estate Financing Bureau, Two World Trade Center, New York, New York 10047.

In accordance with General Business Law §352-eeee, tenants or their representatives may physically inspect the premises at any time, during normal business hours, upon written request made by them to the Sponsor, provided that the representatives are registered architects or professional engineers licensed to practice in New York State.

The By-Laws of the Apartment Corporation (Article V, Section 2) provides that simultaneous with the assignment of any lease and the transfer of the shares of the corporation allocated to an apartment occupied by a non-purchasing tenant the Secretary of the Apartment Corporation will be required to serve notice upon the non-purchasing tenant occupants of the apartment advising them of the assignment and the identity of the purchaser of the shares.

During the first 30 days from the date of presentation of the Plan, a tenant in occupancy may subscribe to purchase a vacant apartment or any other apartment not occupied by him or her (if available and not already under contract or subject to any exclusive period) at a purchase price computed as follows: At the price per share to tenants in occupancy to the extent of share allocation of the tenant's present apartment; and if the desired apartment has a greater share allocation that the present apartment, at the price to non-tenants for the balance of the shares; plus any improvements made to the desired apartment by the Sponsor. The procedure to purchase shall be in accordance with the method provided for non-occupant purchasers. In the event that more than one tenant seeks to purchase the same apartment, the Sponsor will determine who shall have the right to purchase on a first-come, first-served basis, as evidenced by a written desire to purchase the apartment, delivered by certified mail, return receipt requested, sent to the Sponsor or its Selling Agent. Any such purchase will be subject to the terms and conditions of any existing lease or tenancy and subject to the rights and obligations set forth in this Plan and the applicable rent laws.

Tenants in occupancy who subscribe to purchase the shares allocated to their apartments will be permitted to assign or transfer their subscription agreements in accordance with the terms of this Plan as they are enumerated in the section "Assignment of Subscription Agreement".

If, prior to the expiration of any exclusive period which begins prior to the closing, the Sponsor amends the terms and conditions of the offering to be more favorable to present purchasers, a tenant who was in occupancy on the presentation date and who executed and submitted a subscription agreement before the Plan was so amended, shall automatically benefit from such more favorable terms and conditions.

The rights of purchasing and non-purchasing tenants under the Plan may not be abrogated or reduced notwithstanding any expiration or amendment to General Business Law §352-eeee.

It shall be unlawful for any person to engage in any course of conduct (including but not limited to, interruption or discontinuance of essential services) which substantially interferes with or disturbs the comfort, repose, peace or quiet of any tenant in his use or occupancy of the dwelling unit or facilities related thereto.

The rights of all rent stabilized tenants in New York City have been altered substantially by the Omnibus Housing Act of 1983 (Chapter 403 of the Laws of 1983) which took effect as of April 1, 1984. Among the more substantial changes are the following:

- A tenant no longer has the right to assign their lease without the landlord's consent (unless otherwise stated in their lease);

- A tenant has the right to sublet their apartment, subject to the landlord's consent, which may not be unreasonably withheld, for two years during any continuous four-year period;

- Tenants may have roommates who are not listed on the lease (who do not have the right to remain in occupancy if the tenant vacates);

- In order for a landlord to evict a tenant on the grounds that the apartment is not the tenant's primary residence, the owner must first institute legal proceedings in Housing Court;

- A tenant has the right to renew his/her lease at their option for one or two years subject to rent guideline increases; and

- Each owner must register all rent stabilized apartments with DHCR within thirty (30) days and therein indicate the initial regulated rent. The tenant, who must receive a copy of the registration statement for his/her apartment, will then have 90 days to challenge the rent.

Tenants are urged to contact their own legal representative for further information regarding their rights and obligations in general under the Omnibus Housing Act of 1983.

OBLIGATIONS OF HOLDERS OF SHARES ALLOCATED TO DWELLING UNITS OCCUPIED BY NON-PURCHASING TENANTS

Since this is a "Non-Eviction" plan, a purchaser of shares allocated to an apartment occupied by a non-purchasing tenant will not be able to obtain possession of such apartment by eviction except if the tenant fails to pay rent, or defaults in his obligations as a tenant which would permit a termination of his tenancy in accordance with his lease agreement or applicable law. Non-purchasing tenants may not be evicted by the holder of shares allocated to the non-purchasing tenant on the grounds that the owner requires the apartment for his or her own occupancy. Such right of the non-purchasing tenant is intended for the benefit of the non-purchasing tenants, and is not intended to abrogate any rights of the holder of the shares as against the Apartment Corporation.

Consequently, a purchaser of the shares allocated to such an apartment will enter into the properietary lease (as tenant) with the Apartment Corporation (as landlord) for the apartment, subject: (a) to the terms of the lease for the apartment then in effect (and any renewal thereof after the Date of Presentation of this Plan); (b) to any existing occupancy of the apartment; and (c) to the right of any existing non-purchasing tenant to remain in possession of the apartment in accordance with the terms of his lease.

No representation or warranty is made as to the length of time which may elapse before actual possession of any apartment may be obtained.

IT IS RECOMMENDED THAT ANY PERSON WHO DESIRES TO PURCHASE AN OCCUPIED APARTMENT, CONSULT WITH AN ATTORNEY IN ORDER TO BECOME FULLY APPRISED OF HIS OBLIGATIONS TO ANY EXISTING TENANT OR OCCUPANT.

If the shares allocated to an apartment are purchased by someone other than the tenant, the non-purchasing tenant will become the purchaser's tenant on the Closing Date and the purchaser will become his landlord. As the "landlord" of the non-purchasing tenant, the purchaser will be obligated to comply with the applicable rent regulations and laws such as the New York City Rent and Eviction Law, the New York City Rent Stabilization Law and Code, the Emergency Tenant Protection Act, the Multiple Dwelling Law, the Real Property Law and the Omnibus Housing Act of 1983. If the apartment is rent stabilized, the purchaser will be obligated to join the Rent Stabilization Association and the purchaser's failure to do so may result in the apartment becoming subject to rent control.

A purchaser who acquires the shares allocated to an occupied apartment will be required to pay to the Apartment Corporation the maintenance charges for such apartment, whether the same are greater or less than the rent received from the tenant in occupancy. By reason of the terms of the purchaser's proprietary lease and any applicable laws, regulations, and rules, the purchaser will also be responsible for the due performance of all the obligations of the landlord under the lease with the tenant, including, without limitation, obligations to maintain, repair and replace plumbing fixtures, refrigerator, range, lighting fixtures and other equipment in the apartment, and to paint the apartment. Such purchasers will also be primarily liable to the Apartment Corporation for the performance of all lessee's obligations under the proprietary lease for the apartment. New York General Obligations Law §7-103 requires that the tenant's security deposit be kept in trust by the purchaser of such occupied apartment, in a separate bank account.

Any person interested in purchasing shares of the Apartment Corporation allocated to an apartment in which he does not reside is urged to examine the present lease pertaining to the apartment to which such shares are allocated, verifying not only the expiration date of the lease, and any renewal thereof, but also the rent currently payable for the apartment (which may be more or less than the maintenance charges that will be payable to the Apartment Corporation after the closing) and the obligations of the landlord thereunder, as well as the obligation of the landlord under the applicable provisions of the Rent Stabilization Law and Code.

If any apartment occupied by a non-purchasing tenant shall be the subject of a rent exemption order under Section Y51-5.0(n) of the New York City Administrative Code or any similar provision of law, and the shares allocated to such apartment are either held by a non-tenant shareholder or a Holder of Unsold Shares, the Apartment Corporation shall apply for the abatement pursuant to that Section Y51-5.1(c) of the New York City Administrative Code or any similar provision of law, and the amount of the maintenance charges payable by such non-tenant shareholder or Holder of Unsold Shares in respect to such apartment shall be reduced to the extent of any tax abatement received as a result of such application. The Apartment Corporation shall not be obligated to engage in litigation to secure such tax abatement and rent exemption. The maintenance charges payable by any such non-tenant shareholder or Holder of Unsold Shares shall continue to be reduced by the amount of such tax abatement for so long as such tax abatement shall continue.

A purchaser of the shares of an occupied apartment will be required to irrevocably appoint the Building's managing agent as his or her agent to perform all services required to be furnished or performed by the landlord under the non-purchasing tenants' lease and applicable law, at the purchaser's expense. Such purchaser of shares of an occupied apartment will also be required to deposit with the managing agent at the closing, the equivalent of two months maintenance to be used as working capital to furnish services as required under the non-purchasing tenant's lease and under the applicable laws and regulations. Within 30 days from receipt of notice from the managing agent that the deposit has been diminished, the fund shall be replenished by the shareholder. The failure of the purchasing shareholder to replenish the fund in a timely fashion shall result in the Apartment Corporation having a lien against the shares allocated to the apartment. Interest if any, earned on the fund shall be the property of the shareholder.

ALL COSTS AND EXPENSES INCURRED IN CONNECTION WITH THE OWNERSHIP OF SHARES OF AN APARTMENT OCCUPIED BY ANOTHER (INCLUDING WITHOUT LIMITATION, LEGAL FEES AND LITIGATION EXPENSES FOR ENFORCING THE LEASE AND/OR OBTAINING POSSESSION OF THE APARTMENT) WILL BE BORNE ENTIRELY BY THE SHAREHOLDER.

INTERIM LEASES

The Sponsor shall have the right to lease a vacant apartment to purchasers or non-purchasers. The lease will be for one year at such rent (not exceeding the maximum rent legally collectible pursuant to the Rent Stabilization Guidelines and the requirements of DHCR) and upon such other terms as may be mutually agreed upon. Such lease will also provide that any uncured default by the purchaser under his subscription agreement or a rescission of his subscription agreement will constitute a default under the lease entitling the landlord, at its option to immediately terminate such lease. An uncured default under the lease shall be a default under the subscription agreement with the Sponsor's similar right to cancel the subscription agreement, but only after the Sponsor either obtains a court order of eviction or for the recovery of possession or the lessee vacates the apartment. Following the default, or rescission of the subscription agreement by the subscriber, the occupants of the apartment shall have 30 days following notice by the Sponsor to vacate the apartment. If the Plan is abandoned by the Sponsor, the tenant will be able to either vacate or continue his or her residence subject to the Rent Stabilization Law and Code.

No portion of the rental paid under such interim lease will be credited toward the cash purchase price for the apartment shares.

PROCEDURE TO PURCHASE

A person desiring to purchase shares of the Apartment Corporation will be required to execute a subscription agreement in the form contained in this Plan, together with his executed and notarized gains tax affidavit and subscriber's affidavit (annexed to subscription agreement as Exhibits B and C) and return them to the Selling Agent at 113-20 Queens Boulevard, Queens, New York, together with his or her downpayment check in the amount of $1,000 for existing tenant/-subscribers, and 10% of the total purchase price for non-tenant/subscribers. All checks are to be drawn to the order of "STK - Waterfall Special."

The Sponsor will promptly deposit all monies received by it directly or through its agents, employees or escrow agent, in a special non-interest bearing trust account at Bankers Trust Co., 455 Park Avenue, New York, New York, entitled "STK - Waterfall Special" until closing as herein described. Funds may be released only on the signature of an attorney in the firm of Schiff, Turek & Kakoyiannis, and only under the following conditions: (a) at the closing; or (b) in the event the purchaser rescinds or defaults; or (c) if the Plan is abandoned. In the event that insufficient funds are raised through the offering to effectuate the transfer of title to the Property and the consummation of the Plan, or if the Plan is abandoned or withdrawn for any reason, whatsoever, then such monies shall be fully returned to the purchasers without interest. The amounts paid by the purchasers will be held in escrow in accordance with the provisions of General Business Law Section 352e(2)(b) in a separate trust account, in accordance with General Business Law §352(h).

After the Plan is declared effective, each purchaser will be given at least 30 days written notice of the closing date with the Apartment Corporation. Also, the purchaser will be given 15 days written notice, within which time he must deliver to the selling agent his certified check or official bank cashiers check in the amount of the balance of the cash purchase price together with 2 copies of the proprietary lease, signed by him and acknowledged by a notary public. Purchaser's failure to sign the proprietary leases as required may result in his being declared in default of his subscription agreement and thereby forfeiting his right to purchase with the loss of the amount previously paid under the Subscription Agreement.

Inasmuch as the Closing Date shall not be less than 30 or more than 120 days from when the Plan is declared effective, the maximum number of days that the purchase funds may be held in escrow before closing is 105 days, providing the closing is not adjourned.

In the event a purchaser is obtaining financing from a lending institution, only that portion of the balance of the cash purchase price which is not being financed need be paid within the 15 day period. However, in such case, the purchaser shall furnish, together with payment of the nonfinanced balance of the purchase price, a copy of the written commitment from the lending institution (in form satisfactory to counsel for the Sponsor) for that portion of the cash purchase price to be financed, together with all documents required by the lending institution to be executed. If the purchaser complies with the foregoing, the financed portion of the cash purchase price, made payable to "STK - Waterfall Special", will be payable on the closing date by certified check or official bank check and the purchaser may apply the proceeds of the financing to make such payment.

If a purchaser's obligations are contingent upon obtaining a commitment for financing, the purchaser must notify the Sponsor of his inability to secure such financing within 30 days from the date of the execution of the subscription agreement. In the event purchaser fails to notify the Sponsor within such period of time, it shall be deemed that the purchaser's obligation to secure financing has been fulfilled. In the event purchaser secures a commitment for financing, the commitment may expire or the terms of the commitment may change prior to the actual closing. If purchaser's obligations are contingent upon securing a financing commitment and the financing commitment lapses or expires prior to closing and the purchaser has made a good faith effort to extend the commitment, purchaser will have a right of rescission to be exercised within 15 days after the commitment has lapsed or has been substantially changed.

Time is "of the essence" as to all payments to be made for the purchase of shares of apartments. This means that if a purchaser fails to make a payment on the date he is required to do so or fails to perform under the terms of the subscription agreement or this Plan, after notice having been given to him, he may lose the down payment made by him, as well as forfeit his right to purchase the apartment shares.

Sponsor or the Apartment Corporation will give a subscriber who is in default of an obligation to make payment a 30-day written demand for such required payment. If such payment is not made, he will forfeit all rights under the subscription agreement to purchase and he will lose his downpayment.

The form of subscription agreement contained herein (below) and this Plan, does not, and may not be amended to contain any provision waiving any subscriber's rights or abrogating any Sponsors' obligation under Article 23-A of the General Business Law. The form of subscription agreement contained below, to be used by tenant subscribers prior to the Plan being declared effective may not be modified except by amendment to the Plan.

Tenant/purchasers shall be afforded 3 business days to review the Offering Plan and all amendments filed to date prior to executing a subscription agreement.

Non-tenant purchasers will have 7 days (following delivery of an executed subscription agreement together with the required 10% deposit to the selling agent) to rescind their subscription agreements and thereupon receive the return of their full deposit promptly. Such purchaser may rescind his subscription agreement by personally delivering a written notice of rescission to the selling agent within the 7 day period or by mailing a rescission postmarked within the 7 day period.

The subscription agreement shall not be binding until it is accepted by the Sponsor and the Apartment Corporation and a fully executed counterpart of the subscription agreement is returned to the purchaser. If the subscription agreement of a non-tenant subscriber is not accepted within 30 days, it shall be deemed rejected and cancelled, and the downpayment shall be returned at that time, without interest.

Any conflict between the Plan and the subscription agreement will be resolved in favor of the Plan.

The following schedule of closing costs shall be applicable to the purchaser:

A. If a purchaser is not able to close on the day that the Apartment Corporation takes title to the building for any reason not directly attributable to the Sponsor, which necessitates a separate closing after the Apartment Corporation takes title to the building, there will be a fee for such late closing in the amount of $350.00 payable to Schiff, Turek & Kakoyiannis;

B. In the event of an assignment of the subscription agreement there will be a fee of $350.00 payable to Schiff, Turek & Kakoyiannis for the review and processing of assignment documents; and

C. In the event the purchaser obtains financing from a lending institution there will be a fee of $350.00 payable to Schiff, Turek & Kakoyiannis, for review of the financing documents as they affect the Apartment Corporation.

ASSIGNMENT OF SUBSCRIPTION AGREEMENT

Tenants in occupancy on the date of presentation of the Plan who subscribe to purchase the shares allocated to their respective apartments prior to the declaration of effectiveness will be permitted to assign or transfer their subscription agreement upon the prior written consent of the Sponsor. The Sponsor will determine whether or not to grant its permission to a tenant desiring to assign or transfer his or her subscription agreement on an objective and non-discriminatory basis, taking into account among other things, the proposed assignee's financial ability to meet the obligations as a purchaser/subscriber. In order to obtain Sponsor's permission to assign and transfer the subscription agreement, the tenant must: (a) sign the subscription agreement and tender the down payment; and (b) provide to the Sponsor the assignee's (that is the person to whom the tenant wishes to assign his or her subscription agreement) notarized affidavit stating that the assignee was not procured by the Sponsor or its selling agent, and that he or she or a designated member of their immediate family intends to personally occupy the dwelling unit. The form of assignment affidavit is annexed to the subscription agreement as Exhibit A. There will be a $350.00 fee payable to Schiff, Turek & Kakoyiannis, for the processing of such assignment or transfer.

EFFECTIVE DATE

The offer to sell embodied by this Plan is contingent upon the Sponsor declaring the Plan effective in compliance with the relevant conditions and time periods described in this Plan.

1. The Sponsor may declare the Plan effective, if within fifteen (15) months from the date of acceptance of the Plan for filing by the Attorney General, written subscription agreements have been executed and delivered for at least 15% of the dwelling units in the building by (a) bona fide tenants who were in occupancy on the date the Plan was filed with the Attorney General and entered into their subscription agreements without any discriminatory repurchase agreements or other discriminatory inducements or (b) bona fide purchasers who represent that they, or one or more designated members of their immediate family intend to occupy the dwelling unit when it becomes vacant.

2. When subscription agreements have been executed and accepted for 80% of the units offered hereby, the Plan must be declared effective.

No more than one subscription agreement from the tenant(s) of a particular dwelling unit shall be counted and only one subscription agreement from any tenant who leases or occupies more than one dwelling unit shall be counted towards effectiveness. The Plan will not be declared effective based upon subscription agreements: (a) Signed by subscribers who have been granted a right of rescission that has not yet expired or been waived; (b) That have been assigned or transferred without compliance with the terms of this Plan (see section "Assignment of Subscription Agreement" above); (c) Are conditioned upon an amendment to the Plan that has not been served in compliance with this Plan and applicable law; or (d) From any subscriber who is the Sponsor or the Selling Agent or is a principal of the Sponsor of the Selling Agent or is related to

the Sponsor or the Selling Agent or to any principal of the Sponsor or the Selling Agent by blood, marriage or adoption or is a business associate, employe or shareholder or limited partner of the Sponsor. Such a subscriber other than the Sponsor or a principal of the Sponsor may be excepted from the foregoing requirement and included in the effectiveness count only if the Sponsor has submitted proof satisfactory to the Department of Law establishing that the subscriber is either a bona fide tenant or a bona fide purchaser who represents that he or she or one or members of his or her immediate family intends to occupy the dwelling unit when it becomes vacant. The following tenants are related to the Sponsor's principals but, as bona fide tenants, may be counted toward declaring the Plan effective: Dr. Larry Markel (Apt. 611); Frank Markel (Apt. 216); and Leonard Hirschkowitz (Apt. 403).

The Sponsor will notify all purchasers and tenants when subscription agreements for 15% of the dwelling units have been executed and accepted by the Sponsor.

The Sponsor may at its option declare the Plan abandoned for any reason whatsoever before eighty (80%) percent of the apartments have been subscribed for or before the Plan has been declared effective. All monies received by the Sponsor will be returned to the subscriber without interest. In such event no new plan for the conversion of the building may be submitted to the Department of Law for at least 12 months thereafter.

If the Plan has been declared effective, the date of the closing of title (herein sometimes called "the Closing Date") will be fixed by the Sponsor, which shall be not less than 30 days nor more than 120 days thereafter, unless the closing is adjourned.

The Plan will be declared effective by written notice personally delivered or sent by regular mail to all tenants and purchasers. The Sponsor will submit an amendment to the Plan to the Department of Law within 5 days thereafter stating that the Plan was declared effective by notice and incorporating a copy of the notice therein. The closing transaction shall not be held until the amendment disclosing the declaration of effectiveness is accepted for filing by the Department of Law.

Once the Plan has been declared effective, it may not be abandoned except for (1) a defect in title which cannot be cured without litigation or cannot be cured for less than $65,000, or (2) work orders of a mortgagee or violations after the date of presentation of the Plan, which cannot be cured for less than $65,000 or (3) substantial damage to the building by fire or other casualty which cannot be cured for less than $65,000 or (4) a taking of any material portion of the Property by condemnation or eminent domain.

On the Closing Date, title to the Property will be delivered to the Apartment Corporation, and each purchaser will thereupon become obligated for the payment of maintenance charges under his proprietary lease, whether or not he has taken possession of the apartment and whether or not the tenant in possession of the apartment, if there be one, pays the rent required to be paid by him. Certificates for the shares of the Apartment Corporation and the accompanying proprietary leases will be issued to the respective purchasers as of the Closing Date and will be delivered promptly thereafter.

If the Plan has not become effective within fifteen (15) months from the date the Attorney General accepts this Plan for filing, the Plan will be deemed abandoned, void and of no effect, and all monies received from subscribers will be returned without interest within 15 business days; furthermore, no new plan for the conversion of the building shall be submitted to the Attorney General for at least 12 months after such abandonment.

TERMS OF MORTGAGE

At the time of closing, the Apartment Corporation will give the Sponsor a purchase money wrap-around mortgage in the principal amount of $3,000,000. This wrap-around encompasses and is subject and subordinate to an existing mortgage (see below). As a wrap-around mortgage, the holder thereof is obligated to make all payments required by the existing mortgage. The wrap-around mortgage will require monthly payments of interest only as follows:

- for the first and second year, monthly payments of $23,750 (or $285,000 yearly) representing interest only at the rate of 9.5% per annum;

- for the third and fourth year, monthly payments of $25,000 (or $300,000 yearly) representing interest only at the rate of 10% per annum;

- for the fifth and sixth year, monthly payments of $26,250 (or $315,000 yearly) representing interest only at the rate of 10.5% per annum;

- for the seventh and eighth years, monthly payment of $27,500 (or $330,000 yearly) representing interest only at the rate of 11% per annum; and

- for the ninth and tenth years, until maturity, monthly payments of $28,750 (or $345,000 yearly) representing interest only at the rate of 11.5% per annum.

Assuming all payments are timely made, the unpaid balance of this mortgage will be $3,000,000 (or $477.403 per share) at the maturity of the mortgage on the tenth anniversary of the closing. If the Apartment Corporation does not make other arrangements in respect to such mortgage, or if the Apartment Corporation is then unable to refinance or extend such mortgage when it becomes due, it may be necessary to make a special assessment for the purpose of paying the outstanding principal balance of such mortgage. The Sponsor makes no representation as to the cost, terms or availability of refinancing such mortgage indebtedness. The wrap-around mortgage will permit prepayment in whole or in part, at any time on any interest day, provided at least thirty (30) days prior written notice thereof is given to the holder of such mortgage.

The wrap-around mortgage provides for monthly escrow deposits to be made for the purpose of paying real estate taxes, water charges, sewer rents and insurance premiums. See "Reserve Fund and Working Capital Fund", below.

The wrap-around mortgage will be in default in the event that any payments due thereunder are not made within 10 days of their due date; in the event real estate taxes, water charges and sewer rents are not paid within 10 days after notice and demand is made; in the event of the failure on the part of the mortgagor to deliver a fire insurance policy (naming the mortgagee as insured

and its interest may appear); and on the failure on the part of the mortgagor to furnish an "estoppel certificate" to the mortgagee upon request.

Sponsor will make all payments on the existing mortgage due prior to or at closing and represents that there will be no default of these mortgages at the time of closing with the Apartment Corporation.

Upon a default by the Apartment Corporation (and upon the expiration of the applicable grace period), all or any part of the wrap-around mortgage indebtedness shall be due and payable, and the holder thereof may have a receiver appointed to take possession of the Property and collect the rents.

In the event of condemnation, the Apartment Corporation will be obligated to continue to pay interest until the award is received by the holder of the holder of the wrap-around mortgage or apply such award for the purpose of restoring the Property or for any other purpose satisfactory to the holder of the wrap-around mortgage.

The Apartment Corporation may not permit or create any additional lien or security interest in the mortgaged property except upon the prior written consent of the holder of the wrap-around mortgage.

If any payment of interest, principal or other sum is not made within ten (10) days after notice, the Apartment Corporation will be required to pay a "Late Charge" in an amount equal to 5% of the overdue paymetn, for each month or part thereof during which such payment is not made.

The holder of the wrap-around mortgage shall pay the interest and amortization required to be paid under the existing mortgage and shall be obligated to satisfy the existing mortgage when due or make other arrangements to refinance as provided below. In the event the holder of the wrap-around mortgage defaults in the payment due on the existing mortgage and the applicable grace period has expired, the wrap-around mortgage will be deemed satisfied unless the holder cures such default and causes foreclosure proceeding (if any) to be discontinued. The expense of curing the default and causing foreclosure proceedings to be discontinued including without limitation all legal fees and fees paid to arrange for refinancing the underlying mortgage (if necessary) shall be borne by the holder of the wrap-around mortgage. The holder of the wrap-around mortgage's interest in the mortgage shall stand as security for the fulfillment of the holder's obligations hereunder.

Tenants shareholders will not be personally liable to the holder of the wrap-around mortgage to pay the installments of interest or of principal. TO PRESERVE ITS EQUITY IN THE PROPERTY, HOWEVER, THE APARTMENT CORPORATION MUST REFINANCE OR EXTEND THE WARP-AROUND MORTGAGE AT ITS MATURITY. The availability, terms and cost of such refinancing or extension will vary from time to time depending upon the then existing market conditions, the credit worthiness of the borrower, the financial and physical condition of the Property and other factors.

The holder of the wrap-around mortgage shall have the right at any time to refinance the existing mortgage and/or the wrap-around mortgage provided, however, the total annual (and monthly) debt service payments required

subsequent to the refinancing shall not exceed the total annual (and monthly) debt servive required under the wrap-around mortgage and that the maturity date of the new mortgages shall be no more that the maturity date of the wrap-around mortgage and that the total amount of principal indebtedness of the refinanced mortgages shall not exceed the unpaid principal amount (together with interest or charges due) of the wrap-around mortgage at any time.

The holder of the wrap-around mortgage's interest in the wrap-around mortgage shall stand as security for his obligations under the wrap-around mortgage, including without limitation the obligation to make all required payments on the existing mortgage.

The wrap-around mortgage will be executed and acknowledged at the closing on behalf of the Apartment Corporation and the Sponsor. Any assignee of the holder of the wrap-around mortgage, by assignment or operation of law, will be bound by the obligations of the mortgagee enumerated in the wrap-around mortgage, most particularly, the holder's obligation to make the required payments on the existing mortgages. Any assignee of the mortgagee will be required by the terms of the mortgage to execute and acknowledge, together with the assignors, a written assignment and assumption agreement in recordable form, wherein the assignee undertakes to assume all of the mortgagee's obligations under the wrap-around mortgage.

EXISTING MORTGAGE

Held by Independence Savings Bank located at Court Street and Atlantic Avenue, Brooklyn, New York, in the original principal amount of $2,000,000. This mortgage requires monthly payments of $21,250, applied first toward interest at the annual rate of 12-1/4%, with the balance applied toward reducing the principal indebtedness. There will be approximately $1,950,000 due on this mortgage when it matures in July 1995.

The mortgage permits prepayment after the second year subject to a 2% penalty. The mortgage provides that in the event title is not transferred to an Apartment Corporation by July 1990, the mortgage will then come due and payable, at the option of the mortgagee.

The existing mortgage does not contain a "due on sale clause" which would be triggered by the sale of the premises to the Apartment Corporation as contemplated in this Offering Plan or a prohibition against the placing of the junior wrap-around mortgage contemplated herein.

The insurance coverage contemplated in Schedule B, above, is adequate to meet the requirements of the wrap-around mortgage and the existing mortgage.

SUMMARY OF PROPRIETARY LEASE

The proprietary lease will be for a term ending on December 31, 2080 but may be extended by vote of the shareholders. As a lessee, every shareholder of the Apartment Corporation will be obligated to pay the maintenance charges for his apartment as fixed by the Board of Directors based on the number of shares he owns. He will also have the following rights and obligations:

(a) He may cancel his lease and surrender his shares to the Apartment Corporation (without receiving any compensation) effective as of September 30, 1987, or as of any September 30, thereafter, on at least six months prior notice to the Apartment Corporation, and if he elects to cancel, he will have no liability for payment of maintenance charges after the effective date of the cancellation, provided he is not in default on the obligations to be performed by him under the lease.

(b) He will have the right to sell his shares and assign his proprietary lease, and sublet his apartment in compliance with the provisions of the proprietary lease and the Apartment Corporation By-Laws which require that consent thereto be authorized by resolution of the Board of Directors or given in writing by a majority of the directors or by written consent or vote of two-thirds of the shareholders.

(c) He will be responsible for the cost of interior repairs and decorations in his apartment, plus such alterations or additions which may be made with the consent of the Board of Directors.

If an apartment purchased by a non-occupant purchaser is occupied by an existing tenant the proprietary lessee shall have no right to terminate the existing tenancy of the non-purchasing tenant, except for non-payment of rent, or other breach under his lease obligations, even if the proprietary lessee seeks to occupy the apartment for his own use or for the use of a member of his family. In such cases non-purchasing tenants who reside in dwelling units subject to government regulation as to rentals and continued occupancy shall continue to be subject thereto; and that the rentals of any such non-purchasing tenants who reside in dwelling units not subject to government regulations as to rentals and continued occupancy and any non-purchasing tenant who resides in dwelling units with respect to which such government regulations are eliminated or become inapplicable after the Plan has become effective, shall not be subject to unconscionable increases beyond ordinary rentals for comparable apartments during the period of their occupancy. The obligations of holder of shares allocated to apartments occupied by non-purchasing tenants are included in the proprietary lease (paragraph 14). The provisions of the proprietary lease concerning non-purchasing tenants may not be subsequently amended or deleted.

Among its primary duties, the Board of Directors will project an annual operating budget for the Apartment Corporation based upon the anticipated expenses. Maintenance charges are thereafter set by the Board of Directors by dividing the total anticipated budget (less commercial and other income) by the total number of shares.

The Apartment Corporation has the right to accumulate reserves for capital expenditures at the discretion of its Board of Directors.

Defaults under the proprietary lease include, but are not limited to: Failure to pay the monthly maintenance; assignment, subletting or transfer of the apartment or shares of stock without the consent of the Apartment Corporation; alterations made in the apartment without the consent of the Apartment Corporation; and interfering with the peaceful enjoyment of any other lessee's use of his apartment.

The Apartment Corporation will notify a lender with which it has signed a recognition agreement as to any shareholder's default under the proprietary lease.

The proprietary lease (with the exception of those provisions concerning the rights of non-purchasing tenants and the rights of Holders of Unsold Shares) may be modified by the approval of at least 66-2/3% of the lessees.

APARTMENT CORPORATION

The Apartment Corporation was formed in July 1985, under the Business Corporation Law of the State of New York. It has an authorized capital of 20,000 shares of par value of $1.00 each.

The By-Laws adopted by the Apartment Corporation are set forth in Part II of the Plan. They require not less than three nor more than nine directors who will serve without compensation. The present Officers and Directors have been designated by Sponsor's attorney and will resign in favor of directors to be elected by the shareholders at a meeting to be held within 30 days after the Closing Date. The present Officers and Directors are all members or employees of the law firm of Schiff, Turek & Kakoyiannis and serve without compensation: Edward L. Schiff, President, Allen M. Turek, Secretary, Robin M. Gronsky, Vice President and Ann Marie Lubinskas, Treasurer. Members of the Board of Directors of the corporation need not be shareholders.

The Sponsor and other Holders of Unsold Shares may not exercise veto power over expenses described in Schedule B, or other expenses required: (a) to comply with applicable laws and regulations; or (b) to remedy any notice of violation; or (c) to remedy any work order by a mortgagee or insurer; or (d) to remedy a notice of default from a mortgagee.

At such time as the Sponsor holds Unsold Shares constituting less than 50% of the outstanding shares, (but in no event later than the fifth anniversary after the closing date), not less than a majority of the Board of Directors to be elected at all subsequent annual meetings of shareholders will be resident tenant/shareholders of the building.

The By-Laws may be amended by a vote of two-thirds of the shares outstanding except that as long as any shares of the corporation are held by Holders of Unsold Shares. Such By-Laws which directly affect the rights of Holders of Unsold Shares may not be amended without the consent of all Holders of Unsold Shares.

The Apartment Corporation will have a lien on each shareholder's shares to secure payment of maintenance charges attributable to such shares. The obligation of holders of shares of dwelling units occupied by non-purchasing tenants to deposit and maintain the equivalent of two month's maintenance charges with the managing agent of the Apartment Corporation will also be secured by the Apartment Corporation having a lien on the shares allocated to such apartment. These liens, unless satisfied, will prevent the shareholder from transferring his shares of stock and if he has a financing agreement with a bank, may cause a default of such agreement.

All expenses of the Apartment Corporation accruing up to and including the Closing Date, will be paid from the proceeds of the sale of shares.

The Apartment Corporation may not discriminate against any person for a reason proscribed by applicable Civil Rights Laws.

UNSOLD SHARES

If by the Closing Date all of the shares allocated to apartments have not been sold and fully paid for, the Sponsor will produce on or before the Closing Date itself or a financially responsible person or persons, resident of the State of New York (hereinafter referred to as "Holder of Unsold Shares") to whom all of the unsold shares will be issued and who will enter into proprietary leases for the apartments to which such shares are allocated, in order to avoid jeopardizing the rights of all shareholders under Internal Revenue Code §216.

In any event, the Sponsor has agreed that no later than three years after the closing, it will have assigned all remaining unsold shares to financially responsible natural persons and residents of the State of New York, and who will enter into proprietary leases for the apartments to which such shares have been allocated for their own accounts.

The Sponsor guarantees that if a Holder of Unsold Shares fails to fulfill his obligations under his proprietary lease, including the payment of all maintenance charges and assessments thereunder, then in that event, the Sponsor will become liable for such obligations and the Apartment Corporation will have a lien upon the shares to secure the payment of all obligations of the Holder of Unsold Shares. Sponsor represents that it has the financial resources to enable it to meet its obligations with respect to unsold shares. No bond or other security has been furnished by the Sponsor, and the Sponsor's ability to meet this obligation will depend solely upon its financial condition if and when called upon to perform.

Any unsold shares and leases acquired by a Holder of Unsold Shares or his assignees may be sold or assigned by him, or his apartment may be sublet by him without the consent of the Apartment Corporation or any other person. The Apartment Corporation shall execute a "Recognition Agreement" and such other documents as are reasonably required in the event Sponsor or its successors or assigns seek to obtain financing from a lending institution based upon such unsold shares. A Holder of Unsold Shares or a person related by blood or marriage to a Holder of Unsold Shares may elect to become the occupant of the apartment covered by his proprietary lease, and from the time that he becomes the occupant thereof, the shares will no longer be "Unsold Shares" and the Sponsor shall no longer be responsible for that apartment.

Unsold Shares may not be sold or transferred to persons who purchase them for their own account and/or for pooling of profits or losses.

The Holder of Unsold Shares must be registered as a broker-dealer pursuant to General Business Law Section 359-e, and furnish to the Department of Law all information required from a principal of the Sponsor. The Holder of Unsold Shares or his assignees will not be required to obtain the consent of the Board of Directors or managing agent prior to making any alterations or additions to the apartment or change in the layout of the apartment, except that he will be required to comply with all municipal laws and building codes.

Any subscription or deposit funds being held by the Holder of Unsold Shares will be held in escrow in accordance with the provisions contained in General Business Law §352-e(2)(b) in a separate trust account pursuant to General Business Law §352-h.

The Holder of Unsold Shares will also be required from time to time to amend the Plan to provide current and accurate information until he has sold all his shares to bona fide purchasers. The Holder of Unsold Shares will also be responsible for providing to prospective purchasers a copy of the current and updated Offering Plan, including all filed amendments.

Holders of Unsold Shares may not cancel their proprietary leases unless (i) shareholders owning a majority of the Apartment Corporation's outstanding shares (other than unsold shares) shall have given notice of intent to cancel or (ii) all unsold shares constitute 15% or less of the Apartment Corporation's outstanding shares, at least five (5) years have elapsed since the Apartment Corporation acquired title to the building and on the effective date of cancellation holders of unsold shares shall pay to the Apartment Corporatin a sum equal to the product of the then current monthly rent, payable under the proprietary lease, multiplied by twenty-four (24).

PURCHASERS FOR INVESTMENT OR RESALE

A purchaser for investment or resale is a purchaser who purchases shares allocated to three or more units, which are not for occupancy by such purchaser or persons related by blood, marriage or adoption to such purchaser. In connection with the sale of such units:

1. A purchaser for investment or resale must register as a broker-dealer pursuant to GBL §359-e (if not already registered);

2. A purchaser for investment or resale shall comply with the trust fund provisions of GBL §352-h and 352-e(2)(b); and

3. A purchaser for investment or resale shall provide the following documents to a prospective purchaser at no cost to the purchaser, three business days before entering a purchase agreement:

(i) Copy of the most recent financial statement of the Apartment Corporation, if any and a copy of the most recent budget of projected expenses, if any;

(ii) Copy of the most recent notice from the Apartment Corporation of the interest and taxes deductible for income tax purposes, if any;

(iii) Copies of notices from the Apartment Corporation concerning changes in maintenance charges, potential assessments, planned major capital improvements and proposed refinancing of the building's mortgage(s), if any;

(iv) Copies of pleadings in pending lawsuits or proceedings the outcome of which may affect the offering of the unit, the seller's capacity to perform all of its obligations under the purchase agreement or the rights of an existing tenant of the unit, if any;

(v) If the unit is occupied, copy of the tenant's lease and representation of the tenant's status under any applicable rent law;

(vi) Copies of the by-laws and form proprietary lease of the Apartment Corporation as amended; and

(vii) Copy of notice of uncured violations of record in the unit that are the responsibility of the proprietary lessee to cure, if any.

4. A purchaser for investment or resale shall have the same rights and obligations as a Holder of Unsold Shares.

NOTWITHSTANDING ANYTHING CONTAINED HEREIN TO THE CONTRARY THE SHARES OF STOCK BEING OFFERED BY THE SPONSOR ARE NOT BEING OFFERED FOR INVESTMENT. THE PURPOSE OF THIS OFFERING IS THE SALE OF APARTMENTS FOR USE AS DWELLING UNITS BY PURCHASERS ON A COOPERATIVE BASIS.

THESE SHARES ARE NOT OFFERED AND SOLD WITH EMPHASIS ON THE ECONOMIC BENEFITS TO THE PURCHASER FROM APPRECIATION OF VALUE OR EXPECTATION OF PROFIT RESULTING FROM THE RESALE OF THESE SHARES OF STOCK OR AS A RESULT OF MANAGERIAL EFFORTS OF OTHERS, NOR IS IT INTENDED THAT THE OFFERING PLAN LEAD A PURCHASER TO EXPECT PROFITS OF ANY SORT FROM THE EFFORTS OF THE SPONSOR, THE APARTMENT CORPORATION OR ANY THIRD PARTY.

RESERVE FUND AND WORKING CAPITAL FUND

In accordance with Chapter 51 of the Administrative Code of the City of New York, within thirty (30) days of the Closing Date, the Sponsor must establish and transfer to the Apartment Corporation a reserve fund to be used exclusively for making capital repairs, replacements and improvements "necessary for the health and safety of the residents of such buildings." This reserve fund is exclusive of any working capital fund and may not be reduced by closing adjustments. This new law requires that the fund be set up in an amount equal to either:

(a) 3% of the "Total Price" of this offering (that is, the total number of shares offered multiplied by the price last offered to tenants in occupancy prior to the effective date, regardless of the number of sales), or

(b) 3% of the actual sales price at the time the Plan is declared effective (but not less than 1% of the "Total Price" plus 3% of each subsequent apartment sale during the five-year period following the declaration of effectiveness, even if the ultimate total exceeds 3% of the "Total Price").

However, if the reserve fund is less than 3% of the "Total Price," the Sponsor must make up the difference within thirty (30) days, at the end of the five (5) year period.

The Sponsor may claim a credit against its initial contribution to the reserve fund for the actual cost of capital replacements which are started after the Plan is submitted but before the Plan becomes effective. Sponsor will amend this Plan to disclose the filing for increased rents for the apartments of non-purchasing tenants as the result of major capital improvements.

In addition to the minimum reserve fund, the law requires the following:

(a) That the Apartment Corporation report to all shareholders on a semi-annual basis, wtih respect to all deposits into and withdrawals from the reserve funds; and

(b) That within thirty (30) days from the date that the Offering Plan is accepted for filing by the Department of Law and until the Closing Date, the Sponsor designate its agent (in this instance it will be the superintendent) to maintain a listing of all violations of record cited by the Department of Buildings and the Department of Housing Preservation and Development for inspection by the tenants within reasonable business hours. The list of violations shall be updtaed within 48 hours after the Sponsor landlord receives notice of same.

On the Closing Date, from the amount of cash raised by this Offering Plan, the Apartment Corporation will retain the sum of $10,000, for working capital (plus or minus closing adjustments but not less than $1,000) and for repairs and other appropriate corporate purposes as determined by the Board of Directors.

If the net closing adjustments called for in the contract of sale are in favor of the Apartment Corporation, the amount thereof will be paid or credited to the Apartment Corporation. If the net closing adjustments are in favor of the Sponsor, they will be paid to the Sponsor out of the working capital fund to the extent that such fund may not be reduced beyond $1,000, and the payment of any balance shall be deferred and paid to the Sponsor in 12 equal consecutive monthly installments commencing one month after the closing date, with 12% interest, pursuant to negotiable serial promissory notes to be executed by the Apartment Corporation and delivered to the Sponsor at closing. Each such note will contain a provision permitting acceleration of the maturity date in the event of a default under any other note. The Apartment Corporation may prepay each note (in full only) at any time, without penalty but with interest accrued to the date of prepayment (see Schedule B, Footnote 13).

While the Sponsor is in control of the Board of Directors the working capital or reserve fund will not be used to reduce projected maintenance charges.

Neither the Department of Law nor any other government agency has passed upon the adequacy of the working capital fund or reserve fund.

No representation is made that the working capital fund will be adequate to cover current or future expenses, including repairs or replacements; and if additional funds are required over and above the reserve fund, it may be necessary to increase maintenance charges.

No representation is made that the reserve fund will be sufficient to meet capital expenditures. Accordingly, any sums necessary for major repairs or capital improvements (including those which may be disclosed in the section entitled "Description of Property and Building Condition") must be secured in the form of an increase in maintenance charges or an assessment levied against all shareholders, or both.

CONTRACT OF SALE

By agreement dated June 24, 1985, the Sponsor has contracted to sell the building and land to the Apartment Corporation subject to the standard printed exceptions contained in the title policy and subject only to the following exceptions:

(a) Current leases in force and rights of all tenants in possession, other than leases and tenancies of tenants purchasing apartments occupied by them, which shall be terminated upon execution of the proprietary leases;

(b) Zoning regulations and ordinances which are not violated by existing structures;

(c) Any rights of gas, electric, steam, telephone and other utility companies to maintain, repair and replace any wires, conduits, pipes, valves, chutes, poles, boxes and vaults on, over, under or adjacent to the property;

(d) Covenants, consents, party wall agreements and restrictions of record, providing they do not prevent the present use of the property and/or party wall;

(e) Union, service, supply and maintenance contracts;

(f) Any facts which an accurate survey may show, provided such facts do not render title unmarketable;

(g) Encroachments, if any, of stoops, areas, cellar steps, trim, cornices, sills, retaining walls, windows, copings, cellar doors, sidewalk elevators, fences, firescapes, standpipes, ventilators, electric light signs, canopies, window gardens and projections, if any, or any street or highway; and any variations between record lines and fences and retaining walls and consents prior to the date of the closing of title by any owner of the property for the erection of any structure or structures on, under or above any streets on which the property abuts, as noted in any current survey;

(h) Liens for unpaid New York State Franchise taxes or New York City General Corporation taxes of any corporation in the chain of title provided that a sufficient deposit therefore is made with the title company insuring the Apartment Corporation's title to the property, so that it will insure against collection of such taxes from the property; and

(i) Existing mortgage.

The Apartment Corporation's title will be insured by a licensed title company of the State of New York and the Sponsor will pay all expenses in connection therewith from the proceeds of this offering. Title insurance coverage may not be in an amount that is less than the aggregate of (a) the total cash payments received under all subscription agreements less the reserve and/or working capital fund, (b) the product of the number of unsold shares multiplied by the lowest cash payment per share offered to tenants in occupancy, and (c) the amount of the Apartment Corporation's mortgage indebtedness.

In the event there exists any lien or encumbrance other than those set forth above, the sole remedy of the Apartment Corporation will be either to accept such title as Sponsor is able to convey (without any credit or abatement in the purchase price or any claim or right of action against the Sponsor) or to rescind the contract of sale. Sponsor will be under no obligation to institute any action or proceeding or to expend any sum of money to make title marketable or to eliminate any encumbrance.

The sale of the Building includes all fixtures and articles of personal property attached to or used in connection with the operation of the Property on the premises at the time of sale. All kitchen appliances owned by the Sponsor will become the property of the Apartment Corporation on the closing date and may be used by tenant/shareholders without charge. If a non-purchasing tenant vacates his apartment and removes a kitchen appliance belonging to him at the time he moves, the Sponsor, at its own expense, will supply a replacement which may not be new but will be in good working order and will be similar in size and quality to the appliances contained in the building on the presentation date of this Plan.

At the time of closing, all fixtures and articles of personal property attached to or used in connection with the operation of the Property, which are on the premises, and the building and land will be delivered by the seller and accepted by the purchaser in "as is" condition.

The security deposit, if any, of a tenant who purchases will be refunded to him after the closing of title, provided he is not in default under his lease or tenancy. The security deposit of a non-purchasing tenant, who is not in default under his lease or tenancy, will be transferred after the closing of title to the purchaser of the shares allocated to the apartment, or to the shareholder produced by the seller as the case may be, who will hold them in accordance with G.O.L. Section 7-103.

Conflicts between this agreement and the Offering Plan shall be resolved in favor of the Plan.

The obligations under this Offering Plan and General Business Law to be performed subsequent to closing will survive delivery of the deed.

The Sponsor will maintain the Property until the closing in substantially the same condition and manner as on the date of presentation of the Plan.

The following are to be apportioned:

1. Rents as and when collected;

2. Premiums on existing transferable insurance policies or renewals of those expiring prior to closing, provided that the coverage, amounts and terms conform to those set forth in this Plan (Footnote #7 of Projected Schedule of Income and Expenses);

3. Taxes and sewer rents;

4. Water charges;

5. Fuel;

6. Utility charges and deposits;

7. Vault taxes, if any;

8. Payments under service and concession contracts;

9. Fees for assignable permits and licenses;

10. Mortgage interest;

11. Wages, vacation pay and any other monies and fringe benefits, paid to the employees of the seller;

12. Escrow held by mortgagee; and

13. Accrued senior citizens exemptions.

The purchaser has no personal liability for any of the costs or expenses for the promulgation and consumation of the Plan, the sale of the building and the execution and delivery of the deed. All costs and expenses of the above, including but not limited to, selling expenses, commissions, and filing fees under Section 352-e of the General Business Law, printing, organization of the Apartment Corporation, title insurance, recording charges and legal fees of counsel for the Apartment Corporation will be paid by the Sponsor.

The Sponsor shall deliver to the Apartment Corporation a Bargain and Sale Deed with Covenants against Grantor's Acts.

The Sponsor reserves the right to renew or modify any existing lease or to enter into any new lease prior to the Closing Date, under such terms conditions and rentals as Sponsor deems desirable, for any residential or non-residential space. Sponsor will not be obligated to rent any apartment which is vacant and Sponsor reserves the right to evict any tenant who defaults under his lease or tenancy. Sponsor reserves the right to renew, extend or modify any existing service, maintenance or concession contract and to enter into new contracts under such terms and conditions as it deems desirable. In the event the terms and conditions of contracts to be assumed by the Apartment Corporation are materially changed, the Plan will be amended to reflect such changes.

In the event there are pending proceedings for the reduction of real estate taxes on the Property for the tax year in which the closing occurs, the Apartment Corporation will continue such proceedings with the attorney previously employed by the Sponsor who shall have the sole right to negotiate and settle all claims in connection with said proceedings. Cost of such proceedings and any refund shall be apportioned between the Sponsor and the Apartment Corporation according to the respective portions of the tax year that each holds title to the Property. Any refund covering a period prior to the closing of title and all expenses incurred in connection with securing such refund shall belong to and be incurred by the Sponsor.

In the event the Property is damaged by fire or other casualty prior to closing, Sponsor will repair such damage if the cost of repairs is fully covered by insurance proceeds collected by Sponsor. In the event the collected insurance proceeds will be insufficient to pay for the cost of repairs, the Sponsor shall have the right but not the obligation to repair such damage. If Sponsor elects not to repair the damage, the Plan will be abandoned and all subscription agreements will be deemed cancelled and all purchasers not in default will be refunded their deposits without interest. Upon such refund being made the Apartment Corporation and the Sponsor will be relieved and discharged of any liability under the Plan or under the subscription agreement.

The price for the Property shall be payable as follows:

A. By payment of the amount of the entire cash proceeds received from the sale of shares pursuant to this plan up to the closing date (less the working capital and reserve funds);

B. By the issuance to Sponsor of all unsold shares; and

C. By acceptance of title subject to the mortgages described in this Plan.

The aforesaid price may be regarded by Sponsor as being reduced by expenses incurred by it for all closing expenses, in connection with preparation and presentation of this Plan and sales expenses.

The Property is being sold "AS IS" on the date of the presentation of the Plan subject to reasonable use, wear, tear and natural deterioration between such date and the closing date, subject to Sponsor's obligations as set forth herein.

The Apartment Corporation will indemnify and hold harmless the Holders of Unsold Shares against any and all claims, actions, liabilities (including reasonable attorneys fees and litigation expenses) incurred as a result of the failure on the part of the Apartment Corporation to operate the Building pursuant to the requirements of applicable rent regulations and laws or to perform any obligation to be performed by it as lessor under the proprietary lease; however, such indemnity shall not be applicable during any period that a majority of the Board of Directors consists of non-resident members elected by the Holders of Unsold Shares.

Article 31B of the New York State Tax Law became effective on March 29, 1983 ("Gains Tax Law"). As a result, certain affidavits and forms have to be executed and submitted upon the sale of shares of the Apartment Corporation. The form of questionnaire required to be signed by the purchaser is attached to the subscription agreement as Exhibit B. The payment of the taxes will be the sole obligation of the Sponsor. The Sponsor's obligation to pay these taxes will not devolve upon the Apartment Corporation or the purchasers of its shares.

Sponsor reserves the right on the Closing Date or prior thereto, to assign this contract to a third party who shall then be obligated to transfer the Property to the Apartment Corporation according to all of the terms and conditions of this contract and Plan.

MANAGEMENT AGREEMENT, CONTRACTS AND LEASES

On the Closing Date, the Apartment Corporation will enter into a management agreement with Almarc Realty Corp., 2172 86th Street, Brooklyn, New York, to serve as managing agent for the Building. The management agreement will be for an initial term of one year. Thereafter the agreement will be automatically renewed each year; however either party has the right to cancel the agreement at any time after the end of the initial term, on sixty days notice. The managing agent will receive an annual fee of $30,000 and will perform the following duties and services, among others: Bill and collect maintenance charges; cause the building to be maintained and repaired pursuant to direction of the Apartment Corporation, except that expenditures of $500.00 or more for any one item of ordinary repair (other than emergency repairs) shall require the approval of the Apartment Corporation; contract for necessary services for the building; purchase all supplies necessary to properly maintain the building; check all bills received in connection with the operation of the building and cause them to be paid; supervise, hire and discharge employes; render monthly statements, as well as receipts and disbursements; prepare payroll records; prepare and submit annually to the Board of Directors of the Apartment Corporation an operating budget for the next year; and attend the meetings of the Board of Directors and shareholders. In addition, management shall be entitled to receive fees for diverse broker services outside the scope of his duties as managing agent. The managing agent may assign its contract subject to the Apartment Corporation's consent, which may not be unreasonable withheld or delayed.

All expenses incurred by the managing agent in the performance of its duties shall be paid by the Apartment Corporation which shall also indemnify the managing agent against any liability for acts properly performed by its pursuant to the agreement or pursuant to the Apartment Corporation's instructions.

Pursuant to Section 352-eeee of the General Business Law, sponsor guarantees that all dwelling units occupied by non-purchasing tenants will be managed by the same managing agent who manages all the other units in the building and that such managing agent will provide to non-purchasing tenants all services and facilities required by law on a non-discriminatory basis. That guaranty shall remain until such time as the Sponsor relinquishes control to the Board of Directors of the Apartment Corporation to residents of the building.

At present the following companies perform the specified services:

Name of Contract	Services	Annual Payment	Expiration Date
Abalon Exterminators†	Exterminators	$ 780	month-to-month
Coinmach Industries*	Laundry Equipment	$6,144	3/31/90
Aqua Electrol Co.†	Water Treatment	$ 135	month-to-month
Staley Elevator Co.†	Elevator Maintenance	$3,960	month-to-month
Polaris Garage Door Co.†	Garage Door Maintenance	$ 325	month-to-month

* Income Contract
† Expense Contract

IDENTITY OF PARTIES

Sponsor/Selling Agent

The Sponsor, Maxem Realty Co., 2172 86th Street, Brooklyn, New York, is a general partnership whose principals are Sabina Markel and Max Markel of 2222 79th Street, Brooklyn, New York and Ernest Markel of 213 Bay 26th Street, Brooklyn, New York. Messrs. Markel are in the jewelry business and are also owners/managers of various apartment houses in the metroplitan area. Ms. Markel is a housewife. None of the Sponsor's prinicpals have any prior experience in cooperative or condominium conversions.

Selling Agent

H.K. Benjamin Realty, Inc., 113-20 Queens Boulevard, Queens, New York will act as selling agent for the Sponsor. The selling agent has extensive experience in cooperative sales in the New York City metropolitan area.

Architect

Donald Goldberg/Terrence O'Connor, architects, 225 Lafayette Street, New York, New York, were employed by Sponsor to examine the physical condition of the Property and has rendered their report as set forth in this Plan. The architects have had extensive experience in the preparation of reports for cooperative/condominium projects, including 860/870 West 181st Street, New York City, 205 West 95th Street, New York City and 1793 Riverside Drive, New York City. They have no financial interest in the Property, the Sponsor or the Apartment Corporation, except for their fee for services rendered in connection with such report.

Attorney

The law firm of Schiff, Turek & Kakoyiannis, 136 East 57th Street, New York, New York has been retained by the Sponsor to prepare the Plan and related documents. The legal fee for its services in that connection will be paid entirely by the Sponsor.

Prior to the closing and until the first meeting of the Board of Directors, members of that firm will be the Board members and officers of the Apartment Corporation and therefore will act on its behalf at the closing. The interests of the Sponsor and the Apartment Corporation are not identical and they may, at times, conflict. In view of the foregoing, and because of the conflicting and diverse interests of the Apartment Corporation and the Sponsor, it is recommended that each purchaser consult with his own attorney prior to executing a Purchase Agreement.

Managing Agent

Almarc Realty Corp., 2172 86th Street, Brooklyn, New York, will serve as managing agent for the building. Max Markel and Ernest Markel are principals of the Sponsor as well as the managing agent.

SPONSOR'S PROFIT

The Sponsor acquired the Property on March 23, 1982. The exact profit to be realized by the Sponsor upon the sale of the Property to the Apartment Corporation cannot now be determined and may increase or decrease depending upon such variable factors as future market conditions, losses sustained by reasons of the Sponsor's performance of proprietary leases required by the holders of unsold shares and the length of time required to sell all the shares offered under this Plan.

REPORTS TO SHAREHOLDERS

It is the obligation of the Apartment Corporation to give all shareholders annually, at the expense of the Corporation, copies of the following:

A. A statement of the amount deductible for Income Tax purposes by February 15th;

B. An annual audited financial statement prepared by an independent certified public accountant to be received within two months after the end of the fiscal year; and

C. Notice of the holding of any annual shareholders' meeting for the purpose of electing a Board of Directors will be sent in accordance with the By-Laws.

These dates however, may be changed later in accordance with the By-Laws.

DOCUMENTS ON FILE

Sponsor shall keep copies of the Plan, all documents referred to in the Plan and all exhibits submitted to the Department of Law in connection with the filing of the Plan, on file and available for inspection without charge and copying at a reasonable charge at 113-20 Queens Boulevard, Queens, New York for 6 years from the date of closing.

GENERAL

There are no law suits, administrative proceedings or any other proceedings the outcome of which may materially affect the offering, the Property, the rights of existing tenants, Sponsor's capacity to perform all of its obligations under the Plan, the Apartment Corporation or the operation of the cooperative. At present, there are 54 non-payment summary proceedings commenced by the Sponsor in situations where the tenants are withholding their rents, and there are three (3) tenant instituted proceedings pending with the New York State Department of Housing and Community Renewal.

The Property was not the subject of any prior cooperative or condominium offerings. No preliminary binding agreements have been entered with, and no money has been collected from prospective purchasers.

SPONSOR'S STATEMENT OF BUILDING CONDITION

The Sponsor adopts the Description of Property and Building Condition, prepared by Goldberg/O'Connor, architects as set forth in Part II of the Plan and represents that Sponsor has no knowledge of any material defects or need for major repairs to the Property except as set forth in the Description of Property and Building Condition.

Also set forth in Part II below is a report (uncertified) prepared at the request and expense of various tenants in the building and included herein at the insistance of the Department of Law. Sponsor and its agents disclaim any responsibility for the tenants' report or of the contents therein.

The Property is offered in its "AS IS" condition on the date of the presentation of the Plan, subject to (a) Sponsor's obligation to maintain the Property until closing in substantially the same condition and manner as on the date of presentation, (b) reasonable wear and tear, and (c) Sponsor's obligation to cause all violations of record as of the closing date to be cured. Prior to closing or within a reasonable period of time thereafter, (except violations caused by acts or ommissions of tenants in the building in their own units) and to eliminate to all dangerous or hazardous conditions that the Sponsor has notice of and to comply with all work orders from mortgagees.

The contemplated use of the Property is in conformance with the Certificate of Occupancy on file with the Department of Buildings except that two of the apartments (218 and 219) were combined and while the Certificate of Occupancy lists 2 professional apartments in the cellar, they are rented out for residential use. The Sponsor has applied to amend the Certificate of Occupancy to reflect the present and intended use. Sponsor shall remedy any situation not in compliance with the Certificate of Occupancy prior to closing.

In the event there are violations of record which are not cured prior to closing, the Sponsor and the Apartment Corporation shall enter into a survival agreement wherein the Sponsor shall commit to the curing of such violatins and place in escrow an amount of money to secure the Sponsor's obligation to cure the violation(s). The amount of escrow shall be determined based upon the opinion of Sponsor's architect, as being sufficient to complete the work necessary to cure such violation(s).

If there is an amendment to the Offering Plan that substantially adversely affects purchasers, the amendment will provide that persons who have already subscribed shall have the right to rescind their subscription agreement within 15 days from the date of presentation of the amendment. If a subscriber wishes to rescind his subscription agreement, the Sponsor or its agents will return any deposit or downpayment promptly but in no event later than 15 days from Sponsor's receipt of the notice of rescission.

The Sponsor shall amend this Plan prior to April 1, 1986, to disclose and include the certified statement of income and expense for the building in 1985.

The Sponsor, its agents and Sponsor as Holder of Unsold Shares will not discriminate against any person on any basis prohibited by civil rights laws.

No person has been authorized to make a representation which is not expressly contained herein.

This Plan may not be changed or modified orally.

MAXEM REALTY CO., Sponsor

SUBSCRIPTION AGREEMENT

APARTMENT_____

To: WATERFALL APTS INC.

1. I acknowledge the receipt of the Offering Plan to convert premises 1620 Avenue I, Brooklyn, New York, ("Property") to cooperative ownership at least three (3) full business days prior to my execution of this Subscription Agreement.

2. I agree to purchase _____ shares of capital stock of WATERFALL APTS INC. ("Corporation") and proprietary lease allocated to Unit___ for the total price of $_____ and make a down payment of $1,000 (or 10% of the purchase price, if I am not the tenant occupying the apartment). My check made to the order of "STK - Waterfall Special" and my Gains Tax and Subscriber's Affidavits (Exhibits B and C) are attached. I will pay the balance ($_____) upon 15 days' written notice by you or the Corporation that the date for the closing transaction (the date when the Corporation acquires title to the property) has been fixed. Said payment shall be made by certified or official bank check to the order of "STK - Waterfall Special". If financing is being provided by a lending institution pursuant to paragraph 10 of this agreement then that portion of the balance of the purchase price which is equal to the amount being financed may be paid from the proceeds of such loan at closing, provided I deliver to you within the said 15 day period: (a) a copy of the written commitment from the lending institution; (b) all executed documents (including the "Recognition Agreement") which the lending institution will require the Apartment Corporation to execute; and (c) the balance of the unfinanced portion of the purchase price in cash, certified or official bank check as aforesaid.

3. I agree to execute the proprietary lease for the Unit (in the form contained in the Plan) promptly upon its presentation to me for signature. The date of the commencement of the term may be inserted by you or the Corporation. The proprietary lease and the stock certificate attributable to the Unit will be delivered to me upon the completion of the closing transaction.

4. All monies received by you as Sponsor, or by your agents or employees, by virtue of this Agreement, will be held in escrow pursuant to General Business Law Section 352(e)(2)(b) by Schiff, Turek & Kakoyiannis, in a separate trust account pursuant to General Business Law §352(h) until actually employed in connection with the consumation of the Plan, pursuant to its terms. All such monies will be deposited in Bankers Trust Co., 455 Park Avenue, New York, New York, in a special account entitled "STK - Waterfall Special." These funds may be released only over the signature of an attorney in the firm.

5. I agree to accept the Unit "as is", subject to Sponsor's obligations as set forth in this Plan.

6. I understand that if the Plan is not declared effective, or is abandoned, then this Subscription Agreement shall be deemed to be cancelled and you shall cause the refund of all payments made by me hereunder, without interest, and neither party to this Subscription Agreement, nor the Selling Agent, shall have any further rights or obligations hereunder.

7. I understand and agree that if I fail to make payment of the balance of the purchase price when due, as herein provided, (subject to the provisions of paragraph 9, if applicable), and in the event I fail to make payment within 20 days after written demand is made by you or the Corporation, this Subscription Agreement shall be deemed cancelled and all rights of the parties hereunder shall terminate, except that the down payment shall be retained by the Apartment Corporation as liquidated damages.

8. This Subscription Agreement shall not be binding until it is accepted by the Apartment Corporation in the space provided below, and a fully executed counterpart of this Subscription Agreement is delivered to me. If this Subscription Agreement is not accepted as aforesaid within 30 days, it shall be deemed rejected and cancelled, and the down payment shall be returned to me, without interest, within 10 days.

9. **(* Delete if inapplicable)** This Subscription Agreement is submitted on the condition that within 30 days of the date that I receive a fully executed copy of this agreement, a bank or other lending institution shall issue a commitment to me for a loan not less than $_____, at the maximum legal interest rate in effect on the closing date, in connection with the subscription for shares made herein. I agree to make truthful application for such loan within five (5) days from the date I receive the fully executed copy of this agreement and promptly notify you: (a) when and to whom the application for commitment is made; and (b) when my application for commitment is either accepted or rejected. If within the said 30 days, I do not notify you that the commitment has not been issued, I hereby waive the conditions set forth in this paragraph, and this Subscription Agreement shall be deemed to be firm and binding whether or not the loan commitment is issued. In the event I fail to secure such commitment within the aforesaid period, or in the event I do secure said commitment and it expires by its terms, prior to the closing date and despite my good faith efforts I am unable to get it extended (not as a result of my default), I shall have the right to rescind this agreement by written notice, within 2 days thereafter, and you agree to return my down payment deposit without interest, within 5 business days thereafter.

10. **(* Delete if inapplicable)** I acknowledge that I am not the occupant of the apartment unit designated in this Subscription Agreement and I agree to accept said apartment unit subject to the existing occupant's lease and/or other right of occupancy of those who occupy the apartment unit, and subject to the provisions of Section 352-eeee of the General Business Law of the State of New York. I further understand that I shall have no right to obtain possession of the apartment except by reasons of the failure of the occupant to pay rent or by other default of his lease or right of occupancy.

I further understand that after the closing date, I will be responsible for the landlord's obligation under the existing lease (which includes the obligations to repair and maintain the apartment) and the payment of all maintenance charges and other services payable under the proprietary lease.

Further, if this Subscription Agreement is submitted during the period that the existing tenant or occupant has the exclusive right to purchase the apartment unit pursuant to the plan or any amendment thereof, then the acceptance of this subscription agreement by you is expressly made subject to such right of purchase by the present tenant/occupant. In the event said tenant/occupant exercises his exclusive right to purchase, then this agreement shall be deemed cancelled and within thirty (30) days thereafter, all money deposited hereunder shall be returned to me, without interest, at which time this agreement shall be deemed at an end and all obligations and liability hereunder shall cease.

I understand that as a non-tenant purchaser, I may rescind this Subscription Agreement within 7 days after I deliver the executed Agreement together with the down payment to the Sponsor/Selling Agent, and in such event receive a prompt refund of all deposit monies, without interest.

I hereby designate the management agent of the property as my agent to provide to the non-purchasing tenant now in occupancy of the apartment unit, all services and facilities required by law on a non-discriminatory basis. I further agree to reimburse the managing agent for all reasonable costs incurred in providing such services within thirty (30) days of my receipt of a written statement of such services and facilities rendered and of their costs. Any such reimbursement which is not made by me within said thirty (30) day period may be paid by the Apartment Corporation and assessed to me as additional maintenance charges.

I further agree to deposit with the managing agent at closing a sum equal to at least two (2) months maintenance charges to be used as working capital to furnish services required under the non-purchasing tenant's lease and applicable laws; and that upon notice by the managing agent that the deposit has been diminished, I shall replenish the fund within two (2) weeks from the date of such notice.

11. I represent that I have not negotiated or had any dealings with any broker other than the Selling Agent in connection with my purchase of the shares.

12. The entire agreement between the parties hereto is set forth herein and in the Plan. The only representations made to me are those contained herein and in the Plan. I have not relied upon any representation, statement or warranty, as to any matter or estimate, written or oral, that is not set forth herein and in the Plan; and I further acknowledge that I have had full opportunity to examine all documents referred to herein or in the Plan.

13. This Subscription Agreement is not assignable by me without the prior written consent of the Apartment Corporation. I understand that there will be a $350.00 fee for the processing of such assignment, payable to Schiff, Turek & Kakoyiannis.

(*Delete if Inapplicable) I am a tenant in occupancy. I understand that permission to assign prior to closing will be either granted or denied by the Sponsor, on a non-discriminatory basis. I also understand that I may assign this agreement only after it has been fully executed by me and delivered to the Sponsor/Selling Agent together with the correct down-payment. I further understand that the proposed assignee must submit a notarized affidavit (in the form annexed to this agreement as Exhibit A) whereby the assignee states that he/she was not procured by the Sponsor and that he/she intends that they or a member of their immediate family will personally occupy the apartment.

14. Time shall be of the essence with respect to all payments required of me pursuant to this Subscription Agreement and Offering Plan; so that if such payments are not timely made, I will be in default of this Subscription Agreement.

15. Conflicts between this Subscription Agreement and the Plan shall be resolved in favor of the Plan.

16. This Subscription Agreement may not be changed orally.

Dated:

_____
Purchaser

_____
Address of Purchaser

WATERFALL APTS INC.

By:_____

ACCEPTED AND APPROVED:
BY: MAXEM REALTY CO.

By:_____

Exhibit A

ASSIGNMENT AFFIDAVIT

STATE OF NEW YORK)
) SS.:
COUNTY OF _____)

_____, being duly sworn, deposes and says:

1. That I reside at _____
_____.

2. That I wish to have the subscription agreement regarding Apartment ___ at 1620 Avenue I, Brooklyn, New York, entered into between the Apartment Corporation, the Sponsor and _____, assigned to me. That I hereby state that I was not procured by the Sponsor or its selling agent and that I or _____ (a member of my immediate family) intends to personally occupy the dwelling unit.

3. That I am making this affidavit in order to induce the Sponsor to grant its consent to the proposed assignment.

_____

Sworn to before me this
day of , 198 .

_____
Notary Public

TP-581 (8/84)

New York State
Department of
TAXATION
and FINANCE

New York State
REAL PROPERTY TRANSFER GAINS TAX

Questionnaire

TRANSFEREE

For Departmental Use Only

NOTE: See Instructions (TP-581-I), Section B before completing this form.

PLEASE PRINT	Name	Social Security Number
(Transferee)	Address / Zip Code	Federal Employer Identification Number
(Transferor)	Name / Address / Zip Code	Social Security Number / Federal Employer Identification Number

* Type of Interest to be Acquired *(Check Applicable Box)*

☐ Fee ☐ Leasehold Grant ☐ Leasehold Assignment or Surrender ☐ Stock in Co-op

☐ Option Grant ☐ Option Assignment or Surrender ☐ Development Right

☐ Controlling Interest ☐ Contract Assignment ☐ Other *(attach explanation)*

* Date of Anticipated Transfer _____ (Day / Month / Year)

* Percentage of Interest to be Acquired _____ %

LOCATION OF PROPERTY TO BE TRANSFERRED (List each lot separately)

Address	County

COMPLETE LINES 1, 2 AND 3

1 Consideration to be Paid to Transferor By Transferee	1	
2 Brokerage Fees to be Paid by Transferee to Transferor	2	
3 Brokerage Fees to be Paid by Transferee to Broker	3	

AFFIDAVIT OF TRANSFEREE

I swear (or affirm) under penalty of perjury that this questionnaire including the accompanying schedules or statements has been examined by me and is to the best of my knowledge and belief, a true and complete return, made in good faith, pursuant to Article 31-B of the New York State Tax Law.

Sworn to and subscribed to before me this _____ day of _____, 19 ____

Signature of officer administering oath

Name(s) of Transferee(s)

Signature(s) of owner(s), partner, officer of corporation, etc.

Title

Exhibit C

SUBSCRIBER AFFIDAVIT

STATE OF NEW YORK)
) SS.:
COUNTY OF _____)

_____, being duly sworn, deposes and says:

a. That your deponent is the subscriber of the shares allocated to apartment ____ at premises 1620 Avenue I, Brooklyn, New York 11230.

b. **(delete either I or II)**

I. I represent that I am the bona fide resident in occupancy of of the above-described apartment.

II. I represent that I have the bona fide intention of moving into the above-described apartment or that _____ (a member of my immediate family) will move into the above-described apartment.

_____
SUBSCRIBER

Sworn to before me this
day of , 198 .

_____
Notary Public

GOLDBERG/O'CONNOR • ARCHITECTS

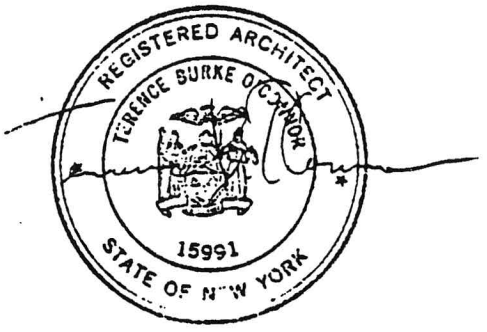
225 LAFAYETTE ST. NEW YORK, N.Y. 10012 212/219-3288

1620 Avenue I
Brooklyn, New York
BUILDING INSPECTION REPORT

Introduction

This report is based on a visual inspection of the building at 1620 Avenue I. The report describes the existing conditions and outlines the extent of work needed to restore the building. Inspection was made on March 20, 1986 and the conditions described existed at this time. Although many areas were inspected, no warranties or representations are made by the undersigned, nor should anyone rely upon representation by the undersigned or sponsor or anyone on their behalf that a complete inspection of the premises has been made, nor that all deficiencies in construction, maintenance or operation of the building have been noted. The building is structurally sound and in good condition, substandard conditions have been noted. Information about maintenance repairs and data concerning permits and inspections were provided by the sponsor. The intent of this report is to state and describe the conditions of materials, finishes, equipment and structure which comprise the building as outlined in the guidelines of the Office of the Attorney General of the State of New York.

Terence B. O'Connor Architect
New York Registration Number 15991



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1620 Avenue I

Brooklyn, New York

BUILDING INSPECTION REPORT

I. Environ

A. Location

Address: 1620 Avenue I, Brooklyn, New York

Block: 6709 Lot: 1 District: Residential

B. Site

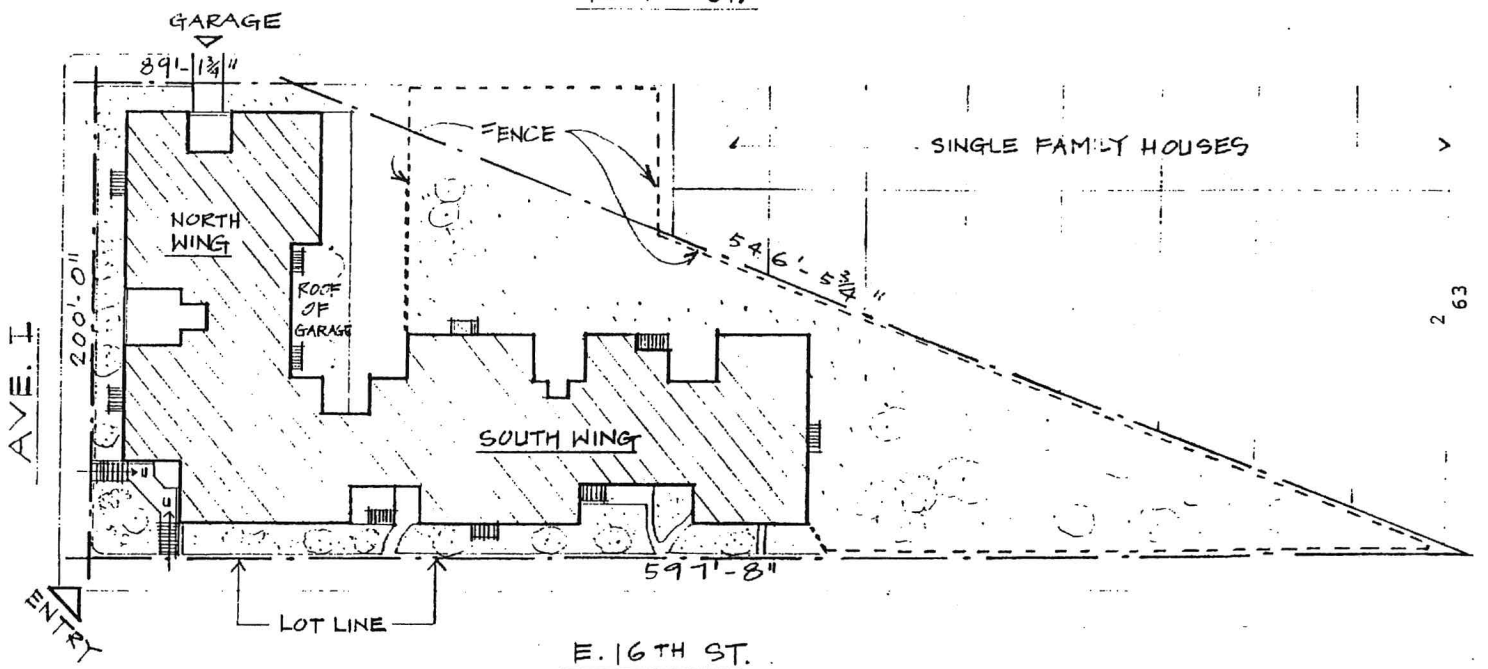
The building is located on a corner lot, bounded by Avenue I and a six story apartment building to the northeast; to the southeast is a 2 story public library and a high school beyond (fronting on Avenue J); E. 17th Street to the northeast with 2 story single single family dwellings on both sides of the street and E. 16th Street to the southwest with 2 story brick row houses (brick) across the street from the site. The main entry of this building is located at the corner of Avenue I and E. 16th Street. The entry is landscaped and there are numerous trees along this block and across the street.

D. Streets and Sidewalks

1. Avenue I

Avenue I is a two lane, one-way, asphalt paved street, running to southwest. There is alternate side of the street parking: no parking on the building side of the street between 8:00 AM to 11:00 Am, Tuesdays, and no parking across the street between 8:00 AM to 11:00 AM Mondays. The sidewalk is concrete and is approximately

C. Site Plan


E. 17TH ST.
GARAGE
89'-1¾"
FENCE
SINGLE FAMILY HOUSES
NORTH WING
ROOF OF GARAGE
546'-5 3/16"
263
AVE. I
200'-0"
SOUTH WING
597'-8"
ENTRY
LOT LINE
E. 16TH ST.
NORTH

14'-6" wide.

2. E. 16th Street

E. 16th Street is a two lane, one way, asphalt paved street, running to southeast. There is alternate side of the street parking: no parking on the building side of the street between 8:00 AM to 11:00 AM on Tuesdays and no parking across the street between 8:00 AM to 11:00 AM on Mondays. The sidewalk is concrete and is approximately 8 feet wide.

3. E. 17th Street

E. 17th Street is a 2 lane, 1 way, asphalt paved street running to northwest. There is alternate side of the street parking: no parking on the building side of the street between 8:00 AM and 11:00 AM, Mondays and no parking across the street between 8:00 AM and 11:00 AM Tuesdays.

E. Street Facilities

1. Police and Fire Alarm

There is a police and fire alarm at the northeast corner of E. 16th Street and Avenue J and one at the north east corner of E. 17th Street and Avenue I.

2. U.S. Mailbox

The nearest U.S. mailbox is at the Northwest corner of E. 17th Street and Avenue I.

3. Fire Hydrant

There is one fire hydrant across E. 16th Street, one across Avenue I and one in front of the site on E. 17th Street.

4. Street Lighting

There are two street lights on the building side of Avenue I and some across the street.

5. Public Telephones

There are two public telephones at the northeast corner of E. 16th Street and Avenue J.

F. Utilities

1. Electricity

Electricity is provided by Consolidated Edison. Electrical service enters the building from mains under Avenue I.

2. Oil and Gas

Gas is provided by Brooklyn Union Gas through mains under Avenue I and E. 16th Street. Oil is provided by Empire.

3. Telephone

Telephone service is provided by New York Telephone Company through a distribution box in the garage.

4. Water and Sewers

Water and sewer service are provided by New York City. Water charges and sewer rental fees are determined by frontage and fixture count and are billed annually to the landlord.

G. Adjacent Buildings and Environs

The adjacent buildings are primarily residential, the one exception being the high school to the southeast fronting Avenue J. There is a similar brick apartment building to the northwest; a public library and high school to the southeast; 2 story single family dwellings on both sides of E. 17th Street. To the southwest are two story brick row houses. The ambience is quiet and residential. Shops and commercial buildings are located on Avenue J, about one block away.

H. Transit

Local buses make stops frequently along Avenue J, about 1 block away. A subway station is located on Avenue J and E. 16th Street.

1620 Avenue I

Brooklyn, New York

BUILDING INSPECTION REPORT

II. Building

A. Size and Character

1620 Avenue I is a six story, Class A Multiple Dwelling. The configuration is roughly L-shaped with cut-outs for open courts along its facade. The construction is class 3 non-fireproof.

The area of the lot is approximately 77,567 square feet. The site is zoned residential.

B. Building Department History

The building was built in 1941 when Building Department Permit NB 526 was issued and August 28, 1942 when the final Certificae of Occupancy #106620 was received. There are alterations on record with the Building Department since the date of completion.

1. Alteration 2929 on October 8, 1942
   C. of O. # 118650 issued October 1, 1947.
   5304 on December 11, 1946
   BN272 in 1983
   BN394 in 1983 Both are filed for elevator work and miscellaneous improvements.

C. Building Department Violations

A search of the Building Department on May 29, 1985 found one pending violation: EIT303596 issued on July 21, 1982 concerning elevator.

D. Multiple Dwelling Registration NUmber

The Multiple Dwelling Registration Number is 303035.

1620 Avenue I

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BUILDING INSPECTION REPORT

III. Occupancy

A. Legal Occupancy

The Certificate of Occupancy #118650, of 10/1/47 lists the following legal uses:

Cellar	Nine families and private garage for tenant's only
First	20 families
2	"
3	"
4	"
5	"
6	"

Total 129 families and garage.

B. Apartment Line List

Building is divided into north wing and south wing (see plan).

Cellar (south wing)

C1 (4 rms), C2 (4 rms), C3 (3 rms), C4 (2½ rms)

C5 (3 rms), C7 (4 rms), C8 (2½ rms), C9 (4 rms)

C6 (2½ rms).

Cellar (north wing)

no apartment, only garage

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BUILDING INSPECTION REPORT

North Wing Apartments

Apartment Line 1- 201,301,401,501, 101 (3½ rooms), 601 (5 terrace

Apartment Line 2- 102,202,302,402,502,602 (4½ terraces)

Apartment Line 3- 203,303,403,503,103(3½ rooms),603 (4½rm)

Apartment Line 4- 204,304,404,504,104(2½ rooms),605 (2½ rms)

Apartment Line 5- 105, 205,305,405,505,605 (2½ rm)

Apartment Line 6- 106,206, 306,406,506,606 (3 rm)

Apartment Line 7- 107,207,307,407,507,607 (6 rm)(2 bath,terraces)

Apartment Line 8- 108,208,308, 408,508,608 (6½ rm) (2 bath,terraces

Apartment Line 9- 109,209,309,409,509,609 (4½ rm)

Apartment Line 10- 110,210,310,410,510,610 (4½ rm)

South Wing Apartments

Apartment Line 11- 211,311,411,511,111 (4 rm), 611 (4½ rm)

Apartment Line 12- 212,312,412,512,112 (3½rm), 612 (4½ rm)

Apartment Line 14- 114,214,314,414,514,614 (4½ rm)

Apartment Line 15- 115,215,315,415,515,615 (3½ rm)

Apartment Line 16- 116,216,316,416,516,616 (4½ rm)

Apartment Line 17- 117,217,317,417,517,617 (5 rm, terrace)

Apartment Line 18- 118,318,418,518,218 (7½ rms),618 (4½ rm, terrace

Apartment Line 19- 119,219,319,419,519,619 (3 rm)

Apartment Line 20- 220,320,420,520,120 (4 rm),620 (4½ rm)

Apartment Line 21- 121,221,321,421,521,621 (4½ rm)

Summary:	2½ room	3½ room	4 room	4½ room	Total: 128 A
	9	26	30	44	

1620 Avenue I

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BUILDING INSPECTION REPORT

IV. Structure

The building is classified as having Class 3 (non-fireproof) construction. Foundation walls and footings at perimeter are 18" thick load bearing reinforced concrete. Other concrete bearing walls on cellar floor are 16" thick concrete. There are structural steel columns encased in concrete throughout the cellar floor. Structural steel beams encased in concrete are supported by load bearing walls. Some cracks are visible in concrete encased beams in the garage; otherwise the structure appears sound. The bulkheads are 9" thick brick, 2 layers and in fair condition.

V. Exterior

A. Exterior Walls

1. Principal Facade: Avenue I

The main facade of this building faces Avenue I and consists of red brick in running bond. The brickwork is in good condition. There are decorative brickworks at this facade. LArge areas of brickwork have already been repaired or repainted. There are terraces at either side of this facade. The main entry is accessible from a main courtyard at thecorner of Avenue I and E. 16th Street. At the center of this facade, there is a light court from the first level to the top of the building. Windows are double-hung types with painted frames and they are in fair-poor

condition and in need of repair or replacement. Coping on the parapet is precast concrete and in good condition.

2. Court and Yard Building Walls

The building walls on the other sides are all of red brick, similar to the main facade. They are all in good condition with some evidence of repair.

B. Windows and Sills

Most windows are painted wood sashes in aluminum frames, set on aluminum sills. All are double-hung types. Windows in bathrooms are smaller; they are wood framed, double-hung. All are double-hung at fire escapes. There are several sizes, including windows in living rooms, bedroom and bathroom. The condition is fair to poor and most frames are in need of repair.

C. Roof and Bulkheads

1. Main Roof

The building has a built-up roof with gravel, and with various areas that were repaired at different times. The parapet wall is 4"-0" above the roof and is of brick construction. Coping is precast concrete. The roof is in good condition.

2. Bulkheads

There are 6 bulkheads on the roof, 2 for the elevator and incinerator stacks and 4 for the stairwells. The construction is 9" brick, two layers. The stairwell bulkheads have sky-lights with wire glass and they are in fair condition. Doors from the stairwell and elevator bulkheads to the roof are fireproof, self-closing steel doors in steel bucks and are in fair condition. The walls are 9" brick and plastered inside.

D. Yards and Courts

The rear yard is located on the east side of the building. It is in 2 triangular sections and is enclosed by continuous chain-link fence along the lot line. The yards are landscaped with trees and grass, and benches are provided for the use of tenants. It is well-maintained and creates a park-like environment around the building. At the north-east and northwest facades, there are elevated courts with garage below. They are paved in concrete and in good condition.

E. Exterior Lighting

The wall mounted incandescent spot-lights on either side of the main entry doors illuminate the building. Incandescent jar lights, wall-mounted are used at the garage entry; similar lights are used to illuminate paths in the rear yard.

F. Fire Escapes

There are 10 fire escapes on the building, painted and in good condition. There are three on E. 16th Street, two on Avenue I and five in the rear yard. Most of the fire escapes lead from ground to 6th floor, except those five fire escapes in the rear yard that lead from ground to roof.

G. Entrances

1. Main Entrance

The main entrance is located at the corner of AvenueI and East 16th Street, eleven risers up from a landscaped entry court.The main entry projects beyond the building face, and is enclosed in glass with wood frames. There is a glass door with wood frame leading to the vestibule. The entry court is paved with brick and the pair of stairs (11 risers up) leading to the entry is also brick.

2. Auxiliary Entrances

There is a service entrance from E. 16th Street and from the rear yard. The doors are steel with glass vision panels. There are apartment entrances from E. 16th Street and from the corner of Avenue I and E. 17th Street. At the rear yard, there is an entrance to the main lobby that is locked at all times. The door is painted wood with glass vision panel.

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BUILDING INSPECTION REPORT

VI. Public Interiors

A. Vestibule

There are two vestibules: a main one enclosed by the glass entry portico and an inner one leading up to the lobby.

Outer vestibule: Floor is brick, walls are marble and glass panels. Ceiling is painted metal. A pair of glass/aluminum doors leads to the inner vestibule.

Inner vestibule: floor is ceramic tiles, walls are plastered or covered with plastic wall covering. Ceiling is painted plaster and the lighting is by ceiling mounted bare-flourescent tubes. There is an intercom panel on one wall. A pair of glass/aluminum doors leads to the lobby.

B. Lobby and First Floor Public Hall

The floor of the lobby is carpeted. The walls are partly plastered, partly mirrored and partly covered with fabric wall covering. The ceiling is painted plaster. There is a ceiling flourescent fixture in the lobby, several portable incandescent fixtures and a large window in the lobby. Heating is supplied by baseboard radiator. There are 5 risers up to the public halls, the treads and risers are terrazzo.

C. Tenants Mail Facilities

The tenant mail boxes are located on the lobby level and on the cellar level. All the boxes are recessed and mounted on the wall. Lighting is by flourescent fixture mounted above the boxes.

D. Upper Floor Public Halls

Floors of upper public hallways are vinyl tiles. Walls and ceilings are plaster. Lighting is by ceiling mounted fixtures (flourescent). There are windows with wire glass on every floor. Apartment entry doors are steel, fire-proof, self-closing doors in steel bucks. Doors are equipped with bronze bell/peep hole assemblies. Thresholds are terrazzo. Heating is by radiators recessed in the walls.

E. There is one open stairway. Stair treads are terrazzo. Stringers and risers are steel, handrail is wood with metal vertical supports. There is natural and artificial lighting from public halls on every floor.

VII. Apartment Interiors

A. Living Rooms, Bedrooms and Foyers

The floors of apartment living rooms, bedrooms and foyers are wood strip, mostly in good condition. The walls are plastered and have painted wood bases. The ceilings are painted plaster. The windows are double hung wood sashes in aluminum frames on

aluminum sills. They are in poor condition and need repair. Steam heat is by radiators. There are some air-conditioning units set directly in the windows. The authorized intercom door release is wall mounted in the entry hall. The internal apartment doors are hollow core wood doors. Lighting is by incandescent fixtures (pendant) in the foyers and bedrooms, and ceiling mounted flourescent fixtures in bedrooms.

B. Kitchens

Kitchen floors are wood, walls and ceiling are painted plaster. Built-in wood cabinets in the kitchen are mostly painted wood finish. The sink is double bowled cast iron/porcelain model. The sizes and ages of the refrigerators are different. The gas ranges are free-standing. Lighting is by ceiling flourescent fixtures.

C. Bathrooms

Bathroom floors are unglazed ceramic tiles. Walls are plastered and have a wainscot of ceramic tiles to a height of 4'-0". The water closet is a vitreous china flushometer. The bathtub is porcelain/cast iron and has a single control with diverting valve a standing waste and a shower rod. A ceramic soap dish and 2 wood towel bars with ceramic brackets are mounted on the wainscot. The lavatory is a wall-mounted porcelain/cast iron model. There are 2 mirrored medicine cabinets mounted recessed to the wall. There are ceramic toothbrush/tumbler receptacle and a ceramic soapdish.

Lighting is by a wall-mounted flourescent fixture.

VIII. Plumbing and Draining

A. Soil and waste lines are extra heavy cast iron. Soil lines are 5" in diameter. Waste lines are 5" in diameter, and the house line is 4". Hot and cold water piping is copper. Hot water piping in the immediate vicinity of the boiler is brass. Natural ventilation is provided in bathrooms by windows.

IX. Heating and Hot Water

A. Boiler Room

The boiler room is located on the cellar floor. The space is reached by steel stair, 8 risers or 4'-6" down from the cellar level. The floor is concrete, walls are poured in place concrete. The 16'-0" ceiling is concrete, painted. Ventilation is provided by a fan installed in the wall. There is a built-in smoke detection system. The boiler room appears to be in good condition. The door is of fire-proof, self-closing type and is in good condition.

B. Heating System and Boiler

The boiler was built by Fitzgibbons Boiler Company of New York, Model # R24-RM425. The boiler is equipped with pressure controls. The insulation is in fair condition.

C. Fuel and Burner

The oil burner is an Iron Fireman, model AO-6-15RK. The burner consumes #6 oil, which is preheated by an electric preheater. Operation of the burner is controlled by a heat-timer control with an outside weatherhead. The controls are manufactured by Heat-timer Corp., New York City. The fuel is stored in a 5,000 gallon tank adjacent to the boiler room and in a 10,000 gallon tank below grade in the rear yard.

D. Hot Water

Hot water is supplied on demand from a coil in the boiler. Temperature is controlled by thermostat.

E. Permits

The boiler was last inspected on November 24, 1982 by the New York City Department of Environmental Protection. The Certificate of Operation, #19-78 was issued on October 19, 1978.

X. Mechanical Ventilation

There is no mechanical ventilation because there are windows in all occupied spaces.

XI. Gas

Gas meters are located on the cellar floor. There are individual apartment meters and two separate meters for laundry, incinerator,

Staff apartments and burner ignition. Gas is used for cooking , clothes drying and igniting the burner.

XII. Electricity

The electrical meters are located on the cellar floor, in three meter rooms. There are separate meters for the apartments, and for the public spaces. Incoming service is 2600 Amp, 3 phase, 220 v. in a typical apartment, there are (5) 20 amp, and (1) 15 amp circuit breakers.

XIII. Elevator

There are 2 elevators in the building which travel from the cellar floor to the 6th floor. They are manufactured by Staley Elevator Company. The capacity is 12 persons or 1800 lbs. The ceiling is painted metal. The floor of the elevator is vinyl tiles. The walls are embossed aluminum panels. Lighting is provided by a bare flourescent ceiling fixture. There is a manually operated steel hoistway door and an automatic steel cab door; and there is a vision panel in each door. Exterior door bucks are steel. There is an aluminum handrail, an escape hatch above and a security mirror inside the elevator. The elevators were last inspected on May 16, 1984.

XIV. Refuse

Tenants on each floor bring refuse to a trash chute.

located on every floor. The chute is connected to two compactors in the cellar where garbage is compacted and stored in bags. The superintendent then collects the bags and takes them out to the sidewalk. Refuse is collected by the New York City Sanitation Department twice a week.

XV. Facilities and Services

A. Laundry

The laundry room is on the cellar floor. The floor is concrete, ceiling and walls are painted plaster. There are four windows in the laundry room. The ventilation ducts from the dryers exhaust directly out one window. A ventilation fan is installed in one window. Lighting is provided by ceiling mounted flourescent fixtures. The laundry equipment consists of (4) Dexter washers, (2) IDC dryers and (1) sink. All equipment is coin operated. Laundry equipment is maintained by Coin-Mach Industries Co.

B. Garage

There is a garage for 48 cars located on the cellar level, below the north wing of the building. Cars enter from E. 17th Street through an automatic door. The floor and ceiling are concrete walls are concrete and concrete block. There are concrete columns throughout the garage. Lighting is by bare flourescent fixtures in the ceiling. Some cracks are visible in concrete encased beams and are in need of repair. The garage is sprinklered.

C. Pest Control

Provided by the building once a month.

D. Air-Conditioning

The building does not provide a/c units or heavy duty outlets for air conditioning.

E. Storm Windows

Provided by the building for a charge.

F. Blinds, Shades, Screens

Blinds are provided by the building.

XVI. Summary

The building is 43 years old and appears to be in sound condition. The exterior load bearing walls are in good condition. Cracks in concrete encased beams in the garage need to be repaired. Heating and electrical systems are in operating condition. Interior floors and walls are in sound condition.

Braxton Engineering P.C. 247 West 72nd Street, New York, N.Y. 10023 - (212) 496-525

February 13, 1986

1620 Avenue I Legal Fund Association
c/o Julia Rabinowitz
1620 Avenue I, Apt. 109
Brooklyn, NY 11230

Re: 1620 Avenue I

Dear Ms. Rabinowitz:

This letter will serve as our authorization to allow the Building Condition Report and its contents of the above captioned premises, written by Charles E. Marino, P.E., to be reproduced for inclusion in the Sponsor's Entire Offering Plan, "Black Book". Photographs and photograph captions may be omitted from publication.

This report is the result of a thorough visual inspection. Additional problems may exist. Repair and replacement cost estimates are "order of magnitude". They will depend on conditions revealed as work progresses.

Sincerely,
Braxton-Engineering, P.C.

Charles E. Marino, P.E.
President

cc: Robert Kagan, Esquire

Braxton Engineering P.C. 247 West 72nd Street, New York, N.Y. 10023 - (212) 496-5830

FINAL BUILDING CONDITION REPORT

FOR

THE 1620 AVENUE I TENANTS' ASSOCIATION

1620 AVENUE I

BROOKLYN, NY 11230

Prepared by:

Charles E. Marino, P.E.

January 30, 1986

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SUMMARY

The premises at 1620 Avenue I, Brooklyn, New York consists of a total of 125 apartments. There are six (6) residential floors and a cellar which is partially above ground. The building was constructed in 1941.

This report describes existing building conditions, both interior and exterior, as well as building systems, i.e. heating, plumbing, etc. In addition, it depicts remedial work required, and the costs related to this work.

Our findings indicate that:

a considerable amount of remedial work will be required to put the building into good, manageable condition.

Thirty-seven (37) major categories of corrective work are required ranging from building exterior sitework to plumbing systems. Our analysis is sub-divided into major sections:

A. Site
B. Roof
C. Exterior
D. Public Areas
E. Essential Services
F. Dwelling Units
G. Miscellaneous

Cost estimates have been divided into three (3) time frames:

A. Work required immediately
B. Work required in 3 to 5 years
C. Work required 10 years from now

In order to properly perform the needed rehabilitation work, obtain professional workmanship, and protect the tenants' best interests in due course, the following steps are recommended:

I. Prepare Specifications and Drawings
II. Elicit proposals from Responsible Contractors
III. Analyze Bids
IV. Negotiate Contracts
V. Supervise the Actual Work

The foregoing should be performed by a competent architectural/engineering firm knowledgeable in the area of building rehabilitation and retrofitting.

The contents of this report are correct to the best of my knowledge and belief. This report and conclusions stated herein are limited, however, to actual knowledge based on visual inspection of visible portions of the property, undertaken with due diligence, using the records voluntarily supplied by the Sponsor and records supplied by the Building Department.

This report is not to be construed as a guarantee or warranty. It is not intended or prepared for the purpose of fixing a value on the property or as an opinion as to the advisability or inadvisability to purchase the property or acquire shares in the Sponsor's Offering Plan.

OBJECTIVES AND METHODOLOGY

The objectives include the following:

- Determination of existing conditions.
- Evaluation of problems and complaints.
- Analysis of deficiencies and their extent.
- Forecasting of possible future problems given the age, condition, history and life expectencies.
- Suggestions for improvements that will reduce operating costs and increase the quality of living to today's standards.

In order to accomplish the goals, the following among other steps were taken:

.. Inspection of apartments, grounds, exterior, etc.

.. Discussions with tenants.

.. Review of problems and measures taken.

.. Evaluation of tenants' lists and data.

.. Discussion with responsible subcontractors.

.. Comparisons with similar buildings.

.. Ascertainment of the problems, their scope, and effect.

.. Promulgation of professional recommendations for remedial action.

.. Estimation of costs for each category of work.

.. Review of the Offering Plan and the Inspection Report contained therein.

A. SITE

(1) Sidewalks (See Photos 1, 2 and 3)

The concrete sidewalks and curbing running parallel to Avenue I, East 16th Street and East 17th Street are in fair to poor condition. There is surface cracking of the sidewalk, and there are broken, depressed, and uneven sidewalk sections. Curbing is missing and broken in some spots. These spalled, cracked, and settled sections exist throughout, and present a tripping hazard to pedestrians. Along Avenue I tree roots have uplifted sidewalk paths causing cracks. Minor patching and repairs to the sidewalks have been made on a random basis.

Damaged sidewalk pavements and broken curbs must be removed, to cure tripping hazards. New concrete walks must be poured in place with wire mesh reinforcing. New curbs must be replaced and reset.

The Sponsor's Engineering Report (Red Herring Engineer) on Pages 62 and 63 mentions the sidewalks but does not give the condition of same.

A	B	C
$ 8,000		

(2) Landscaping (See Photos 4 and 5)

Landscaping around the building perimeter consists of shrubs, trees and hedges. The curbside has earthen cutouts for trees. Yard areas consist of trees and sparsely covered grass.

The following conditions warrant immediate correction:

a. The ground in the landscaped areas is not being properly sowed. There are too many bare spots. Some bare spots are covered with tree bark which blows onto the sidewalk and into the building.

b. The curbside trees have no protection against animal droppings. Decorative low level fencing must be installed.

c. Yard areas require additional grass and planting.

d. Hedges along East 16th Street, East 17th Street and Avenue "I" have been damaged by overcutting resulting in many uneven and missing sections.

A	B	C
$ 3,500		

(3) Ramps, Walks and Driveways (See Photos 6 thru 9)

Concrete ramps lead into service entrances around the building perimeter. Similarly concrete paths run along the rear of the building. Brick pavers in a herringbone pattern provide access to the main entrance of the building at the corner of East 16th Street and Avenue I. Metal railings run partially up these walkways. A similar concrete and brick walkway with railings leads up to an apartment at the northeast corner of the building. A concrete driveway off East 17th Street provides access into the underground garage. Lighting is via wall-mounted incandescent fixtures.

The following deficiencies and related remedies must be given attention now:

a. Concrete ramps and paths are cracked and uneven. New pavement must be installed.

b. Brick pavers have open joints, are uneven, cracked, and missing. They have settled in sections. The brick pavers create a slippery condition during inclement weather. Since their condition is so poor, the brick pavers must be completely ripped up and replaced with a new, non-skid paving.

c. Metal railings are rusted and do not extend far enough along the walkways. They must be replaced with aluminum railings and extended up to the entrance doors.

d. The concrete driveway is cracked and uneven. Sections must be replaced.

e. Lighting levels are too low prompting unsafe conditions. Incandescent lights must be replaced with high intensity metal halide fixtures.

A	B	C
$ 8,800		

(4) Park Area (See Photos 10 thru 13)

Park areas exist to the east and south of the building. They have concrete walks, wooden benches on concrete bases, and are enclosed by continuous chain link fencing plus corrugated metal panels.

Though set-up for the exclusive use of the tenants, the areas are locked and inaccessible. They are poorly maintained. Benches have rotted wood seating. Fencing is old, rusty and falling in sections. The corrugated panels also have fallen down in sections. There is no night lighting. These conditions allow burglars to gain entry into the apartments on the south side of the building.

The following items require immediate attention:

a. Provide locked access to the park areas for the tenants use only.

b. Rake, clean, prune, and maintain the areas so that they are usable.

c. Replaced rotted wood benches.

d. Remove and replace rusted and old cyclone fencing. Repair other sections so that intruders cannot enter the park areas.

e. Remove corrugated fence panels and replace with cyclone fencing.

A	B	C
$ 10,000		

(5) Subsoil Conditions

Inspection of the cellar level areas and apartments did not reveal water penetration caused by subsoil problems. There is, however, water ponding at the apartment back door entrances and sewer back up into these ground level apartments.

This water ponding appears to be from lack of drainage, away from the building site. Ground water cannot percolate fast enough, and thus ponds by the doors.

Dry wells and drainage piping must be provided by the doors to overcome this ponding condition. Sewer back-ups must be curtailed by installing sump pits and sewage ejectors where necessary.

A	B	C
$ 10,000		

B. ROOF OF BUILDING

(6) Roof Surface (See Photo 14)

The roof of the building is mineral surface built-up roofing with gravel cover. It is in poor condition, having been patched in several locations during its 45 year span. It is unknown if this is the original roof. Roofing materials terminate at the parapet walls and bulkhead walls into an asphalt-coated copper flashing. There is no counterflashing embedded in the parapet wall.

The roof has been randomly patched in several sections over the years necessitated by constant leaks into apartments below. Many tenants surveyed in the top floor apartments have experienced roof leaks. The roof surface presently exhibits some blistering and bubbling. When stepped on the blisters exude water. Several blisters are cracked open. Some flashing seams are split and the tar coating is alligatored throughout.

In order to prevent further damage to the building proper and upper floor interiors, it is necessary for the entire built-up roof to be replaced. This includes the critical flashing at the parapet wall, and the addition of a counter-flashing throughout.

All roofing must have proper pitch pockets at penetrations. The roof should be properly sloped to reset roof drains to avoid water ponding.

Replacement should include all built-up roofing materials and, if necessary, the roofing deck. Two (2) layers of 1' rigid insulation board should be solid mopped on to the roof deck. Then four (4) plys of #15 organic felt should each be hot mopped on over the boards. Finally, 1/4" to 1/2" white gravel should be applied on top of the roofing felts approximately 1" to 1-1/2" thick.

A	B	C
$183,000		

(7) Parapet Walls, Flashings and Copings (See Photos 15 thru 19)

Parapet walls consist of asphalt coated, brick masonry, topped with pre-cast concrete coping stones. These walls exhibit vertical cracking throughout the brickwork. Open and deteriorated joints are evident in the brick parapets, as well as under and between the butted coping stones on the exterior side of the parapets.

Asphalt coatings are alligatored and blistered throughout. Apparent parapet wall damage has occured as a result of water entrapment between the brick parapet and the asphalt coating. This takes place during the freeze-thaw cycles of the seasons.

The following corrective action is necessary now:

a. Regrout all open mortar joints in coping stones.

b. Cut open cracks in brick parapet walls. Regrout and/or caulk all cracks to ensure a tight, waterproof bond.

c. Remove all asphalt coatings from parapet walls. Inspect for loose and deteriorated brick. Rebuild and/or repair walls as necessary.

The Red Herring Engineer on Pages 69-70 makes no mention of the asphalt coating on the parapet walls nor the existence of open mortar joints, alligatoring, blistering or the overall parapet wall condition.

A	B	C
$ 46,700		

(8) Roof Bulkheads (See Photos 20 and 21)

Roof bulkheads consist of four (4) stairwells and two (2) elevator machine rooms, plus a separate incinerator enclosure. The bulkheads are brick walls with asphalt coated copper flashing and no counterflashing. Flat, built-up roofing drains to wall openings, and then into aluminum downspouts. Pre-cast concrete coping stones cap the bulkhead walls.

Metal stairs lead up to a Kalmein elevator machine room door. The machine room has metal framed wire glass windows. A metal door is at the stairwell entrance to the roof, and a metal framed skylight is on top of the stairwell bulkheads.

The bulkhead structures are in fair condition, with the following items requiring attention:

a. The bulkheads show signs of water penetration, with subsequent interior wall deterioration. The exterior brick wall surfaces must be regrouted, and silicone glazed to seal.

b. Bulkhead roofing is deteriorating, as evidenced by water penetration. This roofing must be replaced with built-up roofing similar to that specified under "Roof Surface".

c. The pre-cast coping stones have open mortar joints and must be regrouted.

d. The bulkhead doors are bent and corroded at their base. They must all be replaced. The new stairwell doors must be equipped with locking panic-bar hardware, alarm devices, self-operating closures, and weatherstripping.

e. Splash blocks are necessary at the base of all downspouts, to protect the roof surface.

f. Elevator metal stairs must be scraped clean, rustproofed, undercoated, and painted.

g. Metal framed stairwell skylights require scraping, caulking, and painting.

A	B	C
$ 18,000		

(9) Chimneys (See Photo 22)

There are three (3) brick chimneys on the roof -- two (2) old incinerator units and one (1) boiler stack. The incinerator units are part of the elevator bulkhead.

The stacks are in fair condition, exhibiting open mortar joints in the brick stack as well as at the brick copings.

The chimneys must be regrouted, starting about 2' down from the top of each stack.

A	B	C
$ 1,000		

(10) Metalwork at Roof (See Photo 23)

Metalwork on the roof, in addition to the items already mentioned, consists of:

a. wind-driven fans on brick pedestals;
b. cast iron vent stacks;
c. television antenna masting.

The wind-driven fans attempt to ventilate either the roof crawl space or the cellar level interior kitchens. These fans must be replaced with motor-driven units, in order to serve the ventilation needs properly.

Cast iron stacks are in fair condition, except for some units which are broken off at the top. These must be replaced.

The individual television antenna mastings have rusted connectors and many have fallen down. The connectors must be replaced, in order to properly secure the antennas to the roof parapets. Still a better solution is to furnish one master antenna for the entire building.

A	B	C
$ 5,000		

C. EXTERIOR OF BUILDING

(11) Fire Escapes

Fire escapes around the building perimeter have recently been scraped and painted. They are in relatively good condition, except for missing mortar at wall anchor points. This mortar must be applied immediately, to keep the fire escapes intact with the walls.

A	B	C
$ 2,000		

(12) Exterior Walls (See Photos 24, 25 and 26)

Exterior walls consist of brick facades which are in fair to poor condition. Some brick facade work has been done at the upper floor levels around the building perimeter. The following problems exist:

a. Spalling of brick surfaces, especially at upper level floors and along parapet walls.

b. Rusted lintels above windows, and separation of the lintels from the bricks throughout.

c. Open mortar joints and surface cracks of bricks, especially around window frames at the front and rear of building.

d. Rain water seepage into the apartments via the outer brick walls especially at upper floors and around terraces.

e. Settled, cracking and missing precast concrete windowsills with open mortar joints throughout.

f. White streaked stains on brick facade in rear of building from previous facade work performed.

g. Mortar and caulking in the vicinity of the window lintels and windowsills show signs of deterioration.

If these conditions are not corrected immediately, severe water damage to both the interior plaster walls and the exterior brick masonry is certain to worsen. Continued neglect of exterior wall watertightness may lead to quick deterioration and high repair/rebuilding costs.

In order to properly correct the above problems, the following steps must be taken:

a. Repair cracks in bricks with caulking or masonry bonding.

b. Scrape clean all rusted lintels; rustproof, and finish coat. Caulk at joints.

c. Check problem areas from scaffolding for loose bricks, open mortar joints and cracks. Repair and/or replace bricks as necessary.

d. Silicone waterproof all upper floors of building.

e. Remove defective sills, and replace with new concrete sills. Grout all open mortar joints.

f. Remove white streaked stains from building facade.

g. Caulk around windowsills and lintels.

A	B	C
$ 85,000		

(13) Exterior Windows (See Photos 27, 28 and 29)

Apartment windows (approximately 750) consist of wood-frame, double-hung, single-glazed units, and steel-casement hallway windows (12 units). The windows have no storm windows and only half screens. Wood frames have been painted, but repairs to the windows were not done prior to painting. Thus, all of the related problems were not initially cleared up. The windows are in such bad condition that they must be replaced immediately.

A list of associated conditions is as follows:

1. Due to shrinkage, wood windows are drafty, rattle, and do not close properly.

2. Rain leaks are entering apartments via shrunk and uneven wood window frames, and into hallways via warped metal casement frames.

3. Paint has quickly faded, blistered, and peeled off wood frames due to poor materials and improper surface preparation.

4. Putty is dry and has fallen out, causing loose window panes and air leaks.

5. Many window panes are cracked.

6. Windows do not open or close all the way. This is especially dangerous where it occurs at fire escapes.

The wood frame and sash windows were found to be uniformly poor in each of the apartments inspected. The conditions detected were rotting frames and sash, inoperative sash, inoperative counterbalancers, peeling paint, distorted (skewed) sash, loose sash, and air leaks.

The drafty metal casement frames allow excessive heat loss in winter, and hot air infiltration in summer. The frames are warped, preventing a full tight closing.

The windows are in such poor condition that any attempt to scrape, paint, repair and refit sash and frame, and/or to repair or replace counterbalancing mechanism will be extremely costly (approximately 70% to 90% of the cost of replacement). This will result in a window which is still drafty, and which still falls significantly below the recommended minimum standards for thermal and acoustic insulation, as indicated in both Federal and New York State guidelines.

An economical remedy for the conditions cited above is to install a multi-glazed prefabricated window insert as described below. The recommended window installation is as follows:

a. Remove the existing wood-framed window sash.

b. Cover the existing outer wood frame with preformed metal panning, and completely caulk the installation. Apply metal moldings as required. If rotten remove the wood frame completely and replace.

c. Fabricate and install 750 new double-hung, double-glazed window inserts, supplied with double-strength glazing, thermal barriers and operable screens. The new window inserts shall be capable of being completely installed, operated and maintained (including cleaning) from the interior of the building. Aluminum windows shall comply with the Aluminum Window Specifications of the Architectural Aluminum Manufacturers' Association Type DH-BI. All new windows shall have an A 2.5-HP 55 rating (AAMA/ANSI).

d. Remove 12 casement windows and replace with insulated double-hung units. Reinforce all corner window installations.

A	B	C
$192,300		

(14) Exterior and Service Entrances (See Photos 30 and 31)

The main entrance to the building at the corner of Avenue I and East 16th Street consists of one (1) set of glass-paneled, wood-framed doors. The interior set is metal framed and covered with glass panels. The interior lighting is via table lamps and ceiling-mounted flourescent fixtures; exterior lighting is wall-mounted.

There are three (3) service entrances. One is on East 16th Street leading to the cellar, one is in the rear yard area, off the lobby, the third leads from the garage to East 17th Street. This door is always locked and poses a safety violation.

The following corrective steps are necessary:

a. Replace main entrance doors with energy efficient, thermal-glazed doors. Maintain the architectural blend of the entrance motif.

b. Replace service entrance doors with insulated metal doors that are equipped with panic bar hardware, weatherstripping, door closures and alarm devices on them.

c. Remove and replace all exterior incandescent lighting with high-intensity metal halide, tamper-proof fixtures.

d. Repair blistered paint on main entrance soffit.

e. Install thermal glazing on main side and upper panels.

f. Repair all open mortar joints in brickwork around main entrance.

A	B	C
$ 8,000		

(15) Terraces and Patios (See Photos 32 thru 40)

Concrete terraces cantilevered off the building have brick walls topped with stone capstones. The balconies are in poor condition and are afflicted with numerous problems:

a. Steel reinforcing rods are rusting through the concrete on the underside of the balconies. Paint has blistered off. Loose paint must be removed and balconies recoated with stucco cement.

b. Steel lintels on balcony edges are heavily rusted and peeling paint. They must be scraped clean, rustproof coated and painted.

c. Brickwork is missing and loose at balcony corners on the exterior side. All missing and loose bricks must be repaired.

d. Stone copings have open mortar joints. These must be regrouted.

e. Brick parapet walls are cracking on the interior and exterior sides. The heating and cooling weather cycle has caused numerous sections of brick to pop off the parapet walls. All these wall sections must be rebuilt.

f. Terrace flashing and flooring is in poor condition and must be completely replaced. The existing concrete floors are cracked and must be completely removed. A waterproof rubber membrane and new flashing must then be installed. Finally a new floor must be set in place.

g. Terrace drains must be reset at low points and terrace surfaces pitched to them. This may entail a complete redesign of the drainage system. Tenants have already experienced the damage suffered by blocked, leaking, and deteriorated drains and downspouts.

h. The metal and glass doors are all in poor condition. Wood steps adjacent to doors and door frames are also rotted. They do not close properly, have no weather-stripping and allow excess amounts of air and water into the apartments. All doors must be replaced now with an energy-efficient, properly sealed door with weather-stripping.

The apartments inspected that are either under or adjacent to apartments with terraces presently have leaks. These leaks are in several locations throughout ceilings and walls, and are in various stages of deterioration. This is a serious, on-going problem.

Patio areas, which are actually the garage roof, adjoining Apartments 106, 107, 109 and 110 are a source of security problems. Vandals have easy access to apartments via these patios. The areas, covered with roofing material, require new roofing, proper drainage, and security fencing.

A	B	C
$ 23,000		

(16) Local Law No. 10

N.Y.C. Building Department Local Law No. 10, C26-105.3, requires that an examination of any existing building exceeding six (6) stories in height shall be conducted with two years of February 21, 1980, and thence every five (5)

years thereafter. This inspection requires visual examination, with binoculars or telephoto camera equipment, of all exterior building facades (walls, windows, parapets and appurtenances such as balconies).

Since the building is technically listed only as a 6-story structure it escapes the protection afforded to it by Local Law No. 10, i.e. critical examination of the building exteriors over six (6) stories with subsequent repairs to same.

However, the building is actually a full seven (7) stories (6 residential + cellar level with apartments at grade level) and as such should be responsive to Local Law No. 10.

A B C
Informational Item Only

D. PUBLIC AREAS

(17) Lobby, Hallways and Stairwells (See Photos 41 thru 44)

The main lobby has carpeted floors and a mixture of painted plaster walls, mirrors and fabric wall covering. Lighting is via flourescent ceiling-mounted fixtures and table lamps.

Hallways are lit via ceiling-mounted fluorescent fixtures and natural window fenestration. Ceilings and walls are painted. Stairwells have painted plaster walls with terrazzo treads, and metal risers and wood bannisters. Apartment entrance doors are metal, set in steel frames. Corridors are equipped with fire doors on fusible links.

The following deficiencies and recommended remedies are delineated below:

a. The main lobby carpeted floors are worn, and the area is cold in winter. Carpeting must be replaced and heating must be increased in the lobby.

b. Hallway lighting is marginal. Additional fixtures must be added.

c. Hallway walls and ceilings have blistering paint. All hallway walls and ceilings must be repainted.

d. Vinyl floor tiles are worn, cracked, broken, and partially missing throughout all hallways in the building. They must be replaced.

e. Stairwell treads are cracked, loose and worn at several locations. The defective treads must be removed and replaced.

f. Wood bannisters are loose; they should be secured tightly.

g. Floor numbers are missing at each landing. They must be clearly displayed.

h. Apartment entry doors require painting, replacement of peephole glass where missing, and installation of new marble saddles in place of broken and cracked ones.

It should be noted that Page 14 of the Red Herring Engineer's report is missing. This may contain information on Public Interiors. Page 14 must be made available.

A	B	C
$ 29,000		

(18) Laundry Room (See Photo 45)

The cellar level laundry room provides service to the building. The area is in poor condition. Problems encountered include:

a. An inoperative wall exhaust fan. This must be replaced with a commercial, operating unit.

b. Dirty floors and walls. These must be cleaned and painted.

c. Poor lighting. Additional ceiling-mounted fixtures are required.

d. No fire extinguishers. A wall-mounted unit must be installed.

e. Not enough equipment. Washers must be increased from 4 to 6 units; dryers from 2 to 4 units per N.Y.C. Building Code RS 16.5.

A	B	C
$ 2,000		

(19) Refuse Disposal (See Photos 46, 47 and 48)

Refuse closets on each floor of the building provide a chute to dispose of trash. These closets are dirty, and require repair and painting. The compactor chutes require cleaning, and the hopper doors do not open and close properly.

Two new compactors are located in the cellar. They were installed in July 1985. This equipment must be constantly maintained, to keep it in proper working order. At the time

of this inspection it was observed that the compactor areas require a cleanup. One compactor room is adjacent to the "C" apartments. Odors permeate the area and pest control is not being addressed. Roaches, mice and waterbugs run rampant throughout the area and into the apartments.

A	B	C
$ 1,000	$ 3,000	$ 5,000

(20) Intercom System

The intercom system is old and erratic in operation. It must be completely replaced. Buzzers from the lobby to the apartments do not work, voice communication is scratchy, unintelligible or nil. The lobby directory requires an up-to-date listing of tenants.

The entire system must be replaced now, including all wiring, lobby unit, and apartment units. In addition, the directory must be updated.

The Red Herring Engineer on Page 73 only briefly mentions the intercom panel. It does not fully describe this unit nor its operating capability. This information must be disclosed.

A	B	C
$ 20,000		

(21) Cellar Areas (See Photos 49 thru 53)

The cellar areas consist of apartments, the boiler room, a laundry room, storage rooms, and meter rooms. The garage is also on the cellar level, below the building's north wing.

The following work is necessary in the cellar:

a. Clean-up all storage areas by removing debris and trash.

b. Increase lighting levels. Present flourescent lighting is inadequate. Tenants fear for their safety in this environment.

c. Install more larger corner mirrors. Present 12" units are insufficient.

d. Gas and electric meter rooms are a disaster. Junk is piled up and creates a fire hazard. Clean up these areas.

A	B	C
$ 3,000		

(22) Garage (See Photos 54 thru 57)

The garage is located under the building at the cellar level, with entry off East 17th Street down a ramped concrete driveway. Access to and from the garage is via one metal door from the cellar area. It is fully sprinklered.

The garage suffers from a series of deficiencies which require immediate attention:

a. The ceiling is reinforced concrete. Reinforcing bars are exposed and rusting in many places as a result of concrete spalling. The entire ceiling must be checked for loose concrete, and then recoated. Concrete beams also have cracks which require repair.

b. The garage is too dark, because fluorescent ceiling-mounted lighting fixtures are sparsely placed. Many dark spots exist throughout the garage, especially along perimeters and in corners. As a result, tenants have had their cars vandalized. Additional lighting is necessary.

c. A heavy odor of gas fumes and carbon monoxide smoke permeates the garage. Exhaust fans were inoperative during this inspection. Positive exhaust systems must be activated for gas fume removal.

d. Sand pails were in place. They must be hung on columns throughout the garage, and must contain sand at all times.

e. Unit heaters require cleaning and overhaul. They were not in operation at the time of this inspection.

f. Exit door lighting is out. Exit doors must be properly marked, and signs must be lighted at all times.

g. Storage rooms in the garage area are a disaster. Trash and debris are piled up in these areas making them a fire hazard. They must all be cleaned out. Concrete block walls are damaged and must be repaired.

h. A wall crack in the concrete block next to space #36 exists. It must be repaired.

i. Windows are broken and must be replaced.

j. The trench drain inside the overhead garage door is plugged up, and there is water ponding by it. The drain must be cleaned out.

k. Overhead pipe insulation is falling off.

1. Trench drain is clogged.

In short, a total garage upgrading is required now.

The Red Herring Engineer on Pg. 78 indicates that "The garage is sprinklered". The Sponsor, however, fails to indicate the present condition or operability of the system. The Sponsor must disclose this information.

A	B	C
$ 25,000		

ESSENTIAL SERVICES

Elevators (See Photos 58 and 59)

Two (2) Staley automatic passenger elevators that service the building are original equipment, making them 45 years old.

Inspection of the elevator cabs and machine rooms, plus a review of the frequency of complaints of poor service, indicates a serious need to upgrade the elevators and their components. Certificate of Inspection posted in the elevators shows the last inspection dates to be August 20, 1985.

Elevator leveling devices are in immediate need of adjustment, since the elevator cabs are stopping above and below the given floors. Cab fans are inoperative. The elevators also won't stop at the indicated floor. Doors do not close properly, and floor buttons don't respond when pressed. Controls are the old contactor type. The relay racks are open, and subject to dust build-up; this results in breakdowns. The alarm buttons do not work in either elevator, and the elevator door does not close all the way in Elevator #3502.

Tenants complain of constant breakdowns. Since the elevator is original equipment installation, it is necessary to provide a major overhaul to this essential service. New controllers for both elevators were installed in 1985.

The following work is required, in order to provide both safe and dependable service:

a. Install new hoistway wiring.

b. Install new traveling cables.

c. Install new hoist, governor and compensating cables.

d. Install new elevator door operator, hangers, guides and gibs.

e. Install new door interlocks, pivots and door checks as required.

f. Adjust all limit switches.

g. Replace car guides.

h. Install new car station, and hallway call stations with working lights.

i. Install new cab interior, including vinyl tile flooring and a new cab fan. Maintain ventilation holes at base of elevator walls for proper air flow.

j. Provide continuous and proper elevator maintenance, to avoid future breakdowns.

A	B	C
$ 90,000		

(24) Electrical Service

Electrical service is mostly original installation. Apartments are equipped with typical 40 or 50 amp circuit breakers. Apartments have 4 to 6 circuits depending upon their size. This service is both old and inadequate for today's modern apartment needs. Many rooms have only one wall outlet, and there are no air conditioning outlets except as installed by tenants.

Tenants experience the following below-par electrical conditions:

a. Non-functional outlets.

b. Receptacles that have been painted over.

c. Switches that do not work.

d. Old and brittle copper wiring.

e. Frayed and disintegrated wire insulation.

f. Overloading circuiting.

g. Limited receptacle and switch distribution.

h. Non-functional and outdated light fixtures.

The system is now at a stage where overhaul and upgrading is necessary. The service must be modified to accommodate present installation of additional lighting and new appliances. Service for each apartment must include at least 60 to 80 amp circuit breakers and one outlet for each wall of

every room. Larger rooms should have two outlets per wall, no more than 10 linear feet apart.

A	B	C
$ 94,000		

(25) **Plumbing and Sanitary Systems**

Inspection of the plumbing and sanitary systems revealed the following conditions:

a. Water temperature fluctuations during operation of showers, resulting in scalding of tenants with hot water. This is due to imbalanced pipe distribution and lack of hot and cold water mixing.

b. Defective traps and connections to kitchen sink drains.

c. Faulty sink, lavatory, and bathtub/shower faucets and mixing valves.

d. Defective shut-off valves at kitchen sinks.

e. Excessive water line leaks in walls, resulting in ceiling and wall deterioration.

f. Bathtub drains either clogged or slow draining.

g. Tub and sink stoppers that do not work.

The following remedial work and/or replacements are necessary:

a. Replace existing shower faucets with constant temperature, combination hot and cold water mixing valves.

b. Replace all defective kitchen sink traps and drain fittings.

c. Replace all defective kitchen sink shut-off valves and faucets with new units.

d. Replace old water lines.

e. Snake clean and maintain bathroom and kitchen drains.

f. Replace sink and tub stopper mechanisms so that they work.

The extent of repairs and replacements currently required to restore the plumbing system to a condition where it is fully functional is extensive. Complete repairs should involve repiping the domestic water supply system where necessary with type "L" copper tubing.

A	B	C
$ 62,500		

(26) Heating System

The building is heated via a new steel steam, fire-tube boiler, which provides steam for heating and domestic hot water through a submerged coil. The boiler was being installed at the time of this inspection on November 15, 1985. The tenants would be without heat for 10 days. The Certificate of Operation for the boiler must be upgraded. The Sponsor must disclose the specific details of the new boiler and its appurtenances.

The old boiler was original equipment. The Red Herring Engineer did not indicate the physical or operating condition of this boiler during his inspection (Page 75).

Even with a new boiler, the heating system suffers from four (4) major causes of inefficiency:

a. Old Piping

Piping which is as old as the building, 45 years old, has deteriorated due to age and lack of repair. Pipe insulation has deteriorated. Extensive piping and insulation replacement is mandated at this time.

b. No Temperature Control Valves

Apartment radiators are without shut-off valves in many cases, and no individual thermostats exist. Therefore, it is necessary to replace all defective and missing radiator shut-off valves, and install individual apartment thermostatic control valves on each radiator.

c. No Hot Water Heaters

The heating plant is presently called upon to supply domestic hot water during the non-heating season. In order to improve overall efficiency and consequently reduce fuel costs, the installation of an auxiliary gas-fired hot water heater is recommended. The central heating plant operates at optimum efficiency only when it is at or near full load. During the non-heating season the central heating plant is only operating at 25% of full load and becomes very inefficient. Hence it becomes economical to install a hot water heater, for

use primarily during the summer months. Additionally, the auxiliary heater is available during the heating season should the central heating plant shut down. It also permits repairs and maintenance of the central heating plant during non-heating seasons without the loss of domestic hot water service. Overall, the life of the central heating plant will be extended.

d. Apartment Piping

Heat pipe risers in kitchens and bathrooms require sealing of floors and ceilings plus escutcheon plates. Radiators must be bled to reduce banging noise.

A	B	C
$ 37,500		

(27) Oil Storage

No. 6 fuel oil is stored in a 5,000 gallon steel tank inside and a 10,000 gallon buried tank. It is not known when the tanks were last cleaned out. Sludge should be pumped and cleaned out every 3-5 years.

A	B	C
$ 5,000		

(28) Air Conditioning

No air conditioning is provided by the Sponsor. Window air conditioners are owned by the tenants. Not all apartments are equipped with air conditioning receptacles. The "Electrical" section addresses this shortcoming.

It must also be noted that the wood window frames are in such rotted and deteriorated condition that they cannot adequately support the window air conditioning units.

A	B	C
Informational Item Only		

(29) Fire Protection

The building has no fire protection, except a wet pipe system in the garage. There are smoke detectors in each apartment.

Since the building is of Class III, non-fireproof construction, it behooves the Sponsor to install a wet pipe fire protection system with the sprinkler heads in the hallways and stairwells. This will insure safety of the building and its occupants.

The Red Herring Engineer does not address fire protection at all in his report.

A	B	C
$ 84,000		

F. DWELLING UNITS

Note: The Red Herring Engineer only lists the Apartment Lines (Page 67) but does not describe the interior finishes nor their condition.

(30) Ceilings and Walls (See Photos 60 and 61)

Apartments have painted plaster walls and ceilings. Over 70% of the apartments surveyed have problems with peeling paint and/or water damaged plaster on walls and/or ceilings, due to exterior, roof, radiator or plumbing leaks, or to seepage through poorly grouted bathroom wall tiles. Some apartments have problems with badly cracked plaster, or with bulging areas where plaster is coming off laths on walls and/or ceilings.

Ceiling and wall repairs are necessary immediately, after which painting must be done. These repairs must be performed by professional craftsmen.

A	B	C
$ 62,500		

(31) Hardwood Floors

Apartment floors are made of oak wood strips, and are in fair to poor condition. Many problems exist, including:

a. Squeaky and settled floors, leaving gaps between base molding and floors.

b. Stained areas due to incremental heat, window and plumbing leaks. (Floors are permanently water damaged.)

c. Splintered flooring and gaps between floor strips and floor moldings, due to settling of floors.

d. Worn and wobbly wood strips.

e. Openings around piping.

Appliance	Poor	Fair	Good	Cost*
a. Refrigerator	25%	65%	10%	$73,000
b. Stove top	30%	45%	25%	19,000
c. Oven	30%	45%	25%	33,000
d. Sink	25%	35%	40%	22,000
e. Cabinets	20%	60%	20%	78,000

* Cost estimate will cover replacement of all units listed as "poor" and "fair".

Specific problems encountered for each appliance or unit are as follows:

a. Refrigerators -- Old, inefficient units. Sagging doors, defective gasketing, dirty condensor coils, defective defrost timer, dirty drain pans, defective thermostats and defective evaporator fan, which causes inefficient defrosting.

b. Stove Tops -- Deteriorated gas piping, gas leaks and odors, pilot lights that blow out, clogged oven vents, and clogged burners.

c. Ovens -- Defective thermostat, defective door gasketing and hinge/spring, clogged pilot light.

d. Sinks -- Leaking faucets, chipped porcelain, leaking drain underneath. Masonite cabinet shelving that is cracked and buckled.

e. Cabinets -- Thin veneer finish, broken hinges, sagging shelves, door latches that don't align, doors that don't close.

f. Broilers -- Do not sit on tracks, gasketing dried out or missing, do not maintain temperature.

A B C
$225,000

G. MISCELLANEOUS

(35) Cellar Apartment Doors

"C" level apartment doors leading to the outside are in poor condition. The wooden frames around these doors are rotted and termite infested. Both the frames and the doors require replacement with metal units.

A B C
$ 4,000

All floors must be returned to their original condition. Openings must be closed, uneven and worn sections replaced. All floors must be refinished, to bring the apartments into a livable condition. Repairs must take into account those apartments which have wall-to-wall carpeting.

A	B	C
$ 27,000		

(32) Ceramic Tile in Bathrooms

Bathroom ceramic wall tiles are cracked, chipped or loose. Tile grouting and caulking around bathtubs is dry or missing. Similarly, floor tiles are broken or missing. Marble saddles are cracked and/or missing. Shower stalls also exhibit these deficiencies.

All bathroom walls and floors must be repaired and/or replaced to correct the above deficiencies.

A	B	C
$ 56,300		

(33) Bathroom Fixtures

Bathtubs and sinks are original installation units, in fair to poor condition. Tubs and sinks are discolored, have lost their porcelain enamel finish, and are chipped. New fixtures are necessary.

A	B	C
$130,000		

(34) Kitchen Appliances and Kitchen Floors

The general condition of all appliances inspected was fair. Various sections or functions of the ranges were inoperative, i.e. thermostat, timer, oven, broiler and pilot lights. Complete replacement is necessary. Similarly for the refrigerators, which were slow in freezing or tending to frost-up, it is necessary that these too be replaced. Wood cabinets don't close. Sinks are worn and have lost their enamel finish. Vinyl tile floors are old and worn, and must be replaced.

The following table indicates present functional condition of each kitchen appliance or unit by a percentage to the total number of units:

(36) Pest Control

The building is plagued with roaches, mice and waterbugs. Poor housekeeping at the compactor and many hollow walls perpetuate this condition. An extensive pest control program is needed, to rid the building of these pests. Termites are in evidence at the cellar level apartments. It behooves the Sponsor to obtain a complete termite inspection.

It must be noted that an exterminator is under contract to come to the building monthly. This is inadequate for removal of the pests presently in the building.

A	B	C
$ 6,200		

(37) Building Violations

Building violations uncovered to date are included at the end of this report.

All statements concerning the potential violation of Building or other Governmental Codes express the preparer's professional opinion only, and are subject to a final determination by the appropriate government agencies.

A	B	C
Informational Item Only		

SUMMARY OF ESTIMATE OF COSTS

The estimated costs which follow summarize all the categories previously discussed in this report. They should be considered as a guide to probable costs of repairs and remedial work. Actual results are best obtained by submitting specifications to a minimum of three (3) contractors.

It should be noted that while these prices represent the best estimates presently available, construction and repair costs have been rising at a rate of 7% per year.

Our cost estimates are based on the average cost for first quality, professional work. In addition, our estimates assume that a large volume of work will be contracted for at once. Substantially higher costs can be anticipated (20% higher or more) if work is performed on a "piecemeal" basis.

The cost items are coded into three (3) groups as follows:

A -- Work required immediately.
B -- Work required in 3 to 5 years.
C -- Work forecasted for 10 years from now.

SUMMARY OF ESTIMATED COSTS

Item	Description	A	B	C
1.	Sidewalks	$ 8,000	$	$
2.	Landscaping	3,500		
3.	Ramps, Walks & Driveways	8,800		
4.	Park Area	10,000		
5.	Sub-soil Conditions	10,000		
6.	Roof Surface	183,000		
7.	Parapet Walls, Flashings and Copings	46,700		
8.	Roof Bulkheads	18,000		
9.	Chimneys	1,000		
10.	Metalwork at Roof	5,000		
11.	Fire Escapes	2,000		
12.	Exterior Walls	85,000		
13.	Exterior Windows	192,300		
14.	Exterior and Service Entrances	8,000		
15.	Terraces and Patios	23,000		
16.	Local Law No. 10	*		
17.	Lobby, Hallways and Stairwells	29,000		
18.	Laundry Room	2,000		
19.	Refuse Disposal	1,000	3,000	5,000
20.	Intercom System	20,000		
21.	Cellar Areas	3,000		
22.	Garage	25,000		
23.	Elevators	90,000		
24.	Electrical Service	94,000		
25.	Plumbing and Sanitary Systems	62,500		
26.	Heating System	37,500		
27.	Oil Storage	5,000		
28.	Air Conditioning	*		
29.	Fire Protection	84,000		
30.	Ceilings and Walls	62,500		
31.	Hardwood Floors	27,000		
32.	Ceramic Tile in Bathrooms	56,300		
33.	Bathroom Fixtures	130,000		
34.	Kitchen Appliances	225,000		
35.	Cellar Apartment Doors	4,000		
36.	Pest Control	6,200		
37.	Building Violations	*		
	Sub-Totals	$1,568,300	$ 3,000	$ 5,000
	10% Architectural and Engineering Fee	156,830	300	500
	TOTALS	$1,725,130	$ 3,300	$ 5,500

* Informational Items Only

BUILDING VIOLATIONS

RHM Form SR-1
(Rev. 12/80)

THE CITY OF NEW YORK
DEPARTMENT OF HOUSING PRESERVATION AND DEVELOPMENT
OFFICE OF RENT AND HOUSING MAINTENANCE

The Bronx
1932 ARTHUR AVE
BRONX, N.Y. 10457

Brooklyn
MUNICIPAL BUILI
BROOKLYN, N.Y. 1

Manhattan
39 BROADWAY
NEW YORK, N.Y.

Queens
126-06 QUEENS BL
KEW GARDENS, N.

Staten Island
BOROUGH HALL
ST. GEORGE, N.Y. 1

Braxton Engineering PL.
247 West 72nd. St.
N.Y., N.Y. 10023

Date: 12-9-85

Date Requested: 11-20-85

Your Reference: Title No. _____

Our Reference : Search Clerk

REPORT OF SEARCH

Premises 1620 Avenue I Search No. 23365

A search of the records of this department reveals that the following violations are pending. Copies of the violation any, are enclosed. **(DATE OF SEARCH INDICATES LAST DATE OF POSTING.)**

Building Department, Violation Numbers: Date of Search 10-29-85

none

Office of Rent and Housing Maintenance, Violation Item Numbers: Date of Search 12-9-85

none

EMERGENCY REPAIR MON
DUE ON THIS BUILDING
DATE
1-26-85 C

- ☐ CLASSIFICATION (if requested) non-Multiple Dwelling
- ☐ OCCUPANCY _____
- ☐ NO VIOLATIONS PENDING - MULTIPLE DWELLING SECTION - (as of date of search)
- ☑ NO VIOLATIONS PENDING - PRIVATE DWELLING SECTION - (as of date of search)
- ☐ BUILDING "OBSERVED VACANT" (see reverse side of form for important notice)
- ☐ BUILDING HAS "VACATE" STATUS (see reverse side of form for important notice)
- ☐ OTHER: _____

Other City Agencies (on Multiple Dwellings only): Date of Search _____

L. Sanchez

CHIEF INSPECTOR, DIVISION OF CODE ENFORCEME

By: Cathy Fleming

CITY OF NEW YORK
DEPARTMENT OF ENVIRONMENTAL PROTECTION
BUREAU OF ENGINEERING AND ENFORCEMENT
120 WALL STREET NEW YORK N.Y. 10005 (212) 248-8654

JOSEPH T. McGOUGH, JR., Commissioner

SAMUEL STEMPLER, P.E., Assistant Commissioner

BRAXTON ENGINEERING
247 West 72nd St.
New York, N.Y. 10023

DATE: 10/31/85

TITLE NO: N/A.

PREMISES: 1620 Avenue "J"
Kings County

Gentlemen/Madam:

A search of our files shows the following record on the above premises:

___1. A Certificate of Operation not issued for Application of file _____.

___2. A Certificate of Operation must be procured.

___3. A valid Certificate of Operation for fuel burning equipment is on file. This may not cover all equipment at Premise. See number 6.

___4. A valid Certificate of Operation for refuse burning equipment is on file. This may not cover all equipment at premises. See number 6.

___5. No record for this premise.

_X_6. Local Law 49/1971 requires a current operating certificate for all residual burning equipment, coal burning equipment and refuse burning equipment. If such equipment currently exist on the premise, although unknown to us, it is automatically in violation of the law. This applies regardless of the information provided above.

✓ 7. TRIENNIAL RENEWAL OF CERTIFICATE OF OPERATION REQUIRED.
KA203/73, KA204/73, CA9/78

✓ 8. Veil
088887, 054469, 045753, 221422
063747, 048780, 043296, 225519-C
057048, 044980, 221421,

FIRE DEPARTMENT • THE CITY OF NEW YORK
BUREAU OF FIRE PREVENTION
ROOM 439, 250 LIVINGSTON STREET
BROOKLYN, N.Y. 11201-5884

RECORD SEARCH REQUEST

(4)

AIL TO:

BRAYTON ENGINEERING
[illegible] WEST 72nd STREET
NEW YORK, NEW YORK 10023

Search No. 76053

The undersigned requests the following information re: Premises

[illegible] [illegible]
ADDRESS BOROUGH

☐ 1. Record of existing Fire Department Violations _____ FEE: $10.00

☐ 2. Record of Permit for _____ FEE: $10.00

☐ 3. Other _____ FEE: $10.00

TOTAL FEE: $_____

State applicants interest in or relation to premises:

(THE CITY OF NEW YORK IS NOT BEING SUED, NOR IS THERE ANY INTENTION TO SUE THE CITY OF NEW YORK)

Signed [illegible]

Date [illegible]

DO NOT WRITE BELOW THIS LINE

Gentlemen:

In reply to your request concerning the premises mentioned above, please be advised that as of 9 A.M., OCT 29 1985 our records show the following:

Copy attd VIOLATION #
D193212005 5/24/85

SEARCHED BY: J. Hart
Chief of Fire Prevention

VIOLATIONS RECORDED ABOVE ARE ONLY THOSE WHICH ARE A MATTER OF RECORD IN HEADQUARTERS OF THE BUREAU OF FIRE PREVENTION, AND MAY NOT INCLUDE VIOLATIONS ISSUED BY LOCAL UNITS.

CITY OF NEW YORK

FIRE DEPARTMENT

DIVISION OF FIRE PREVENTION

VIOLATION ORDER

cc E-163

33 BATT

D 193212

MUSEUM

To 1620 AVE I Bklyn. — 212 [illegible]

ADDRESS — NAME OF OWNER, LESSEE, OCCUPANT, ETC.

ROOM NO. OR FLOOR — TYPE OF OCCUPANCY — ACCOUNT NO. 9972-01

Sir: An inspection this date of the above premises indicates the existence of the following violations under the enforcement jurisdiction of this Department. You are hereby directed to correct such violations by compliance with the following order:

STANDARD ORDER FORM NO.	ITEM NO.	
		1) Have person in charge obtain a Certificate of Fitness for the maintenance of the Sprinkler System #1 Exp 2/85
		2) Have person holding Sprinkler Certificate of Fitness keep a monthly record of inspections. LAST Inspection 2/85

If this order has not been complied with, in 5 days of the issuance date, A SUMMONS will be served for violation of Chapter 19 of the Administrative Code of the City of New York.

Joseph J. Spinnato
Fire Commissioner

This is to certify that I have made an inspection of said premises and have issued the above order to:

[illegible]
NAME OF PERSON WHO RECEIVED THIS ORDER

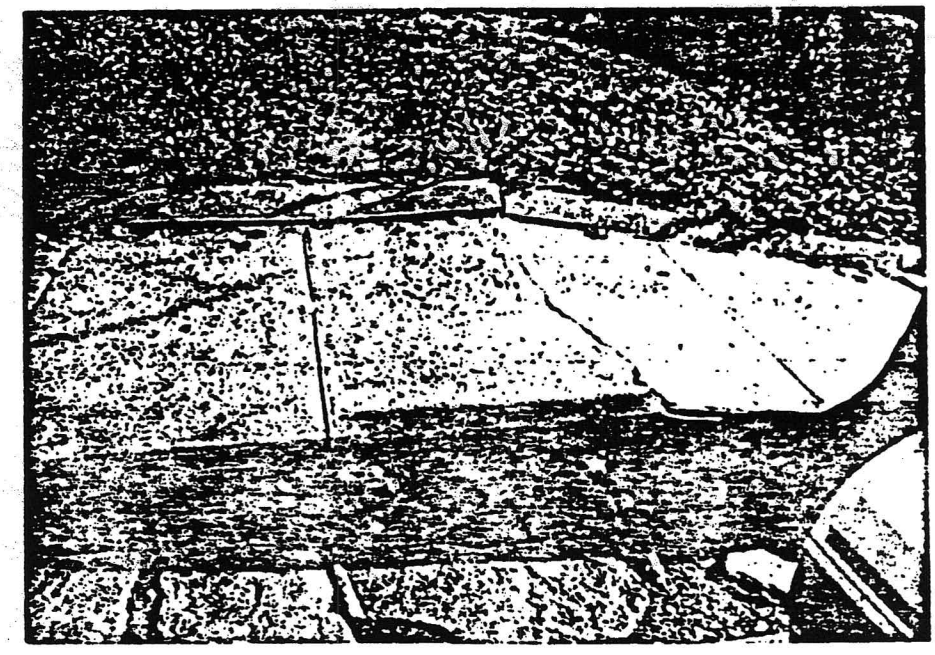
[illegible] 4/22/85 [illegible]
INSPECTOR — DATE — UNIT

JOL Cadsky

For information, inspection or dismissal contact inspection unit.

Unit Address 250 LIVINGSTON Unit Telephone 596-3316

PHOTOS FOR 1620 AVENUE I, BROOKLYN, NY 11230



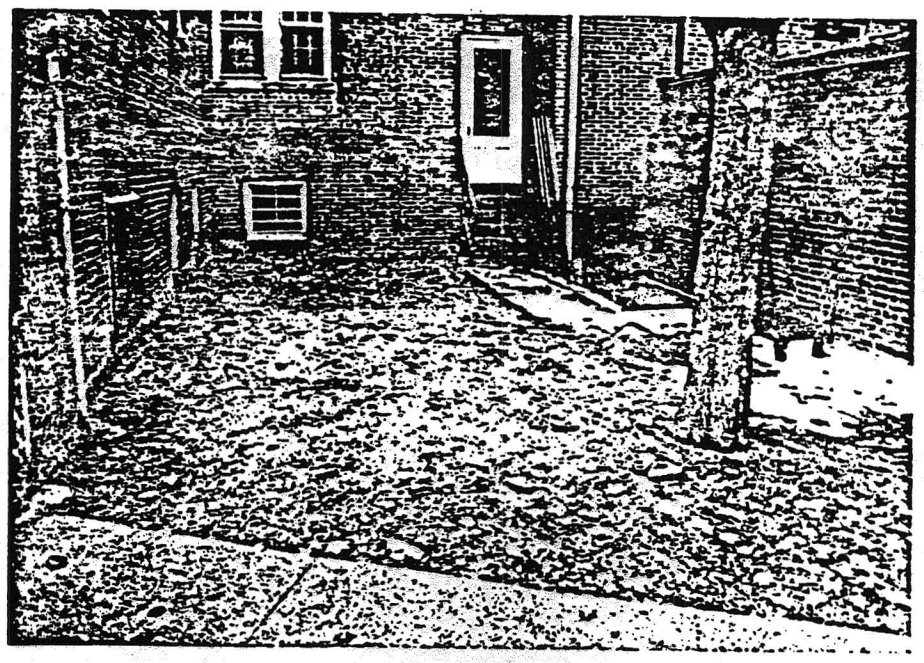
1. Cracked and raised sidewalks from tree roots.



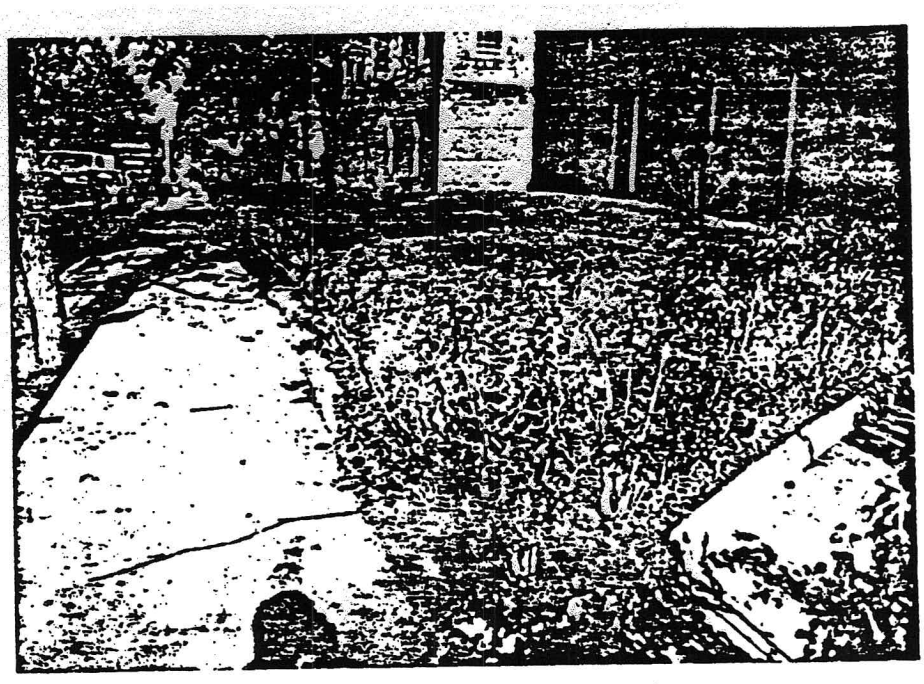
2. Grafitti on patched sidewalks. Note patched and missing sections.



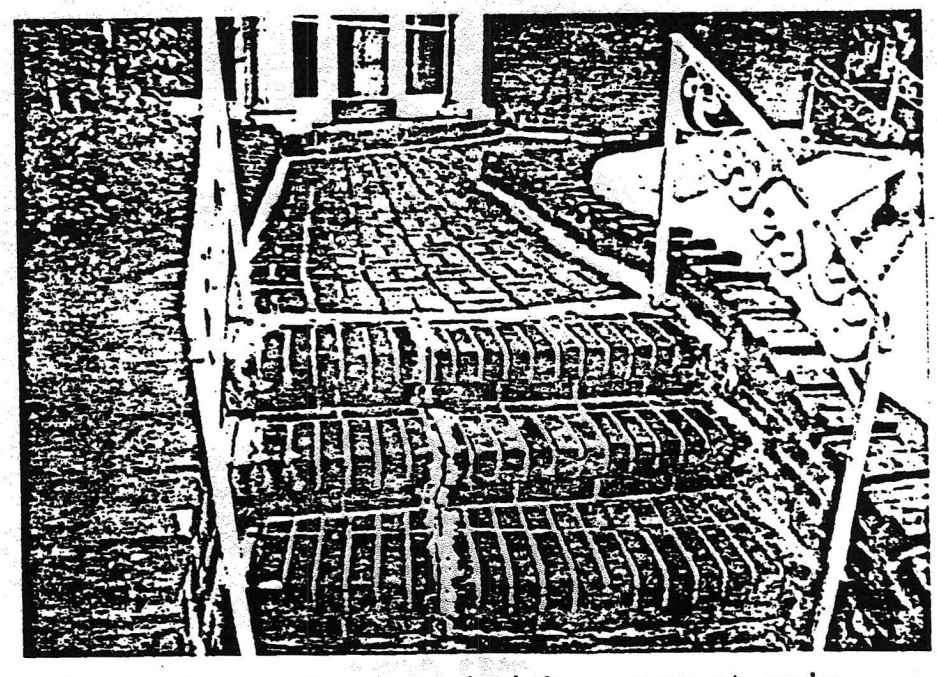
3. Broken and settled curbing.



4. Bare spots throughout grounds.



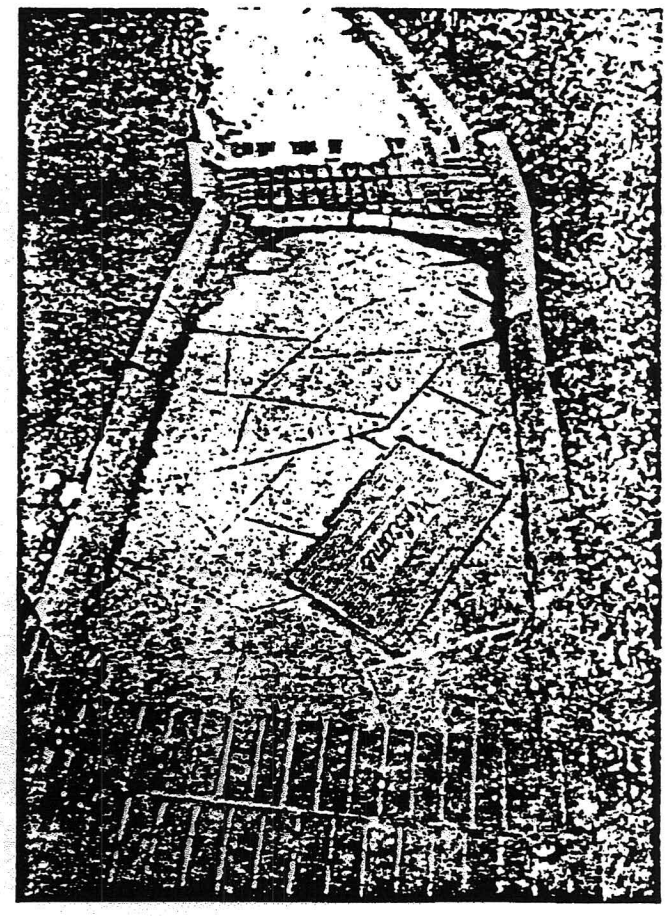
5. Damaged and sparse hedges.



6. Broken and uneven brick pavers at main entrance.



7. Loose bricks and handrails.



8. Missing handrails, broken curbing.



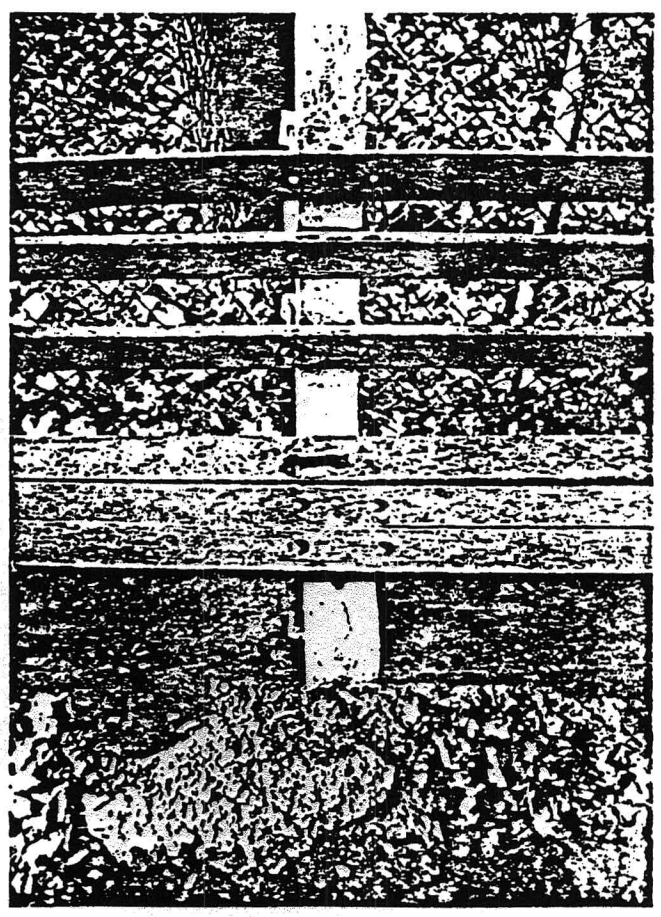
9. Heavily rusted and eroded handrails.



10. Park area is unkept.



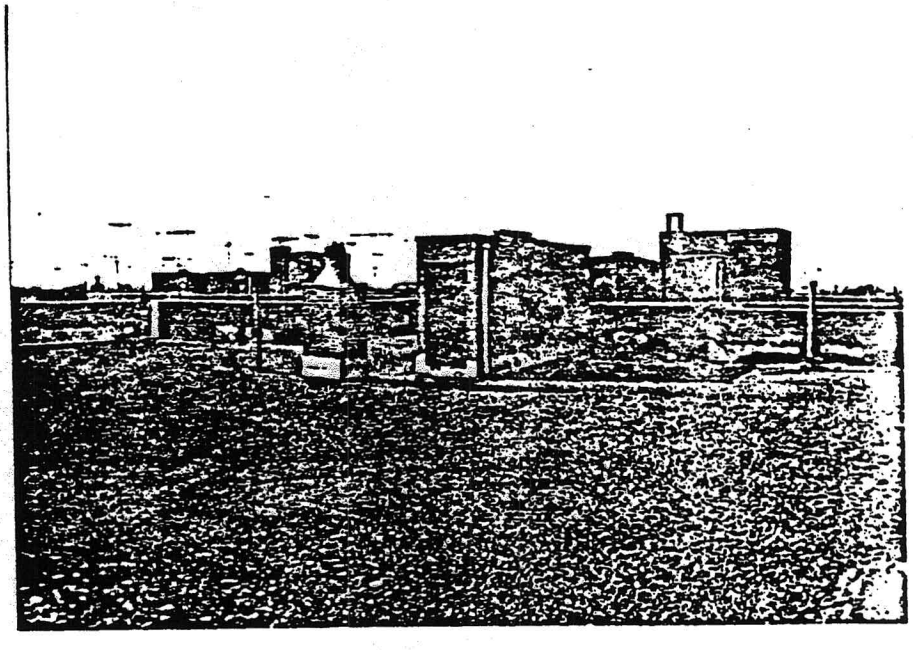
11. Fending is damaged throughout.



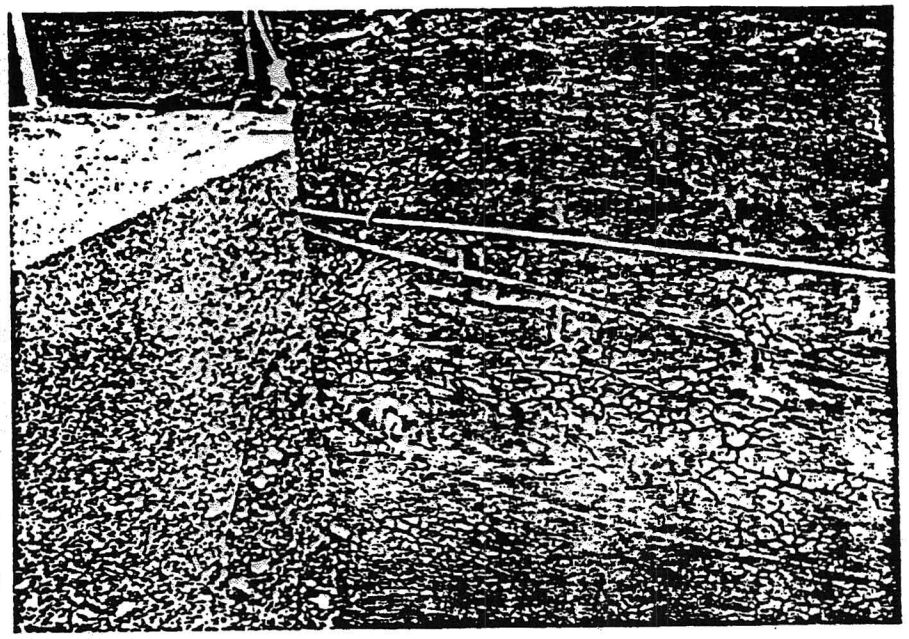
12. Benches are old and broken.



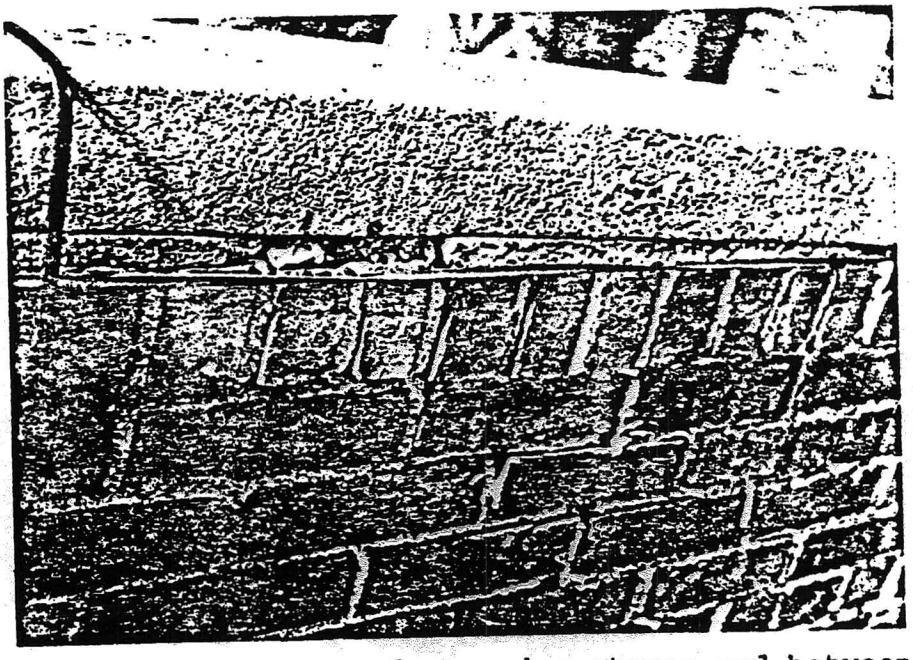
13. Sheetmetal fencing is down.



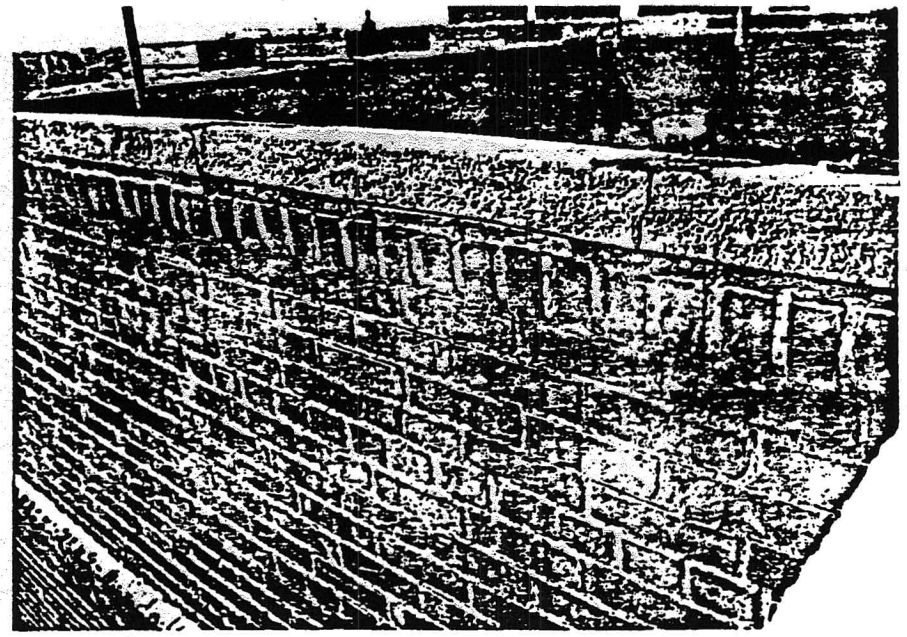
14. Old, worn and leaking roof.



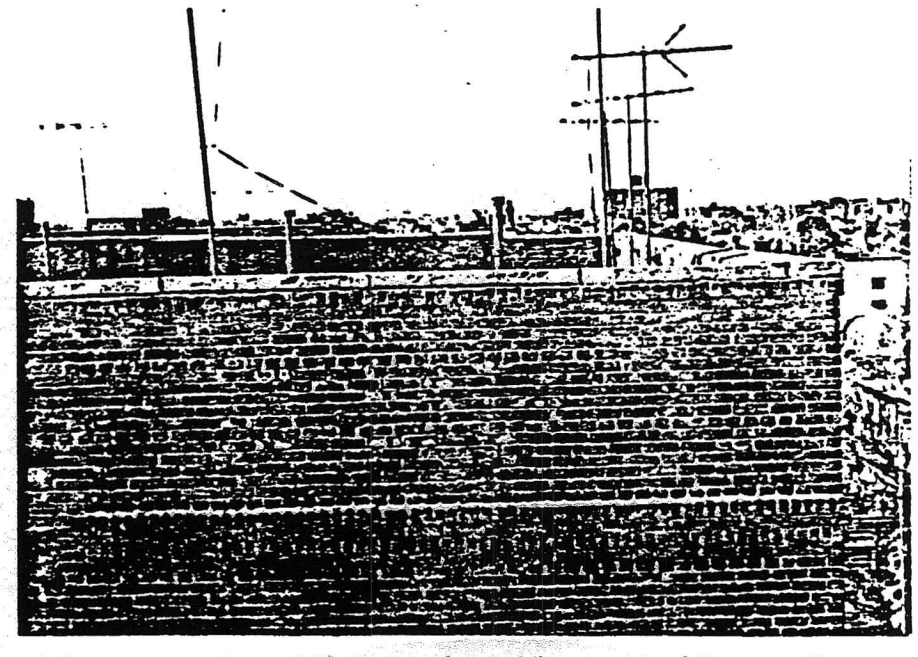
15. Alligatored tar coating on parapets has damaged bricks underneath.



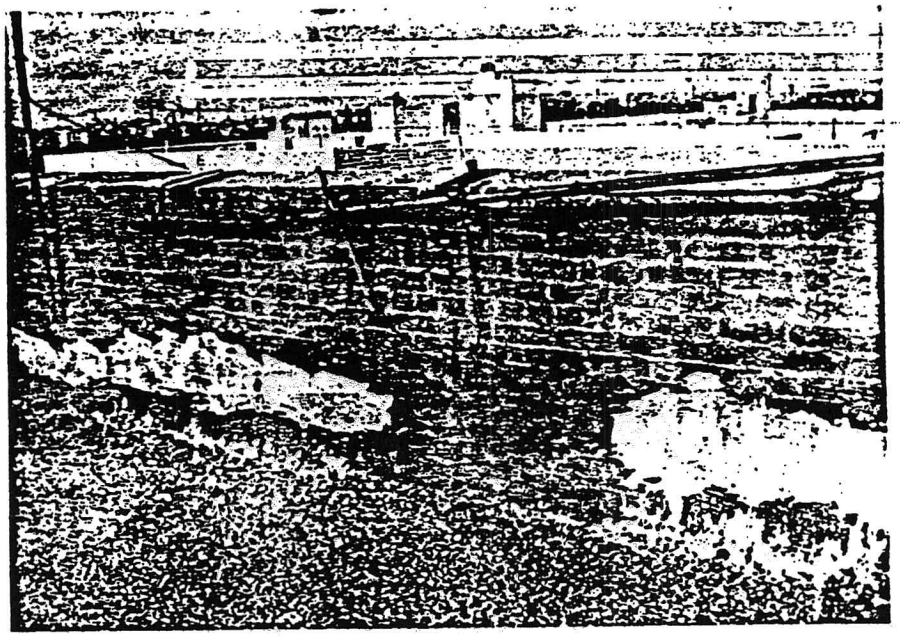
16. Mortar is loose under coping stones and between bricks.



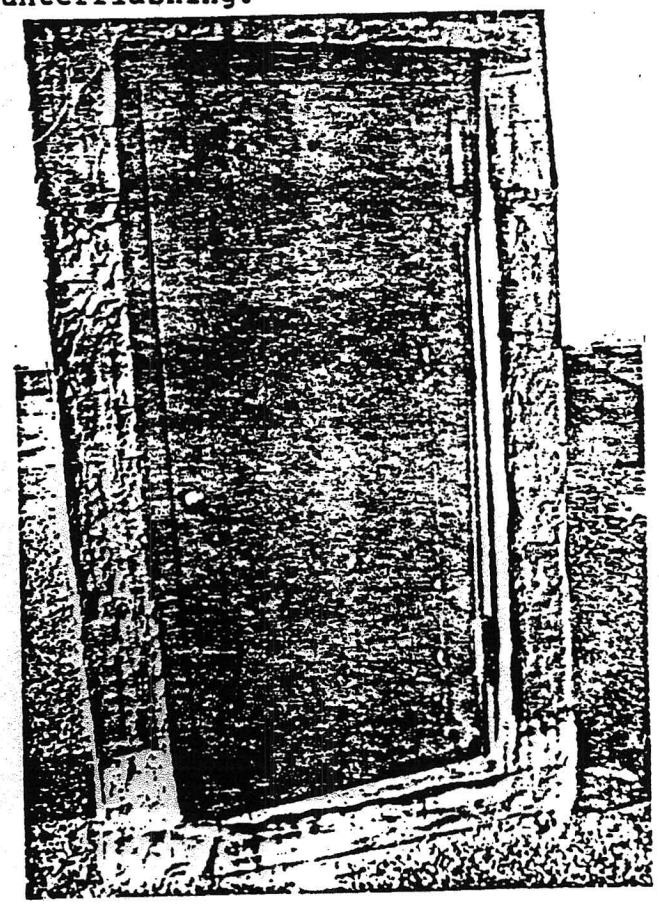
17. Parapet wall deterioration inside surface.



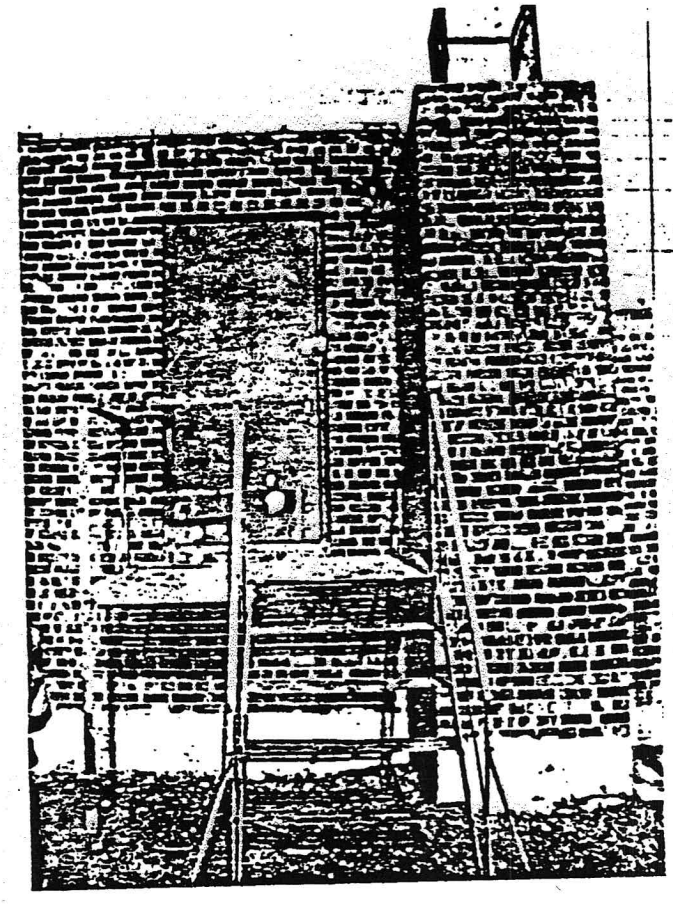
18. Parapet wall deterioration outside surface.



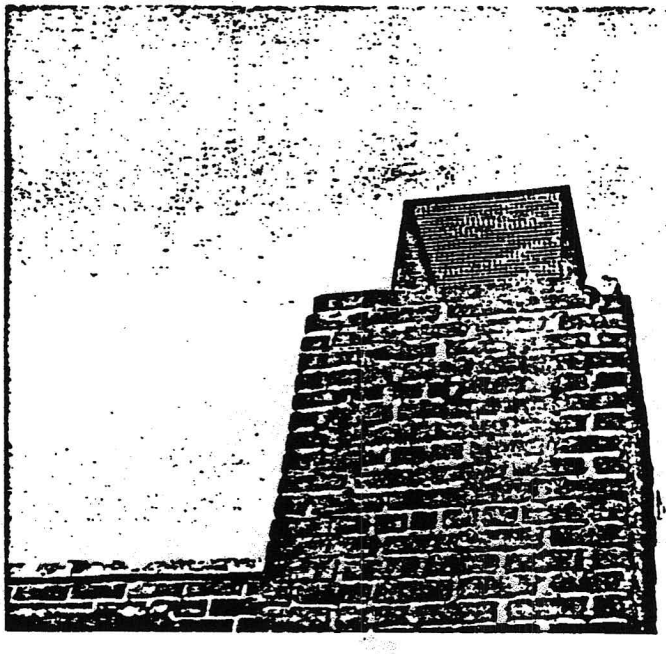
19. Parapet walls have leaks at flashing corner and have no counterflashing.



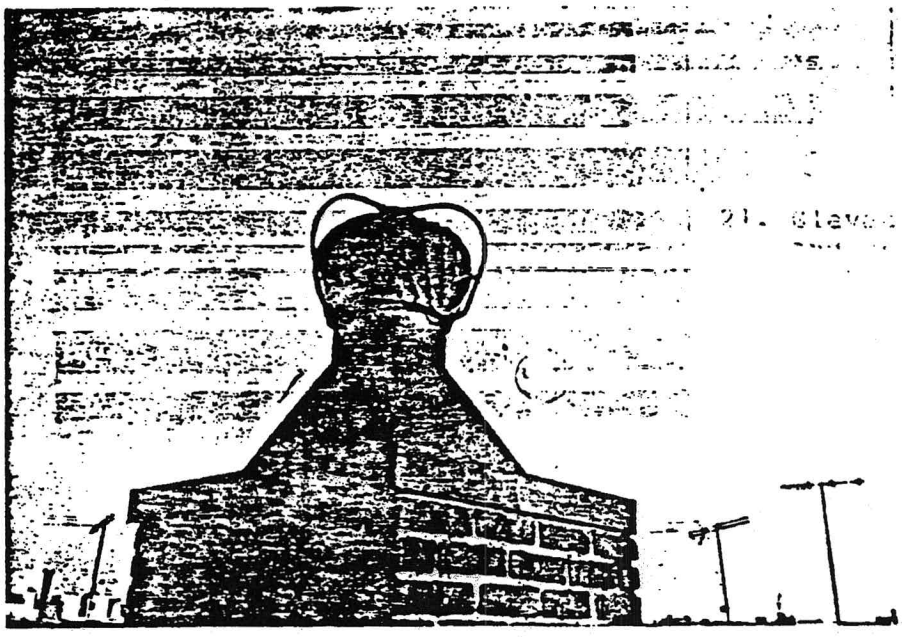
20. Stairwell bulkhead doors are uninsulated and are not self-closing.



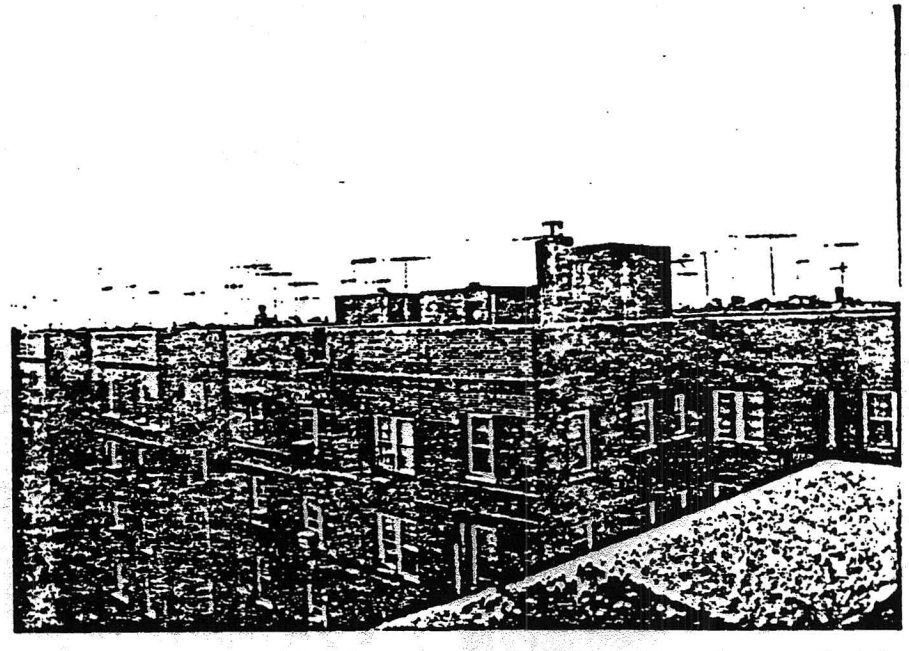
21. Elevator machine room do
and stairs require repai
work.



22. Chimneys have loose bricks and open mortar joints.



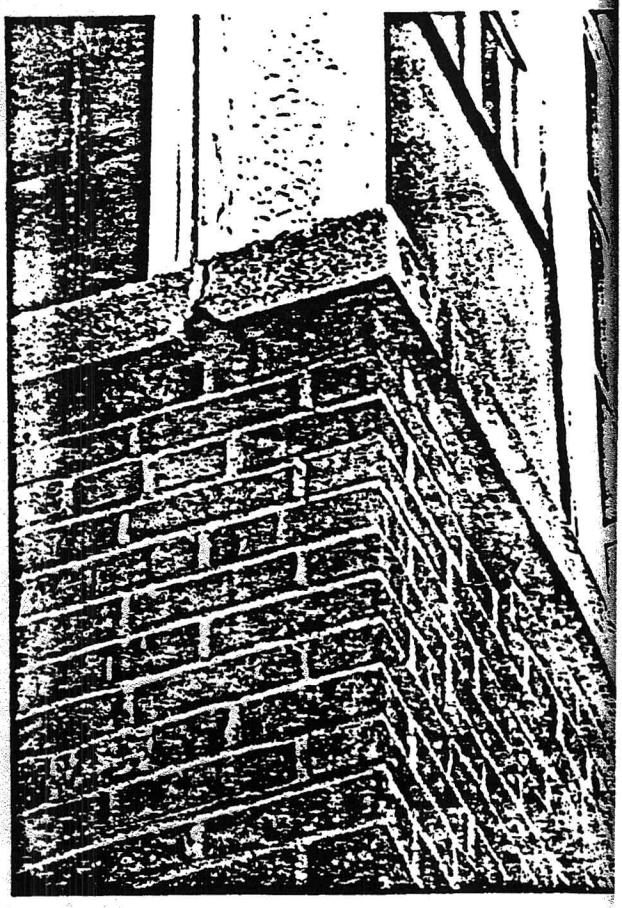
23. Wind-driven ventilators are ineffective.



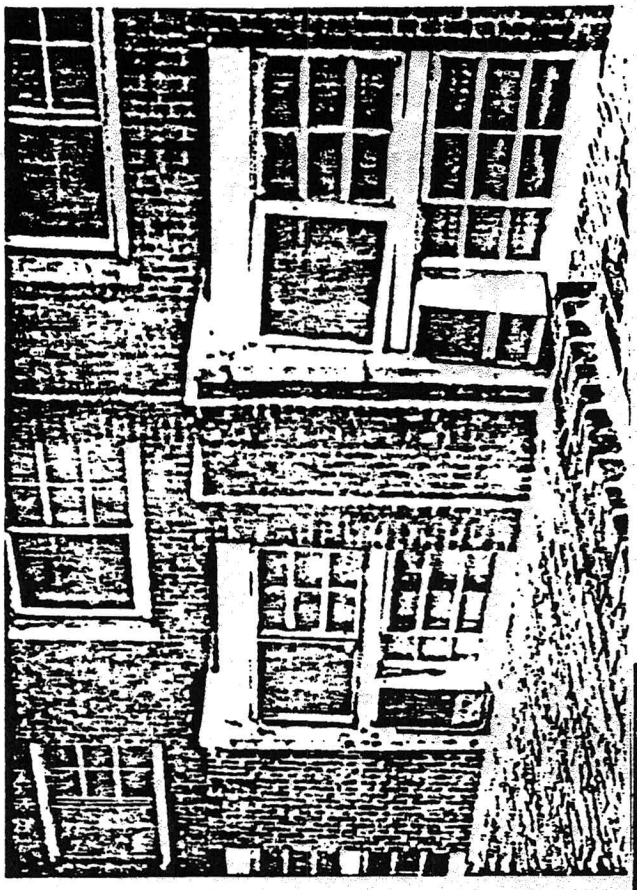
24. Exterior walls have required extensive pointing yet still leak into apartments.



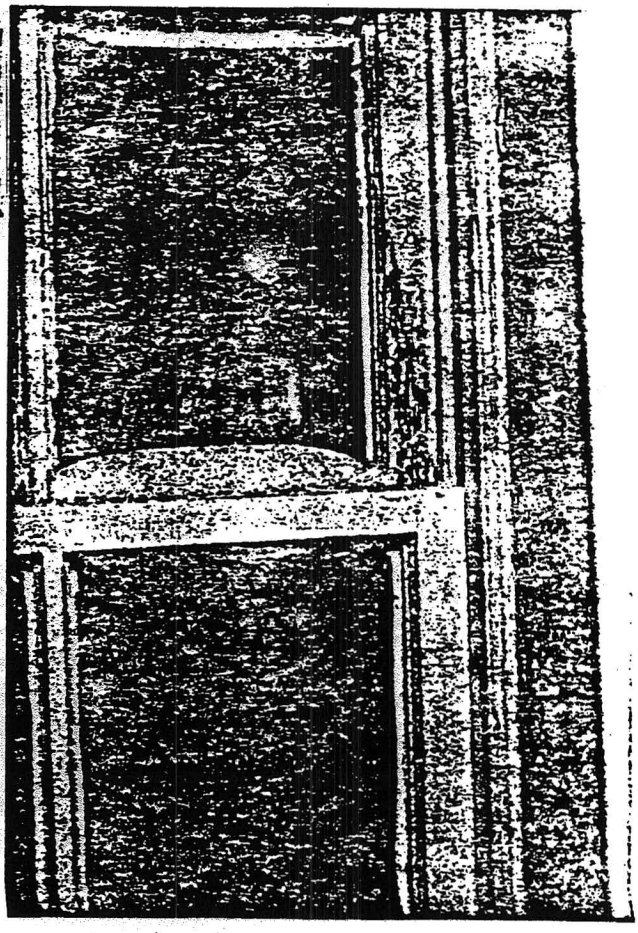
25. Walls are stained from poor workmanship.



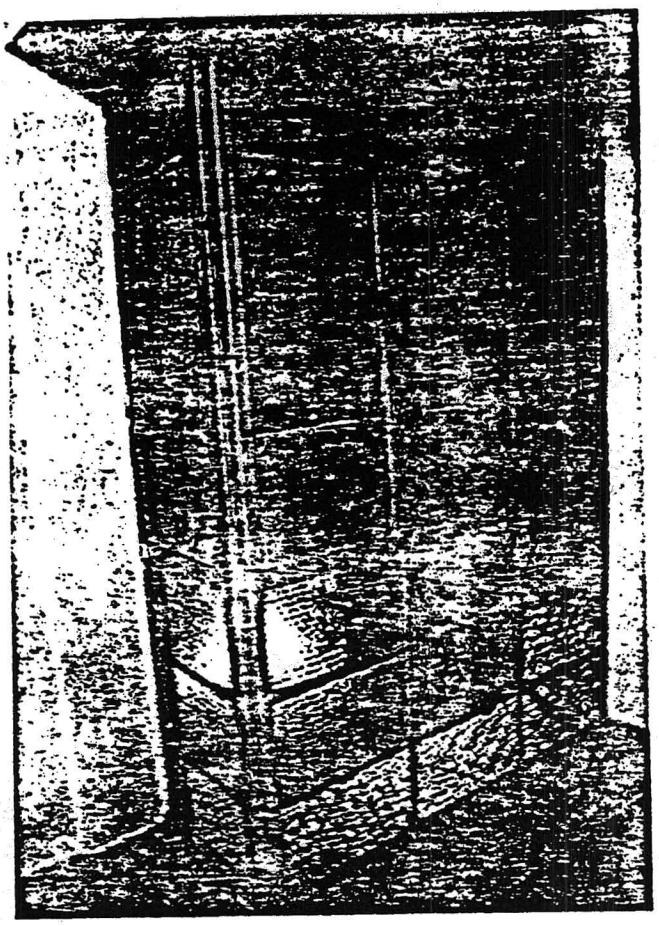
26. Stone sills are cracked.



27. Windows are old, in disrepair and inefficient.



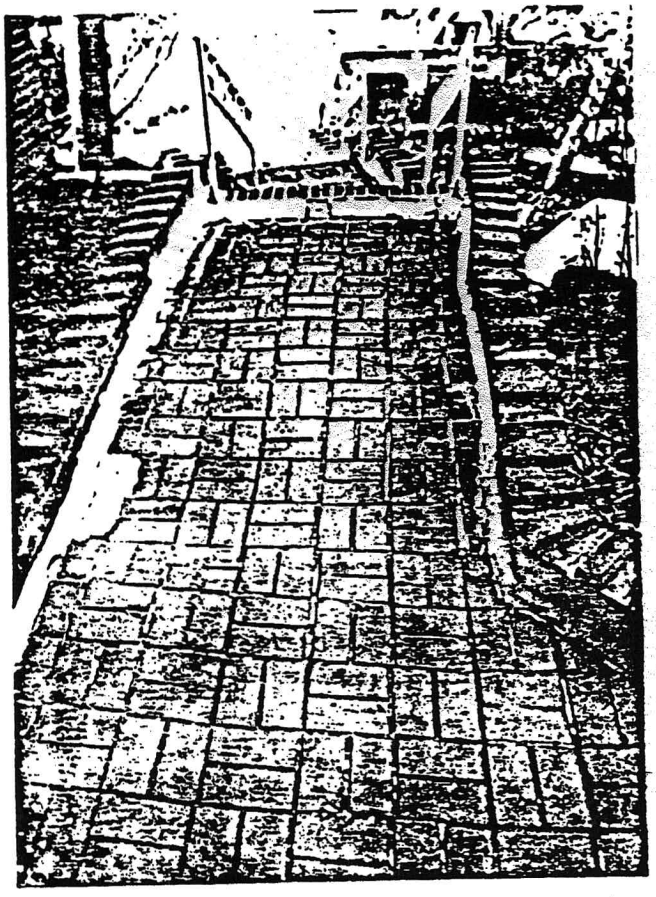
28. Wood frames are rotten; seal is poor.



29. Hallway window frames in poor condition.



30. Main entrance has peeling paint overhead.



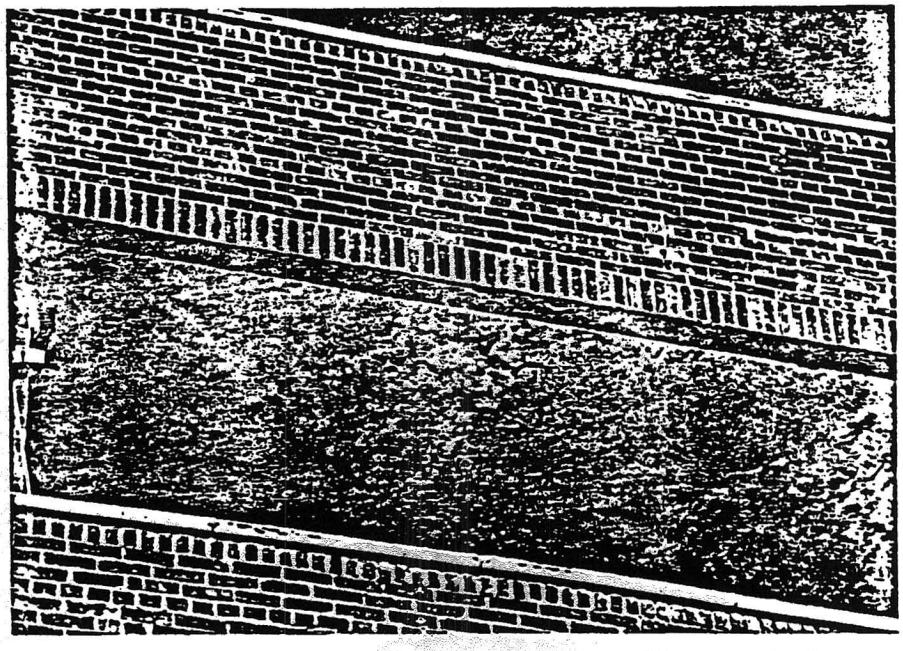
31. Walkways up to main entrance are uneven and dangerous to walk on.



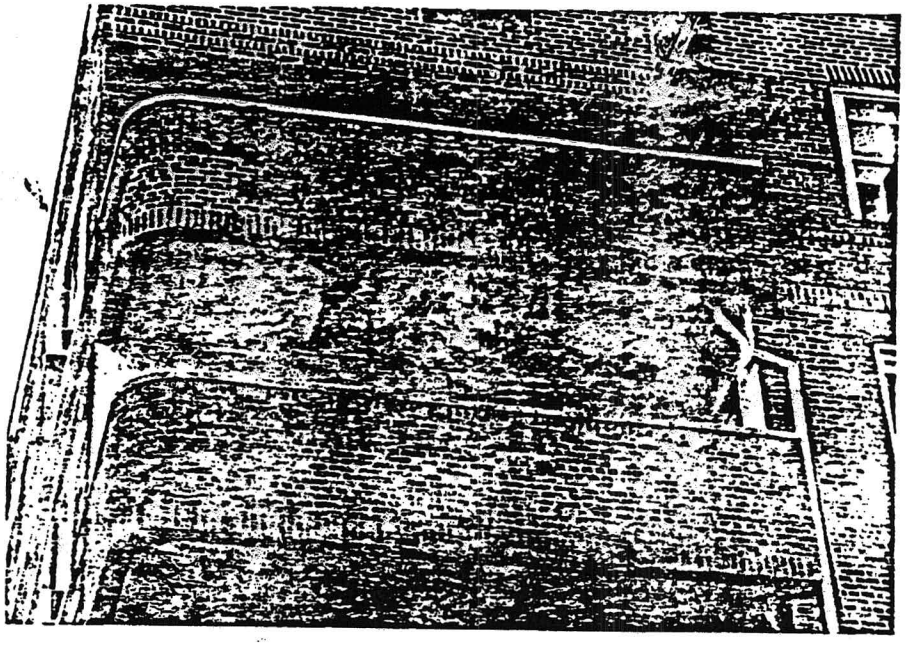
32. Terraces have exposed reinforcing bars; also note spalled brick above.



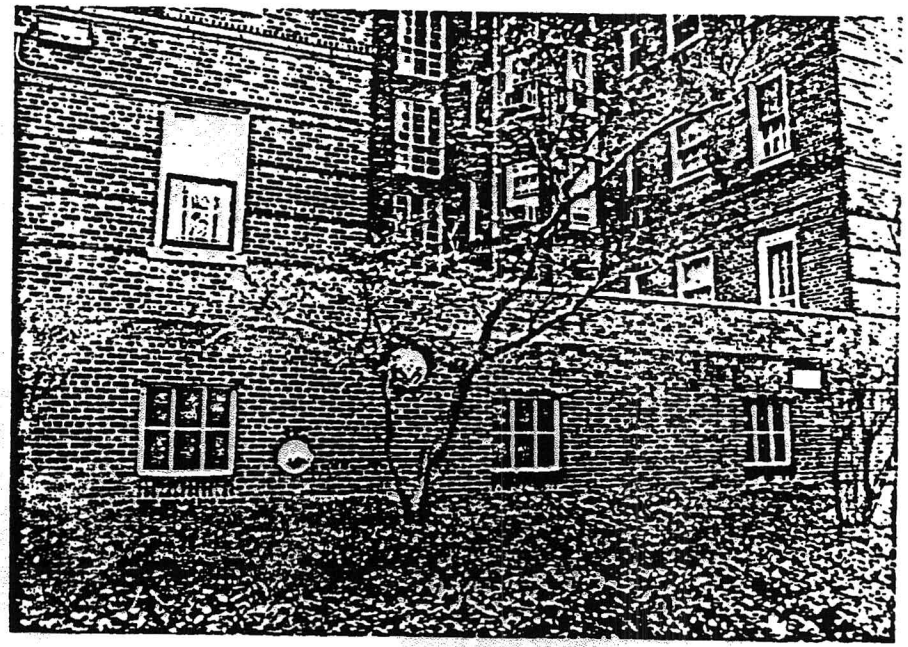
33. Brick corners are missing and terrace ceilings are deteriorating.



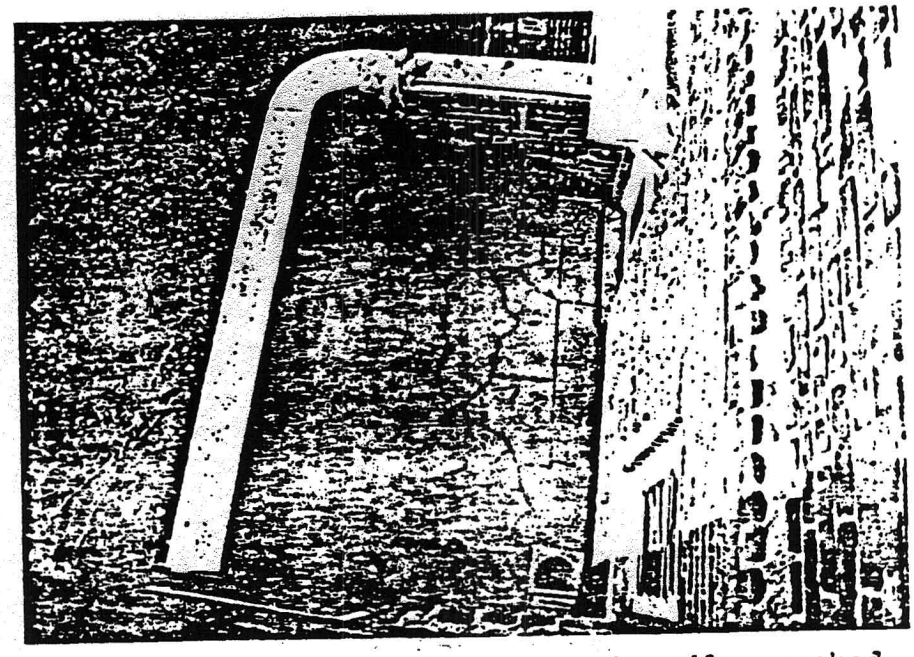
34. Steel corner angles are heavily rusted.



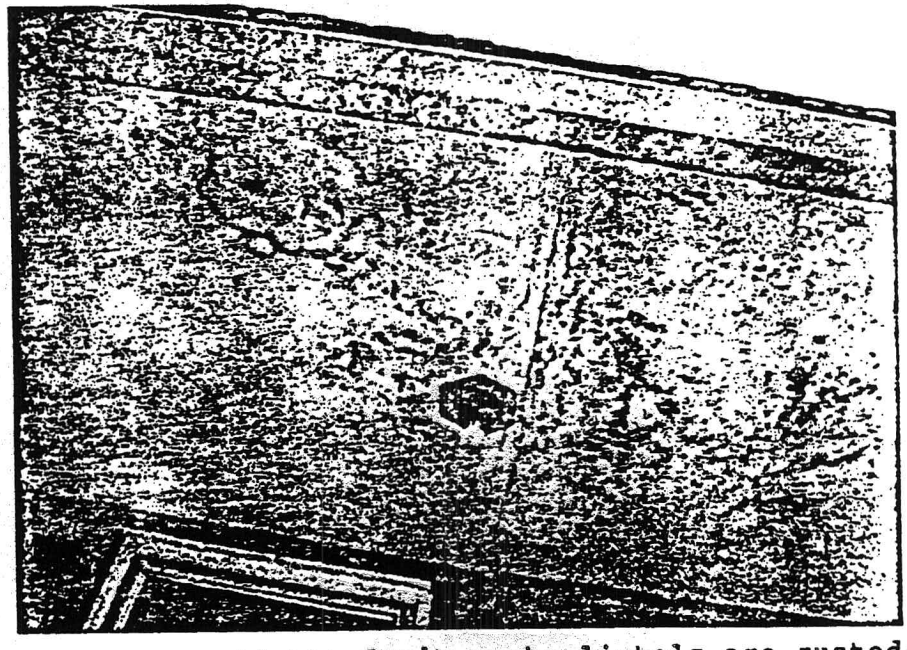
35. Terrace ceilings and brickwork are all in need of repair.



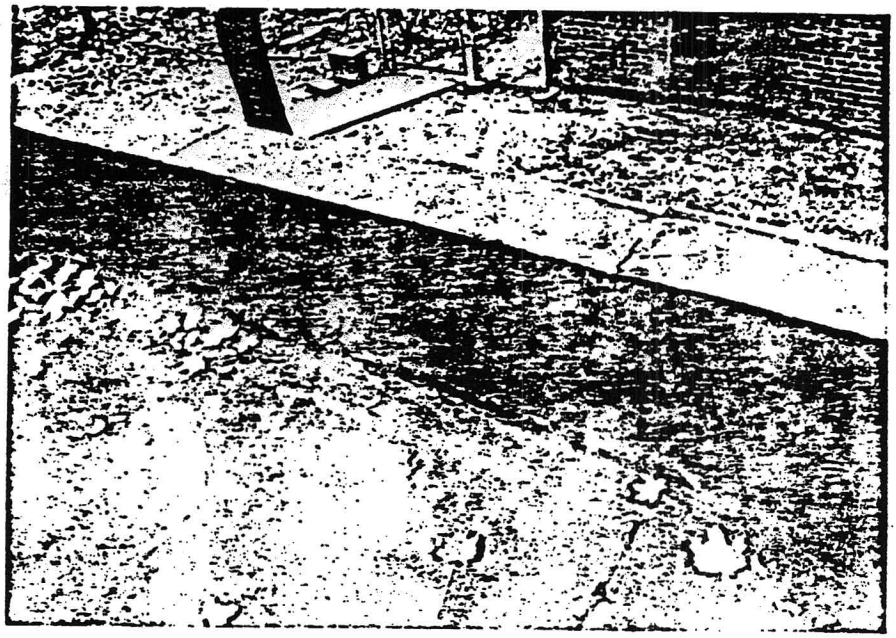
36. "Patio" areas above garage are easily accessible to robbers.



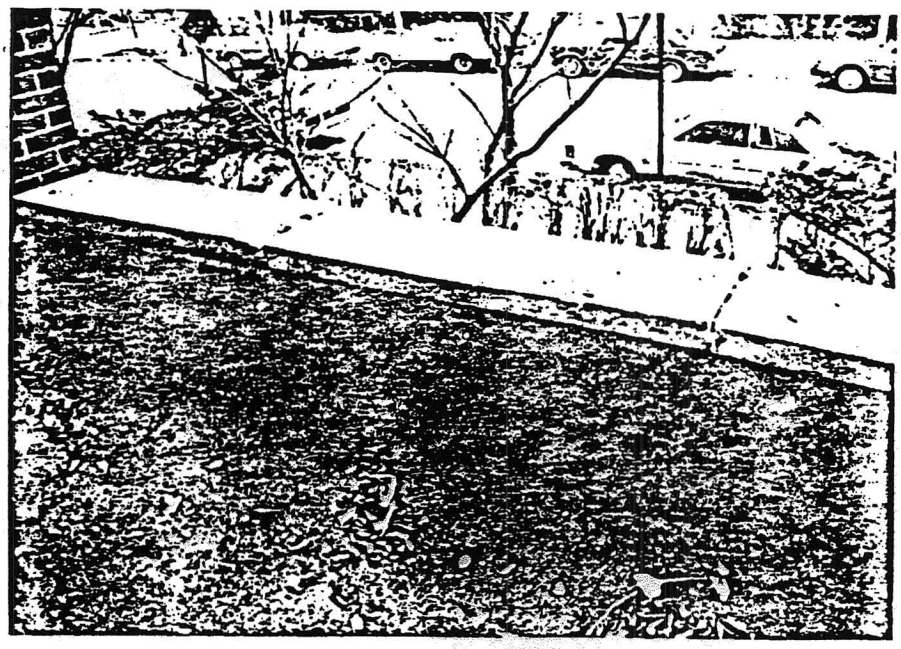
37. Terrace concrete floors are heavily cracked.



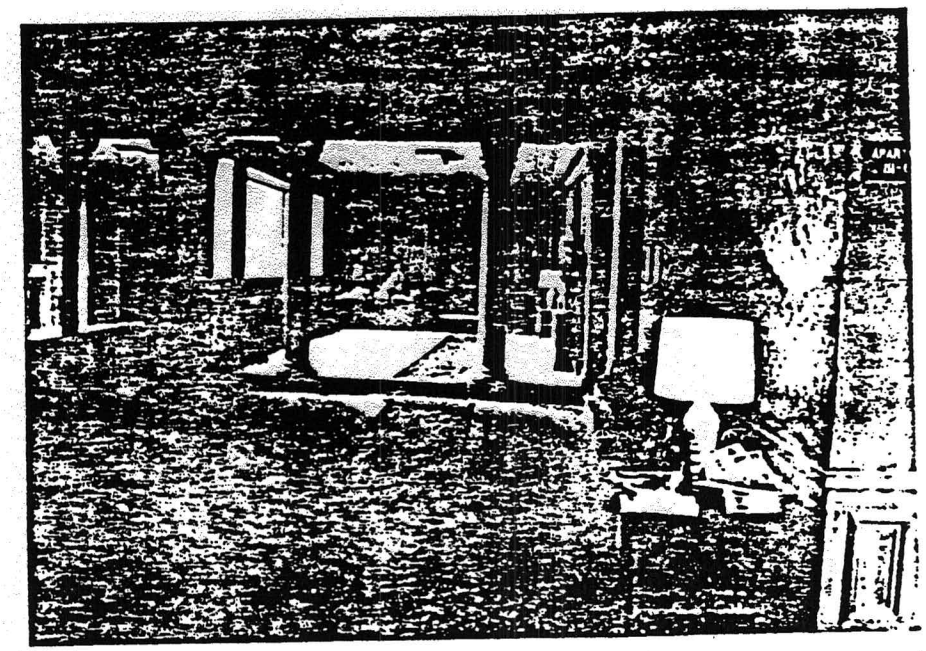
38. Terrace lights don't work; lintels are rusted; ceilings spalled.



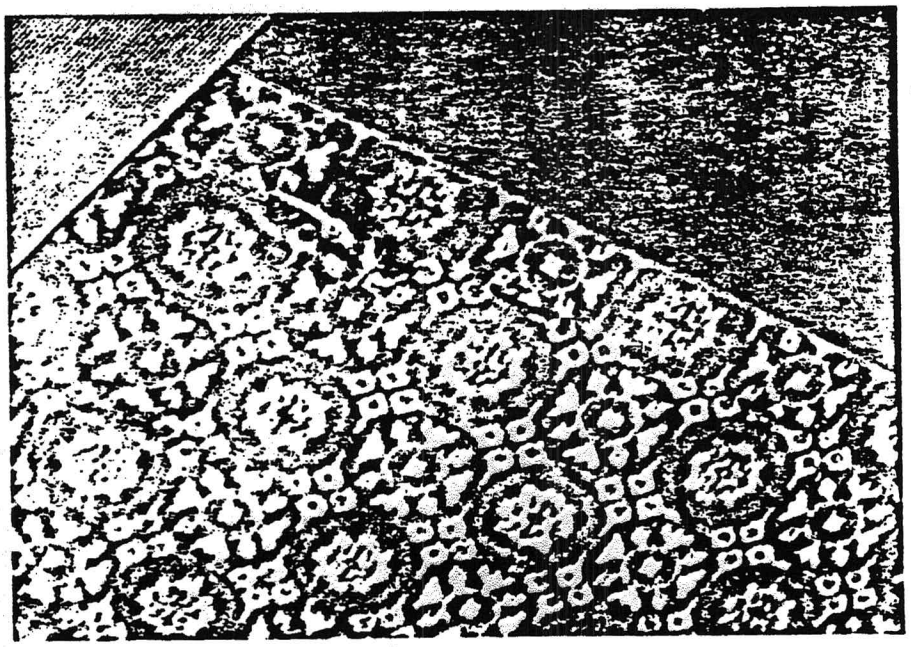
39. Rips and cracks in patio flashing.



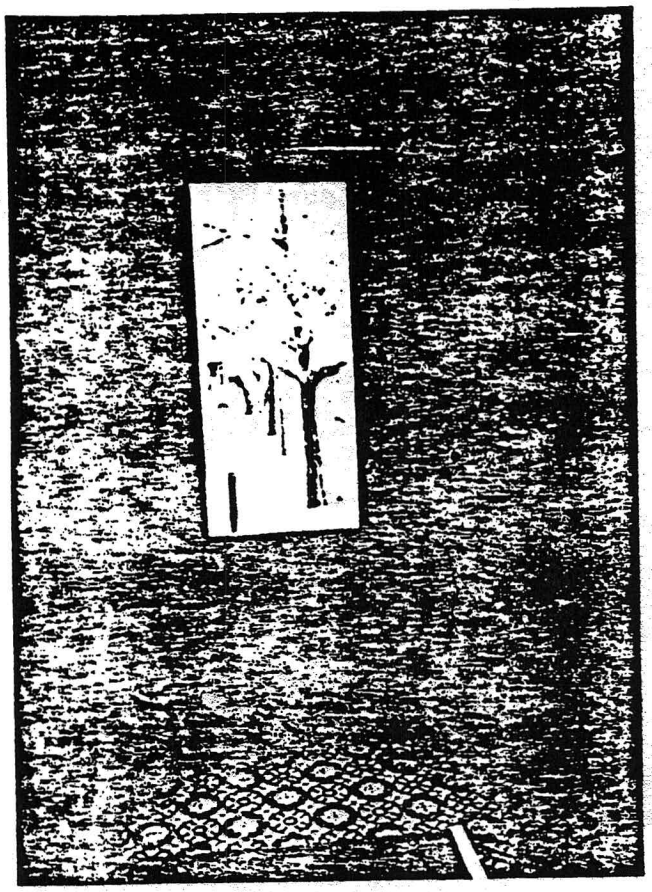
40. Open joints in patio copings.



41. Lobby is dark and drab.



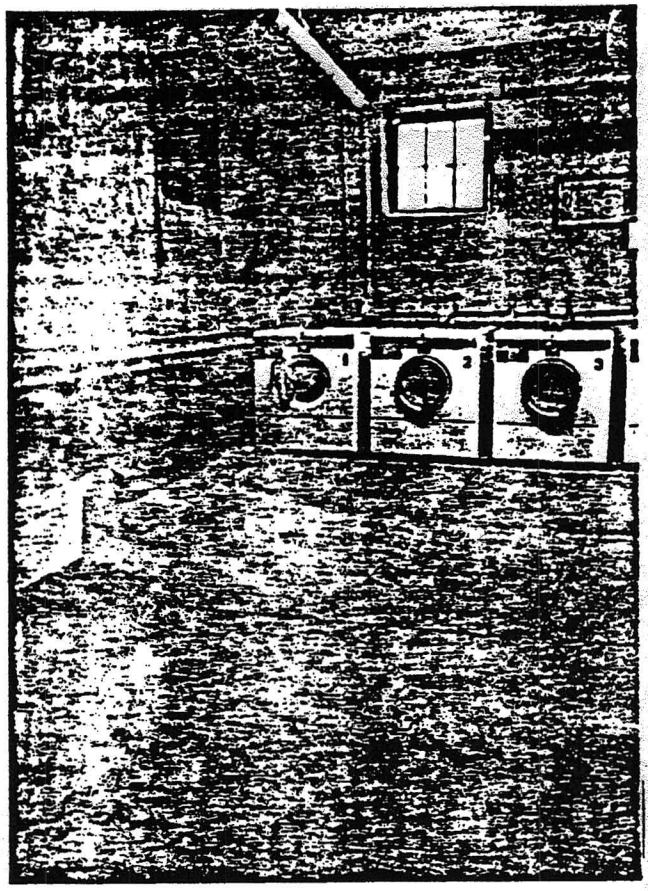
42. Carpeting is worn.



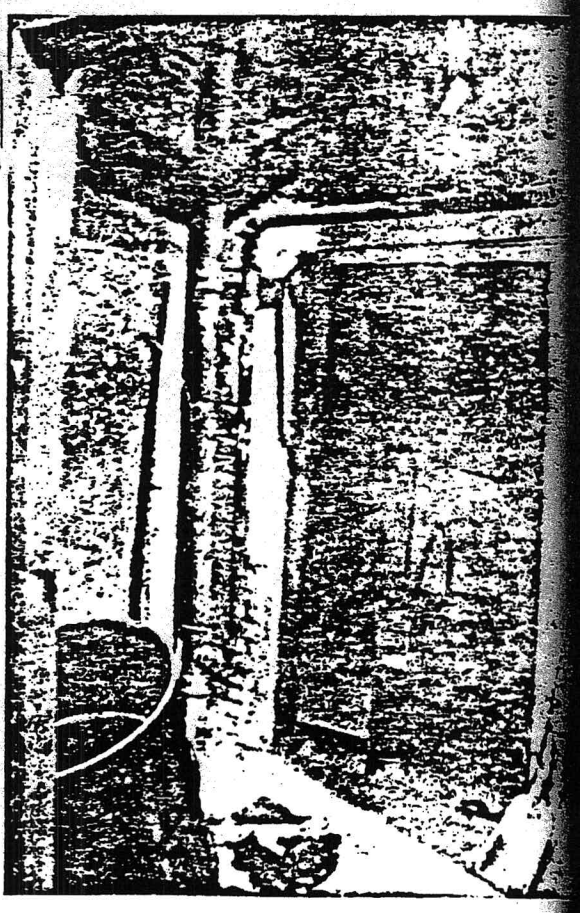
43. Rear lobby door is locked and not sealed properly.



44. Hallway walls are in disrepair.



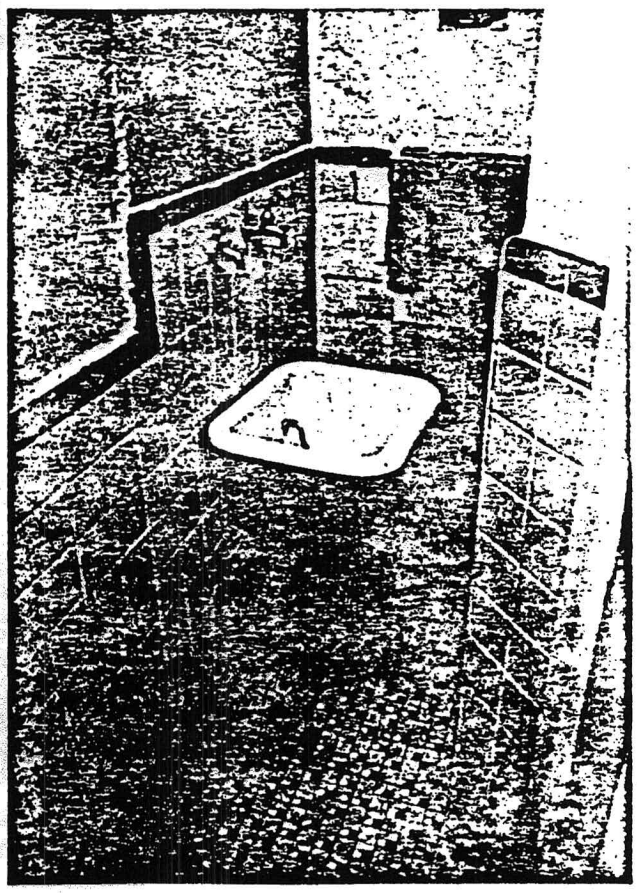
45. Laundry room lighting is poor, floors and walls are dirty, wall fan inoperative.



46. New compactor room is next to apartments; odors and pests permeate area.



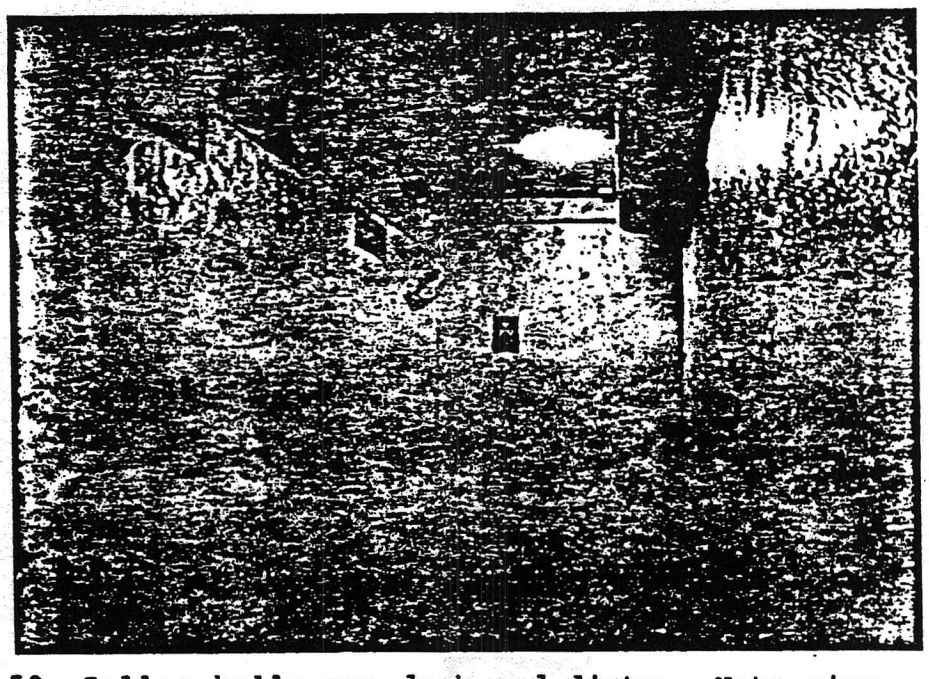
47. Compactor area is dirty and unkept.



48. Trash chute doors don't self-close.



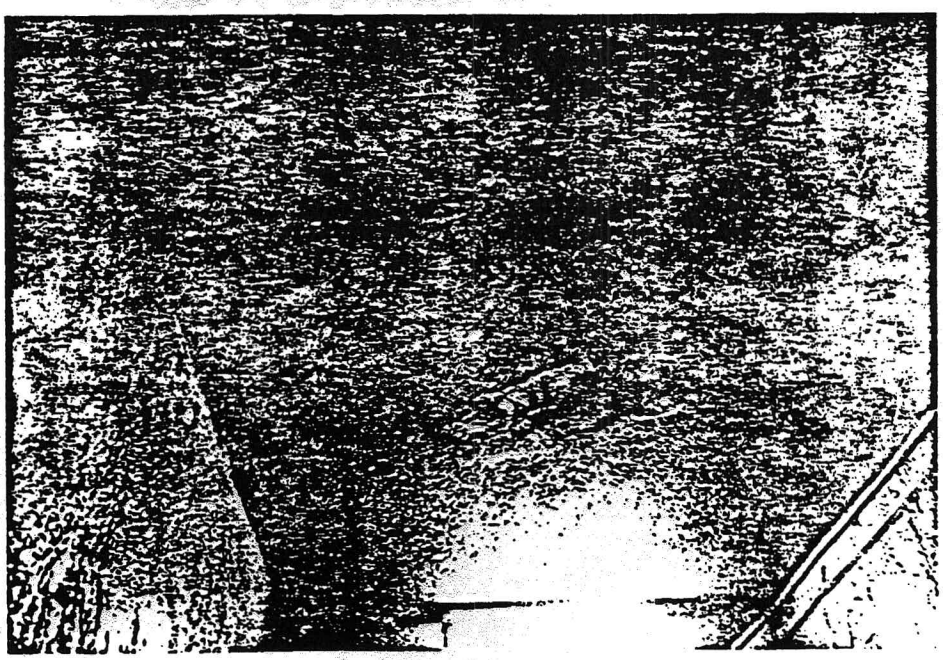
49. Meter rooms are cluttered with trash and old appliances.



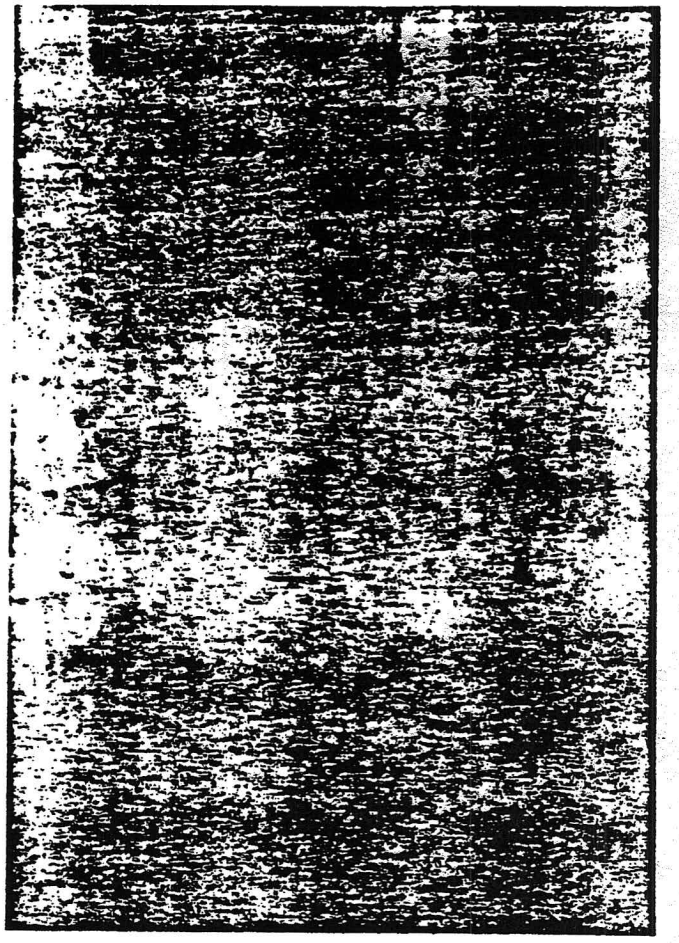
50. Cellar halls are dark and dirty. Note size and location of corner mirror.



51. Tenants fear the poorly lit cellar hallways.



52. Cellar ceilings and walls are blistering.



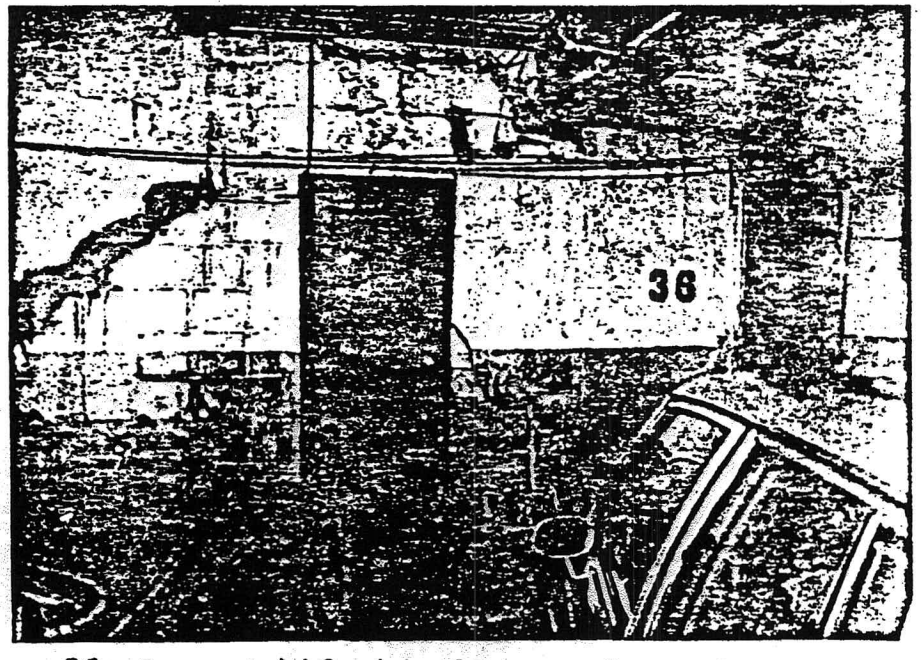
53. Cellar floors are dirt
and have peeling paint



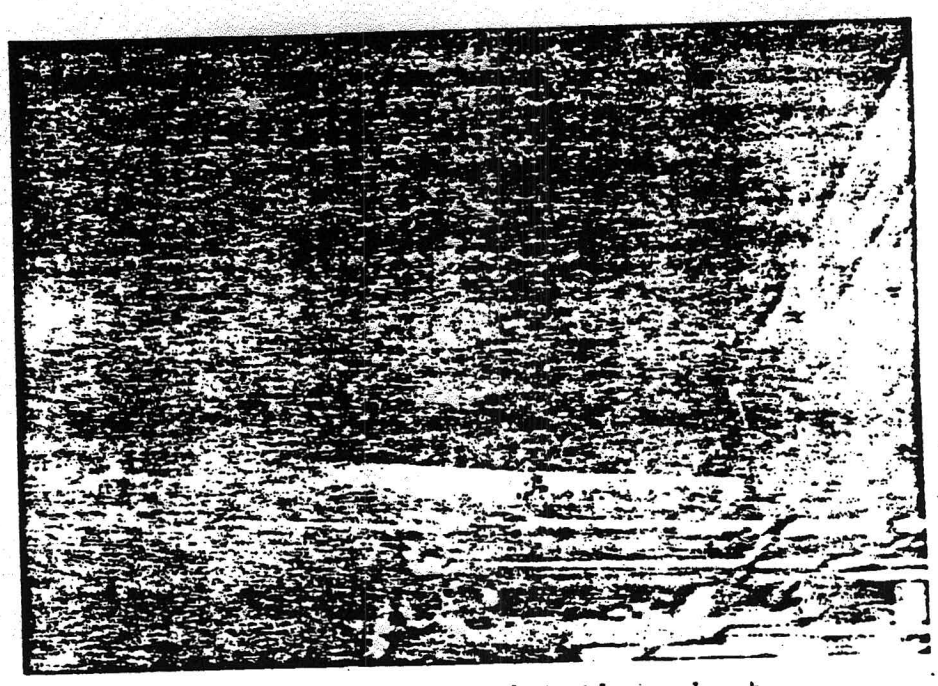
54. Garage overhead pipe insulation is falling off.



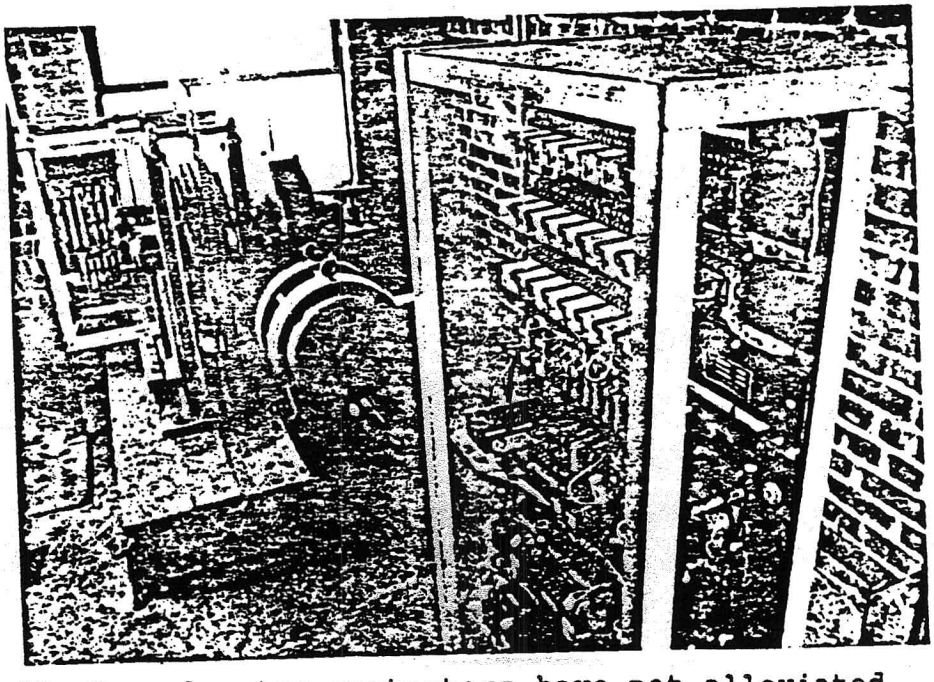
55. Trench drain is clogged.



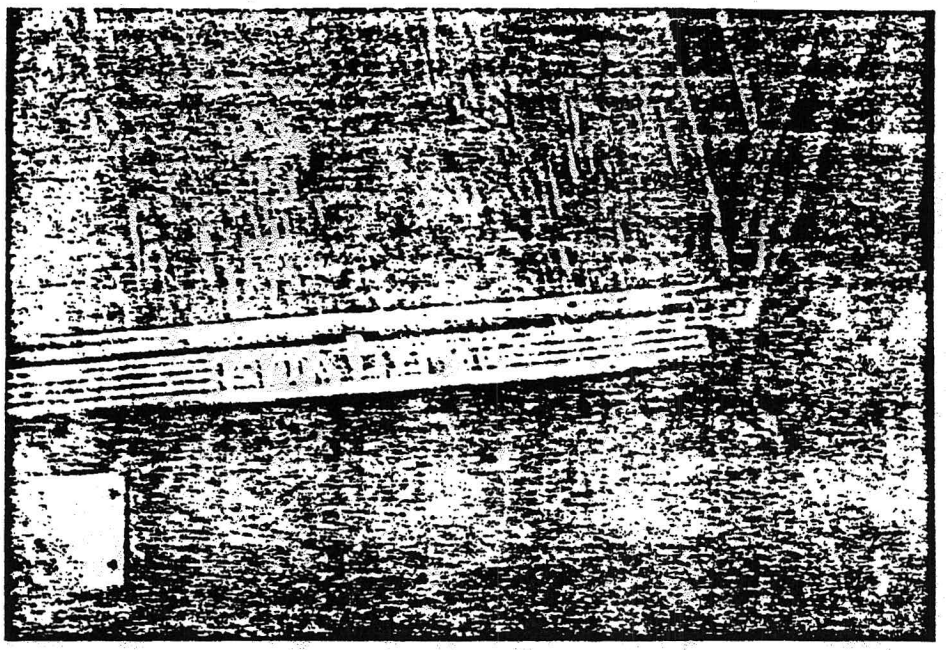
56. Concrete block walls are damaged.



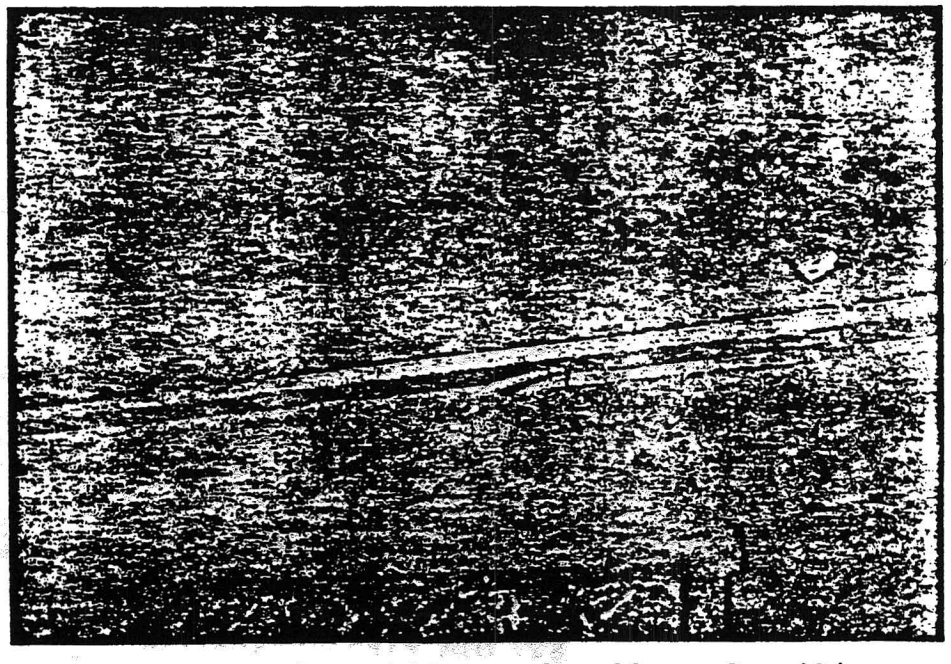
57. Ceiling leaks exist throughout.



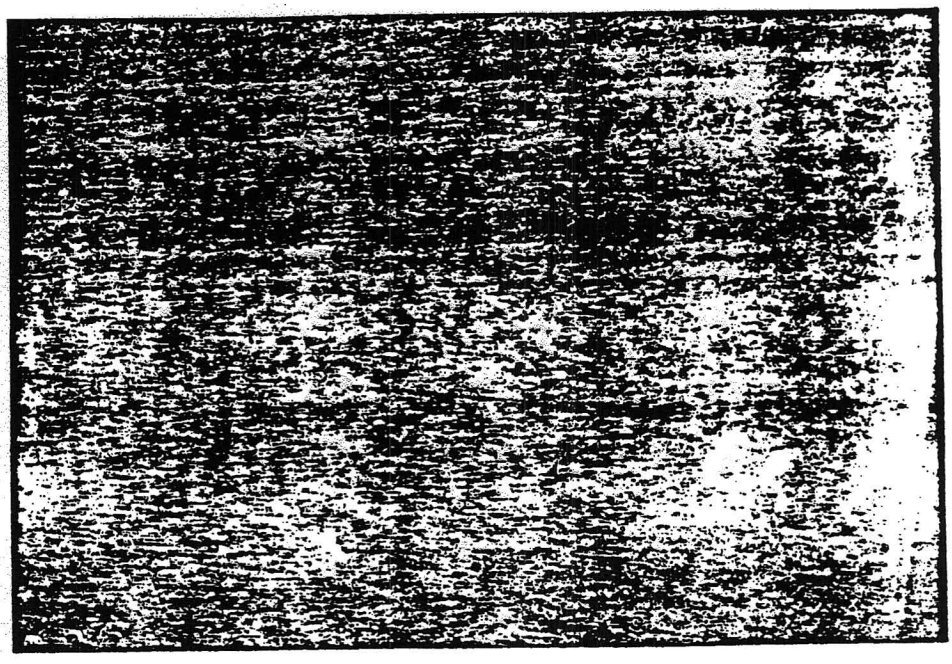
58. New elevator contactors have not alleviated control problems.



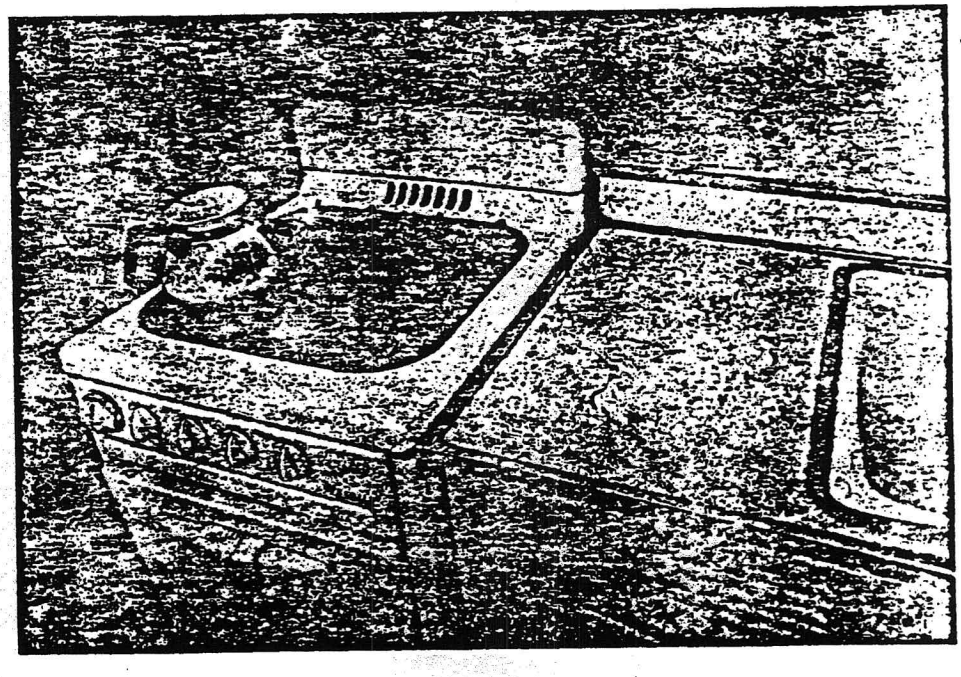
59. Elevator cabs do not level at floors.



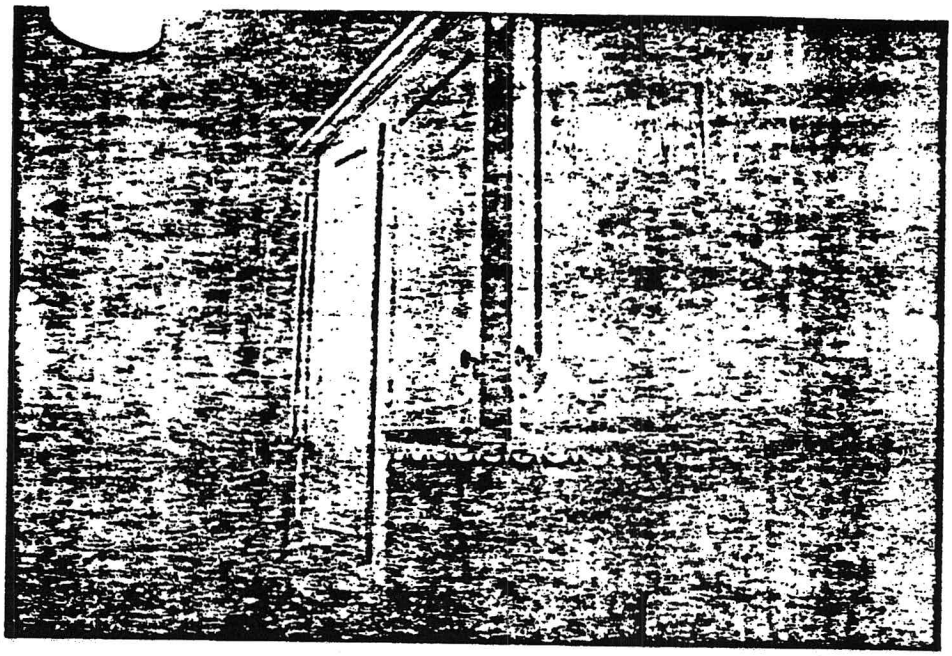
60. Apartments have blistered walls and ceilings from water leaks.



61. Ceilings leak and resultant damage.



62. Old kitchen appliances.



63. Wood cabinets don't close.

P R O P R I E T A R Y L E A S E

Unit No:
Shares:

WATERFALL APTS INC.

Lessor,

-to-

Lessee.

PROPRIETARY LEASE

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Lessor's Obligation to Maintain and Manage the Building	6
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PROPRIETARY LEASE

WATERFALL APTS INC.

PROPRIETARY LEASE, Made as of _____, by and between WATERFALL APTS INC., a New York Corporation, having an office c/o Schiff, Turek & Kakoyiannis, 136 East 57th Street, New York, New York, (the "Lessor") and _____ (the "Lessee").

WHEREAS, the Lessor is the Owner of land and the building erected thereon in the City of New York, known as and by the street number 1620 Avenue I, Brooklyn, New York, (the "Building") and

WHEREAS, the Lessee is the owner of _____ shares of the Lessor, to which this lease is appurtenant and which have been allocated to unit ____ in the building (the "unit");

NOW THEREFORE, in consideration of the premises, the Lessor hereby leases to the Lessee, and the Lessee hires from the Lessor, subject to the terms and conditions hereof, the unit for a term from _____ until December 31, 2080 (unless sooner terminated as hereinafter provided).

1. MAINTENANCE. The rent (sometimes called maintenance payable by the Lessee equals that proportion of the Lessor's cash requirements which the number of shares of the Lessor allocated to the unit bears to the total number of shares issued and outstanding on the date of the determination of such cash requirements. Such maintenance shall be payable in equal monthly installments in advance on the first day of each month without deduction or set off or claim which the Lessor may have against Lessee. Maintenance shall include the cost of gas and electricity consumed within the unit except if same shall be measured by meter, in which event such costs shall be paid by Lessee directly to the utility company.

2. SHARES OF STOCK. In every proprietary lease there will be specified, the number of shares of the Lessor issued to a lessee simultaneously therewith.

3. CASH REQUIREMENTS. "Cash Requirements" whenever used herein shall mean the estimated amount in cash which the Directors shall from time to time in its judgment determine to be necessary or proper for the operation, maintenance, care, alteration and improvement of the corporate property. The Directors may from time to time modify its prior determination and increase or diminish the amount previously determined as cash requirements.

4. PAID IN SURPLUS. The Directors may from time to time determine how much of the maintenance and other receipts, shall be credited on the corporate accounts to "Paid-in-Surplus". Unless the Directors shall determine otherwise, the amount of payments on account of principal of any mortgages shall be credited to Paid-in-Surplus.

5. LESSOR'S OBLIGATION TO REPAIR. The Lessor shall at its expense keep in good repair the building, the sidewalks surrounding the same, and its equipment and apparatus except those portions the maintenance and repair of which are expressly stated to be the responsibility of the Lessee.

6. LESSOR'S OBLIGATION TO MAINTAIN AND MANAGE THE BUILDING. The Lessor shall maintain and manage the building and shall keep the public halls, cellars and stairways clean and properly lighted and heated, and provide for the proper care and service of the building, and shall provide the unit with a proper and sufficient supply of hot and cold water and of heat, when deemed appropriate by the Directors. The covenants by the Lessor herein contained are subject, however, to the discretionary power of the Directors to determine from time to time what services and what attendants shall be proper and the manner of maintaining and operating the building, and also what services shall be changed, or terminated.

7. CASUALTY DAMAGE AND LIABILITY INSURANCE. If the unit or the building shall be damaged by fire or other cause covered by insurance carried by the Lessor, the Lessor shall at its own cost and expense, repair the damage including the walls, floors, ceilings, pipes, wiring, and conduits in the unit. Lessor shall not be required to repair or replace, equipment, fixtures, furniture, furnishings or decorations installed by the Lessee nor shall the lessor be obligated to repaint or replace wallpaper or other decorations in units. The liability insurance carried by the Apartment Corporation shall contain an endorsement, if available, naming the Holders of Unsold Shares as additional named insured as their respective interest may appear with any additional premiums incurred to be paid by the Holders of Unsold Shares.

8. ABATEMENT OF RENT. In case the damage resulting from fire or other cause shall be so extensive as to render the unit partly or wholly untenantable, the rent hereunder shall proportionately abate until the unit shall again be rendered wholly tenantable; but if said damage shall be caused by the act of negligence of the Lessee or any occupant of the unit, such rental shall abate only to the extent of the rental value insurance, if any, collected by Lessor with respect to the unit.

9. REPAIR OF CASUALTY DAMAGE. If the Directors shall determine that the building is so damaged that it cannot be repaired within a reasonable time, or that the damage was caused by hazards which are not covered under the Lessor's insurance and if the holders of at least two-thirds of the issued shares, at a shareholders' meeting duly called for that purpose, shall vote not to repair, restore, or rebuild, then upon the giving of notice pursuant to paragraph 36, this Lease and all other proprietary leases, shall thereupon cease and expire and rent shall be paid to date of such damage. The Lessee hereby waives all rights under Section 227 of the Real Property Law.

10. WAIVER OF SUBROGATION. In the event that the Lessor suffers loss or damage for which Lessee would be liable, and Lessor carries insurance policies which contain a waiver of subrogation against the Lessee, then in such event Lessor releases Lessee from any liability with respect to such loss or damage. The Lessor agrees to use its best efforts to obtain a provision in all insurance policies carried by it waiving the right of subrogation against the Lessee.

11. BOOKS OF ACCOUNT OF LESSOR. The Lessor shall keep full and correct books of account at its principal office or at such other place as the Directors may from time to time determine, and the same be open during all reasonable hours to inspection by the Lessee or a representative of the Lessee. The Lessor shall deliver to the Lessee within a reasonable time after the end of each fiscal year an annual report of corporate financial affairs, including a balance sheet and a statement of income and expenses, certified by an independent certified public accountant.

12. CHANGES IN PROPRIETARY LEASE. This proprietary lease (and all other proprietary leases) may be changed by the approval of at least 66-2/3% of the lessees and such changes shall be binding even if the Lessee did not vote for such changes except that the proportionate share of rent or cash requirements payable the Lessee may not be increased nor may his right to cancel the lease under the conditions set forth in paragraph 46 to be eliminated or impaired without his express consent.

13. TERRACE, BALCONY OR ROOF. If the unit includes a terrace, balcony or a portion of the roof, the Lessee shall have the exlusive use of said areas subject to the provisions of this lease and subject to such regulations as may, from time to time, be prescribed by the Directors. The Lessor shall have the right to erect equipment on the roof, including radio and television aerials and antennas, for its use and the use of the lessees in the building and shall have the right of access thereto for such installations and for the repair thereof. The Lessee shall keep the terrace, balcony, or portion of the roof appurtenant to his unit clean and free from snow, ice, leaves and other debris and shall maintain all screen and drain boxes in good condition. No planting, fences or structures shall be erected or installed or maintained on the terraces, balconies, or roof of the building nor shall the walls thereof be painted by the Lessee without the prior written approval of the Lessor.

14. POSSESION BY THIRD PARTY.

(A) If at the date of the commencement of this lease, any third party shall be in possession or have the right to possession of the unit, then the Lessor assigns to the Lessee all of the Lessor's rights against said third party, and the Lessee assumes all of the Lessor's obligations to said third party from said date. The Lessor agrees to cooperate with the Lessee, in the enforcement of the Lesses's rights against said third party.

(B) In the event the said third party shall be a "eligible senior citizen" or "eligible disabled person" as defined in General Business Law §352-eeee, or in the event the "Offering Plan" as refered to in paragraph 49 of this Proprietary Lease is a "Non-Eviction Plan", the Lessee shall have no right to terminate the existing tenancy of said third party (except for non-payment of rent, or other breach of his lease) even if the Lessee seeks to occupy the unit for his own use or for the use of

any member of his family; and in such event, the rights afforded the Lessee pursuant to §61 of the Rules of the Rent Stabilization Association of New York City, Inc., or of §54 of the Rent and Eviction Regulations of the Housing Preservation and Development Administration of the City of New York shall not apply. In such cases, the non-purchasing tenants shall not be subjected to unconscionable increases beyond rentals for comparable apartments during their occupancy.

(C) The lessee shall be required to deposit a sum equivalent to at least two month's maintenance for the apartment with the managing agent of the lessor within 30 days of lessee's execution of the proprietary lease. The fund is to be used as working capital to furnish services required under the non-purchasing tenant's lease and/or pursuant to the applicable laws and regulations. Upon notice by the managing agent that the deposit has been diminished, the fund shall be replenished by the shareholder within 30 days of such notice. The failure of the shareholder to replenish the fund in a timely fashion shall result in the Apartment Corporation having a lien against the shares appurtenant to the dwelling unit. Interest, if any, earned on the fund shall be the property of the shareholder.

(D) The rights of non-purchasing tenants enumerated in this paragraph 14 may not be changed or amended as otherwise provided for in paragraph 12 above.

15. QUIET ENJOYMENT. The Lessee, shall at all times, quietly have, hold and enjoy the unit subject to any and all mortgages and underlying leases of the land and building.

16. HOLD HARMLESS AGREEMENT. The Lessee agrees to save the Lessor harmless from all liability, loss or damage, due wholly or in part, any act or omission of the Lessee or his agent or of any person dwelling or visiting in the unit. This paragraph shall not apply to any loss or damage when Lessor is covered by insurance which provides for waiver of subrogation against the Lessee.

17. HOUSE RULES. The Lessor has adopted House Rules which are appended hereto and made a part of this proprietary lease and the Directors may alter, amend or repeal such House Rules and adopt new House Rules. The Lessee shall comply with all such House Rules. Breach of a House Rule shall be a default under this Lease. The Lessor shall not be responsible to the Lessee for the nonobservance or violation of House Rules by any other lessee or person.

18. USE OF THE UNIT. The Lessee shall not, without, the written consent of the Lessor, upon such conditions as Lessor may prescribe, use the unit or permit the same to be used for any purpose other than for a lawful home occupation and/or as a private dwelling or to permit the unit to be occupied by anyone other than Lessee, his immediate family and domestic employees.

19. SUBLETTING. Except as provided in paragraph 20 of this lease, the Lessee shall not sublet the whole or part of the unit or renew or extend any previously authorized sublease, without the written consent of the Lessor if the Lessor shall have failed or refused to give such consent, then by lessees owning at least two-thirds of the then issued shares of the Lessor by written consent or by affirmative vote taken at a meeting called for such purpose. Any consent to subletting may be subject to such conditions as the Directors or lessees, as the case may be, may impose.

20. ASSIGNMENT OF PROPRIETARY LEASE. The Lessee shall not assign this lease or transfer the shares to which it is appurtenant until:

(a) an assignment in form approved by Lessor executed by the assignor is delivered to the Lessor; and

(b) an assumption agreement by the assignee in form approved by Lessor is delivered to the Lessor, or, at the request of the Lessor, a new lease in the same form for the remainder of the term is entered into; and

(c) All shares of the Lessor to which this lease is appurtenant is transferred to the assignee, with proper transfer taxes paid; and

(d) All sums due from the Lessee is paid to the Lessor, together with a sum to be fixed by the Directors to cover reasonable legal and other expenses of the Lessor and its managing agent in connection with such assignment and transfer of shares; and

(e) Except in the case of an assignment, transfer or bequest to the Lessee's spouse, and except as provided in paragraph 23 of this lease, consent to such assignment by Lessor or if Lessor shall fail or refuse to give such consent within 30 days after request therefore made in writing by Lessee, then by lessees owning at least 65% of the issued shares of the Lessor, evidenced by written consent or by affirmative vote taken at a meeting called for such purpose.

21. CONSENT TO ASSIGNMENT OF PROPRIETARY LEASE. If the Lessee shall die, consent shall not be unreasonably withheld to an assignment of the lease and shares to a financially responsible member of the Lessee's family (other than the Lessee's spouse as to whom no consent is required).

22. LIABILITY UPON ASSIGNMENT OF PROPRIETARY LEASE. If the lease shall be assigned in compliance herewith, the Lessee-assignor shall have no further liability under this lease.

23. PLEDGE OF SHARES. The Lessee may pledge and assign this lease and the shares allocated to the unit as security for a loan made to the Lessee by a bank, trust company, insurance company or other recognized lending institution under such terms and conditions as shall be satisfactory to Lessor and Lender to be contained in an agreement commonly known as a "Recognition Agreement." In such event (a) the shares will not be voted by the Lender; (b) the Lessor will give the Lender a copy of any notice of default which the Lessor may give to the Lessee and if the Lessee fails to cure such default then the Lender shall have as additional time, such time as was given the Lessee within which to secure said default; and the Lessor will not act upon said default until the time afforded the Lender has elapsed; (c) if the lease is terminated by the Lessor as a result of a default on the part of the Lessee, the Lessor shall promptly give notice of such termination to the lender and upon written request of the Lender, made within 30 days after such notice, the Lessor shall commence summary proceedings for disposess at Lender's expense and shall within 60 days after the said written notice reissue the shares and execute a new proprietary lease with any individual designated by the Lender provided, however, that the Lessor shall have received payments on behalf of the Lessee of all sums due under this lease to the date of a reissuance of the shares; (d) if the Lessee defaults under the loan agreement with the Lender and notice of such default is given to the Lessor, the indivdual designated by the Lender shall receive the transfer of shares and the proprietary lease shall be made to such individual upon such instruments as shall be reasonably satisfactory to the Lessor; (e) the Lessor shall not, without the prior written consent of the Lender, change the terms of this lease, accept a surrender of this lease, permit an assignment of the lease or a subletting of the apartment, consent to any further mortgage on this lease; (f) any designee of the Lender may cancel this lease pursuant to foreclosure upon 30 days notice; (g) the Lender shall indemnify the Lessor for all losses and expenses which may be claimed by the Lessee resulting from the acts or omissions of either the Lessor or the Lender, and the Lessor shall give the Lender prompt written notice of such claim, which the lender may contest in behalf of the Lessor at the Lender's expense; (h) when the loan is paid the Lender will give notice to the Lessor to that effect; (i) the Recognition Agreement may contain such different or additional terms as the Lessor and the Lender may agree.

24. LESSEES OBLIGATION TO MAINTAIN THE UNIT. The Lessee shall keep the interior of the unit (including walls, floors and ceilings, and including windows, window panes, window frames, sashes, sills, entrance and terrace doors, frames and saddles) in good repair, shall do all of the painting and decorating of the unit and shall be solely repsonsible for the maintenace, repair, and replacement of plumbing, gas and heating fixtures and exposed gas, steam and water pipes and any special pipes under the floor, but shall not include gas, steam water or other pipes or conduits within the walls, ceilings or floors or air conditioning or heating equipment which is part of the standard building equipment. The Lessee shall be solely responsible for the maintenance, repair and replacement of all lighting and electrical fixtures, appliances and equipment and all meters, fuse boxes or circuit breakers and electrical wiring and conduits from the junction box at the riser into and through the Lessee's unit. Any ventilator or air conditioning device which shall be visible from the outside of the building shall at all times be painted by the Lessee in a standard color which the Lessor may select for the building.

25. DAMAGE TO UNIT. If, in the Lessor's sole judgment, any of the Lessee's equipment or appliances shall result in damage to the building or interruption of service to other portions of the building, or if any such appliances visible from the outside of the building, or if any such appliances visible from the outside of the building shall become rusty or discolored; the Lessee shall promptly, on notice from the Lessor, remedy the condition and, pending such remedy, shall cease using any appliance or equipment which may be creating the objectionable condition.

26. CHANGES OR ALTERATIONS TO THE UNIT. The Lessee with the exception of the Sponsor and Holders of Unsold Shares, must obtain prior written consent of the Board of Directors prior to making any alterations or changes in the apartment, which consent shall not unreasonably be withheld. The Lessee will comply with all the requirements of the Board of Fire Underwriters, insurance authorities and all governmental authorities and with all laws, ordinances, rules and regulations with respect to the occupancy or use of the unit. If any mortgage affecting the land or the building shall contain any provision pertaining to the right of the Lessee to make changes or alterations, or to remove any of the fixtures, appliances, equipment or installations, the Lessee herein shall comply with the requirements of such mortgage or mortgages relating thereto. Upon the Lesses's written request, Lessor will furnish Lessee with copies of applicable provisions of each and every such mortgage.

27. OBLIGATION TO MAKE REPAIRS TO THE UNIT. If the Lessee shall fail for 30 days after notice to make repairs to any part of the unit, its fixtures, or equipment as herein required, or shall fail to remedy a condition which has become objectionable to the Lessor for reasons set forth above, the Lessor may make such repairs, or remove such objectionable condition or equipment, or perform such act, without liability to the Lessor; provided that, if the condition requires prompt action, notice of less than 30 days or, in case of emergency, no notice need be given. In all such cases the Lessor, it agents, and contractors shall, as between the the Lessor and Lessee, be conclusively deemed to be acting as agents for the Lessee, and contracts therefore made by the Lessor shall be so construed whether or not made in the name of the Lessee, and all expenses

incurred or for which it has contracted hereunder, shall be payable by the Lessee on demand as additional rent.

28. INCREASE OF RATE OF FIRE INSURANCE. The Lessee shall not permit of suffer anything to be done or kept in the unit which will increase the rate of fire insurance on the building. If, by reason of occupancy or use of the unit by the Lessee, the rate of fire insurance on the building is increased, the Lessee shall be liable for the additional insurance premiums incurred by Lessor, and the Lessor shall have the right to collect the same as additional rent.

29. ALTERATIONS TO UTILITY LINES AND FIXTURES. The Lessee with the exception of the Sponsor and Holders of Unsold Shares, may not, without the prior written consent of the Board of Directors, which consent shall not be unreasonably withheld, make any alteration, enclosure or addition to the unit or any to the water, gas or steam risers or pipes, heating or air conditioning system or units, electrical conduits, wiring or outlets, plumbing fixtures, intercommunication or alarm systems, or any other installation of facility in the unit or building. The performance by Lessee of any work shall be in accordance with any applicable rules and regulations of the Lessor and governmental agency having jurisdiction. The Lessee shall not in any case install any appliances which will overload the existing wires or equipment in the building.

30. REMOVAL OF FIXTURES AND APPLIANCES. Lessee shall not remove any fixtures, appliances, additions or improvements from the unit except without structural alterations or permanent damage to the unit, provided that the Lessee shall, at his own expense, repair all damage which shall have been caused by either the installation or removal of any of such additions, improvements, appliances or fixtures; and that if any mortgage had acquired a lien on any such property prior to the execution of this lease, Lessee shall first procure from such mortgagee its written consent to such removal.

31. SURRENDER OF POSSESSION. On the expiration or termination of this lease, the Lessee shall surrender to the Lessor possession of the unit and any additions, improvements, fixtures or appliances not removed by the Lessee on or before such expiration or termination of this lease shall, at the option of the Lessor, be deemed abandoned and shall become the property of the Lessor and may be disposed of by the Lessor without liability or accountability to the Lessee.

32. SUBORDINATION OF LEASE. This lease is and shall be subject and subordinate to all ground or underlying leases and to any mortgages now or hereafter liens upon such leases or on the property of the Lessor, and to any and all extensions modifications, consolidations, renewals and replacements thereof. This clause shall be self-operative and no further instrument of subordination shall be required by any such mortgagee or ground or underlying Lessee. In confirmation of such subordination the Lessee shall at any time, and from time to time, on demand, execute any instruments that may be required by any mortgagee, or by the Lessor for the purpose of more formally subjecting this lease to the lien of any such mortgage or mortgages or ground or underlying leases, and the duly elected officers, of the Lessor are and each of them is hereby irrevocably appointed the attorney-in-fact and agent of the Lessee to execute the same upon such demand, and the Lessee hereby ratifies any such instrument hereafter executed by virtue of the power of attorney hereby given.

33. MECHANICS LIEN. In case a notice of mechanic's lien against the building shall be filed purporting to be for labor or material furnished or delivered at the building or the unit to or for the Lessee, the Lessee shall forthwith cause such lien to be discharged and if the Lessee shall fail to do so within 10 days after notice from the Lessor, then the Lessor may cause such lien to be discharged by payment, bonding or otherwise, without investigation as to the validity thereof or of any offsets or defenses thereto, and shall have the right to collect, as additional rent, all amounts, cost and expenses paid or incurred in connection therewith, including reasonable attorneys' fees and disbursements, together with interest thereon from the time or times of payment.

34. ACCESS TO UNIT BY LESSOR. The Lessor and its agents and their authorized workmen shall be permitted to enter the unit and any storage space assigned to lessee at any reasonable hour of the day upon notice, or at any time and without notice in case of emergency, to make or facilitate repairs in any part of the building or to cure any default by the Lessee and to remove such portions of the walls, floors and ceilings of the unit and storage space as may be required for any such purpose, but the Lessor shall thereafter restore the unit and storage space to its proper and usual condition at Lessor's expense if such repairs are the obligation of Lessor or at Lessee's expense if such repairs are the obligation of Lessee. In order that the Lessor shall have access to the unit or storage rooms for the purposes provided for in the lease, the Lessee shall provide the Lessor with a key to each lock providing access to the unit or the storage rooms. If the Lessee shall not permit any entry at any time when an entry therein shall be necessary or permissible hereunder and shall not have furnished a key to Lessor, the Lessor or the Lessor's agent may forcibly enter the apartment or storage space without liability for damages by reason thereof and without in any manner affecting the obligations and covenants of this lease.

35. WAIVER OF BREACH OF LEASE. The failure of the Lessor to insist, upon a strict performance of any of the provisions of this lease, or to exercise any right or option herein contained, shall not be construed as a waiver, of any such provisions, options or rights, but such provision, option or right shall continue and remain in full force and effect. The receipt by the Lessor of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach, and no waiver by the Lessor of any provision hereof shall be deemed to have been made unless in a writing expressly approved by the Directors.

36. NOTICES AND DEMANDS. Any notice by or demand from either party to the other shall be duly given only if in writing and sent by registered or certified mail; if by the Lessee, addressed to the Lessor at the building with a copy sent by regular mail to the Lessor's managing agent; if to the Lessee, addressed to the building. Notices or demands shall be deemed given on the date when mailed.

37. DEFAULT BY LESSEE. If the Lessee shall at any time be in default hereunder and the Lessor shall incur any expense in performing acts which the Lessee is required to perform, or in instituting any action or proceeding based on such default, or defending or asserting a counterclaim in, any action or proceeding brought by the Lessee, the expense thereof to the Lessor, including reasonable attorney fees and disbursements, shall be paid by the Lessee to the Lessor, on demand as additional rent.

38. LESSOR'S LIABILITY. The Lessor shall not be liable, except by reason of Lessor's negligence, for any failure or insufficiency of heat, water supply, electric current, gas, telephone, or elevator service or other service to be supplied by the Lessor hereunder. No abatement of rent or other compensation or claim or eviction shall be made or allowed because of failure to make repairs, alterations or decorations to the building, or for interruption or curtailment of any service agreed to be furnished by the Lessor, unless due to Lessor's negligence.

39. STORAGE SPACE AND BUILDING FACILITIES. If the Lessor shall furnish to the Lessee any storage bins or space, the use of the laundry, or any facility outside the unit, the same shall be deemed to have been furnished gratuitously by the Lessor under a revocable license. The Lessee shall not use such storage space for the storage of valuable or perishable property, and any such storage space assigned to Lessee shall be kept by Lessee clean and free of combustibles. Any use that Lessee may make of such equipment or space shall be at his own cost, risk and expense.

40. WINDOW CLEANING. The Lessee will not permit the cleaning of any window in the premises from the outside in violation of Section 202 of the New York Labor Law.

41. TERM OF LEASE. The term of this lease shall expire and the Lessee shall quit and surrender the unit to the Lessor upon at least 5 days written notice (it being the intention of the parties hereto to create hereby a conditional limitation,) upon the happening of any of the following events:

(a) If the Lessee shall cease to be the owner of the shares and this lease to which they are appurtenant;

(b) If the Lessee hereof shall be adjudicated a bankrupt a receiver of all of the property of the Lessee shall be appointed; or lessee shall make a general assignment for the benefit of creditors;

(c) If there by an assignment of this lease, or any subletting, without full compliance with the requirements of this lease; or if any person not authorized by paragraph 18 shall be permitted to use or occupy the unit;

(d) If the Lessee shall be in default for a period of one month in the payment of any rent or additional rent;

(e) If the Lessee shall be in default in the performance of any covenant or provision hereof;

(f) If at any time the Lessor shall determine upon the affirmative vote of two-thirds of its then Board of Directors, at a meeting duly called for that purpose, that because of objectionable conduct on the part of the Lessee, or of a person dwelling or visiting in the unit, repeated after written notice from Lessor, the tenancy of the Lessee is undesirable;

(g) If at any time the Lessor shall determine, upon the affirmative vote of two-thirds of its then Board of Directors, at a meeting of such Directors duly called for that purpose, and the affirmative vote of the holders of at least 75% of its issued shares, at a a shareholders' meeting duly called for that purpose, to terminate all proprietary leases;

(h) If the building shall be damaged and the shareholders shall decide not to repair or rebuild as provided in this lease.

(i) If at any time the building or a substantial portion thereof shall be taken by condemnation proceedings.

42. REPOSSESSION BY LESSOR. In the event the Lessor resumes possession of the unit, by summary proceedings, or otherwise, Lessee shall continue to remain liable for payment of a sum equal to the rent which would have become due hereunder and shall pay the same in installments at the time such rent would be due hereunder. After resuming possession, the

Lessor may, at its option, relet the unit for its own account, or relet the unit as the agent of the Lessee, in its discretion. If the Lessor relets the unit as agent for the Lessee, it shall, after reimbursing itself for its expenses in connection therewith, including leasing commissions and attorneys' fees and decorations, alterations and repairs to the unit, apply the balance against the Lessee's continuing obligations hereunder. There shall be a final accounting between the Lessor and the Lessee upon the date of expiration of the term of this lease, or the date as of which a new proprietary lease shall become effective.

43. TERMINATION OF LEASE. Upon the termination of this lease, the Lessee shall surrender to the corporation the certificate for the shares of the corporation owned by the Lessee to which this lease is appurtenant.

44. WAIVER OF RIGHT OF REDEMPTION. The Lessee hereby expressly waives any and all right of redemption in case the Lessee shall be dispossed by judgment or warrant of any court or judge.

45. SURRENDER OF POSSESSION. On or before any termination of this lease, the Lessee shall vacate and surrender possession thereof to the Lessor or its assigns, and upon demand of the Lessor, shall execute, acknowledge and deliver to the Lessor or its assigns any instrument which may reasonably be required to evidence the surrendering of this lease or the unit.

46. CANCELLATION OF LEASE BY LESSEE. This lease may be cancelled by the Lessee (except if he is a holder of "Unsold Shares") on any September 30th after September 30, 1987. Irrevocable written notice of intention to cancel must be given by the Lessee to Lessor on or before April 1, in the calendar year in which such cancellation is to occur. At the time of the giving of such notice there must be deposited with the Lessor by the Lessee: the Lessee's counterpart of this lease with a written assignment in form required by the Lessor, effective as of August 31 of the year of cancellation, free from all subleases, tenancies, liens, encumbrances and other charges whatsoever and the Lessee's certificate for his shares appurtenant to the lease, endorsed in blank for transfer and with all necessary transfer taxes due thereon; for which shares the Lessee is to receive no payment or compensation of any kind whatsoever; and on or before said August 31st the Lessee shall deliver possession of the unit to the Lessor in good condition with all required equipment, fixtures and appliances installed and in proper operating condition and Lessee shall pay to the Lessor all rent and other charges which shall be payable under this lease up to and including the following September 30th.

Holders of Unsold Shares may not cancel their proprietary leases unless (i) shareholders owning a majority of the Apartment Corporation's outstanding shares (other than unsold shares) shall have given notice of intent to cancel or (ii) all unsold shares constitute fifteen (15%) percent or less of the Apartment Corporation's outstanding shares, at least five (5) years have elapsed since the Apartment Corporation acquired title to the building and on the effective date of cancellation holders of unsold shares shall pay to the Apartment Corporation a sum equal to the product of the then current monthly rent, payable under the proprietary lease, multiplied by twenty-four (24).

47. SHOWING OF UNIT. The Lessor and its agents may show the unit to prospective Lessees, and others at reasonable times after notice of the Lessee's intention to cancel.

48. CANCELLATION OF LEASES BY LESSEES. If Lessees owning at least 80% of the issued shares of the Lessor shall exercise the option to cancel their leases, then this and all other proprietary leases shall thereupon terminate on the September 30th of the year in which such options shall have been exercised.

49. UNSOLD SHARES. The term "Unsold Shares" means the shares of the Lessor which were issued to the Lessor's grantor or Sponsor or individuals produced by Sponsor or any of the formers' assignees, as well as purchasers for investment or resale, pursuant to the Offering Statement-Plan of Cooperative Organization and, all shares which are Unsold Shares retain their character as such (regardless of transfer) until such shares become the property of a purchaser or a holder of "Unsold Shares" for bona fide occupancy of the unit to which such shares are allocated.

50. ASSIGNMENT AND SUBLETTING BY HOLDERS OF UNSOLD SHARES. The owner of Unsold Shares may assign this lease and sublet the unit without the consent of the Lessor, its Directors or shareholders or any other person.

51. TRIAL BY JURY. The parties hereto waive trial by jury in any action, proceeding or counterclaim brought by either of the parties against the other on any matters whatsoever arising out of or in any way connected with this lease.

52. INVALIDITY OF PROVISIONS. If any provision herein contained shall adjudged invalid, the same shall not affect the validity of any other provision of this lease.

53. CHANGES IN LEASE. The provisions of this lease cannot be changed orally.

54. CAPTIONS. Captions of the several paragraphs of this lease shall not be deemed part of this lease.

IN WITNESS WHEREOF, the parties have executed this lease.

WATERFALL APTS INC.

By: _____
President/Secretary

_____ (L.S.)
Lessee

_____ (L.S.)
Lessee

STATE OF NEW YORK)
: ss.:
COUNTY OF)

On the day of , in the year 19 , before me personally appeared to me known, who being by me duly sworn, did depose and say that he resides at ; the he is the of WATERFALL APTS INC., the corporation described in and which executed the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the Board of Directors of said corporation, and that he signed his name thereto by like order.

STATE OF NEW YORK)
: ss.:
COUNTY OF)

On the day of , in the year 19 , before me personally appeared to me personally known and known to me to be the individual described in and who executed the foregoing instrument, and duly acknowledged to me that he executed the same.

HOUSE RULES

1. The public halls and stairways of the building shall not be obstructed or used for any purpose other than ingress and egress from the units in the building.

2. No lessee shall make or permit any disturbing noises in the building or do or permit anything to be done therein which will interfere with the rights, comfort or convenience of other lessees. No lessee shall play or permit to be played upon any musical instrument or phonograph or a radio or television in lesses's unit if the same shall disturb or annoy other occupants of the building. No construction or repair work involving noise shall be conducted in any unit except or weekdays (not including legal holidays) and only between the hours of 8:30 a.m. and 5:00 p.m.

3. No article shall be placed in the halls or on the staircase landings or fire towers, nor shall anything be hung or shaken from the doors, windows, terraces or balconies or placed upon the window sills of the building.

4. No awnings, window air-conditioning units or ventilators shall be used expect such as shall have been expressly approved by the Lessor, nor shall anything be projected out of any window of the building without similar approval.

5. No sign, notice, advertisement or illuminiation shall be inscribed or exposed on or at any window or other part of the building, except such as shall have been approved in writing by the Lessor.

6. No radio or television aerial shall be attached to or hung from the exterior of the building without the prior written approval of the Lessor.

7. The Lessor shall have the right from time to time to curtail or relocate any space devoted to storage or laundry purposes.

8. These House Rules may be added to, amended or repealed at any time by resolution of the Board of Directors of the Lessor.

BY-LAWS

OF

WATERFALL APTS INC.

Purpose of Business

Section 1: Purpose: The primary purpose of the Corporation is to provide residences for shareholders who shall be entitled, solely by reason of their ownership of shares, to proprietary leases for units in the building owned by the Corporation.

ARTICLE II

Meetings of Shareholders

Section 1: Annual Meetings: The first annual meeting of the shareholders of the Corporation, for the election of directors and for such other business as may properly come before said meeting, shall be held within 30 days after the closing under the Plan of Cooperative Organization for the Corporation, and subsequent annual meetings shall be held on the 1st day of May in each year, commencing with the year following the year in which the first annual meeting is held. Such meetings shall be in the State of New York, at such time and place as shall be determined by the Board of Directors. Written notice of each meeting shall be given to all shareholders.

Section 2: Special Meetings: Special Meetings of shareholders, may be called at any time by the president or secretary or by a majority of the Board of Directors. It shall also be the duty of the secretary to call such meetings whenever requested in writing so to do by shareholders owning at least twenty-five percent of the outstanding shares of the Corporation. The secretary shall cause a notice of such special meeting stating the time, place and object thereof and the officer or other persons by whom the meeting is called, to be delivered personally or mailed as provided in Section 1 of this Article to each shareholder of record of the Corporation.

Section 3: Waiver of Notices: The notice provided for in the two foregoing sections is not indispensible but any shareholders' meeting shall be valid for all purposes if all the outstanding shares of the Corporation are represented there at in person or by proxy, or if a quorum is present, and waiver of notice of such meeting shall be duly executed in writing by such shareholders as are not so represented and were not given such notice.

Section 4: Quorum: At each meeting of shareholders, shareholders, in person or by proxy, holding a majority of the shares then issued and outstanding shall constitute a quorum. In case a quorum shall not be present at any meeting, the holders of a majority of the shares represented may adjourn the meeting to some future time and place. No notice of the time and place of the adjourned meeting need be given other than by announcement of the meeting.

Section 5: Voting: At each meeting of shareholders each shareholder present in person or by proxy shall be entitled to one vote for each share registered in his name. The proxies shall be in writing duly signed by the shareholder. Voting by shareholders shall be voice vote unless any shareholder present at the meeting, in person or by proxy, demands a vote by written ballot, in which case the voting shall be by ballot.

Section 6: Inspectors of Election: Inspectors of election shall not be required to be appointed at any meeting of shareholders unless requested by a shareholder.

Section 7: Order of Business: So far as consistent with the purpose of the meeting, the order of business of each meeting of shareholders shall be as follows:

1. Call to order.
2. Presentation of proofs of due calling of the meeting.
3. Roll call and presentation and examination of proxies.
4. Reading of minutes of previous meeting or meetings, unless waived.
5. Reports of officers and committees.
6. Appointment or election of inspectors of election, if requested.
7. If the annual meeting or a special meeting called for that purpose, the election of directors.
8. Unfinished business.
9. New business.
10. Adjournment.

ARTICLE III
Directors

Section 1: Number: The number of the Directors of the Corporation shall be not less than three nor more than nine, commencing with the first election of Directors by tenant-shareholders of the Corporation. At such time as the "Unsold Shares" (as defined in the proprietary lease of the Corporation) constitute less than 50% of all the shares of the Corporation issued and outstanding, but in no event later than the fifth anniversary of the date the Corporation acquires title to the building, not less than a majority of Directors to be elected at all subsequent annual meetings of shareholders shall be resident tenant/shareholders of the building of the Corporation.

Section 2: Election: The Directors shall be elected at the annual meeting of shareholders or at a special meeting called for that purpose by a plurality of votes cast at such meeting, and thereafter until their respective successors are elected and qualify. It shall not be necessary for a director of this Corporation to be a shareholder.

Section 3: Quorum: A majority of the Directors shall constitute a quorum.

Section 4: Vacancies: Vacancies in the Board of Directors resulting from death, resignation or otherwise may be filled without notice to any of the shareholders by a vote of a majority of the remaining directors present at the meeting at which such election is held even though no quorum is present, which may be at any regular meeting of the Board of Directors or any special meeting thereof called for such purpose.

Section 5: Meetings: The Board of Directors shall meet immediately after the annual meeting of shareholders and also whenever called by any officer of the Corporation or upon the written request of any two directors, upon notice give to each director, by delivering personally, mailing or telegraphing the same to him at least two days prior to such meeting at the last address furnished by him to the Corporation. Regular meetings may be held without notice at such times and places as the Board of Directors may determine. Meetings of directors may be held at the principal office of the Corporation or as designated by the Board of Directors by resolution. At all meetings of the Board of Directors, each director shall be entitled to one vote. The vote of a majority of the Board of Directors present at the time of a vote shall be the act of the Board of Directors.

Section 6: Resignation and Removal: Any director may resign at any time by written notice delivered in person or sent by certified or registered mail to the president or secretary of the Corporation. Such resignation shall take effect at the time specified therein.

Any director may be removed from office without cause by a majority of all the shareholders of the Corporation at a meeting duly called for that purpose.

Section 7: Annual Cash Requirements: The Board of Directors shall, from time to time, determine the cash requirements as defined in the Corporation's proprietary lease. The Board of Directors shall have discretionary power to prescribe the manner of maintaining and operating the property of the Corproation. Every such determination by the Board of Directors shall be final and conclusive as to all shareholder-tenants.

Section 8: House Rules: The Board of Directors may from time to time, adopt and amend such house rules as it may deem necessary in respect to the building of the Corporation for the health, safety and convenience of the shareholder-tenants. Copies thereof and of changes therein shall be furnished to each shareholder-tenant.

Section 9: Executive Committee and Other Committees: The Board of Directors may by resolution appoint an Executive Committee, and such other committees as it may deem appropriate, each to consist of one or more directors of the Corporation. Such committees shall have such of the powers of the Board in the management of the business and affairs of the Corporation as may be established by resolution of the Board of Directors, except that no committee shall have power to determine the cash requirements defined in the proprietary lease, or to fix the rent to be paid under the proprietary leases, or to vary the terms of payment thereof as fixed by the Board.

Section 10: Distributions: The shareholder-tenants shall not be entitled to receive any distribution not out of earnings and profits of the Corporation, except upon partial or complete liquidation.

ARTICLE IV

Officers

Section 1: Election and Removal: The officers of the Corporation shall be a president, one or more vice presidents, a secretary and a treasurer. Such officers shall be elected by the Board of Directors and shall serve until removed or until their successors shall have been elected. The Board of Directors may from time to time appoint one or more assistant secretaries and one or more assistant treasurers to hold office at the pleasure of the Board. Any officer may be removed at any time, with or without cause, by the affirmative vote of a majority of the directors.

Section 2: Duties of the President and Vice President: The president shall preside at all meetings of the stockholders and of the Board of Directors. Any officer shall sign in the name of the Corporation all contracts, leases and other instruments which are authorized from time to time by the Board of Directors. The president shall perform all the duties incidental to the office. In the absence or inability of the president to act, any vice president shall have the powers and perform the duties of the president.

Section 3: Duties of the Treasurer: The treasure shall have the care and custody of all funds and securities of the Corporation, and shall deposit such funds in the name of the Corporation in such bank or trust companies as the directors may determine, and he shall perform all other duties incidental to his office.

Within three months after the end of each fiscal year, the treasurer shall cause to be transmitted to each shareholder-tenant an annual report of operations and balance sheet of the Corporation which shall be certified by an independent Certified Public Accountant.

In the absence or inability of the treasurer, the assistant treasurer if any, shall have all the powers and perform all the duties of the treasurer.

Section 4: Duties of Secretary: The secretary shall keep the minutes of the meetings of the Board of Directors and of the meetings of shareholders; he shall attend to the giving and serving of all notices of the Corporation and shall be empowered to affix the corporate seal to all written instruments authorized by the Board of Directors or these By-Laws. He shall also perform all other duties incidental to his office.

ARTICLE V
Proprietary Leases

Section 1: Form of Lease: The Board of Directors shall adopt a form of proprietary lease to be used by the Corporation for the leasing of all units and other space in the building of the Corporation to be leased to shareholder-tenants.

After a proprietary lease in the form so adopted by the Board of Directors shall have been executed and delivered by the Corporation, all proprietary leases (as distinct from the house rules) subsequently executed and delivered shall be in the same form, except with respect to the statement as to the number of shares owned by the lessee, the use of the premises and the date of the commencement of the term, unless any change or alteration is approved by tenant-shareholders owning at least two-thirds of the shares of the Corporation then issued and outstanding.

Section 2: Assignment: Proprietary leases shall be assigned or transferred only in compliance with the terms, conditions or provisions of such proprietary leases. A duplicate original of each proprietary lease shall be kept on file in the principal office of the Corporation or with the managing agent. Following any assignment of shares and the proprietary lease allocated thereto for an apartment occupied by a non-purchasing tenant in occupancy prior to the date of presentation of the offering plan to convert the building to cooperative ownership, the Secretary of the Apartment Corporation shall serve the non-purchasing tenant with notice advising such tenant of the assignment of the shares and proprietary lease for his or her apartment including the identity of the purchaser of the shares.

Section 3: Allocation of Shares: The Board of Directors shall allocate to each unit or other space in the building of the Corporation the number of shares of the Corporation which must be owned by the proprietary lessee of such unit or other space.

Section 4: Assignment of Lease and Transfer of Shares: No assignment of any lease of transfer of the shares of the Corporation shall take affect until a proper assignment has been delivered to the Corporation; the assignee has assumed and agreed to perform and comply with all the covenants and conditions of the assigned lease or has entered into a new lease for the remainder of the term; all shares of the Corporation appurtenant to the lease have been transferred to the assignee; all sums due have been paid to the Corporation; and all necessary consents have been properly obtained. The action of the Board of Directors with respect to the written application for consent of a proposed assignment or subletting must be made within 15 days after receipt of said written application.

Where the Sponsor named in the Plan of Cooperative Organization or a nominee of the Sponsor or a Holder of Unsold Shares or a purchaser for investment or resale is a lessee, then consent to an assignment or transfer of his lease and the shares appurtenant thereto will not be required.

Section 5: Fees on Assignment: The Board of Directors shall have authority before an assignement or sublet of a proprietary lease or reallocation of shares takes effect as lessor, to fix a reasonable fee to cover actual expenses and attorneys' fees of the Corporation, a service fee of the Corporation and such other conditions as it may determine, in connection with each such proposed assignment or sublet. This provision shall not apply to the Sponsor or a nominee of the Sponsor or a Holder of Unsold Shares.

Section 6: Lost Proprietary Leases: In the event that any proprietary lease is lost, stolen, destroyed or mutilated, the Board of Directors may authorize the issuance of a new proprietary lease in lieu thereof, in the same form and with the same terms. The Board may, in its discretion, require the owner thereof to make an affidavit setting forth such facts as to the loss, destruction or mutilation as it deems necessary, and to give the Corporation a bond in such reasonable sum as it directs, to indemnify the Corporation.

Section 7: Regrouping of Space: The Board of Directors, upon the written request of the owner of one or more proprietary leases covering

one or more units in the building and of the shares issued to accompany the same, may in its discretion, permit such owner at his expense A: (1) to subdivide any unit; (2) to combine any such units into one unit; and (3) to reallocate the shares issued to accompany the proprietary lease, but the total number of shares so reallocated shall not be less than the number of shares previously allocated to the unit or units involved; and , in connection with any such regrouping, the Board of Directors may require that the number of shares allocated to the resulting unit or units be greater than the number of shares allocated to the original unit or units, and may authorize the issuance of shares from its treasury for such purpose; or B: to incorporate one or more rooms, or other spaces in the building not covered by any proprietary lease, into one or more units covered by a proprietary lease, and in allocating shares to any such resulting unit, shall deteremine the number of shares from its treasury to be issued and allocated in connection with the appropriation of such additional space.

In respect of units for which the proprietary lease and shares issued are owned by the Sponsor named in the Plan of Cooperative Organization or the Sponsor's Nominee or the Sponsor's Assignee (who while entitled to occupy any such units for his personal use does not do so), such Sponsor, Nominee, or Assignee may change the number of such units by increasing or decreasing their size, or change the size, layout or location of any such unit; and such Sponsor, Nominee, or Assignee shall have the right to reallot the shares allocated to any of the units offered for sale under said Plan provided that such reallocation does not cause any increase or decrease in the total number of shares attributable to the unit or units, or the total number of shares attributable to all of the units as reflected in said Plan.

Upon any regrouping of space in the building, the propritary leasses so affected and the accompanying share certificates shall be surrendered, and there shall be executed and delivered in place thereof, respectively, a new proprietary lease for each separate unit involved, and a new certificate for the number of shares so reallocated to each new prorprietary lease.

ARTICLE VI
Capital Shares

Section 1: Shares: No shares shall be issued except with the delivery by the Corporation of a proprietary lease of a unit in the building owned by the Corporation. The ownership of shares shall entitle the holder thereof to occupy the unit, subject to the provisions contained in the proprietary lease appurtenant thereto.

Section 2: Form and Share Register: Certificates of the shares of the Corporation shall be in the form adopted by the Board of Directors, and shall be signed by the president or a vice president and the secretary or an assistant secretary or the treasurer or an assistant treasurer, and sealed with the seal of the Corporation, and shall be numbered in the order in which issued. Certificates shall be issued in consecutive order and there shall be recorded the name of the person holding the shares, the number of shares and the date of issue. Each certificate exchanged or returned to the corporation shall be cancelled, and the date of cancellation shall be indicated thereon and such certificates shall be retained in the Corporate records.

Section 3: Issuance of Certificates: Shares shall be issued in the amount allocated by the Board of Directors to the unit or other space described in such proprietary lease and shall be represented by a single certificate.

Section 4: Transfers: Transfers of shares shall be made upon the books of the Corporation only by the holder in person or by power of attorney, and on the surrender of the certificate for such shares, except that shares sold by the Corporation to satisfy any lien which it or any secured party holds thereon may be transferred without the surrender of the certificate representing such shares.

Section 5: Units of Issuance: Except as otherwise provided in Article V, Section 7, the shares appurtenant to each proprietary lease shall not be sold or assigned except as an entirety.

Section 6: Corporation's Lien: The Corporation shall at all times have a first lien upon the shares owned by each shareholder for all indebtedness and obligations owing and to be owing by such shareholder to the Corporation. The Corporation may refuse to consent to the transfer of shares of any shareholder indebted to the Corporation unless and until such indebtedness is paid.

ARTICLE VII

Section 1: Indemnification: To the extent allowed by law, the Corporation shall indemnify any person, made a party to an action by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he was a director or officer of the Corporation, against the reasonable expenses, including attorneys' fees, actually and necessarily incurred by him in connection with the defense of such action, or in connection with an appeal therein, except in relation to matters as to which such director or officer is adjudged to have breached his duty to the Corporation, as such duty is defined in Section 717 of the Business Corporation Law.

Nothing contained in this provision shall limit any right to indemnification to which any director or any officer may be entitled by contract or under any law now or hereinafter enacted.

ARTICLE VIII

Section 1: Seal: The Seal of the Corporation shall be circular in form and have inscribed thereon the name of the Corporation, the year of its organization and words "Corporate Seal" and "New York."

ARTICLE IX

Section 1: Fiscal Year: The fiscal year of the Corporation shall be the Calendar year unless othewise determined by resolution of the Board of Directors.

ARTICLE X

Section 1: Salaries: No salary or other compensation for services shall be paid to any director or officer of the Corporation for services rendered by him, unless authorized in writing or by affirmative vote, taken at a duly held meeting of shareholders, by shareholder owning at least a majority of the then outstanding shares of the Corporation.

ARTICLE XI

Section 1: Amendments: These By-Laws may be amended, at any shareholders' meeting by vote of shareholders owning two-thirds of the amount of the outstanding shares, except that as long as any shares of the Corporation are held by holders of "Unsold Shares", these By-Laws may not be amended without the consent of all holders of "Unsold Shares".

TEXT OF §352-eeee OF THE NEW YORK STATE GENERAL BUSINESS LAW

Conversions to cooperative or condominium ownership in the City of New York.

* * *

1. As used in this section, the following words and terms shall have the following meanings:

(a) "Plan". Every offering statement or prospectus submitted to the department of law pursuant to section three hundred fifty-two-e of this article for the conversion of a building or group of buildings or development from residential rental status to cooperative or condominium ownership or other form of cooperative interest in realty, other than an offering statement or prospectus for such conversion pursuant to article two, eight or eleven of the private housing finance law.

(b) "Non-Eviction Plan". A plan which may not be declared effective until written purchase agreements have been executed and delivered for at least fifteen percent of all dwelling units in the building or group of buildings or development by bona fide tenants in occupancy or bona fide purchasers who represent that they intend that they or one or more members of their immediate family intend to occupy the unit when it becomes vacant. As to tenants who were in occupancy on the date a letter was issued by the attorney general accepting the plan for filing, the purchase agreement shall be executed and delivered pursuant to an offering made in good faith without fraud and discriminatory repurchase agreements or other discriminatory inducements.

(c) "Eviction Plan". A plan which, pursuant to the provisions of this section, can result in the eviction of a non-purchasing tenant by reason of the tenant failing to purchase pursuant thereto, and which may not be declared effective until at least fifty-one percent of the bona fide tenants in occupancy of all dwelling units in the building or group of buildings or development on the date the offering statement or prospectus was accepted for filing by the attorney general (exlcuding, for the purposes of determining the number of bona fide tenants in occupancy on such date, eligible senior citizens and eligible disabled persons) shall have executed and delivered written agreements to purchase under the plan pursuant to an offering made in good faith without fraud and with no discriminatory repurchase agreements or other discriminatory inducements.

(d) "Purchaser under the plan". A person who owns the shares allocated to a dwelling unit or who owns such dwelling unit itself.

(e) "Non-purchasing tenant". A person who has not purchased under the plan and who is a tenant entitled to possession at the time the plan is declared effective or a person to whom a dwelling unit is rented subsequent to the effective date. A person who sublets a dwelling unit from a purchaser under the plan shall not be deemed a non-purchasing tenant.

(f) "Eligible senior citizen". Non-purchasing tenants who are sixty-two years of age or older on the date the attorney general has accepted the plan for filing, and the spouses of any such tenants on such date, and who have elected, within sixty days of the date the attorney general has accepted the plan for filing, on forms promulgated by the attorney general and presented to such tenants by the offeror, to become non-purchasing tenants under the provisions of this section; provided that such election shall not preclude any such tenant from subsequently purchasing the dwelling unit on the terms then offered to tenants in occupancy.

(g) "Eligible disabled persons". Non-purchasing tenants who have an impairment which results from anatomical, physiological or psychological conditions, other than addiction to alcohol, gambling or any controlled substance, which are demonstrable by medically acceptable clinical and laboratory diagnostic techniques, and which are expected to be permanent and which prevent the tenant from engaging in any substantial gainful employment on the date the attorney general has accepted the plan for filing, and the spouses of any such tenants on such date, and who have elected, within sixty days of the date the attorney general has accepted the plan for filing, on forms promulgated by the attorney general and presented to such tenants by the offeror, to become non-purchasing tenants under the provisions of this section; provided, however, that if the disability first occurs after acceptance of the plan for filing, then such election may be made within sixty days following the onset of such disability unless during the period subsequent to sixty days following the acceptance of the plan for filing but prior to such election, the offeror accepts a written agreement to purchase the apartment from a bona fide purchaser; and provided further that such election shall not preclude any such tenant from subsequently purchasing the dwelling unit or the shares allocated thereto on the terms then offered to tenants in occupancy.

2. The attorney general shall refuse to issue a letter stating that the offering statement or prospectus required in subdivision one of section three hundred fifty-two-e of this chapter has been filed whenever it appears that the offering statement or prospectus offers for sale residential cooperative apartments or condominium units pursuant to a plan unless:

(a) The plan provides that it will be deemed abandoned, void and of no effect if it does not become effective within fifteen months from the date of issue of the letter of the attorney general stating that the offering statement or prospectus has been accepted for filing and, in the event of such abandonment, no new plan for the conversion of such building or group of buildings or development shall be submitted to the attorney general for at least twelve months after such abandonment.

(b) The plan provides either that it is an eviction plan or that it is a non-eviction plan.

(c) The plan provides, if it is a non-eviction plan, as follows:

(i) The plan may not be declared effective until written purchase agreements have been executed and delivered for at least fifteen percent of all dwelling units in the building or group of buildings or development subscribed for by bona fide tenants in occupancy or bona fide purchasers who represent that they intend that they or one or more members of their immediate family occupy the dwelling unit when it becomes vacant. As to tenants who were in occupancy on the date a letter was issued by the attorney general accepting the plan for filing, the purchase agreement shall be executed and delivered pursuant to an offering made without discriminatory repurchase agreements or other discriminatory inducements.

(ii) No eviction proceedings will be commenced at any time against non-purchasing tenants for failure to purchase or any other reason applicable to expiration of tenancy; provided that such proceedings may be commenced for non-payment of rent, illegal use or occupancy of the premises, refusal of reasonable access to the owner or a simlar breach of the non-purchasing tenant of his obligations to the owner of the dwelling unit or the shares allocated thereto; and provided further that an owner of a unit or of the shares allocated thereof may not commence an action to recover possession of a dwelling unit from a non-purchasing tenant on the grounds that he seeks the dwelling unit for the use and occupancy of himself or his family.

(iii) Non-purchasing tenants who reside in dwelling units subject to government regulation as to rentals and continued occupancy prior to the conversion of the building or group of buildings or development to cooperative or condominium ownership shall continue to be subject thereto.

(iv) The rentals of non-purchasing tenants who reside in dwelling units not subject to government regulation as to rentals and continued occupancy and non-purchasing tenants who reside in dwelling units with repsect to which government regulation as to rentals and continued occupancy is eliminated or becomes inapplicable after the plan has been accepted for filing by the attorney general shall not be subject to unconscionable increases beyond ordinary rentals for comparable apartments during the period of their occupancy. In determining comparability, consideration shall be given to such factors as building services, level of maintenance and operating expenses.

(v) The plan may not be amended at any time to provide that it shall be an eviction plan.

(vi) The rights granted under the plan to purchasers under the plan and to non-purchasing tenants may not be abrogated or reduced notwithstanding any expiration of, or amendment to, this section.

(vii) After the issuance of the letter from the attorney general stating that the offering statement or prospectus required in subsdivision one of section three hundred fifty-two-e of this article has been filed the offeror shall, on the thirtieth, sixtieth, eighty-eighth and ninetieth day after such date and at least once every thirty days until the plan is declared effective or is abandoned, as the case may be, and on the second day before the expiration of any exclusive purchase period provided in a substantial amendment to the plan (1) file with the attorney general a written statement, under oath, setting forth the percentage of dwelling units in the building or group of buildings or development subscribed for by bona fide tenants in occupancy or bona fide purchasers who represent that they intend that they or one or more members of their immediate family occupy the dwelling unit when it becomes vacant as of the date of such statement, and (2) before noon of the date such statement is filed post a copy of such statement in a prominent place accessible to all tenants in each buiding covered by the plan.

(d) The plan provides, if it is an eviction plan, as follows:

(i) The plan may not be declared effective unless at least fifty-one percent of the bona fide tenants in occupancy of all dwelling units in the building or group of buildings or development on the date the offering statement or prospectus was accepted for filing by the attorney general (excluding, for the purposes of determining the number of bona fide tenants in occupancy on such date, eligible senior citizens and eligible disabled persons) shall have executed and delivered written agreements to purchase under the plan pursuant to an offering made in good faith without fraud and with no discriminatory repurchase agreements or other discriminatory inducements.

(ii) No eviction proceedings will be commenced against a non-purchasing tenant for failure to purchase or any other reason applicable to expiration of tenancy until the later to occur of (1) the date which is the expiration date provided in such non-purchasing tenant's lease or rental agreement, and (2) the date which is three years after the date on which the plan is declared effective. Non-purchasing tenant who reside in dwelling units subject to government regulation as to rentals and continued occupancy prior to conversion shall continue to be subject thereto during the period of occupancy provided in this paragraph. Thereafter, if a tenant has not purchased, he may be removed by the owner of the dwelling unit or the shares allocated to such dwelling unit.

(iii) No eviction proceedings will be commenced, except as hereinafter provided, at any time against either eligible senior citizens or eligible disabled persons. The rentals of eligible senior citizens and eligible disabled persons who reside in dwelling units not subject to government regulation as to rentals and continued occupancy is eliminated or becomes inapplicable after the plan has been accepted for filing shall not be subject to unconscionable increases beyond ordinary rentals for comparable apartments during the period of their occupancy considering, in determining comparability, such factors as building services, level of maintenance and operating expenses; provided that such proceedings may be commenced against such tenants for non-payment of rent, illegal use or occupancy of the premises, refusal of reasonable access to the owner or a similar breach by the tenant of his obligations to the owner of the dwelling unit or the shares allocated thereto.

(iv) Eligible senior citizens and eligible disabled persons who reside in dwelling units subject to government regulation as to rentals and continued occupancy shall continue to be subject thereto.

(v) The rights granted under the plan to eligible senior citizens and eligible disabled persons may not be abrogated or reduced notwithstanding any expiration of, or amendment to, this section.

(vi) Any offeror who disputes the election by a person to be an eligible senior citizen or eligible disabled person must apply to the attorney general within thirty days of the receipt of the election forms for a determination by the attorney general of such person's eligibility. The attorney general shall, within thirty days thereafter, issue his determination of eligibility. The foregoing shall, in the absence of fraud, be the sole method for determining a dispute as to whether a person is an eligible senior citizen or eligible disabled person. The determination of the attorney general shall be reviewable only through a proceeding under article seventy-eight of the civil practice law and rules, which proceeding must be commenced within thirty days after such determination by the attorney general becomes final.

(vii) After the issuance of the letter from the attorney general stating that the offering statement or prospectus required in subdivision one of section three hundred fifty-two-e of this article has been accepted for filing, the offeror shall, on the thirtieth, sixtieth, eighty-eighth and ninetieth days after such date and at least once every thirty days until the plan is declared effective or abandoned, as the case may be, and on the second day before the expiration of any exclusive purchase period provided in a substantial amendment to the plan, (1) file with the attorney general a written statement, under oath, setting forth the percentage of bona fide tenants in occupancy of all dwelling units in the building or group of buildings or development on the

date the offering statement or propsectus was accepted for filing by the attorney general who have executed and delivered written agreements to purchase under the plan as of the date of such statement, and (2) before noon on the date such statement is filed post a copy of such statement in a prominent place accessible to all tenants in each building covered by this plan.

(viii) If the plan is amended before it is declared effective to provide that it shall be a non-eviction plan, any person who has agreed to purchsae under the plan prior to such amendment shall have a period of thirty days after receiving written notice of such amendment to revoke his agreement to purchase under the plan.

(ix) The tenants in occupancy on the date the attorney general accepts the plan for filing shall have the exclusive right to purchase their dwelling units or the shares allocated thereto for ninety days after the plan is accepted for filing by the attorney general, during which time a tenant's dwelling unit shall not be shown to a third party unless he has, in writing, waived his right to purchase; subsequent to the expiration of such ninety day period, a tenant in occupancy of a dwelling unit who has not purchased shall be given the exclusive right for an additional period of six months from said expiration date to purchsae said dwelling unit or the shares allocated thereto on the same terms and conditions as are contained in an executed contract to purchase said dwelling unit or shares entered into by a bona fide purchaser, such exclusive right to be exercisable within fifteen days from the date of mailing by registered mail of notice of the execution of a contract of sale together with a copy of said executed contract to said tenant.

(e) The attorney general finds that an excessive number of long-term vacancies did not exist on the date the offering statement or prospectus was first submitted to the department of law. "Long-term vacancies" shall mean dwelling units not leased or occupied by bona fide tenants for more than five months prior to the date of such submission to the department of law. "Excessive" shall mean a vacancy rate in excess of the greater of (i) ten percent and (ii) a percentage that is double the normal average vacancy rate for the building or group of buildings or development for two years prior to the January preceding the date the offering statement or prospectus was first submitted to the department of law.

(f) The attorney general finds that, following the submission of the offering statement or prospectus to the department of law, each tenant in the building or group of buildings or development was provided with a written notice stating that such offering statement or prospectus has been submitted to the department of law for filing. Such notice shall be accompanied by a copy of the

offering statement or prospectus and a statement that the statements submitted pursuant to subparagraph (vii) of paragraph (c) or subparagraph (vii) of paragraph (d) of this subdivision, whichever is applicable, will be available for inspection and copying at the office of the department of law where the submission was made and at the office of the offeror or a selling agent of the offeror. Such notice shall also be accompanied by a statement that tenants or their representatives may physically inspect the premises at any time subsequent to the submission of the plan to the department of law, during normal business hours, upon written request made by them to the offeror, provided such representatives are registered architects or professional engineers licensed to practice in the State of New York. Such notice shall be sent to each tenant in occupancy on the date the plan is first submitted to the department of law.

3. All dwelling units occupied by non-purchasing tenants shall be managed by the same managing agent who manages all other dwelling units in the building or group of buildings or development. Such managing agent shall provide to non-purchasing tenants all services and facilities required by law on a non-discriminatory basis. The offeror shall guarantee the obligation of the managing agent to provide all such services and facilities until such time as the offeror surrenders control to the board of directors or board of managers.

4. It shall be unlawful for any person to engage in any course of conduct, including, but not limited to, interruption or discontinuance of essential services, which substantially interferes with or disturbs the comfort, repose, peace or quiet of any tenant in his use or occupancy of his dwelling unit or the facilities related thereto. The attorney general may apply to a court of competent jurisdiction for an order restraining the owner from selling the shares allocated to the dwelling unit or the dwelling unit itself or from proceeding with the plan of conversion; provided that nothing contained herein shall be deemed to preclude the tenant from applying on his own behalf for similar relief.

5. Any local legislative body may adopt local laws and any agency, office or public body may prescribe rules and regulations with respect to the continued occupancy by tenants of dwelling units which are subject to regulation as to rentals and continued occupancy pursuant to law, provided that in the event that any such local law, rule or regulation shall be inconsistent with the provisions of this section, the provisions of this section shall control.

6. Any provision of a lesae or other rental agreement which purports to waive a tenant's rights under this section or rules and regulations promulgated pursuant hereto shall be void as contrary to public policy.

7. The provisions of this section shall only be applicable in the City of New York.

THE COUNCIL

Int. No. 1328 September 30, 1982

Introduced by Council Members Mostow, Dryfoos, Eisland, Orlow and Michels, also Council Members Foster, Friedlander, Gargan, Kaufman, Messinger, Powell, Ryan, Wallace, Stern, Alter, Leffler and Olmedo-read and referred to the Committee on Housing and Buildings Ordered printed and laid over

A LOCAL LAW

To amend the administrative code of the city of New York, in relation to the conversion of residential rental housing to cooperative or condominium ownership.

Be it enacted by the Council as follows:

Section 1. Legislative declaration. The council finds that the protection of the health, safety and welfare of persons within the city who reside in residential buildings being converted from rental status to cooperative or condominium ownership requires that such persons be informed of the physical condition of such buildings and of any outstanding notices of code violations issued with respect to such buildings. The council further finds that for the health, safety and welfare of residents of the city and for the preservation and improvement of this substantial and increasing form of housing accommodation it is essential that funds be set aside for the purpose of making capital repairs, replacements and improvements to such buildings.

§ 2. Chapter fifty-one of the administrative code of the city of New York is amended by adding a new title YYYY to read as follows:

TITLE YYYY

COOPERATIVE AND CONDOMINIUM CONVERSIONS

§ YYYY51-1.0 Application. The provisions of this title shall apply to conversions from rental to cooperative or condominium status of a building or a group of buildings

or a development for which a plan must be filed with the state department of law pursuant to section three hundred fifty-two-eeee of the general business law.

§ YYYY51-2.0 Definitions.—As used in this title the following words shall mean:

a. "Building"—any building, group of buildings or development

b. "Total price"—

(1) with respect to cooperative conversions, the number of all shares in the offering multiplied by the last price per share which was offered to tenants in occupancy prior to the effective date of the plan regardless of number of sales made;

(2) with respect to condominium conversions, the sum of the cost of all units in the offering at the last price which was offered to tenants in occupancy prior to the effective date of the plan regardless of number of sales made.

c. "Capital replacement"—a building-wide replacement of a major component of any of the following systems:

(1) elevator;

(2) heating, ventilation and air conditioning;

(3) plumbing;

(4) wiring;

(5) window;

or, a major structural replacement to the building; provided, however, that replacements made to cure code violations of record shall not be included.

d. "Offeror"—the offeror, his nominees, assignees and successors in interest.

§ YYYY51-3.0 Establishment of reserve fund.—a. Within thirty days after the closing of a conversion pursuant to an offering plan the offeror shall establish and transfer to the cooperative corporation or condominium board of managers, a reserve fund to be used exclusively for making capital repairs, replacements and improvements necessary for the health and safety of the residents of such buildings. Such reserve fund shall be exclusive of any other funds required to be reserved under the plan or applicable law or regulation

of the state attorney general, except a fund for capital repairs, replacements and improvements substantially similar in purpose to and in an amount not less than the reserve fund mandated by this section. Such reserve fund also shall be exclusive of any working capital fund and shall not be subject to reduction for closing apportionments.

b. Such fund shall be established in an amount equal to either (i) three per cent of the total price or, (ii) (A) three per cent of the actual sales price of all cooperative shares or condominium units sold by the offeror at the time the plan is declared effective, provided, however, that if such amount is less than one per cent of the total price, then the fund shall be established as a minimum of one per cent of the total price; plus (B) supplemental contributions to be made by the offeror at a rate of three per cent of the actual sales price of cooperative shares or condominium units for each unit or its allocable shares held by the offeror and sold to bona fide purchasers subsequent to the effective date of the plan and within 5 years of the closing of the conversion pursuant to such plan notwithstanding that the total amount contributed may exceed three per cent of the total price; and provided, further, that if five years from thirty days after the closing of the conversion pursuant to such plan the total contributions by the offeror to the fund are less than three per cent of the total price the offeror shall pay the difference between the amount contributed and three per cent of the total price. Supplemental contributions shall be made within 30 days of each sale.

c. The contributions required pursuant to this section may be made earlier or in an amount greater than so provided. An offeror may claim and receive credit against the mandatory initial contribution to the reserve fund for the actual cost of capital replacements which he has begun after the plan is submitted for filing to the state department of law and before the plan is declared effective; provided, however, that any such replacements must be set forth in the plan together with their actual or estimated costs and further provided, that such credit shall not exceed the lesser of the actual cost of the capital replacements or one per cent of the total price.

d. Any building, construction of which was completed within three years prior to the closing of a conversion pursuant to an offering plan, shall be exempt from the requirements of this section.

§ YYYYS1-4.0 Report on status of reserve fund.—The cooperative corporation or condominium board of managers shall report to shareholders and unit owners on a semi-annual basis with respect to all deposits into and withdrawals from the reserve fund mandated by section YYYYS1-3.0.

§ YYYYS1-5.0 Posting of violations.—The offeror, not later than the thirtieth day following the acceptance of a plan for filing by the state department of law pursuant to section three hundred fifty-two-eeee of the general business law and until the closing of the conversion pursuant to such plan, shall post and maintain in a prominent place, accessible to all tenants in each building covered by the plan, a listing of all violations of record against such buildings as determined by the department of buildings and the department of housing preservation and development. All newly issued violations shall be posted within forty-eight hours of their issuance and maintained as described above. The offeror may satisfy the requirements of this section by designating an agent on the premises with whom such listing shall be made available for inspection by the tenants.

§ YYYYS1-6.0 Report on condition of premises.—Where, pursuant to law or regulation of the state attorney general, an offeror is required to file a report with the state department of law describing the condition of the physical aspects of the premises to be converted and the surrounding neighborhood a copy of such report shall be submitted simultaneously to the commissioner of buildings.

§ YYYYS1-7.0 No waiver of rights.—Any provision purporting to waive the provisions of this title in any contract to purchase or agreement between an offeror and the cooperative corporation or the condominium board of managers pursuant to a conversion plan shall be void as against public policy.

§ YYYYS1-8.0 Criminal and civil penalties; enforcement.—a. Except as otherwise provided in subdivision b of this section, any person who knowingly violates or assists

in the violation of any section of this title shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine of not less than one hundred nor more than one thousand dollars. Except as otherwise provided in subdivision b of this section, any person who violates or assists in the violation of any section of this title shall be subject to a civil penalty of one hundred dollars per day per unit for each day that a building is not in compliance with the provisions of such sections; provided, however, that such civil penalty shall not exceed one thousand dollars per unit.

b Any person who knowingly violates or assists in the violation of section YYYY 51-3.0 shall be guilty of a misdemeanor and upon conviction thereof shall be punished by a fine not more than two times the amount required to be reserved by section YYYY 51-3.0 which was not so reserved. Any person who violates or assists in the violation of section YYYY51-3.0 shall also be subject to a civil penalty of one thousand dollars per day for each day that the reserve fund required by section YYYY51-3.0 is not established; provided however, that such civil penalty shall not exceed the amount required to be reserved pursuant to section YYYY51-3.0.

c In addition, any other action or proceeding in any court of competent jurisdiction that may be appropriate or necessary for the enforcement of the provisions of this title may be brought in the name of the city, including actions to secure permanent injunctions enjoining any acts or practices which constitute a violation of any provision of this title, mandating compliance with the provisions of this title or for such other relief as may be appropriate. In any such action or proceeding the city may apply to any court of competent jurisdiction, or to a judge or justice thereof, for a temporary restraining order or preliminary injunction enjoining and restraining all persons from violating any provision of this title, mandating compliance with the provisions of this title, or for such other relief as may be appropriate, until the hearing and determination of such action or proceeding and the entry of final judgment or order therein. The court, or judge or justice thereof, to whom such application is made, is hereby authorized forthwith to make any or all of the orders above specified, as may be required in such application, with or

without notice, and to make such other or further orders or directions as may be necessary to render the same effectual. No undertaking shall be required as a condition of the granting or issuing of such order, or by reason thereof.

d. Nothing contained in this section shall impair any rights, remedies or causes of action accrued or accruing to purchasers of cooperative shares or condominium units.

e. The department of housing preservation and development is empowered to enforce the provisions of this title.

§ 3. If any provision of this local law or the application of such provision to any person or circumstances shall be held invalid, the validity of the remainder of this local law and the applicability of such provision to any other person or circumstances shall not be affected thereby.

§ 4. This local law shall take effect February first nineteen hundred eighty-three and shall apply to all plans not yet accepted for filing by the state department of law pursuant to section three hundred fifty-two-eeee of the general business law as of that date.

CERTIFICATION OF SPONSOR AND SPONSOR'S PRINCIPALS' PURSUANT TO SEC. 18.1(n)(2) OF THE REGULATIONS ISSUED PURSUANT TO GENERAL BUSINESS LAW, ARTICLE 23-A, AS AMENDED.

New York State Department of Law
Two World Trade Center
New York, NY 10047

Att: Real Estate Financing Bureau

Re: WATERFALL APTS INC.

1620 AVE I BROOKLYN NY
Name and Address of Property

The undersigned, certify as follows:

We are the sponsor and the principals* of sponsor of the offering to convert the subject property to cooperative ownership.

We understand that we have primary responsibility for compliance with the provisions of Article 23-A of the General Business Law, the regulations promulgated by the Attorney General in Part 18 and such other laws and regulations as may be applicable.

We have read the entire offering plan. We have investigated the facts set forth in the offering plan and the underlying facts. We have exercised due diligence to form a basis for making this certification. We jointly and severally certify that the offering plan does, and that all documents submitted hereafter by us which amend or supplement the offering plan will:

(1) set forth the detailed terms of the transaction and be complete, current and accurate;

* "Principals" means all individual sponsors; all general partners of sponsors that are partnerships; all officers, directors and shareholders of a corporate sponsor that are actively involved in the planning and consummation of the offering; and all other individuals who both own an interest in or control sponsor and actively participate in the planning and consummation of the offering, regardless of the form of organization of sponsor).

(2) afford potential investors, purchasers and participants an adequate basis upon which to found their judgment;

(3) not omit any material fact;

(4) not contain any untrue statement of a material fact;

(5) not contain any fraud, deception, concealment, suppression, false pretense or fictitious or pretended purchase or sale;

(6) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;

(7) not contain any representation or statement which is false, where I/we: (i) knew the truth; (ii) with reasonable effort could have known the truth; (iii) made no reasonable effort to ascertain the truth, or (iv) did not have knowledge concerning the representations or statement made.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

MAXEM ROAD CO
NAME OF SPONSOR

By [signature]

MANAGING PARTNER
TITLE OR POSITION

SPONSOR'S PRINCIPALS:

Sworn to before me this
28TH day of JUNE 1985.

[signature]
Notary Public

ALLEN M. TUREK
Notary Public, State of New York
No. 4613441
Qualified in Ulster County
Commission Expires March 30 1987

(2) afford potential investors, purchasers and participants an adequate basis upon which to found their judgment;

(3) not omit any material fact;

(4) not contain any untrue statement of a material fact;

(5) not contain any fraud, deception, concealment, suppression, false pretense or fictitious or pretended purchase or sale;

(6) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;

(7) not contain any representation or statement which is false, where I/we: (i) knew the truth; (ii) with reasonable effort could have known the truth; (iii) made no reasonable effort to ascertain the truth, or (iv) did not have knowledge concerning the representations or statement made.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

MAXEM REALTY CO.
NAME OF SPONSOR

By: Ernest Markel

PARTNER
TITLE OR POSITION

SPONSOR'S PRINCIPALS:

Sworn to before me this
28th day of JUNE 1985.

Allen M Turek
Notary Public

ALLEN M. TUREK
Notary Public, State of New York
No. 4813441
Qualified in Ulster County
Commission Expires March 30 1987

(2) afford potential investors, purchasers and participants an adequate basis upon which to found their judgment;

(3) not omit any material fact;

(4) not contain any untrue statement of a material fact;

(5) not contain any fraud, deception, concealment, suppression, false pretense or fictitious or pretended purchase or sale;

(6) not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;

(7) not contain any representation or statement which is false, where I/we: (i) knew the truth; (ii) with reasonable effort could have known the truth; (iii) made no reasonable effort to ascertain the truth, or (iv) did not have knowledge concerning the representations or statement made.

This certification is made under penalty of perjury for the benefit of all persons to whom this offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law and Penal Law.

MAxem Realty Co.
NAME OF SPONSOR

By X [signature]

TITLE OR ~~POSITION~~ PARTNER

SPONSOR'S PRINCIPALS:

Sworn to before me this
1st day of July 19 85.

[signature]
Notary Public

[illegible] REINHOLD
[illegible] of New York
[illegible] 12236
[illegible] Kings County
[illegible] Expires April 30, 19[illegible]

CERTIFICATION OF SPONSOR'S ENGINEER
OR ARCHITECT PURSUANT TO SECTION 18.4(c)
OF THE REGULATIONS ISSUED PURSUANT
TO GENERAL BUSINESS LAW, ARTICLE 23-A
AS AMENDED.

New York State Department of Law
Two World Trade Center
New York, New York 10047

Attn: Real Estate Financing Bureau

Re: 1620 Avenue I
Brooklyn, New York
Name and Address of Property

The undersigned, (an architect registered in New York State) (or) (an engineer licensed to practice as a professional engineer in New York State), certify as follows:

The sponsor of the offering plan to convert the captioned property to a cooperative retained me/our firm to prepare a report disclosing the condition of the property (the "Report"). I/We visually inspected the property on March 20, 1986 and prepared the Report dated March 20, 1986, (I/We am/are supplementing the report in this addendum dated March 20, 1986) a copy (ies) of which is (are) intended to be incorporated into the offering plan so that prosepctive purchasers may rely on the Report (and addendum).

I/We understand that I/we am/are responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law in Part 18 insofar as they are applicable to this Report (addendum).

I/We have read te entire Report (addendum) and investigated the facts set forth in the Report (addendum) and the facts underlying it and conducted the visual inspection referred to above with due diligence in order to form a basis for this certification. I/We certify that the Report (addendum) and all documents prepared by me/us disclose all the material facts (relevant to the topics of the addendum) which were then discernable from a visual inspection of the property. This Certification is made for the benefit of all persons to whom this offer in made. I/We certify that, the Report (addendum) based on my/our visual inspection:

(i) sets forth in narrative form the physical condition of the entire property (the aspects of the property discussed in the addendum) and is current and accurate as of the date of inspection;

(ii) in my/our professional opinion, affords potential investors, purchasers and participants an adequate basis upon which to found their judgment concerning the physical

condition of the property (the aspects of the property discussed in the addendum);

(iii) does not omit any material fact;

(iv) does not contain any untrue statement of a material fact;

(v) does not contain any fraud, deception, concealment, or suppression;

(vi) does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances;

(vii) does not contain any representation or statement which is false, where I/we:

(a) knew the truth;
(b) with reasonable effort could have known the truth;
(c) made no reasonable effort to ascertain the truth; or
(d) did not have knowledge concerning the representations or statement made.

(viii) it is to be understood that all aspects of the physical condition of the property cannot be determined by a visual inspection and that all statements contained in this certificaiton are premised on and limited to such visual inspection.

I/We further certify that I am/we are not owned or controlled by and have no beneficial interest in the sponsor and that my/our compensation for preparing this Report (addendum) is not contingent on the conversion of the property to a cooperative or on the profitability or price of the offering. This statement is not intended as a guarantee or warranty of the physical condition of the property.

Goldberg/O'Connor Architects
Name of Firm

By: _____

Partner
Title or Position

REGISTERED ARCHITECT
ALBERT BURKE O'CONNOR
15991
STATE OF NEW YORK

Sworn to before me this
21 day of March, 1986

_____
Notary Public

ALLEN M. TUREK
Notary Public, State of New York
No. 4813441
Qualified in Ulster County
Commission Expires March 30 1982

H.K. BENJAMIN REALTY, INC.
SALES & MARKETING DIVISION
SUITE LL
475 NORTHERN BOULEVARD
GREAT NECK, NY 11021
(516) 466-5455

CERTIFICATION BY EXPERT ON ADEQUACY OF BUDGET PURSUANT TO SECTION 18.4(d) OF THE REGULATIONS ISSUED PURSUANT TO GENERAL BUSINESS LAW, ARTICLE 23-A, AS AMENDED.

July 1, 1985

New York State Department of Law
Two World Trade Center
New York, New York 10047

Attn: Real Estate Financing Bureau

Re: 1620 Avenue J. Brooklyn. N.Y.

The Sponsor of the Cooperative Offering Plan for the captioned property retained our firm to prepare the Schedule B containing projections of income and expenses for the first year of cooperative operation. Our experience in this field includes:

> Eric Moskowitz, Vice President of our firm is a licensed Real Estate broker who has been selling and managing cooperative and residential units for over ten (10) years.

We understand that we are responsible for complying with Article 23-A of the General Business Law and the regulations promulgated by the Department of Law in Part 18 insofar as they are applicable to Schedule B.

We have reviewed the Schedule and investigated the facts set forth in the Schedule and the fact underlying it with due diligence in order to form a basis for this certification. We also have relied on our experience in managing residential buildings.

We certify that the projections in Schedule B appear reasonable and adequate under existing circumstances, and the projected income appears to be sufficient to meet the anticipated operating expenses for the projected first year of cooperative operation.

H.K. BENJAMIN REALTY, INC.
SALES & MARKETING DIVISION
SUITE LL
475 NORTHERN BOULEVARD
GREAT NECK, NY 11021
(516) 466-5455

We certify that the Schedule:

(i) sets forth in detail the projected income and expenses for the first year of cooperative operation;

(ii) affords potential investors, purchasers and participants and adequate basis upon which to found their judgment concerning the first year of cooperative operation;

(iii) does not omit any material fact;

(iv) does not contain any untrue statement of a material fact;

(v) does not contain any fraud, deception, concealment or suppression;

(vi) does not contain any promise or representation as to the future which is beyond reasonable expectation or unwarranted by existing circumstances; and

(vii) does not contain any representation or statement which is false, where we: a) knew the truth; b) with reasonable effort could have known the truth or c) did not have knowledge concerning the representations or statements made.

We further certify that we are not owned or controlled by the Sponsor. We understand that a copy of this certification is intended to be incorporated in the Offering Plan. This statement is not intended as a guarantee or warranty of the income and expenses for the first year of cooperative operation.

This certification is made under penalty of perjury for the benefit of all persons to whom this Offer is made. We understand that violations are subject to the civil and criminal penalties of the General Business Law.

H.K. BENJAMIN REALTY, INC.

BY: Eric Moskowitz