

GLEN OAKS VILLAGE OWNERS, INC.

FINANCIAL STATEMENTS

FOR THE YEARS ENDED

DECEMBER 31, 2005

AND

DECEMBER 31, 2004



LANDAU ARNOLD LAUFER & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN LANDAU, CPA - NY
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JOSEPH PALLADINO, CPA - NY

BARRY ARNOLD (1948-2004)

March 28, 2006

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INDEPENDENT AUDITOR'S REPORT

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

Dear Board Member:

We have audited the accompanying balance sheets of Glen Oaks Village Owners, Inc. as of December 31, 2005 and 2004, and the related statements of income, expenses and deficit and cash flows for the years then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Glen Oaks Village Owners, Inc. as of December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

March 28, 2006

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

Very truly yours,

A handwritten signature in cursive script that reads "Landau Arnold Laufer & Company".

Landau Arnold Laufer & Company LLP

GLEN OAKS VILLAGE OWNERS, INC.

BALANCE SHEETS

	As At	
	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash & Cash Equivalents	\$ 1,156,360	\$ 1,774,914
Investments - Reserve Fund	10,502,010	11,525,142
Cash - Tenant Security	268,891	267,263
Stockholders' Accounts Receivable - Net	256,459	188,230
Rent Receivable	45,771	31,101
Prepaid Expenses	1,493,265	1,173,038
Mortgage Escrow Account	0	476,374
Fuel & Supply Inventories	716,029	613,089
Sundry Receivables	64,237	55,646
<u>Total Current Assets</u>	<u>14,503,022</u>	<u>16,104,797</u>
 <u>Property & Equipment (Note 9)</u>		
Land	17,250,000	17,250,000
Buildings	87,202,136	87,202,136
Building Improvements	27,761,423	26,073,087
Furniture, Fixtures & Equipment	1,145,669	1,098,840
Transportation Equipment	781,510	713,792
Communication Equipment	8,244	8,244
	<u>134,148,982</u>	<u>132,346,099</u>
Less: Accumulated Depreciation	74,546,479	70,937,955
<u>Total Property & Equipment (Net)</u>	<u>59,602,503</u>	<u>61,408,144</u>
 <u>Other Assets</u>		
Deferred Mortgage Cost - Net	142,147	405,715
Investment in Apartments	0	50,396
Notes Receivable - Homestead Program - Long-Term (Note 5)	251,000	251,000
Notes Receivable - Long-Term	1,418,562	1,350,403
<u>Total Other Assets</u>	<u>1,811,709</u>	<u>2,057,514</u>
	<u>\$ 75,917,234</u>	<u>\$ 79,570,455</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

BALANCE SHEETS

As At
December 31,

2005

2004

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities

Accounts Payable & Accrued Expenses	\$ 3,598,707	\$ 2,489,176
Mortgage Interest Payable	195,860	208,833
Mortgage Payable - Current Portion	1,039,978	1,564,091
Security Deposits Payable	<u>268,891</u>	<u>267,263</u>
<u>Total Current Liabilities</u>	5,103,436	4,529,363

Long-Term Liabilities

Mortgage Payable	<u>37,707,990</u>	<u>38,375,765</u>
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<u>Total Liabilities</u>	<u>42,811,426</u>	<u>42,905,128</u>
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Stockholders' Equity

Capital Stock - \$1 Par Value Per Share		
Authorized - 400,000 Shares		
Issued & Outstanding		
At 12/31/05 - 337,595 Shares		
At 12/31/04 - 334,372 Shares	387,479	387,479
Capital in Excess of Par Value	81,818,205	80,211,980
Treasury Stock (Note 8)	(2,060,864)	(210,863)
Deficit	<u>(47,039,012)</u>	<u>(43,723,269)</u>
<u>Total Stockholders' Equity</u>	<u>33,105,808</u>	<u>36,665,327</u>

	<u>\$ 75,917,234</u>	<u>\$ 79,570,455</u>
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See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENT OF INCOME, EXPENSES AND DEFICIT

	For The Years Ended	
	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Total Income (Schedule A)	\$ 21,268,630	\$ 20,234,351
Total Expenses (Schedule B)	<u>20,739,755</u>	<u>19,746,443</u>
<u>Operating Profit Before Depreciation & Amortization</u>	528,875	487,908
Depreciation	(3,635,547)	(3,606,397)
Amortization	<u>(408,124)</u>	<u>(25,896)</u>
<u>Loss Before Provision for Taxes</u>	(3,514,796)	(3,144,385)
Provision for Taxes	<u>(81,543)</u>	<u>(75,796)</u>
<u>Net Loss</u>	(3,596,339)	(3,220,181)
Deficit at Beginning of Year	(43,336,823)	(40,116,642)
Unrealized (Loss) on Investments	<u>(105,850)</u>	<u>(386,446)</u>
<u>DEFICIT AT END OF YEAR</u>	<u>\$ (47,039,012)</u>	<u>\$ (43,723,269)</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

STATEMENT OF CASH FLOWS

For The Years Ended
December 31,

2005 2004

<u>Net Cash Flow From Operating Activities</u>		
Net Loss	\$ (3,596,339)	\$ (3,220,181)
Adjustments To Reconcile Net Loss to Net Cash Provided By Operating Activities:		
Depreciation & Amortization	4,043,671	3,632,293
Changes in Assets & Liabilities:		
Stockholders' Accounts Receivable	(68,229)	(160,232)
Cash in Name of Agent - Tenant Sec.	(1,628)	(179)
Rent Receivable	(14,670)	18,799
Mortgage Escrow Account	476,374	(528,113)
Prepaid Expenses	(320,227)	825,405
Fuel & Supply Inventories	(102,940)	(206,306)
Sundry Receivables	(8,591)	(19,604)
Accounts Payable	1,109,531	947,986
Mortgage Interest Payable	(12,973)	(7,601)
Security Deposits Payable	1,628	179
<u>Net Cash Flows Provided By Operating Activities</u>	<u>1,505,607</u>	<u>1,282,446</u>
 <u>Net Cash Flow From Investing Activities</u>		
Purchases of Property, Plant & Equipment	(1,829,901)	(1,414,458)
Sale (Purchase) of Investments - (Reserve Account)	1,303,723	(1,045,339)
Investment in Apartments	0	(12,000)
<u>Net Cash Flows (Used In) Investing Activities</u>	<u>(526,178)</u>	<u>(2,471,797)</u>
 <u>Net Cash Flow From Financing Activities</u>		
Repayment of Long-Term Debt	(1,191,888)	(1,471,442)
Deferred Mortgage Cost	(144,556)	0
Proceeds from Sale of Treasury Stock	1,656,620	2,826,547
Purchase of Treasury Stock	(1,850,000)	0
Notes Receivable - Long-Term	(68,159)	(863,915)
<u>Net Cash Flows (Used In) Provided By Financing Activities</u>	<u>(1,597,983)</u>	<u>491,190</u>
 Net (Decrease) in Cash & Cash Equivalents	(618,554)	(698,161)
 Cash & Cash Equivalents- Beginning of Year	<u>1,774,914</u>	<u>2,473,075</u>
 <u>CASH & CASH EQUIVALENTS - END OF YEAR</u>	<u>\$ 1,156,360</u>	<u>\$ 1,774,914</u>

Supplemental Disclosures of Cash Flows Information:

Cash Paid for Interest	\$2,401,764	\$2,541,158
Cash Paid for Income Taxes	81,543	75,796

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF INCOMEFor The Years Ended
December 31,20052004Income

Maintenance - Shareholders	\$ 16,557,101	\$ 15,954,160
Apartment Rental Income	2,311,896	2,286,299
Capital Improvement Fund Contributions	92,500	86,500
Garage Rental Income	884,213	560,946
Maintenance Service Repair Income	147,494	144,620
Parking Permits	36,497	31,820
Laundry Income	38,621	40,124
Resale & Sublet Fees	408,730	445,740
Management of Rental Apartments	41,640	26,744
Cable Income	49,287	62,046
Late Charges & House Rule Violations	83,027	82,035
Investment Income	402,482	357,735
Interest from GOVO Issued Mortgages	82,169	54,679
National Cooperative Bank -		
Patronage Dividend	12,148	19,551
Insurance Proceeds	57,859	0
Recovery of Bad Debt	40,000	50,000
Miscellaneous	22,966	31,352
	<hr/>	<hr/>
<u>TOTAL INCOME</u>	<u>\$ 21,268,630</u>	<u>\$ 20,234,351</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.SCHEDULE OF EXPENSES

	For The Years Ended	
	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Expenses</u>		
<u>Administrative & Management</u>		
Office Salaries	\$ 709,439	\$ 725,011
Community Contributions	13,360	13,219
Telephone	44,722	39,442
Legal Fees & Other Professional Fees	351,770	137,043
Auditing Fees	40,500	32,400
Computer Maintenance	42,377	39,423
Postage	35,961	37,463
Office Expenses	118,525	117,617
Miscellaneous Administrative & Management Expenses	49,396	37,645
<u>Total Admin. & Mngmt. Expenses</u>	<u>1,406,050</u>	<u>1,179,263</u>
<u>Operating Expenses</u>		
Salaries	2,749,230	2,755,343
Janitorial & Maintenance Supplies	57,344	41,386
Water & Sewer	1,500,000	1,417,851
Electric & Cooking Gas	615,366	522,509
Heating Costs	2,938,877	2,233,652
Licenses & Permits	25,499	12,010
Exterminating Services	40,944	40,107
Protection Services	443,101	439,948
Sanitation & Cleaning	74,916	68,001
Vehicle Fleet Expenses	101,532	110,230
Miscellaneous Expenses	0	1,684
<u>Total Operating Expenses</u>	<u>8,546,809</u>	<u>7,642,721</u>
<u>Repairs & Maintenance</u>		
Repairs	1,379,893	1,447,474
Landscaping & Grounds Maintenance	187,455	237,168
<u>Total Repairs & Maintenance</u>	<u>1,567,348</u>	<u>1,684,642</u>

See notes to financial statements.

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

	For The Years Ended	
	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
<u>Taxes, Insurance & Employee Benefits</u>		
Real Estate Taxes	\$4,348,483	\$ 4,332,384
Payroll Taxes	329,816	305,786
Insurance	1,233,043	1,317,602
Employee Benefits - Union Welfare, Pension, Disability & Health Insurance	893,469	735,286
<u>Total Taxes, Insurance & Employee Benefits</u>	<u>6,804,811</u>	<u>6,691,058</u>
<u>Financial</u>		
Interest on Mortgage Payable	2,414,737	2,548,759
<u>Total Financial</u>	<u>2,414,737</u>	<u>2,548,759</u>
 <u>TOTAL EXPENSES</u>	 <u>\$ 20,739,755</u>	 <u>\$ 19,746,443</u>

See notes to financial statements.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 1 - NATURE OF ORGANIZATION

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

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

The Property was conveyed to the Company on April 14, 1981. The facility contains 2,904 residential apartment units on approximately 110 acres of land.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The Company utilizes the accrual method of accounting.

Maintenance Assessments

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

Income Taxes

The Internal Revenue Service has taken the position that real estate cooperatives are subject to Section 277 of the Internal Revenue Code.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Section 277 of the Code provides that a membership organization that is operated to provide services to members is permitted to deduct expenses attributable to the furnishing of services to the members only to the extent of the income derived during such year from its members. Section 277 permits a membership organization to reduce income from non-membership sources only by expenses incurred in generating this income. Accordingly, income from non-membership sources such as interest, commercial rental, professional apartment rental, etc. in excess of expenses properly attributable thereto, may be subject to federal tax.

Income tax liability that may result from the above is not reflected in the attached financial statements. If the position of the Internal Revenue Service is sustained by the courts, such liability will be reflected in future financial statements. Provisions for state income taxes are appropriately reflected.

Depreciation

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

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

Cash & Cash Equivalents

For the purpose of cash flows, cash and cash equivalents consist of short-term, highly liquid debt instruments with maturities of twelve months or less at the date of purchase. Items classified as cash equivalents include money market funds and commercial paper.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - PURCHASE OF APARTMENTS

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

As at December 31, 2005, a total of 269 were occupied/rent regulated units and 6 were unoccupied units.

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

As at December 31, 2005, a total of 72 were occupied/rent regulated units and 0 were unoccupied units.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 3 - PURCHASE OF APARTMENTS (Continued)

During 2005, Glen Oaks Village Owners, Inc. purchased 15 additional units from the Estate of Robert Lee in the amount of \$1,850,000. These apartments are available for rental or purchase. As of March 14, 2006, 10 of these units have been renovated and resold.

NOTE 4 - CONCENTRATION OF CREDIT RISK

Regional Concentration - Glen Oaks Village Owners, Inc.'s business activity is to operate as a cooperative housing corporation as described in Note 1, "Nature of Organization". As such, the corporation's sole source of revenue is from its tenant-shareholders. Under the provisions of FASB-105 the corporation is exposed to a regional concentration of credit risk if a significant portion of their tenant-shareholders did not pay their monthly maintenance charges. If a tenant-shareholder defaults in their obligation to the corporation, the corporation has substantial rights. Among these rights, the corporation may terminate the lease of the lessee; take possession of the apartment and at its option re-let so as to recover any deficiency for unpaid rent or other charges.

Banking Concentration - During the years 2005 and 2004, Glen Oaks Village Owners, Inc. has maintained cash balances in excess of \$100,000 in its banking institutions. A potential risk of loss exists for amounts held in excess of FDIC insurable limits. The Corporation believes it mitigates its risks by investing in or through major financial institutions.

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

The corporation sold certain rent-regulated apartments, which it owned to the occupants of these apartments. The corporation received notes receivable from the buyer. These notes require no interest or principal payments during their life. The principal comes due upon sale or transfer of the apartment. The corporation will allow one transfer to a family member during the term of the note. The balances of these notes were \$251,000 for 2005 and 2004, respectively.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 6 - RESERVE FUNDS

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

Investments are as follows:

		<u>2005</u>
	<u>Market</u>	
Mutual Funds-	<u>Value</u>	<u>Cost</u>
The Vanguard Group	\$ 183,145	\$ 168,775
Fidelity Investments	9,744,560	9,864,780
Money Market Accounts-		
The Vanguard Group	456,009	456,009
Fidelity Investments	118,296	118,296
<u>Total Reserve Funds</u>	<u>\$10,502,010</u>	<u>\$10,607,860</u>

Investments are as follows:

		<u>2004</u>
	<u>Market</u>	
Mutual Funds-	<u>Value</u>	<u>Cost</u>
The Vanguard Group	\$ 179,851	\$ 162,862
Fidelity Investments	9,408,635	9,812,071
Money Market Accounts-		
The Vanguard Group	442,687	442,687
Fidelity Investments	1,493,969	1,493,969
<u>Total Reserve Funds</u>	<u>\$11,525,142</u>	<u>\$11,911,589</u>

NOTE 7 - MORTGAGE PAYABLE

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

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

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

These mortgages were refinanced on August 1, 2005. Proceeds of the new mortgage were used to satisfy both outstanding mortgage loans. The following are the pertinent items of the new loan:

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 7 - MORTGAGE PAYABLE (Continued)

Principal Amount:	\$39,000,000
Monthly Payment:	\$276,491.10
Interest Rate:	5.875%
Term:	20 years
Maturity Date:	September 1, 2025

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

2006	\$ 1,039,978
2007	1,103,589
2008	1,164,881
2009	1,242,342
2010	1,318,331
Thereafter	<u>32,878,847</u>
	38,747,968
Less: Current Portion	<u>1,039,978</u>
<u>Total Long-Term</u>	<u>\$37,707,990</u>

Interest expense approximated \$2,414,737 and \$2,548,759 for the years ended December 31, 2005 and 2004, respectively.

NOTE 8 - TREASURY STOCK

The corporation on occasion has purchased apartments on the open market for its own administrative use. Four such units were acquired and are being used as administrative office space for management and sales personnel. The 2005 additional purchase of fifteen apartments from the Estate of Robert Lee as detailed in Note 3 has increased the amount of treasury stock.

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 9 - PROPERTY AND EQUIPMENT

Property and equipment are capitalized at cost. Major expenditures for property and those that substantially increase useful lives are capitalized. Maintenance, repairs and minor renewals are expensed as incurred. Depreciation is provided at rates based on the following useful lives:

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

Depreciation for the current year is \$3,635,547.

The breakdown of property and equipment is disclosed on the face of the balance sheet.

NOTE 10 - FUTURE MAJOR REPAIRS & REPLACEMENTS

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

GLEN OAKS VILLAGE OWNERS, INC.

NOTES TO FINANCIAL STATEMENTS
(CONTINUED)

FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

NOTE 11 - MORTGAGE REFINANCING COSTS

Mortgage refinancing costs were incurred August 2005, in the amount of \$144,556 including Bank Fees, Title Costs, Legal Fees, Survey & Search Costs and Mortgage Tax. These costs will be amortized over the life of the mortgage beginning September 2005 for a period of twenty years. Amortization costs for 2005 amounted to approximately \$2,409 on the new mortgage and \$405,715 on the old mortgage.

NOTE 12 - SPECIAL ASSESSMENT

In 2005 a special assessment equal to \$3.66 per share was authorized by the Board of Directors which approximated the NYS Star Credit and NYC Property Tax Abatement Reductions. Both the special assessment and property tax reductions were applied to applicable shareholder accounts concurrently.

NOTE 13 - PENSION PLAN

The Company has a 401K Plan for the benefit of all eligible employees. The Company contributes 3% of employees' compensation to the Plan. For the year ended December 31, 2005 the total pension expense was \$28,268.