

**XANDER CORPORATION**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

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**ROBINS & ASSOCIATES LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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Certified Public Accountants

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**INDEPENDENT ACCOUNTANT'S REPORT**

To the Shareholders  
Xander Corporation

We have audited the accompanying balance sheets of Xander Corporation as of December 31, 2007 and 2006 and the related statements of operations and accumulated deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 the 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 Xander Corporation at December 31, 2007 and 2006 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.

*Robins & Associates LLP*

ROBINS & ASSOCIATES LLP

New York, NY  
May 12, 2008

**XANDER CORPORATION**  
**BALANCE SHEETS**  
**DECEMBER 31, 2007 and 2006**

<b>ASSETS</b>		
	<u>2007</u>	<u>2006</u>
<b>CURRENT ASSETS:</b>		
Cash (Note 10)	\$ 299,708	\$ 268,568
Accounts receivable:		
Maintenance income receivable	<u>2,876</u>	<u>3,499</u>
Total current assets	302,584	272,067
Property and Equipment - net (notes 2 and 3)	<u>11,537,294</u>	<u>12,321,921</u>
	<u>\$11,839,878</u>	<u>\$12,593,988</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$298,936	\$226,723
Taxes payable	15,704	2,477
Prepaid maintenance	<u>20,655</u>	<u>1,145</u>
<b>Total current liabilities</b>	<u>335,295</u>	<u>230,345</u>
Contingencies (Note 10)		
<b>SHAREHOLDERS' EQUITY</b>		
Common stock - \$1.00 par value		
issued and outstanding 10,000 shares	10,000	10,000
Additional paid-in capital	28,124,000	28,124,000
Accumulated deficit	<u>(16,629,417)</u>	<u>(15,770,357)</u>
<b>Total shareholders' equity</b>	<u>11,504,583</u>	<u>12,363,643</u>
	<u>\$11,839,878</u>	<u>\$12,593,988</u>

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

**XANDER CORPORATION****STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT****FOR THE YEAR ENDED DECEMBER 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
<b>Income:</b>		
Maintenance income (Note 4)	\$ 1,586,000	\$ 1,558,500
Interest and other income	<u>5,659</u>	<u>5,735</u>
Total income	<u>1,591,659</u>	<u>1,564,235</u>
Operating expenses:		
Electric	128,928	115,289
Water and sewer	20,835	21,805
Supplies	12,082	16,016
Repairs and maintenance	75,382	106,369
Real estate taxes (Note 6)	710,572	685,780
Payroll (Note 9)	98,024	48,529
Payroll taxes	8,623	5,370
Employee Benefits	10,080	10,561
Insurance	63,273	57,795
Professional fees (Note 8)	226,085	106,624
Telephone	4,240	4,333
Swimming pool expenses	16,069	18,100
State corporation taxes	8,234	6,510
Miscellaneous expenses	21,441	18,587
Management fee	27,600	27,600
Security	65,900	156,720
Elevator maintenance	16,154	16,534
Fire Alarm	286	3,885
Letter of credit and bond costs	5,309	7,622
Office supplies and expenses	4,884	2,552
Interest expense	<u>-</u>	<u>4,530</u>
Total operating expenses	<u>1,524,001</u>	<u>1,441,111</u>
Income before depreciation and amortization	67,658	123,124
Depreciation and amortization	<u>926,718</u>	<u>921,481</u>
Net loss	(859,060)	(798,357)
Accumulated deficit - beginning of year	<u>(15,770,357)</u>	<u>(14,972,000)</u>
Accumulated deficit - end of year	<u>\$(16,629,417)</u>	<u>\$(15,770,357)</u>

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

**XANDER CORPORATION****STATEMENTS OF CASH FLOWS****FOR THE YEAR ENDED DECEMBER 31, 2007 AND 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Net loss	<u>\$(859,060)</u>	<u>\$(798,357)</u>
Adjustments to reconcile net loss to cash flows from operating activities		
Depreciation and amortization	926,718	921,481
 (Increases) Decreases in:		
Maintenance income receivable	623	1,594
Prepaid expenses and other current assets	-	3,292
 Increases (Decreases) in:		
Accounts payable	72,213	(14,002)
Taxes payable	13,227	107
Prepaid maintenance	<u>19,510</u>	<u>1,145</u>
Total adjustments	<u>1,032,291</u>	<u>894,138</u>
 Net cash provided by operating activities	<u>173,231</u>	<u>115,260</u>
 Cash flows from investing activities		
Acquisition of property and equipment	<u>(142,091)</u>	<u>(121,532)</u>
 Net cash used by investing activities	<u>(142,091)</u>	<u>(121,532)</u>
 Net (decrease) increase in cash	31,140	(6,272)
 Cash at beginning of year	<u>268,568</u>	<u>274,840</u>
 Cash at end of year	<u>\$299,708</u>	<u>\$ 268,568</u>
 Supplemental disclosures:		
Interest paid	<u>\$ -0-</u>	<u>\$ 4,530</u>
Income taxes paid	<u>\$ -0-</u>	<u>\$ -0-</u>

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

**XANDER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

1. **FORMATION**

Xander Corporation was incorporated under the Business Corporation Law of the State of New York for the purpose of acquiring and operating land and building located at 360 Shore Road, Long Beach, New York. The property was acquired on January 12, 1988. The corporation is a cooperative housing corporation.

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Depreciation:**

The building and improvements are being depreciated on the straight line method over a period of 27 1/2 years, paving 10 years, and equipment over 7 and 15 years.

Maintenance and repair costs are charged to expense as incurred, except that expenditures which increase the useful lives of the assets are capitalized. When properties are replaced, retired or otherwise disposed of, the cost of such properties and the accumulated depreciation thereon is deducted from the respective accounts and the related gain or loss, if any, is reflected in operations.

**Maintenance Income Receivable:** The Corporation derives its revenues principally from maintenance assessments paid under proprietary leases with its shareholders. Maintenance income receivable is comprised of maintenance fees and assessments due from tenants. Since any past due or delinquent fees or assessments may be secured by a lien on the homeowner's unit with the power of foreclosure, no allowance for uncollectable accounts is considered necessary.

**Estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. **PROPERTY AND EQUIPMENT**

	<u>2007</u>	<u>2006</u>
The following is a summary of property and equipment:		
Land	\$ 4,000,000	\$ 4,000,000
Building	24,134,000	24,134,000
Improvements	1,112,530	1,008,693
Equipment	123,049	84,795
Paving	<u>29,000</u>	<u>29,000</u>
	29,398,579	29,256,488
Accumulated depreciation and amortization	<u>17,861,285</u>	<u>16,934,567</u>
	<u>\$11,537,294</u>	<u>\$12,321,921</u>

XANDER CORPORATION

NOTES TO FINANCIAL STATEMENTS

**DECEMBER 31, 2007 AND 2006**

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4. **MAINTENANCE**

Maintenance income is based on an annual budget determined by the Board of Directors. Shareholders are billed based on their respective ownership of shares. The Cooperative retains excess operating funds, if any, at the end of the operating year, for use in future operating periods.

5. **FUTURE MAJOR REPAIRS AND REPLACEMENTS**

The Corporation periodically has engineering studies performed to determine the remaining useful lives of the components of common property and current estimates of costs of major repairs and replacements that may be required in the future. In the meantime, the Board has developed a plan to fund those needs as required. When replacement funds are needed to meet future needs for major repairs and replacements, the Corporation has the right to increase regular assessments, pass special assessments, or delay major repairs and replacements until funds are available. The effect on future assessments has not been determined at this time.

6. **REAL ESTATE TAX ASSESSMENTS**

The Company instituted proceedings against the Board of Assessors and the Board of Assessment Review of Nassau County to have the assessed value of its property reduced for the tax years 2005/2006 through 2007/2008. Similar proceedings have been instituted against the city of Long Beach for the tax years 1995/1996 through 2007/2008. The total amount of tax reductions is indeterminable at this time. The reductions are either refunded or applied against future assessments, and are taken into income at the time of refund or application.

7. **TAX LOSS CARRYFORWARDS**

The corporation has net operating loss carryforwards of approximately \$12,500,000 which are available against future taxable income. The losses expire from 2008 through 2027.

**XANDER CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2007 AND 2006**

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8. **PROFESSIONAL FEES**

Professional fees includes legal fees of \$176,568 in 2007 and \$72,375 in 2006 in connection with ongoing litigation with the building's sponsor.

9. **PAYROLL**

Payroll for 2007 includes security guard payroll of \$41,484. Security guard services were previously provided by an independent contractor until July, 2007.

10. **CONTINGENCIES**

The company is contingently liable on an unused Letter of Credit in the amount of \$250,000, which expires on February 15, 2008. The expiration date has subsequently been extended until February 15, 2009. The Letter of Credit is secured by a \$250,000 cash deposit at the JP Morgan Chase Bank, which may not be withdrawn until the Letter of Credit has expired. The Letter of Credit relates to litigation with the building's sponsor. (See Note 8)