HILLMAN HOUSING CORPORATION (A COOPERATIVE HOUSING CORPORATION)

Financial Statements
and Supplemental Information
(Together with Independent Auditors' Report)

Years Ended December 31, 2017 and 2016

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

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MARKS PANETH
ACCOUNTANTS & ADVISORS

INDEPENDENT AUDITORS' REPORT

To the Tenant-Stockholders
Hillman Housing Corporation
New York, N.Y.

We have audited the accompanying financial statements of Hillman Housing Corporation (the "Cooperative"), which comprise the balance sheets as of December 31, 2017 and 2016, and the related statements of operations and accumulated deficit, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cooperative as of December 31, 2017 and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Omission of Required Supplementary Information about Future Major Repairs and Replacements

Management has omitted information about the estimates of future costs of major repairs and replacements that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Marks Paneth LLP

Woodbury, New York
June 1, 2018

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Balance Sheets

December 31,

ASSETS

	2017	2016
Cash and cash equivalents	$ 2,512,687	$ 3,337,518
Receivables:		
Tenant-stockholders	369,349	462,130
Commercial tenants	89,522	180,088
Due from East River Housing Corporation (affiliate)	71,340	-
Total Receivables	530,211	642,218
Prepaid expenses and other assets	1,018,794	132,525
Real and personal property, net	8,314,129	8,864,102
TOTAL ASSETS	$ 12,375,821	$ 12,976,363

LIABILITIES AND STOCKHOLDERS' DEFICIT

	2017	2016
LIABILITIES		
Accounts payable and accrued expenses	$ 814,907	$ 819,977
Due to tenant-stockholders - real property tax abatements	625,653	624,700
Due to East River Housing Corporation (affiliate)	-	87,196
Rents received in advance	73,691	72,104
Security deposits payable - commercial tenants	175,120	175,120
Certificate of indebtedness	10,643	10,643
Mortgage payable, net	11,418,590	11,404,006
TOTAL LIABILITIES	13,118,604	13,193,746
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' DEFICIT		
Common stock - $100 par value, authorized 25,000 shares, 16,483.95 shares issued and outstanding	1,648,395	1,648,395
Additional paid-in capital	6,234,609	6,069,663
Accumulated deficit	(8,625,787)	(7,535,446)
Less: Treasury stock, at cost - 0 and 20.25 shares at December 31, 2017 and 2016, respectively	-	(399,995)
TOTAL STOCKHOLDERS' DEFICIT	(742,783)	(217,383)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 12,375,821	$ 12,976,363

See Accompanying Notes to Financial Statements.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Statements of Operations and Accumulated Deficit

For the Years Ended December 31,

	2017	2016
REVENUES		
Carrying charges - apartments	$ 7,292,488	$ 7,171,007
Residential electricity	572,882	589,977
Apartment resale fees	1,575,250	2,426,390
Commercial rent - store and offices (including electricity)	468,792	443,299
Parking rent	517,774	478,737
Other income	670,144	652,436
	11,097,330	11,761,846
EXPENSES		
Real estate taxes	3,506,412	3,321,629
Utilities and fuel	2,013,783	2,281,104
Labor	1,324,638	1,288,161
Payroll overhead	709,293	690,362
Repairs and maintenance	1,822,134	1,406,461
Management	464,243	456,956
Security guards	576,794	430,790
Mortgage interest	417,084	418,447
Insurance	301,728	303,151
Legal and audit	198,663	201,011
Income taxes	80,000	76,335
Senior care services	12,000	12,000
	11,426,772	10,886,407
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES BEFORE DEPRECIATION	(329,442)	875,439
Depreciation	(760,899)	(769,717)
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES	(1,090,341)	105,722
DEFICIT - January 1,	(7,535,446)	(7,641,168)
DEFICIT - December 31,	$ (8,625,787)	$ (7,535,446)

See Accompanying Notes to Financial Statements.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Statements of Changes in Stockholders' Deficit
For the Years Ended December 31, 2017 and 2016

	Common Stock	Additional Paid-In Capital	Stockholders' Deficit	Treasury Stock	Total
Balance - January 1, 2016	$ 1,648,395	$ 6,069,663	$ (7,641,168)	$ -	$ 76,890
Treasury stock acquired	-	-	-	(399,995)	(399,995)
Excess of revenues over revenues - 12/31/16	-	-	105,722	-	105,722
Balance - January 1, 2017	1,648,395	6,069,663	(7,535,446)	(399,995)	(217,383)
Sale of treasury stock	-	164,946	-	399,995	564,941
Deficit of revenues over expenses - 12/31/17	-	-	(1,090,341)	-	(1,090,341)
Balance - December 31, 2017	$ 1,648,395	$ 6,234,609	$ (8,625,787)	$ -	$ (742,783)

See Accompanying Notes to Financial Statements.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Statements of Cash Flows

For the Years Ended December 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
(Deficit) excess of revenues over expenses	$ (1,090,341)	$ 105,722
Adjustments to reconcile (deficit) excess of revenues over expenses to net cash (used in) / provided by operating activities:		
Noncash items included in (deficit) excess of revenues over expenses		
Depreciation	760,899	769,717
Amortization of deferred financing costs	14,584	14,584
(Decrease) increase in cash flows due to changes in operating assets and liabilities:		
Receivabes - Tenant-stockholders	92,781	(66,903)
Receivables - Commercial tenants	90,566	(51,671)
Prepaid expenses and other assets	(888,501)	58,455
Accounts payable and accrued expenses	(2,838)	(9,898)
Due to tenant-stockholders - real property tax abatements	953	111,700
Due to / from East River Housing Corporation (affiliate)	(158,536)	71,659
Rents received in advance	1,587	29,634
Net Cash (Used in) Provided by Operating Activities	(1,178,846)	1,032,999
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for capital improvements	(210,926)	(339,234)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sale of treasury stock	564,941	-
Purchase of treasury stock	-	(399,995)
Net Cash Provided by (Used in) Financing Activities	564,941	(399,995)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(824,831)	293,770
CASH AND CASH EQUIVALENTS - beginning of year	3,337,518	3,043,748
CASH AND CASH EQUIVALENTS - end of year	$ 2,512,687	$ 3,337,518

SUPPLEMENTAL DISCLOURES OF CASH FLOW INFORMATION:

	2017	2016
Cash paid during the year for:		
Interest expense	$ 402,500	$ 403,863
Income taxes	$ 91,556	$ 69,296

SUPPLEMENTAL DISCLOSURE OF NONCASH OPERATING ACTIVITIES:

During the year ended December 31, 2016, $53,782 of fully depreciated gym equipment was removed from the books.

See Accompanying Notes to Financial Statements.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES

History of the Cooperative

Hillman Housing Corporation (the "Cooperative"), a cooperative housing corporation, was incorporated in the State of New York on November 5, 1945. The Cooperative is located in New York City and consists of 807 residential apartments and commercial space.

Until February 6, 1997, the Cooperative operated as a government-regulated residential real estate corporation. Effective February 7, 1997, the Cooperative was reconstituted as a private cooperative governed by and subject to New York State Business Corporation Law.

On December 22, 1998, the Board of Directors (the "Board") of the Cooperative passed resolutions to transfer all of the issued and outstanding shares of the Cooperative's stock which had been held in the name of the directors as nominees, to the tenant-stockholders of the Cooperative.

Management and Allocated Expenses

The Cooperative is one of two housing corporations, the other being East River Housing Corporation ("East River"), which are situated in a common community and whose operations are managed by a common management company. Certain expenses common to these two housing corporations including, but not limited to payroll, fuel and management expenses, are paid for by East River and then allocated and charged to the Cooperative, generally based on each housing corporation's pro-rata share of the number of dwelling units. During the years ended December 31, 2017 and 2016, common expenses of $3,225,570 and $3,437,100 respectively, were allocated to the Cooperative.

Revenue Recognition

Revenue from tenant-stockholders and commercial tenants is recognized when earned in accordance with the terms of the related lease, or when services have been rendered, as applicable. The difference between straight-lining of rent revenue from commercial tenants and recording revenue when earned as per lease agreements, is not deemed material. Carrying and rental charges received in advance of due dates are deferred until earned.

Revenue from carrying charges is reported net of real property tax abatements received from the New York City Department of Finance which has been credited to tenant-stockholders' accounts.

Cash and Cash Equivalents

The Cooperative considers all liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (Continued)

Concentration of Credit Risk

Financial instruments that potentially subject the Cooperative to concentrations of credit risk consist principally of cash and cash equivalents on hand in financial institutions. Cash and cash equivalents may at times be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limits. As of December 31, 2017 and 2016, the FDIC insurance limit for interest-bearing and non-interest bearing transaction accounts was $250,000. At December 31, 2017 and 2016, the majority of the Cooperative's cash and cash equivalents were on deposit at New York Community Bank, the Cooperative's mortgage lender (Note 2) and the total of all bank balances which were uninsured was $2,192,124 and $2,810,548, respectively. Under the terms of the mortgage agreement, the Cooperative is required to maintain all bank accounts with the lender.

Receivables

The Cooperative believes that all receivables owed by tenant-stockholders, commercial tenants, and payables for carrying charges, rental lease payments and services provided, respectively, are fully collectible and no allowance for doubtful accounts is required as of December 31, 2017 and 2016.

Real and Personal Property

Real and personal property are recorded at cost and consist of:

	December 31,	
	2017	2016
Land	$ 1,444,210	$ 1,444,210
Buildings	7,681,798	7,681,798
Building improvements	15,598,632	15,478,581
Furniture and equipment	1,638,385	1,547,509
Parking lot improvements	169,621	169,621
	26,532,646	26,321,719
Less: Accumulated depreciation	(18,218,517)	(17,457,617)
	$ 8,314,129	$ 8,864,102

Depreciation of real and personal property is computed by various methods over the following estimated useful lives: buildings - 40 years, building and parking lot improvements – 15 to 39 years, and furniture and equipment – 5 to 7 years. Depreciation expense for the years ended December 31, 2017 and 2016 was $760,899 and $769,717, respectively.

The Cooperative considers façade work to be a building improvement, depreciable over a 27.5 year useful life.

It is the Cooperative's policy, in the year that it occurs, to write off assets that become fully depreciated whether or not the assets have been disposed of during the year.

HILLMAN HOUSING CORPORATION
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Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (Continued)

Fixed asset additions for the years ended December 31 were as follows:

	2017	2016
Building Improvements	$ 13,500	$ 49,227
Ground Improvements	21,448	36,301
Boiler room upgrade	85,102	188,130
Security equipment	75,897	39,464
Other	14,979	26,112
	$210,926	$339,234

Deferred costs

Deferred J-51 consulting costs, which are included in prepaid expenses and other assets on the balance sheet, are amortized using the straight-line method over the term of the related debt and period of J-51 abatements, respectively. Amortization expense for each of the years ended December 31, 2017 and 2016 was $3,523.

Amortization of J-51 consulting costs for each of the next two years are as follows:

December 31,	
2018	$3,523
2019	364

Income Taxes

The Cooperative's income tax policies provide that those portions of maintenance charges that are applicable to capital improvements, as determined by the Board, and mortgage amortization, will be accounted for as contributions to the additional paid-in capital of the Cooperative for income tax reporting purposes, whereas, such items are recognized as revenue for financial reporting. This accounting practice results in a permanent difference between financial and tax reporting revenue.

The Cooperative has adopted the provisions of Accounting Standards Codification Topic 740, "Income Taxes - Accounting for Uncertainties", which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

The Cooperative's policies are to recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense.

HILLMAN HOUSING CORPORATION
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Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Debt Issuance Costs

In accordance with ASU 2015-03, the Corporation presents debt issuance costs as a direct deduction from the carrying amount of the related indebtedness and amortizes these costs over the term of the related liability using the straight-line method which approximates the effective interest rate method. Amortization of the costs is reported as interest expense.

In accordance with ASU 2015-15, the Corporation records debt issuance costs for its line of credit as finance costs as an asset on its balance sheet and related amortization is recorded in interest expense on the statements of operations and accumulated deficit.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, (Topic 606) *Revenue from Contracts with Customers*, which provides guidance for revenue recognition. The pronouncement requires that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those good or services. The two permitted transitions methods under the guidance are the full retrospective approach or a cumulative effect adjustment to the opening retained earnings in the year of adoption. The new standard will be effective for the Corporation for fiscal year beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, with early adoption permitted. The Corporation is currently assessing the impact Topic 606 will have on the financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), which requires an entity that is a lessee to classify leases as either finance or operating and to recognize right-of-use asset ("ROU") and lease liability for all leases that have a duration of greater than 12 months. Leases of 12 months or less will be accounted for similar to existing guidance for operating leases today. The ROU will be amortized over the life of the lease and the lease liability will be reduced by lease payments not allocated to interest expense using an appropriate discount rate. For lessors, accounting for leases under the new standard will be substantially the same as existing guidance for sales-type leases, direct financing leases, and operating leases, but eliminates current real estate specific provisions and changes the treatment of initial direct costs. For example, current standard allows legal costs associated with reviewing a lease to be deferred, however, under the new standard they will not be considered as initial direct costs and expensed when incurred. The new standard will be effective for the Corporation for fiscal year beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020, with early adoption permitted.

HILLMAN HOUSING CORPORATION
(A COOPERATIVE HOUSING CORPORATION)

Notes to Financial Statements
December 31, 2017 and 2016

NOTE 1: OPERATIONS AND ACCOUNTING POLICIES (Continued)

The new standard must be applied using a modified retrospective approach. The Corporation has not assessed the impact Topic 842 will have on the financial statements.

NOTE 2: MORTGAGE PAYABLE

During August of 2015, the Cooperative entered into a mortgage agreement with New York Community Bank in the amount of $11,500,000. The mortgage requires payments of interest only in the amount of $33,542, at a rate of 3.50% from August 2015 through July 2023. The mortgage matures on August 1, 2023, at which time the outstanding balance is due or the Cooperative has the option to renew the mortgage for another five years. The Cooperative has the option at any one time in each year of the loan to make a single prepayment of up to two million dollars without a prepayment penalty, any prepayments in excess of two million dollars each year will be subject to a prepayment penalty. The balance of this mortgage loan at December 31, 2017 and 2016, was $11,418,590, and $11,404,006, respectively, which is net of an unamortized debt issuance costs in the amount of $81,410, and $95,994, respectively.

Beginning August 1, 2023 through July 31, 2028, (the "Option to Extend Period"), the interest rate will be equal to the sum the Federal Home Loan Bank of New York Index and the spread, as defined, rounded up to the nearest one-eighth of one percentage point (.0125%). The Spread is Three Hundred (300) Basis Points. In no event will the fixed interest rate be fixed lower than 3.5%.

The Cooperative adopted FASB ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*, on January 1, 2016. ASU 2015-03 amended the presentation guidance by requiring that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts.

In addition, during 2015, the Cooperative obtained a line of credit with New York Community Bank in the amount of $5,000,000. Interest is charged at rate which is equal to the sum of the line of credit loan index, as defined, and the line of credit loan margin, as defined, with a minimum rate of 4.25% and a maximum rate of 16%. At December 31, 2017 and 2016, there were no outstanding balances on the line of credit.

The above mortgage and line of credit is collateralized by all real and personal property as well as substantially all the assets of the Cooperative are subject to certain restrictions, as defined.

NOTE 3: COMMON STOCK AND TREASURY STOCK

The Cooperative uses the par value method to account for treasury stock. Any gain on the sale of treasury stock is accounted for as an increase to additional paid-in capital. A loss is accounted for in the same manner, but only to the extent of any previously accumulated gains. The Cooperative accounts for any excess loss as a reduction of accumulated deficit.

During 2017, the Board of Directors authorized the sale of the remaining 20.25 shares of stock. During 2016, the Board of Directors authorized the purchase of 20.25 shares of stock.

HILLMAN HOUSING CORPORATION
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Notes to Financial Statements
December 31, 2017 and 2016

NOTE 4: CARRYING CHARGES AND RENTS – APARTMENTS AND COMMERCIAL SPACE

Carrying charges for apartments are based on a per-room rate that was originally determined based on the attributes of the room (i.e. size, view, etc.), when the housing corporation was completed in the mid-1940s. The original charges have been adjusted over the years as a result of Board approved increases. Any increase in carrying charges is implemented at the discretion of the Board of Directors based on annual operating budgets. The Board approved a 2.5% carrying charge increase that went into effect December 1, 2016. During December 2017, the Board approved a $10 per room maintenance increase that went into effect February 1, 2018.

The Cooperative leases space to commercial tenants. As of December 31, 2017, the Cooperative's total leasable commercial space of approximately 110,000 square feet was occupied by 6 tenants, including one tenant that leases garage space which accounts for approximately 87% of the gross leasable area.

Estimated future minimum rentals under non-cancelable commercial operating and parking leases as of December 31, 2017, excluding charges for electricity and real estate taxes, are as follows:

2018	$	761,000
2019		698,000
2020		632,000
2021		538,000
2022		539,000
Thereafter		9,158,000
	$	12,326,000

NOTE 5: APARTMENT RESALE FEES

The Cooperative assesses its tenant-stockholder fees on the resale of apartments. Effective October 1, 2008, the rate is 20% on the first-time sale of an apartment and 5% on all second and subsequent sales of the same apartment.

For the year ended December 31, 2017, there were 9 first-time sales of apartments and 10 second-time sales of apartments, resulting in apartment resale fees of $1,575,250.

For the year ended December 31, 2016, there were 13 first-time sales of apartments and 11 second-time sales of apartments, resulting in apartment resale fees of $2,426,390.

HILLMAN HOUSING CORPORATION
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Notes to Financial Statements
December 31, 2017 and 2016

NOTE 6: FUTURE MAJOR REPAIRS AND REPLACEMENTS

The Cooperative's governing documents do not require the accumulation of funds to finance future major repairs and replacements. In addition, the Cooperative has not conducted a study to determine the remaining useful lives of the components of real and personal common property and current estimates of the costs of future major repairs and replacements. When replacement funds are needed to meet future needs for major repairs and replacements, the Cooperative has the right to utilize reserve funds, borrow, increase maintenance assessments, pass special assessments or delay major repairs and replacements until funds are available. The effects on future assessments have not been determined at this time.

NOTE 7: PENSION

The Cooperative does not directly participate in any multi-employer pension plans. All pension costs are paid by East River, generally based on the number of weeks worked by employees covered under the union contracts. East River's union employees are covered by multi-employer pension plans pursuant to two collective bargaining agreements which both expired in April 2018. East River is currently in negotiations to renew these contracts at similar terms and conditions. At June 30, 2017, the actuary for one of the multi-employer pension plans certified that the plan was assigned a red zone status and has RP status implemented, as defined under the Pension Protection Act of 2006. Among other factors, plans in the red zone are generally less than 60.10% funded. The other plan is in the green zone status, as defined under the Pension Protection Act of 2006.

East River allocates pension costs to the Cooperative based on the amount of payroll allocated to the Cooperative. Payroll costs which are specifically associated with a housing corporation are allocated directly to that housing corporation. All other shared payroll costs are allocated to each housing corporation based on each housing corporation's pro-rata share of dwelling units.

The Cooperative's allocable share of charges to operations for contributions to these multi-employer retirement pension plans amounted to approximately $109,000 and $108,000 for the years ended December 31, 2017 and 2016, respectively.

In addition, beginning January 1, 2004, East River's nonunion employees were covered by a multi-employer retirement plan. Contributions to the multi-employer retirement plan are shared costs which are allocated to each housing corporation based on each housing corporation's pro-rata share of the number of dwelling units. The Cooperative's allocable share of charges to operations for contributions to this multi-employer retirement plan amounted to $18,904 and $17,813 for the years ended December 31, 2017 and 2016, respectively.

Under the Employee Retirement Income Security Act of 1974, as amended, upon withdrawal from a multi-employer plan, an employer is required to continue to pay its proportionate share of the plan's unfunded vested benefits. The information as to East River's portion of accumulated plan benefits and plan assets is not determinable. East River has no intention of withdrawing from these multi-employer pension plans.

East River does not administer or control any of these multi-employer plans.

HILLMAN HOUSING CORPORATION
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Notes to Financial Statements
December 31, 2017 and 2016

NOTE 8: INCOME TAXES

The Cooperative has approximately $13,600,000 in net operating loss carryforwards ("NOLS") available for federal income tax purposes. These NOLS were generated in the years ended December 31, 1997 through December 31, 2014, from patronage and nonpatronage activities. These NOLS may be carried forward 20 years and begin to expire in the tax years ended December 31, 2017 through 2035. Because the future utilization of these NOLS tax is uncertain, no related deferred tax asset has been reflected in the accompanying financial statements.

The Cooperative is subject to federal, New York State and New York City income taxes on its nonpatronage income. Charges to operations applicable to income tax expense amounted to approximately $80,000 and $77,000 for the years ended December 31, 2017 and 2016, respectively. The Cooperative is no longer subject to federal or state and local income tax examinations by tax authorities for years before 2014.

NOTE 9: LITIGATION

The Cooperative is subject to various claims and legal proceedings that arise in the ordinary course of its business activities, including, but not limited to, actions against tenant-stockholders for outstanding carrying charges; tenant-stockholders actions against the Cooperative relating to the Cooperative's policies and other matters. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the Cooperative. Additionally, management believes that with respect to pending claims for personal injuries sustained by claimants on the Cooperative's properties, after the Cooperative's deductible, the Cooperative has adequate insurance coverage to cover these claims.

NOTE 10: SUBSEQUENT EVENTS

During 2018, the Cooperative's Board members approved various capital and maintenance projects including the modernization of all elevators for an approximate total cost of $5,500,000. In February 2018, the Board approved a $2,500,000 special assessment charge to tenant shareholders beginning June 1, 2018, to be paid by the tenant shareholders over three years to partially fund the above projects. On April 20, 2018, the Cooperative entered into a contract with Century Elevator Maintenance Corporation to modernize all elevators for a total cost of $4,125,000.

Management has evaluated, for potential recognition and disclosure, events subsequent to the date of the balance sheet through June 1, 2018, the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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MARKS PANETH
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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

To the Tenant-Stockholders
Hillman Housing Corporation
New York, N.Y.

We have audited the financial statements of Hillman Housing Corporation (the "Co-operative") as of and for the years ended December 31, 2017 and 2016, and our report thereon dated June 1, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 16 and 17 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of the Co-operative's management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Marks Paneth LLP

Woodbury, New York
June 1, 2018