

THIS REGULATORY AGREEMENT ("Agreement"), entered into as of the ____ day of _____, 20__, by and between _____ Housing Development Fund [Company, Inc.] [Corporation] ("HDFC"), a corporation formed pursuant to the Business Corporation Law and Article XI of the Private Housing Finance Law, having an address at _____, and the City of New York ("City"), acting by and through its Department of Housing Preservation and Development ("HPD"), having an office at 100 Gold Street, New York, New York 10038.

WHEREAS, the HDFC is the fee owner of real property located in the Borough of _____, City and State of New York, identified as Block ____, Lot[s] ____ on the Tax Map of the City, and known by the street address _____, New York ("Property"), as more particularly described in **Exhibit A** annexed hereto and made a part hereof; and

WHEREAS, the City is conveying real property, [making a loan,] [making a grant,] [providing a tax exemption] to the HDFC and providing other good and valuable consideration;

WHEREAS, this Agreement sets forth the terms under which the Property shall be preserved and used as affordable housing providing cooperative homeownership opportunities for low-income households.

NOW THEREFORE, the parties hereto, on behalf of themselves and their successors and assigns, in consideration of the mutual promises and agreements contained herein, and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby agree as follows:

1. Definitions

"Annual Household Income" shall mean the total income from all sources received for the prior calendar year by all members of the Household, including, but not limited to, all gross income from full-time employment, part-time employment, self-employment, babysitting/caretaking, public assistance, social security, supplemental security income, pension, disability compensation, unemployment compensation, alimony, child support and interest derived from all assets wherever located throughout the world. Annual Household Income shall not include any rental assistance or food stamp payments. Such income shall be evidenced by the Household's federal tax return for such year and such other evidence as the Board or Monitor may require.

"Apartment" shall mean a dwelling unit within the Property.

"Asset Limit" shall mean one hundred seventy-five percent (175%) of Median.

"Board" shall mean the board of directors of the HDFC.

"Books And Records" shall mean any physical or electronic books, records, accounts, reports, materials, documentation, and/or information of or relating to the HDFC and/or the management, operations, assets, liabilities, and activities of the HDFC, including, but not limited to, any Required Reports or other items specified in **Section 11** and any journals, ledgers, account statements, checkbooks, vouchers, contracts, correspondence, stock books, or minute books.

"By-Laws" shall mean the corporate by-laws of the HDFC.

"Carrying Cost" shall mean, with respect to any Apartment, the sum of (i) the monthly Maintenance for such Apartment, (ii) the monthly cost of any special assessment, other than a Prohibited Event Fee, with respect to such Apartment, (iii) the monthly amortization payment on any Cooperative Loan with respect to such Apartment, and (iv) the actual or estimated

average monthly payment for electricity and/or gas during the preceding year, all as determined by the Monitor.

“Certificate Of Incorporation” shall mean the certificate of incorporation of the HDFC.

“Charges” shall mean all taxes, assessments, water charges, sewer rents, vault charges, and other municipal charges now or hereafter levied or assessed against the Property.

“City” shall have the meaning first set forth above.

“Closing Costs” shall mean amounts actually paid by the selling Shareholder in connection with any Sale of Shares for (i) reasonable attorney’s fees, (ii) brokerage fees not exceeding six percent (6%) of the Sale Price, (iii) recording fees, and (iv) transfer taxes. “Closing Costs” shall not include any amounts paid by the selling Shareholder on behalf of the purchasing Shareholder.

“Commencement Date” shall mean _____, 20___. **[INSERT DATE THAT REGULATORY AGREEMENT TAKES EFFECT]**

“Conversion Date” shall mean the later of (i) the date upon which the HDFC acquired title to the Property, or (ii) the date of the first Sale of Shares by the HDFC to one or more Initial Purchasers.

“Cooperative Loan” shall mean, with respect to any Apartment, (i) a loan from a bank or credit union to a Shareholder for the purchase of the Shares allocated to such Apartment, or (ii) any loan from a bank or credit union to a Shareholder for the refinancing of such indebtedness without any increase over the original principal amount of the prior loan.

“Default” shall mean (i) any violation of any term of this Agreement, or (ii) any violation by the HDFC of any term of the Management Contract or of the Monitoring Contract.

“Director” shall mean a member of the Board.

“Election Monitoring” shall mean supervision of the process by which new Directors are elected, including, but not limited to, ensuring that all Shareholders eligible to vote receive a notice of the election containing appropriate information and that such notice is conspicuously posted in common areas of the building, ensuring that Shareholders eligible to vote have the opportunity to vote, ensuring that persons who are not eligible to vote are not permitted to vote, ensuring that all Shareholders receive notice of the election results containing appropriate information, and informing HPD of election results and whether the election was conducted fairly and appropriately in accordance with the By-Laws.

“Eligible Household” shall mean a Household (i) whose Annual Household Income does not exceed the Income Limit on the date of the purchase of Shares, execution of a Lease or Sublease, or initial occupancy of an Apartment by such Household or any member thereof, and (ii) whose Household Assets do not exceed a cumulative value equal to the Asset Limit on the date of the purchase of Shares, execution of a Lease or Sublease, or initial occupancy of an Apartment by such Household or any member thereof.

“Expiration Date” shall mean the later of (i) a date which is thirty (30) years from the Commencement Date, or (ii) the date upon which (a) the Property is not receiving any form of abatement of or exemption from real property taxation, (b) the Property is not subject to any mortgage or lien held by or on behalf of the City or any other governmental entity, and (c) the HDFC does not owe any indebtedness to the City or any other governmental entity.

"Flip Tax" shall mean thirty percent (30%) of the Sale Profit from any Sale of Shares by a Shareholder; provided, however, that, if such Shareholder acquired such Shares within three (3) years preceding the date of such Sale, and such acquisition was not through foreclosure or inheritance, "Flip Tax" shall mean one hundred percent (100%) of the Sale Profit from such Sale of Shares.

"HDFC" shall have the meaning first set forth above.

"Household" shall mean all persons who reside, or will reside, in an Apartment.

"Household Assets" shall mean all monetary and non-monetary assets, other than monetary assets in any Retirement Plan, of all members of a Household on the date of the purchase of Shares, execution of a Lease or Sublease, or initial occupancy of an Apartment by such Household or any member thereof.

"HPD" shall have the meaning first set forth above.

"HPD Loan" shall mean any loan made by HPD with respect to the Property.

"HPD Mortgage" shall mean any mortgage held by HPD securing an HPD Loan.

"Ineligible Household" shall mean (i) a Household, other than a Nonpurchasing Tenant or Initial Shareholder, whose Annual Household Income on the date of purchase of Shares, execution of a Lease or Sublease, or initial occupancy of an Apartment by such Household or any member thereof exceeds the Income Limit, (ii) a Household, other than a Nonpurchasing Tenant or Initial Shareholder, whose Household Assets exceed a cumulative value equal to the Asset Limit on the date of the purchase of Shares, execution of a Lease or Sublease, or initial occupancy of an Apartment by such Household or any member thereof, (iii) any Household that already holds, or includes any person who holds, Shares allocated to another Apartment, unless such Household or person simultaneously sells such Shares to an Eligible Household in compliance with this Agreement, (iv) except as provided in the preceding clause of this sentence, any Household that has previously purchased, or includes any person who has previously purchased, a home, a condominium unit, or the shares attributable to a cooperative dwelling unit through a governmentally subsidized affordable housing program, or (v) a corporation, partnership, limited liability company, or other entity.

"IRC" shall mean the Internal Revenue Code of 1986, as amended, and any rules or regulations promulgated pursuant thereto.

"Income Limit" shall mean one hundred twenty percent (120%) of Median.

"Initial Shareholder" shall mean a Household that (i) was a leaseholding tenant of an Apartment on the Conversion Date, and (ii) purchased Shares on the Conversion Date.

"Lease" shall mean an actual or proposed lease or other agreement between the HDFC and a Tenant or Nonpurchasing Tenant regarding the occupancy of an Apartment by such Tenant or Nonpurchasing Tenant, but shall not include a Proprietary Lease.

"Lender" shall mean any private institutional lender providing a permanent loan for the acquisition or improvement of the Property.

"Maintenance" shall mean, with respect to any Shareholder's Apartment, the monthly maintenance fee that the HDFC charges to the Shareholder with respect to such Apartment.

“Manager” shall mean a professional management company approved by HPD and retained and paid by the HDFC to manage the Property.

“Management Contract” shall mean a contract between the HDFC and the Manager in form and substance approved by HPD.

“Market Rent” shall mean the amount that an Apartment would rent for on the open market without any restriction as to rent or income, on a monthly basis, as determined by HPD or its designee.

“Maximum Rent” shall mean, with respect to any Apartment, the highest rent that would be affordable to an Eligible Household and would not cause such Eligible Household to pay more than thirty percent (30%) of its income for rent, as determined by the Monitor.

“Maximum Sale Price” shall mean, with respect to the Sale of Shares allocated to any Apartment, the amount specified in **Exhibit B** annexed hereto and made a part hereof corresponding to the size of such Apartment. With respect to any Apartment, the size of such Apartment stated in **Exhibit B** shall be final, conclusive, and binding upon the HDFC and the Shareholder.

“Maximum Sublease Rent” shall mean, with respect to any Apartment, the lesser of the Carrying Cost or the Maximum Rent.

“Median” shall mean the area median income for the primary metropolitan statistical area as determined by the United States Department of Housing and Urban Development or any successor agency from time to time for a family of four, as adjusted for family size.

“Monitor” shall mean an organization approved by HPD and retained and paid by the HDFC to monitor and enforce the terms of this Regulatory Agreement regarding the Sale of Shares and the leasing, subleasing, and occupancy of Apartments, ensure that Apartments are affordable to and occupied by Eligible Households, and conduct Election Monitoring.

“Monitoring Contract” shall mean a contract between the HDFC and the Monitor in form and substance approved by HPD.

“Nonpurchasing Tenant” shall mean person or persons, and the entire Household of such person or persons, that (i) was a leaseholding tenant of an Apartment on the Conversion Date, (ii) did not purchase Shares on the Conversion Date, and (iii) remained as a leaseholding tenant after the Conversion Date. “Nonpurchasing Tenant” shall also include any legal successor of such person or persons who is entitled to continued occupancy of an Apartment pursuant to Rent Stabilization.

“Owner Occupancy Requirements” shall mean, with respect to any Apartment, that, except as specifically authorized in Section 7, the Shareholder owning the Shares allocated to such Apartment shall (i) continuously occupy such Apartment as such Shareholder's sole primary residence, (ii) reside and sleep in such Apartment not less than two hundred seventy (270) days per year (if the Shareholder is on active military duty, each day spent away from the dwelling unit for active military duty shall be counted as a day spent in the dwelling unit for the purpose of this requirement), (iii) not Sublease the Apartment, except as specifically authorized in this Agreement, or permit the Apartment to be used for transient occupancy or occupied by any Ineligible Household, (iv) identify the Apartment as the Shareholder's sole address/residence on any tax return, voter registration, driver's license or other permit to operate a motor vehicle, and other document or application stating Shareholder's address or

residence, (v) not [own][acquire] or lease any other residential property in, or within a one hundred (100) mile radius of, New York City (and if the Shareholder acquires any such residential property through inheritance, the Shareholder shall sell such property within one year from the date that the estate transfers title to the Shareholder), and (vi) annually complete and submit to the Monitor an Owner Occupancy Certification.

“Owner Occupancy Affidavit” shall mean the document annexed hereto as **Exhibit C** and made a part hereof.

“Owner Occupancy Certification” shall mean the document annexed hereto as **Exhibit D** and made a part hereof.

“Prohibited Event” shall mean, with respect to any Apartment and the Shares allocated thereto, (i) the purchase or other acquisition of the Shares by an Ineligible Household, (ii) the purchase or other acquisition of the Shares for a Sale Price exceeding the Maximum Sale Price, (iii) the Lease, Sublease, or occupancy of the Apartment by an Ineligible Household, (iv) the Lease, Sublease, or occupancy of the Apartment for more than the Maximum Rent or, where applicable, the Maximum Sublease Rent, (v) the Sublease of an Apartment without the approval of both the Board and the Monitor, (vi) the Sublease of an Apartment for more than a cumulative total of eighteen (18) months in any five (5) year period, or (vii) a violation of the Owner Occupancy Requirements by the Shareholder. Notwithstanding the foregoing, the acquisition of Shares by an Ineligible Household through inheritance or as the result of Cooperative Loan enforcement proceedings shall not constitute a Prohibited Event until the earlier of (a) the date, if any, upon which such Ineligible Household commences occupancy of the Apartment to which such Shares are allocated, (b) the date of any of the events described in clauses (ii) through (vi) of the preceding sentence, or (c) one year from the date of such acquisition of Shares through inheritance or as the result of Cooperative Loan enforcement proceedings.

“Prohibited Event Cure Date” shall mean the first date upon which a Prohibited Event with respect to an Apartment has been entirely cured, so that no set of facts existing on such date concerning either the Apartment or the Shares allocated thereto would constitute a Prohibited Event, as determined by the Monitor.

“Prohibited Event Date” shall mean the date upon which a Prohibited Event occurs with respect to an Apartment, as determined by the Monitor.

“Prohibited Event Fee” shall mean, with respect to any Apartment, on a monthly basis, the greater of (i) two hundred dollars (\$200.00) plus the amount by which the Market Rent exceeds normal Maintenance for such Apartment, or (ii) two hundred dollars (\$200.00). If a Prohibited Event with respect to any Apartment results in the complete or partial loss, through revocation, suspension, or any other means, of any tax exemption on the Property, the HDFC shall add the monthly value of such loss to the Prohibited Event Fee.

“Property” shall have the meaning first set forth above.

“Proprietary Lease” shall mean a lease from the HDFC to a Shareholder setting forth the terms upon which such Shareholder shall be entitled to occupy the Shareholder’s Apartment.

“Rent Stabilization” shall mean, collectively, the Rent Stabilization Law of 1969, the Rent Stabilization Code, and the Emergency Tenant Protection Act of 1974, together with any successor statutes or regulations addressing substantially the same subject matter.

“Reporting Date” shall mean (i) the June 1st following the first anniversary of the Commencement Date, and (ii) each June 1st thereafter during the Restriction Period.

“Required Reports” shall mean, for each calendar year during the Restriction Period, the following documents, all in such form as shall be approved by HPD:

1. the annual budget of income and expenses approved by the Board for the current calendar year;
2. an annual [certified financial statement] [financial statement or compilation] prepared by an independent accountant for the prior calendar year;
**[15 OR MORE UNITS – CERTIFIED FINANCIAL STATEMENT,
LESS THAN 15 UNITS –FINANCIAL STATEMENT OR COMPILATION]**
3. a certification by the Board that both the budget for the prior calendar year and the annual financial statement for the prior calendar year have been distributed to all Shareholders;
4. a list, certified by the Board, of all Shareholders as of the end of the prior calendar year;
5. a list, certified by the Board, of all persons and entities occupying any portion of the Property as of the end of the prior calendar year (including, but not limited to Shareholders, Nonpurchasing Tenants, Tenants, Subtenants, and non-residential tenants), the Apartments or other portions of the Property that they occupy, and the monthly Maintenance or rent that they pay;
6. a list, certified by the Board, of all Sales of Shares during the prior calendar year specifying, with respect to each such Sale, the Apartment to which such Shares are allocated, the name and Annual Household Income of the purchaser as of the date of Sale, and the Sale Price;
7. a list, certified by the Board, of all Leases or Subleases of Apartments approved, entered into, or renewed during the prior calendar year specifying, with respect to each such Lease or Sublease, the Apartment, the name and Annual Household Income of the Tenant as of the commencement date of the Lease or Sublease, Nonpurchasing Tenant, or Subtenant, the rent charged to such Tenant, Nonpurchasing Tenant, or Subtenant, and the term of the Lease or Sublease;
8. a list, certified by the Board, of all withdrawals from the Reserve Fund during the prior calendar year;
9. a certification by the Board of the annual election held during the prior calendar year, with the names and addresses of board members and officers, and that such certification has been distributed to all Shareholders;
10. a certification by the Board that the annual Maintenance increase required by **Section 4.a** was implemented during the prior calendar year, which certification shall include copies of (i) the resolution of the Board authorizing such increase, and (ii) the notice informing Shareholders of such increase;
11. the Training Report for the prior calendar year;
12. the Training Plan for the current calendar year; and

13. such other documents and records as HPD, the Manager, or the Monitor shall deem necessary.

“Restriction Period” shall mean a period commencing on the Commencement Date and expiring upon the Expiration Date.

“Retirement Plan” shall mean (i) a defined benefit pension plan, (ii) an Individual Retirement Account established pursuant to IRC §408, (iii) a Roth Individual Retirement Account established pursuant to IRC §408A, (iv) a qualified profit-sharing plan established pursuant to IRC §401(k), (v) a Roth qualified profit-sharing plan established pursuant to IRC §401(k) and §402A, (vi) a tax-sheltered annuity established pursuant to IRC §403(b), (vii) a Roth tax-sheltered annuity established pursuant to IRC §403(b) and §402A, (viii) a deferred compensation plan established pursuant to IRC §Section 457, (ix) a Roth deferred compensation plan established pursuant to IRC §Section 457 and §402A, (x) a governmental plan established pursuant to IRC §401(a), and/or (xi) any other retirement plan or pension plan established pursuant to the IRC and approved in writing by HPD.

“Sale” shall mean any transfer of ownership of Shares, with or without consideration, whether by sale or by any other means, and any purported transfer of a Proprietary Lease.

“Sale Price” shall mean the value of all monetary and non-monetary consideration for any Sale of Shares.

“Sale Profit” shall mean (a) the Sale Price received by a Shareholder for the Sale of Shares, minus (b) the Sale Price that such Shareholder originally paid for such Shares, minus (c) reasonable Closing Costs paid by the selling Shareholder in connection with such Sale. Where a Shareholder acquired Shares through inheritance, the Sale Price that such Shareholder originally paid for such Shares shall be deemed to be the Sale Price that the decedent Shareholder originally paid for such Shares.

“Share” shall mean a share of stock in the HDFC, each of which shall be allocated to a specific Apartment.

“Shareholder” shall mean a person or persons who owns one or more Shares of stock in the HDFC, and the entire Household of such person or persons.

“Shareholder’s Apartment” shall mean, with respect to any Shareholder, the Apartment to which the Shares owned by such Shareholder are allocated and for which such Shareholder holds a Proprietary Lease from the HDFC.

“Sublease” shall mean (i) an actual or proposed lease or other agreement between a Shareholder and a Subtenant regarding the occupancy of the Shareholder’s Apartment by such Subtenant, or (ii) an actual or proposed lease or other agreement between a Nonpurchasing Tenant and a Subtenant regarding the occupancy of the Nonpurchasing Tenant’s Apartment by such Subtenant.

“Subtenant” shall mean (i) the person or persons occupying or seeking to occupy a Shareholder’s Apartment pursuant to a Sublease from a Shareholder, and (ii) the entire Household of such person or persons.

“Tax Benefits” shall mean, with respect to the Property, any full or partial exemption from real property taxation pursuant to Section 577 of the Private Housing Finance Law.

“Tenant” shall mean (i) the person or persons occupying or seeking to occupy an Apartment pursuant to a Lease from the HDFC, and (ii) the entire Household of such person or persons, but shall not include (a) a Shareholder occupying the Shareholder’s Apartment pursuant to a Proprietary Lease, or (b) a Nonpurchasing Tenant.

“Training Plan” shall mean a plan prepared by the HDFC and submitted to HPD or its designee each year detailing all training to be offered to Directors, existing Shareholders, and new Shareholders in the next twelve (12) months.

“Training Report” shall mean a report prepared by the HDFC and submitted to HPD or its designee each year detailing all training completed by each Director and each Shareholder in the preceding twelve (12) months.

2. Term of Restrictions

During the Restriction Period, the Property shall be used and operated in accordance with the terms of this Agreement and the requirements of Article XI of the Private Housing Finance Law and the Certificate Of Incorporation of the HDFC. After the Restriction Period, the Property shall be used and operated in accordance with the requirements of Article XI of the Private Housing Finance Law and the Certificate Of Incorporation of the HDFC.

3. Sales

a. The provisions of this **Section 3.a** shall apply to all Shares and Sales of Shares.

1. Share certificates shall be non-transferable. Upon any Sale of Shares in compliance with the requirements of this Agreement, the seller shall surrender the Share certificate to the Monitor, and the Monitor shall issue a new Share certificate to the purchaser. The front of each Share certificate shall contain the following statement: “See reverse side for important restrictions and requirements regarding income, price, transfer, and occupancy.” The back of each Share certificate shall contain, in not less than twelve (12) point type, the following statement:

“This certificate represents one or more shares in a cooperative housing development fund corporation that has entered into a regulatory agreement with the City of New York.

- Such share(s) may only be sold to purchasers who meet income restrictions specified both in the corporation’s certificate of incorporation and in the regulatory agreement.
- The price for any sale of share(s) may not exceed limits established in the regulatory agreement, and a portion of any profits must be paid to the corporation.
- Any sale of share(s) requires the approval of an independent monitor retained by the corporation.
- This certificate is non-transferable. Upon any sale of shares, this certificate shall be surrendered to the monitor, which shall issue a new certificate.
- Any purchaser of share(s) shall be required to occupy the apartment to which such shares are allocated as such purchaser’s sole primary residence.”

2. Shares shall not be sold (i) to any Ineligible Household, (ii) for a Sale Price that exceeds the applicable Maximum Sale Price, (iii) to any purchaser who fails to

submit an Owner Occupancy Affidavit, or (iv) to any purchaser who owns or leases any other residential property in, or within a one hundred (100) mile radius of, New York City.

3. Every Sale of Shares shall require the prior written approval of the Board and the Monitor, either or both of which may require an interview with the proposed purchaser.
 - a. The By-Laws, any amendment thereto, and all Proprietary Leases shall provide that any Sale of Shares requires the prior written approval of the Board and the Monitor.
 - b. No Sale of Shares shall be final or effective until the Board receives the written approval of the Monitor.

b. The provisions of this **Section 3.b** shall apply to all Sales of Shares by the HDFC.

1. The HDFC shall not sell Shares (i) to any Ineligible Household, (ii) for a Sale Price that exceeds the applicable Maximum Sale Price, or (iii) to any purchaser who fails to submit an Owner Occupancy Affidavit.
2. In connection with any proposed Sale of Shares by the HDFC, the Board shall deliver to the Monitor the following documents:
 - a. A copy of the contract for such proposed Sale, which shall expressly provide that such contract shall be of no force or effect without the written approval of the Monitor;
 - b. An affidavit from the Board, in form and substance acceptable to the Monitor, stating that (i) the proposed purchaser is an Eligible Household, (ii) the Sale Price stated in the contract is accurate, reflects the full value of all consideration to be received by the HDFC, and does not exceed the Maximum Sale Price, and (iii) the Board has approved the proposed Sale;
 - c. An affidavit from the proposed purchaser of the Shares, in form and substance acceptable to the Monitor, stating that such proposed purchaser is an Eligible Household and that the Sale Price stated in the contract is accurate, reflects the full value of all consideration to be delivered to the HDFC, and does not exceed the Maximum Sale Price; and
 - d. Such other documentation as the Monitor shall require.
3. The By-Laws and the Monitoring Contract shall provide that:

- a. The Monitor shall evaluate and approve or disapprove each proposed Sale of Shares by the HDFC based on the information and documentation submitted by the Board, information obtained from any interview, and the requirements of this Agreement, the Certificate Of Incorporation, and the By-Laws; and
- b. The Monitor shall not approve any Sale of Shares (i) to any Ineligible Household, (ii) for a Sale Price that exceeds the applicable Maximum

Sale Price, or (iii) to any purchaser who fails to submit an Owner Occupancy Affidavit.

4. Notwithstanding any provision of this Agreement to the contrary, if HPD determines, upon request by the HDFC, that a Sale of Shares by the HDFC in accordance with the requirements of this **Section 3.b** is not possible, HPD may approve, and may authorize the Board and the Monitor to approve, a Sale by the HDFC that does not comply with one or more of the terms of this **Section 3.b**.

SECTION 3.b.5 IS ONLY FOR TPT. DELETE IT FOR ANY OTHER PROGRAM

- [5.** After any Sale of Shares by the HDFC, the HDFC shall (i) use the proceeds of such Sale to pay reasonable attorney's fees, recording fees, or transfer taxes incurred by the HDFC in connection with such Sale, and (ii) unless HPD otherwise directs in writing, remit the remainder of such proceeds to HPD as a payment of principal on any HPD Mortgage. If HPD so directs in writing, the HDFC shall (i) deposit such net proceeds, or such portion thereof as HPD shall direct, into the HDFC's reserve account or another account of the HDFC, or (ii) use such net proceeds, or such portion thereof as HPD shall direct, to pay other expenses or obligations of the HDFC.]

- c. The provisions of this **Section 3.c** shall apply to all Sales of Shares by Shareholders.
 1. The HDFC shall not permit any Shareholder to sell Shares (i) to any Ineligible Household, (ii) for a Sale Price that exceeds the applicable Maximum Sale Price, or (iii) to any purchaser who fails to submit an Owner Occupancy Affidavit.
 2. In connection with any proposed Sale of Shares by a Shareholder, the Board shall deliver to the Monitor the following documents:
 - a. A copy of the contract for such proposed Sale, which shall expressly provide that such contract shall be of no force or effect without the written approval of the Board and the Monitor;
 - b. An affidavit from the Board, in form and substance acceptable to the Monitor, stating that (i) the proposed purchaser is an Eligible Household, (ii) the Sale Price stated in the contract does not exceed the Maximum Sale Price, and (iii) the Board has approved the proposed Sale;
 - c. An affidavit from the Shareholder, in form and substance acceptable to the Monitor, stating that the proposed purchaser is an Eligible Household and the Sale Price stated in the contract is accurate, reflects the full value of all consideration to be received by the Shareholder, and does not exceed the Maximum Sale Price;
 - d. An affidavit from the proposed purchaser of the Shares, in form and substance acceptable to the Monitor, stating that such proposed purchaser is an Eligible Household and the Sale Price stated in the contract is accurate, reflects the full value of all consideration to be delivered to the Shareholder, and does not exceed the Maximum Sale Price; and
 - e. Such other documentation as the Monitor shall require.

3. The By-Laws and the Monitoring Contract shall provide that the Monitor shall evaluate and approve or disapprove each proposed Sale of Shares by a Shareholder based on the information and documentation submitted by the Board, information obtained from any interview, and the requirements of this Agreement, the Certificate Of Incorporation, and the By-Laws. The Monitor shall not approve any Sale of Shares (i) to any Ineligible Household, (ii) for a Sale Price that exceeds the applicable Maximum Sale Price, (iii) to any purchaser who fails to submit an Owner Occupancy Affidavit, (iv) without Board approval, or (v) with respect to which the Flip Tax has not been paid.
4. Notwithstanding any provision of this Agreement to the contrary, if HPD determines, upon request by the HDFC, that a Sale of Shares by a Shareholder in accordance with the requirements of this **Section 3.c** is not possible, HPD may approve, and may authorize the Board and the Monitor to approve, a Sale by such Shareholder that does not comply with one or more of the terms of this **Section 3.c**.
5. Upon any Sale of Shares by a Shareholder, the HDFC shall require the selling Shareholder to pay the Flip Tax to the HDFC. The By-Laws, any amendment thereto, and all Proprietary Leases shall provide for the Flip Tax.
[Notwithstanding the provisions of any previous agreement between the HDFC and HPD, no portion of the Sale Profit shall be payable to the City.]
6. Notwithstanding the provisions of any previous document entered into between the City and the HDFC providing for a portion of the Sale Profit from each Sale of Shares by a Shareholder to be paid to the City, no portion of such Sale Profit shall be payable to the City with respect to any Sale after the Commencement Date.

4. **Maintenance And Prohibited Event Fees**

- a. The HDFC shall increase the Maintenance charged to Shareholders by not less than two percent (2%) per year.
- b. Upon determining that a Prohibited Event has occurred with respect to a Shareholder's Apartment, the Monitor shall give written notice of such Prohibited Event to the Shareholder, with a copy to the HDFC. Such notice shall specify the Prohibited Event, the actions necessary to cure the Prohibited Event, and the Prohibited Event Fee.
- c. Following a Prohibited Event with respect to any Apartment, the HDFC and the Manager shall (i) charge the monthly Prohibited Event Fee with respect to such Apartment, in addition to the monthly Maintenance and any other special assessments with respect to such Apartment, from the Prohibited Event Date until the Prohibited Event Cure Date, and (ii) take such additional actions as the Monitor or HPD determines are reasonably necessary to ensure that the Prohibited Event is cured in an expeditious manner.
- d. The Prohibited Event Fee with respect to any Apartment shall constitute a special assessment, but shall not be subject to any of the forms of approval required by the By-Laws for any other special assessment.

5. **Proprietary Leases And Owner Occupancy**

- a. The HDFC shall issue to every Shareholder that is an Eligible Household a Proprietary Lease for such Shareholder's Apartment. The HDFC shall not cause or permit any Shareholder to occupy such Shareholder's Apartment without a Proprietary Lease for such Apartment.
 1. The HDFC shall not issue a Proprietary Lease for a Shareholder's Apartment to any Shareholder that is an Ineligible Household unless such Shareholder already held a Proprietary Lease for such Apartment on the Commencement Date.
 2. The HDFC shall not permit any Shareholder that is an Ineligible Household to occupy such Shareholder's Apartment, unless such Shareholder already occupied such Apartment on the Commencement Date.
- b. The HDFC shall include provisions in the Proprietary Lease for each Apartment requiring the Shareholder to (i) comply with the Owner Occupancy Requirements, and (ii) not use the Shareholder's Apartment for any other purpose than the residence of the Shareholder and the members of the Shareholder's Household, except as provided in **Section 7**. The HDFC shall not cause or permit any violation of such requirements.
- c. Where two or more Shareholders jointly own the Shares allocated to an Apartment, the HDFC shall require not less than one of such Shareholders to comply with the Owner Occupancy Requirements.
- d. The HDFC shall not cause or permit any Shareholder to (i) hold the Shares allocated to, or a Proprietary Lease for, more than one Apartment, or (ii) combine or otherwise join two or more Apartments. The HDFC shall not combine or otherwise join two or more Apartments.
- e. The HDFC shall not cause or permit any Shareholder to split or otherwise subdivide any Apartment. The HDFC shall not split or otherwise subdivide any Apartment.
- f. Each Proprietary Lease shall (i) refer to this Regulatory Agreement, and (ii) contain a provision stating that "Notwithstanding any term of this Proprietary Lease to the contrary, each party to this Proprietary Lease shall comply with, and hereby waives any right to challenge or contest any of the terms of, the Regulatory Agreement, including, but not limited to, the provisions of the Regulatory Agreement regarding Prohibited Event Fees and Flip Taxes."

6. Leasing By The HDFC

- a. Prior to the Conversion Date, the HDFC shall lease vacant Apartments only to Eligible Households at rents not exceeding the Maximum Rent, and shall not permit the occupancy of any vacant Apartment by any Ineligible Household.]
- b. [After the Conversion Date], the HDFC shall not Lease any Apartment, except to the Nonpurchasing Tenant of such Apartment at a rent not exceeding the Maximum Rent, and shall only Lease an Apartment to a Nonpurchasing Tenant where such Lease, or any renewal thereof, is required by Rent Stabilization or any other applicable law. Notwithstanding any provision of this **Section 6** to the contrary, the HDFC may Lease an Apartment to a Nonpurchasing Tenant without the approval of the Monitor where such Lease, or any renewal thereof, is required by Rent Stabilization or any other applicable law.

- c. [After the Conversion Date], if any Apartment becomes vacant while the Shares allocated to such Apartment are held by the HDFC, the HDFC shall promptly perform any necessary repairs or upgrades, market such Apartment, and sell such Shares to an Eligible Household in accordance with the terms of this Agreement.
- d. Every Lease of an Apartment from the HDFC to a Tenant shall require the prior written approval of both the Board and the Monitor, either or both of which may require an interview with the proposed Tenant. The By-Laws and any amendment thereto shall provide that any Lease of an Apartment from the HDFC to a Tenant requires the prior written approval of both the Board and the Monitor. No Lease shall be final or effective, and no Tenant shall be permitted to commence occupancy of an Apartment, until the Board receives the written approval of the Monitor.
- e. In connection with any proposed Lease, the Board shall deliver to the Monitor the following documents:
 - 1. A copy of the Lease, which shall expressly provide that such Lease shall be of no force or effect without the written approval of the Monitor;
 - 2. An affidavit from the Board, in form and substance acceptable to the Monitor, stating that (i) the proposed Tenant is an Eligible Household, (ii) the rent stated in the Lease is accurate, reflects the full value of all consideration to be received by the HDFC, and does not exceed the Maximum Rent, and (iii) the Board has approved the Lease;
 - 3. An affidavit from the proposed Tenant, in form and substance acceptable to the Monitor, stating that such proposed Tenant is an Eligible Household and that the rent stated in the Lease is accurate, reflects the full value of all consideration to be delivered to the HDFC, and does not exceed the Maximum Rent; and
 - 4. Such other documentation as the Monitor shall require.
- f. The Monitor shall evaluate and approve or disapprove each proposed Lease based on the information and documentation submitted by the Board, information obtained from any interview, and the requirements of this Agreement, the Certificate Of Incorporation, and the By-Laws. The Monitor shall not approve any Lease (i) to any Ineligible Household, or (ii) for a rent that exceeds the applicable Maximum Rent.
- g. Notwithstanding any provision of this **Section 6** to the contrary, the HDFC may temporarily Lease a vacant Apartment to a Shareholder for a reasonable period of time while the Shareholder's Apartment is being repaired. Neither the Shareholder nor any other person shall occupy the Shareholder's Apartment during the term of such Lease.

7. Subletting By Shareholders

- a. The HDFC shall prohibit Shareholders and Nonpurchasing Tenants from (i) subletting an Apartment to, or otherwise permitting the occupancy of an Apartment by, an Ineligible Household, (ii) subletting an Apartment for more than the Maximum Sublease Rent, or (iii) subletting any Apartment for a cumulative total of more than eighteen (18) months in any five (5) year period. Any Sublease shall be to an Eligible Household, at a rent not exceeding the Maximum Sublease Rent, for a term not exceeding eighteen (18) months, on a Sublease form approved by the Monitor.

- b. Every Sublease shall require the prior written approval of both the Board and the Monitor, either or both of which may require an interview with the proposed Subtenant. The By-Laws, any amendment thereto, and all Proprietary Leases shall provide that any Sublease requires the prior written approval of both the Board and the Monitor. No Sublease shall be final or effective, and no Subtenant shall be permitted to commence occupancy of an Apartment, until the Board receives the written approval of the Monitor.
- c. In connection with any proposed Sublease, the Board shall deliver to the Monitor the following documents:
 - 1. A copy of the Sublease, which shall expressly provide that such Sublease shall be of no force or effect without the written approval of the Board and the Monitor;
 - 2. An affidavit from the Board, in form and substance acceptable to the Monitor, stating that the proposed Subtenant is an Eligible Household, (ii) the rent stated in the Sublease does not exceed the Maximum Sublease Rent, and (iii) the Board has approved the Sublease;
 - 3. An affidavit from the Shareholder, in form and substance acceptable to the Monitor, stating that the proposed Subtenant is an Eligible Household and the rent stated in the Sublease is accurate, reflects the full value of all consideration to be received by the Shareholder, and does not exceed the Maximum Sublease Rent;
 - 4. An affidavit from the proposed Subtenant, in form and substance acceptable to the Monitor, stating that such proposed Subtenant is an Eligible Household and that the rent stated in the Sublease is accurate, reflects the full value of all consideration to be delivered to the Shareholder, and does not exceed the Maximum Sublease Rent; and
 - 5. Such other documentation as the Monitor shall require.
- d. The Monitor shall evaluate and approve or disapprove each proposed Sublease based on the information and documentation submitted by the Board, information obtained from any interview, and the requirements of this Agreement, the Certificate Of Incorporation, and the By-Laws. The Monitor shall not approve any Sublease (i) to any Ineligible Household, or (ii) for a rent that exceeds the applicable Maximum Sublease Rent.
- e. Notwithstanding any provision of this **Section 7** to the contrary, the Board may ban all subletting.
- f. The provisions of this **Section 7** shall only apply to Subleases by Nonpurchasing Tenants to the extent permitted by applicable law.

8. Monitoring

The HDFC shall enter into the Monitoring Contract with the Monitor. All changes to the Monitoring Contract, and all changes of the Monitor, shall require the prior written consent of HPD.

- a. HDFC may submit a written request to HPD to enter into or renew a Monitoring Contract with a Monitor. The HDFC shall not execute or renew a Monitoring Contract unless HPD approves such request in writing.
- b. The HDFC may submit a written request to HPD to amend the Monitoring Contract, which request shall describe the nature of, and include a copy of, the proposed amendment. The HDFC shall not execute such amendment unless HPD approves such request in writing.
- c. The HDFC may submit a written request to HPD to end the Monitoring Contract, whether through termination, expiration, failure to exercise a renewal option, or any other method, which request shall state the cause for such action. The HDFC shall not end the Monitoring Contract unless HPD approves such request in writing.
- d. If the Monitoring Contract ends or is expected to end, or if the Monitor otherwise ceases to perform or is expected to cease to perform the function of the Monitor as described in this Agreement, the HDFC shall promptly submit a written request to HPD to enter into a new Monitoring Contract with a new Monitor. The HDFC shall not execute the new Monitoring Contract unless HPD approves such request in writing.
- e. If the Monitoring Contract ends or is expected to end, or if the Monitor otherwise ceases to perform or is expected to cease to perform the function of the Monitor as described in this Agreement, and the HDFC fails to promptly request HPD's consent to enter into a new Monitoring Contract with a new Monitor, or if HPD denies such consent, HPD may, upon ten (10) days' written notice to the HDFC and at the cost of the HDFC, (i) perform such functions of the Monitor as HPD deems necessary and appropriate, (ii) designate a third party to perform such functions, and/or (ii) appoint a new Monitor and require the HDFC to enter into a Monitoring Contract with such Monitor upon such terms as HPD shall reasonably determine.
- f. If HPD determines at any time that there is no Monitor, or that the Monitor is not properly performing one or more functions of the Monitor specified in this Agreement, HPD may, upon ten (10) days' written notice to the HDFC and at the cost of the HDFC, (i) perform such functions of the Monitor as HPD deems necessary and appropriate, (ii) designate a third party to perform such functions, and/or (ii) appoint a new Monitor and require the HDFC to enter into a Monitoring Contract with such Monitor upon such terms as HPD shall reasonably determine.
- g. The HDFC shall not, without the prior written consent of HPD, withhold from the Monitor or otherwise fail to pay to the Monitor any funds due under the Monitoring Contract.

9. Management

The HDFC shall manage and operate the Property in accordance with generally accepted management practices in New York City, including, but not limited to, the following:

- a. The HDFC shall cause the Property to be maintained and operated in a proper, safe, sanitary, and healthful condition in compliance with all applicable legal requirements, and shall promptly make or cause to be made all necessary repairs and replacements.
- b. The HDFC shall pay all Charges in a timely manner, prior to the date upon which any fine, penalty, interest, or cost may be added thereto or imposed by law for the

nonpayment thereof. The HDFC shall deliver to HPD, upon request, duly issued receipts or other evidence satisfactory to HPD evidencing payment of Charges.

- c. The HDFC shall keep the Property, the improvements thereon, and the property therein insured by procuring general liability and property policies providing sufficient coverage against fire, vandalism, malicious mischief, collapse, flood (if in a federally designated flood area), earthquakes, and other risks customarily insured against under extended coverage policies in New York City. The HDFC shall provide to HPD, on an annual basis, copies of insurance certificates in form satisfactory to HPD evidencing compliance with such requirements.
- d. The HDFC shall retain a Manager approved by HPD to collect rent and manage and operate the Property in accordance with the terms of this Agreement.
 1. If the HDFC desires at any time to enter into or renew a Management Contract with a Manager, the HDFC shall submit a written request to HPD. The HDFC shall not execute or renew a Management Contract unless HPD approves such request in writing.
 2. If the HDFC desires at any time to amend the Management Contract, the HDFC shall submit a written request to HPD, which request shall describe the nature of, and include a copy of, the proposed amendment. The HDFC shall not execute such amendment unless HPD approves such request in writing.
 3. If the HDFC desires at any time to end the Management Contract, whether through termination, expiration, failure to exercise a renewal option, or any other method, the HDFC shall submit a written request to HPD, which request shall state the cause for such action. The HDFC shall not end the Management Contract unless HPD approves such request in writing.
 4. If the Management Contract ends or is expected to end, or if the Manager otherwise ceases to perform or is expected to cease to perform the function of the Manager as described in this Agreement, the HDFC shall promptly submit a written request to HPD to enter into a new Management Contract with a new Manager. The HDFC shall not execute the new Management Contract unless HPD approves such request in writing.
 5. If the Management Contract ends or is expected to end, or if the Manager otherwise ceases to perform or is expected to cease to perform the function of the Manager as described in this Agreement, and the HDFC fails to promptly request HPD's consent to enter into a new Management Contract with a new Manager, or if HPD denies such consent, HPD may, upon ten (10) days' written notice to the HDFC and at the cost of the HDFC, (i) perform such functions of the Manager as HPD deems necessary and appropriate, (ii) designate a third party to perform such functions, and/or (iii) appoint a new Manager and require the HDFC to enter into a Management Contract with such Manager upon such terms as HPD shall reasonably determine.
 6. If HPD determines at any time that there is no Manager, or that the Manager is not properly performing one or more functions of the Manager specified in this Agreement, HPD may, upon ten (10) days' written notice to the HDFC and at the cost of the HDFC, (i) perform such functions of the Manager as HPD deems necessary and appropriate, (ii) designate a third party to perform such functions, and/or (iii) appoint a new Manager and require the HDFC to enter

into a Management Contract with such Manager upon such terms as HPD shall reasonably determine.

7. The Management Contract shall provide that either party may, with the prior written consent of HPD, terminate the Management Contract, with or without cause, upon sixty (60) days' written notice to the other party and to HPD. If either party serves such notice of termination, the HDFC shall take all actions necessary to retain a new Manager approved by HPD on or before the termination date.
8. The HDFC shall not, without the prior written consent of HPD, withhold from the Manager or otherwise fail to pay to the Manager any funds due under the Management Contract.
9. The Management Contract shall provide that the Manager shall monitor the Books And Records of the HDFC, including an annual physical inspection of the Books And Records and the Property, and receive and review such other documents and records as the Manager shall reasonably request in order to ensure compliance with this Agreement.
- e. Notwithstanding any provision of this Agreement to the contrary, HPD may at any time, by written notice to the HDFC, waive in writing the requirement that the HDFC hire a Manager and enter into a Management Contract. Such written notice shall specify the period of such waiver, which shall not exceed twelve (12) months, but which may be renewed by further written notice from HPD to the HDFC at any time during the final three (3) months of such period. Any such notice shall become ineffective unless, within thirty (30) days following such notice, the HDFC delivers to HPD written notice that the HDFC intends to exercise such waiver and self-manage the Property. During the term of any such waiver, the HDFC shall perform and be responsible for all functions, powers, and duties of the Manager pursuant to this Agreement, in full compliance with any provisions of this Agreement which are applicable to the Manager.

10. Non-Residential Apartments/Spaces

- a. The HDFC shall not sell non-residential space, but may lease such space with the approval of the Manager. The Manager may reject any lease for non-residential space if the Manager, in its sole discretion, determines that such lease is not in the best interest of the HDFC.
- b. The HDFC shall not, without the prior written approval of HPD, lease non-residential space for a term, including any renewal and extension clauses, exceeding two (2) years.
- c. The HDFC shall not, without the prior written approval of HPD, lease non-residential space to (i) any Shareholder or any immediate family member of any Shareholder, (ii) to any entity in which any of the legal or beneficial interest is held by a Shareholder or an immediate family member of a Shareholder, or (iii) any entity in which a Shareholder or an immediate family member of a Shareholder is a director, officer, or employee.
- d. The HDFC shall not, without the prior written approval of HPD, lease non-residential space to (i) the Manager or Monitor, any director, officer, or employee of the Manager

or Monitor, or any of their respective immediate family members, (ii) any entity in which any of the legal or beneficial interest is held by the Manager or the Monitor, any director, officer, or employee of the Manager or Monitor, or any of their respective immediate family members, or (iii) any entity in which any director, officer, or employee of the Manager or Monitor, or any of their respective immediate family members is a director, officer, or employee.

11. Books And Records

- a. The HDFC shall keep and maintain, or cause the Manager to keep and maintain, full and accurate Books And Records regarding maintenance, operation, and management of the Property and shall comply with, or cause the Manager to comply with, customary financial and other reporting requirements.
- b. During the Restriction Period, the HDFC shall annually prepare, or cause to be prepared, the Required Reports.
- c. On or before each Reporting Date, the HDFC shall provide to the Monitor, the Manager, and HPD all Required Reports.
- d. The HDFC shall submit, or shall cause the Manager to submit, such reports and information regarding the management and operation of the Property and the affairs of the HDFC as HPD may at any time direct by written notice, within the time specified in such notice and to the Monitor and/or HPD as specified in such notice.
- e. The HDFC shall retain, and shall not dispose of, Books And Records for a minimum of six (6) years. With respect to any Books And Records created in the final six (6) years of the Restriction Period, this obligation shall continue after the expiration of the Restriction Period.
- f. HPD may at any time perform such investigations of the management and operation of the Property and the finances of the HDFC as HPD deems necessary or appropriate, and may order the HDFC to furnish such reports and information as HPD may require with respect thereto. HPD shall, upon five (5) days' written notice to the HDFC, (i) have full and unfettered access to all Books And Records of the HDFC, and (ii) examine under oath any Directors, officers, employees, or agents of the HDFC.
- g. The HDFC will cooperate with the Monitor and HPD and shall, upon the receipt of a written request therefore from the Monitor or HPD, (i) provide the Monitor or HPD with access to and/or copies of all Books And Records or such Books And Records as may be specified in such request, (ii) permit the Monitor and HPD to review, examine, and audit such Books And Records during normal business hours, (iii) facilitate inspections, and (iv) respond to all requests of the Monitor and HPD.
- h. Upon ten (10) days' written notice from HPD specifying the time and place of examination, the HDFC and any of its Directors, officers, employees, or agents, shall submit under oath to an oral examination by authorized representatives of HPD concerning any or all matters relating to the Property, and shall produce for examination, review, and/or audit by HPD such Books And Records as such notice may specify.

12. Training

- a. The Monitor, in its sole discretion, may approve, modify, or reject the Training Plan. If the Monitor rejects the Training Plan, the HDFC shall modify such Training Plan in

accordance with any direction provided by the Monitor and shall resubmit such modified Training Plan for approval by the Monitor within thirty (30) days.

- b. Each Director shall take not less than one (1) one training course in cooperative management within three (3) months after initial election to the Board and not less than one (1) one training course each year thereafter, for so long as such Director serves on the Board. The Monitor may specify the subject matter of the training courses that any individual Director, or all Directors, shall be required to take in any year.
- c. The HDFC shall require each new Shareholder to take a training course providing an orientation in cooperative ownership within three (3) months after becoming a Shareholder.

13. Reserve Accounts

- a. The HDFC shall establish and maintain such reserve accounts as are included and/or required in the development budget and the documents of any loan obtained by the HDFC for the Property.
- b. If required by HPD, the Manager, or any Lender, the HDFC shall also escrow, and/or create pre-funded reserves for, any or all Charges in such amount and manner as may be prescribed by the party requiring such escrow or reserve.
- c. Any reserve shall be held in an FDIC-insured checking account in the name of the HDFC in a bank or other financial institution located in New York City and acceptable to HPD and the Manager.
- d. The HDFC shall not withdraw funds from any reserve account without the prior written consent of the Monitor and HPD.
- e. The HDFC may, from time to time, but no more frequently than monthly, request HPD approval of a withdrawal from the Reserve Fund to fund an operating shortfall for the Property. Such request shall be made on the form annexed hereto as **Exhibit E** annexed hereto and made a part hereof and shall be accompanied by the following documents:
 - 1. The most recent operating account bank statement and management report demonstrating a shortfall in meeting expenses for the Property.
 - 2. Copies of any invoices to be paid.
 - 3. A modified budget demonstrating the anticipated income and expenses for the period from the date of the request until the next following anniversary date of this Agreement.
 - 4. If HPD disapproves the request, HPD will provide a written explanation to the HDFC.
- f. The HDFC may, from time to time, request HPD approval of a withdrawal from the Reserve Fund to fund a capital need for the Property.
 - 1. Such request shall be made on the form annexed hereto as **Exhibit E** and shall be accompanied by (i) a scope of work and a cost estimate, and (ii) if the request is for \$10,000 or more, three (3) bona fide bids.

2. If HPD approves the request, HPD will authorize disbursement from the Reserve Fund of one-third of the requested funds when one-third of the work is completed, another one-third of the requested funds when two-thirds of the work is completed, and the final disbursement when one hundred percent (100%) of the work is completed. All disbursements shall be subject to the work being performed to the satisfaction of HPD.
 3. If HPD disapproves the request, HPD will provide a written explanation to the HDFC.
- g. The HDFC shall annually inform all Shareholders of all withdrawals from the Reserve Fund in the preceding twelve (12) months.

14. Enforcement

- a. If any Default occurs and remains uncured or uncorrected for a period of thirty (30) days after written notice from HPD, the City may:
1. Institute and prosecute, or direct and authorize the Manager to institute and prosecute, any proceeding at law or in equity to abate, prevent, or enjoin any such Default or to compel specific performance by the HDFC, its successors or assigns, of the obligations of the HDFC pursuant to this Agreement, any other agreement with the City, the Management Agreement, the Monitoring Agreement, the Private Housing Finance Law, the Business Corporation Law, or any other applicable law or agreement;
 2. Terminate the membership of the entire Board, or any one or more specific Directors, and appoint replacement Directors sufficient to constitute a two thirds (2/3) majority of such Board, notwithstanding any contrary provision in the Certificate Of Incorporation or the By-Laws and notwithstanding the fact that some of all of such replacement Directors may not be Shareholders; or
 3. Perform or order, or direct and authorize the Manager to perform or order, such repairs as HPD determines will preserve the health and safety of the occupants of the Property, and recover the cost of such repairs from the HDFC.
 4. Extend the term of this Agreement by a period equal to the period from the commencement of such Default to the cure of such Default by recording a document, executed solely by the City, against the Property. Unless the notice of such Default from HPD specifies another date, any such Default shall be presumed to have commenced on the date of this Agreement, which presumption may be rebutted by the HDFC.
- b. HPD shall not be limited exclusively to the rights, powers, and remedies provided by this Agreement, or in any other agreement between the City and the HDFC, but shall be entitled to every additional right, power, and remedy now or hereafter afforded by law or in equity.
1. Every right, power, or remedy of HPD provided for in this Agreement, or in any other agreement between the City and the HDFC, or to which HPD may otherwise be entitled, may be exercised, concurrently, cumulatively, independently, or successively, from time to time and as often as may be deemed expedient by HPD. HPD may pursue alternative or inconsistent remedies.

2. Exercise by HPD of any power or remedy hereunder shall not cure or waive any Default and shall not affect the right of HPD to exercise every other right and remedy provided for in this Agreement, or in any other agreement between the City and the HDFC, or at law or in equity.
- c. No delay in enforcing, or failure to enforce, any provision of this Agreement as to any Default shall impair, damage, or waive the right of the City to enforce such provision of this Agreement in the event of a continuation of such Default, any repetition of such Default, or any similar Default at any later time.
- d. Nothing herein shall prevent HPD from exercising any other authority provided by law or any agreement, including, but not limited to, the authority to revoke or suspend all or part of any tax exemption.

15. Notices

- a. All notices, approvals, requests, waivers, consents, or communications given or required to be sent pursuant to this Agreement shall be in writing and shall be personally delivered, or sent by regular mail or by overnight courier, addressed as follows:
 1. When sent to the HDFC, at the address of the Property, to the attention of the Board.
 2. When sent to HPD, to: Department of Housing Preservation and Development, 100 Gold Street, Room 7S, New York, New York 10038, Attention: Asset Management.
- b. Each party shall notify the other in case of a change in address, which changed address shall thereafter be the address to which notices are sent.
- c. Any notice given hereunder shall be deemed to have been given when personally delivered if given in person, or on the third day after such notice has been deposited in the United States mail, postage prepaid, addressed as aforesaid, or on the second day after such notice has been deposited with an overnight carrier. Any notice of a change address shall only be deemed given when received by the other party.

16. Corporate Governance

- a. The HDFC represents that the Certificate Of Incorporation, the By-Laws and all Proprietary Leases are consistent with, and covenants that they shall remain consistent with, the provisions of this Regulatory Agreement.
- b. The By-Laws shall (i) refer to this Regulatory Agreement, and (ii) contain a provision stating that "Notwithstanding any term of these By-Laws to the contrary, the HDFC and all Shareholders shall comply with all terms of the Regulatory Agreement, including, but not limited to, the provisions of the Regulatory Agreement regarding Prohibited Event Fees and Flip Taxes."
- c. The HDFC shall distribute this Agreement to each Shareholder and shall attach this Agreement to each Proprietary Lease.
- d. The HDFC shall hold annual elections in accordance with the procedures specified in the By-Laws.

17. Recording; Binding Nature of Restrictions

The HDFC will cause this Agreement to be recorded in the Office of the City Register in the county in which the Property is located. During the Restriction Period, this Agreement shall run with the land and bind the HDFC and its successors, assigns, heirs, grantees, and lessees.

18. Subordination

HPD may subordinate this Agreement to the interest of any Lender.

19. Expiration

- a. Except as may be otherwise provided herein, upon expiration of the Restriction Period, this Agreement shall become null and void and of no further force and effect with respect to the Property and HPD shall execute and deliver to the HDFC any document in recordable form requested by the HDFC to reflect the expiration of this Agreement with respect to the Property, although none shall be required.
- b. Notwithstanding the expiration of the Restriction Period, the HDFC shall remain subject to all provisions of Article XI of the Private Housing Finance Law and shall continue to operate the Property as a housing project for persons and families of low income.

20. Investigations

The HDFC shall be bound by the provisions of the Investigation Clause annexed hereto as **Exhibit F** and made a part hereof.

21. Conflicts

- a. The HDFC shall not, without the prior written approval of HPD, enter into a Management Contract, Monitoring Contract, or other contract or agreement with (i) any Shareholder or any immediate family member of any Shareholder, (ii) any entity in which any of the legal or beneficial interest is held by a Shareholder or an immediate family member of a Shareholder, or (iii) any entity in which a Shareholder or an immediate family member of a Shareholder is a director, officer, or employee.
- b. The HDFC shall not, without the prior written approval of HPD, hire an employee who is a Shareholder or an immediate family member of any Shareholder.
- c. The Manager and Monitor shall be completely separate and unrelated entities. The HDFC shall not, without the prior written approval of HPD, retain a Manager and a Monitor that (i) share any of the same directors, officers, or employees, or (ii) are affiliated with, owned by, or controlled by one another or by any of the same individuals or entities.

22. Discretion

Every determination to be made by HPD, or by any of its designees, pursuant to this Agreement shall be made in the sole discretion of HPD or such designee unless this Agreement specifically states either that such determination shall be reasonable or that such determination shall be made in accordance with one or more specific standards.

23. Waiver or Suspension

Where HPD determines that a provision of this Agreement would cause extreme hardship to a Shareholder due to a personal or family emergency, HPD may, with approval of the Board, waive or suspend such provision with respect to the Shareholder or such Shareholder's Apartment to the extent necessary to avoid or ameliorate such hardship. The Shareholder shall apply for such waiver or suspension in advance where practicable or, in the case of an unforeseeable emergency, within thirty (30) days after such emergency. Any such waiver or suspension shall be for a term not exceeding six (6) months, but HPD may grant further waivers or suspensions if the emergency continues.

IN WITNESS WHEREOF, HPD and the HDFC have duly executed this Agreement on the day and year first above written

THE CITY OF NEW YORK

By: Department of Housing Preservation and Development

By: _____
Name:
Title:

_____ HOUSING
DEVELOPMENT FUND CORPORATION

By: _____
Name:
Title:

APPROVED AS TO FORM
BY STANDARD TYPE OF CLASS
FOR USE UNTIL _____

By: _____
(Acting) Corporation Counsel

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of _____, 20___, before me, the undersigned, a Notary Public, in and for said State, personally appeared _____, personally known to me or proven to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon whose behalf of which the individual acted, executed the instrument.

NOTARY PUBLIC

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

On this day of _____, 20___, before me, the undersigned, a Notary Public, in and for said State, personally appeared _____, personally known to me or proven to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her capacity, and that by her signature on the instrument, the individual, or the person upon whose behalf of which the individual acted, executed the instrument.

NOTARY PUBLIC

**EXHIBIT A
Property**

All those certain plots, pieces and parcels of land, with the buildings and improvements thereon erected, situate, lying and being in the City and State of New York, designated on the Tax Map of the City of New York as:

Block(s) Lot(s) Address(es)

County: New York

DRAFT

**EXHIBIT B
Maximum Sale Price**

Maximum Sale Price						
Calendar Year	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom	5 Bedroom
2016-2017	\$286,296	\$347,636	\$412,022	\$476,712	\$539,880	\$601,830
2018	\$294,909	\$358,111	\$424,358	\$491,215	\$556,244	\$620,055
2019	\$303,738	\$368,766	\$436,839	\$505,826	\$572,682	\$638,319
2020	\$312,780	\$379,902	\$450,069	\$521,150	\$590,100	\$657,831
2021	\$322,337	\$391,515	\$463,739	\$536,876	\$608,186	\$677,669
2022	\$332,101	\$403,297	\$477,843	\$553,302	\$626,630	\$698,435
2023	\$342,375	\$415,853	\$492,681	\$570,422	\$646,032	\$720,119
2024	\$352,546	\$427,960	\$507,029	\$587,011	\$664,862	\$740,885
2025	\$362,915	\$440,527	\$522,099	\$604,585	\$684,634	\$762,856
2026	\$373,480	\$453,247	\$537,278	\$621,918	\$704,427	\$785,108
2027	\$384,541	\$466,722	\$553,168	\$640,223	\$725,145	\$808,241
2028	\$396,400	\$481,254	\$570,068	\$660,099	\$747,390	\$833,158
2029	\$408,140	\$495,619	\$587,362	\$680,018	\$769,934	\$858,326
2030	\$420,670	\$510,725	\$605,348	\$700,580	\$793,376	\$884,344
2031	\$433,379	\$525,958	\$623,411	\$721,777	\$817,098	\$910,896
2032	\$446,261	\$541,618	\$641,848	\$743,296	\$841,699	\$937,970
2033	\$459,619	\$558,004	\$661,262	\$765,434	\$866,865	\$966,164
2034	\$473,447	\$574,805	\$681,340	\$788,790	\$893,194	\$995,465
2035	\$487,741	\$592,015	\$701,772	\$812,441	\$920,066	\$1,025,558
2036	\$502,194	\$609,630	\$722,548	\$836,379	\$947,165	\$1,055,819
2037	\$517,409	\$627,946	\$744,270	\$861,507	\$975,699	\$1,087,454
2038	\$532,773	\$646,958	\$766,625	\$887,511	\$1,005,046	\$1,120,144
2039	\$548,890	\$666,354	\$789,910	\$914,380	\$1,035,499	\$1,154,181
2040	\$565,451	\$686,433	\$813,507	\$941,799	\$1,066,740	\$1,188,941
2041	\$582,451	\$707,188	\$838,320	\$970,366	\$1,099,062	\$1,225,017
2042	\$599,885	\$728,306	\$863,123	\$999,462	\$1,131,538	\$1,261,481
2043	\$617,748	\$750,085	\$889,123	\$1,029,379	\$1,165,371	\$1,299,231
2044	\$636,643	\$772,822	\$916,007	\$1,060,410	\$1,200,853	\$1,338,555
2045	\$655,346	\$795,900	\$943,155	\$1,091,933	\$1,236,446	\$1,378,219
2046	\$675,070	\$819,616	\$971,166	\$1,124,240	\$1,273,354	\$1,419,118

Apartment Size**	
Size	Specific Apartments
0 Bedroom Apartments	
1 Bedroom Apartments	
2 Bedroom Apartments	
3 Bedroom Apartments	
4 Bedroom Apartments	
5 Bedroom Apartments	

**The Apartment sizes listed in this Exhibit shall be binding on the HDFC and all Shareholders. In accordance with Section 5.d and Section 5.e of this Agreement, Apartments shall not be combined, joined, split, or subdivided during the Restriction Period.

EXHIBIT C
Owner Occupancy Affidavit

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

_____, being duly sworn, under penalty of perjury, deposes and says:

1. As of the date hereof, I am purchasing shares allocated to a cooperative dwelling unit ("Apartment") in the building known by the street address _____ ("Property").
2. I have never owned (or held shares in a cooperative corporation that owned) any other residential property that was developed or assisted through a local, state, or federal homeownership program.
3. I intend to occupy the Apartment as my primary residence.
4. In connection with my purchase of the shares allocated to the Apartment, I signed legal documents in which I promised to continuously occupy the Apartment as my sole primary residence for at least ___ years from the date hereof ("Owner Occupancy Requirements"). Among other things, the Owner Occupancy Requirements:
 - (i) require me to reside and sleep at the Apartment not less than 270 calendar days per year (unless I am on active military duty, in which case each night I spend away from the Apartment for this purpose will be counted as a night spent in the Apartment, or enter into an authorized sublease as described below),
 - (ii) prohibit me from subleasing the Apartment for more than a cumulative total of 18 months in any 5 year period, prohibit me from subleasing the Apartment to anyone whose income exceeds a specified limit, limit the rent that I may charge for any sublease, and prohibit me from allowing the Apartment to be used for transient occupancy or occupied by household that would not be eligible to purchase the shares allocated to the Apartment,
 - (iii) require me to indicate the Apartment as my sole address/residence on any tax return, voter registration, driver's license or other permit to operate a motor vehicle, and any other document or application stating my address or residence, and
 - (iv) prohibit me from [acquiring][owning] or leasing any other residential property in, or within a 100 mile radius of, New York City (and require me to sell any such residential property that I acquire through inheritance within one year from the date that the estate transfers title to me).
5. I give this affidavit in order to induce the City of New York, acting by and through its Department of Housing Preservation and Development ("HPD") to (i) permit my purchase of shares in the cooperative housing development fund corporation that owns the Property ("HDFC"), and (ii) provide certain subsidies to the HDFC. I understand that HPD is relying upon my representation that I will comply with the Owner Occupancy Requirements.

6. I understand that HPD may require me to provide an annual certification or affidavit regarding my compliance with the Owner Occupancy Requirements and that HPD may use any lawful means to investigate my compliance with the Owner Occupancy Requirements.
7. I understand that a misstatement or misrepresentation in this Affidavit may result in civil or criminal penalties and that any violation of the Owner Occupancy Requirements may result in legal action against me or the imposition of additional fees, charges, or special assessments in connection with the Apartment.
8. I am eighteen (18) or more years of age and have the legal capacity to deliver this Affidavit.

Name:

Sworn to before me on
the ____ day of ____, 20__

Notary Public

DRAFT

EXHIBIT D
Owner Occupancy Certification

I, _____, certify, represent, and warrant the following to the Department of Housing Preservation and Development ("HPD") of the City of New York ("City"):

1. I am a tenant-shareholder of cooperative unit ____ in the building known by the street address _____ ("Apartment").
2. I am bound by agreements with the City that require me to occupy the Apartment.
3. In the year preceding execution of this certification:
 - a. The Apartment has been my sole primary residence, except as set forth in Section 3.b below.
 - b. Check the applicable statement:

 I have not subleased the Apartment or permitted the Apartment to be used for transient occupancy or occupied by household that would not be eligible to purchase the shares allocated to the Apartment.

 I have subleased the Apartment, but (i) I did so with the approval of the cooperative's board of directors, (ii) the subtenant was an Eligible Household, as such term is defined in the Regulatory Agreement between the cooperative and the City, (iii) the rent charged to the subtenant was less than or equal to the Maximum Sublease Rent, as such term is defined in the Regulatory Agreement between the cooperative and the City, and (iv) I have not subleased the Apartment for a cumulative total of more than 18 months out of the past five years.
 - b. Check the applicable statement:

 I resided and slept in the Apartment not less than 270 days.

 I spent part or all of the year on active military duty and spent __ days away from the Apartment for this purpose. The total of the number of days that I spent away from the Apartment on active military duty and the number of days that I resided and slept in the Apartment is not less than 270 days.

 I resided and slept in the Apartment for approximately _____ days and subleased the Apartment for approximately _____ days.
 - d. I have not permitted the Apartment to be used for transient occupancy or occupied by household that would not be eligible to purchase the shares allocated to the Apartment.
 - e. Any tax returns that I filed with any governmental entity identified the Apartment as my only address/residence.
 - f. If I am registered to vote, the Apartment is the only address/residence listed on my voter registration form.

- g. If I have a driver's license or other permit to operate a motor vehicle, the Apartment is the only address/residence indicated on that license or permit.
- h. If I filled out and/or filed any other document or application stating my address or residence, such document or application identified the Apartment as my only address/residence.
- i. Check the applicable statement:

- I have not [acquired][owned] or leased any other residential property in, or within a 100 mile radius of, New York City.
- I acquired residential property in, or within a 100 mile radius of, New York City through inheritance and have sold or will sell such property within one year from the date that the estate transferred title to me. Aside from the property that I acquired through inheritance, I have not [acquired][owned] or leased any other residential property in, or within a 100 mile radius of, New York City.

- 4. I understand that this certification is a written instrument that will be filed with, and become part of the official business records of, HPD.
- 5. I am eighteen (18) or more years of age and have the legal capacity to deliver this certification.

Shareholder

Date

EXHIBIT E
Request for Withdrawal from Reserve Account

Owner: _____

Project: _____

Date: _____

Reference is made to that certain Regulatory Agreement, dated _____, 20__, by and between _____ Housing Development Fund [Company, Inc.] [Corporation] (“HDFC”), and the City of New York (“City”), acting by and through its Department of Housing Preservation and Development (“HPD”). All capitalized terms used herein shall have the meanings ascribed to such terms in the Regulatory Agreement except as otherwise defined herein.

This request is made pursuant to Section 13 of the Regulatory Agreement.

Amount Requested: \$ _____

Purpose:

_____ These funds are intended to fund an operating shortfall for the Property which is described in the supporting documentation submitted herewith.

_____ These funds are intended to pay for capital needs for the Property described in the supporting documentation submitted herewith, which include one or more contractor's bids (three or more bids for requests of \$10,000 or more).

Housing
Development Fund [Company, Inc.] [Corporation]

EXHIBIT F
Investigation Clause

- (a) The parties to this Agreement agree to cooperate fully and faithfully with any investigation, audit or inquiry conducted by a State of New York (State) or City of New York (City) governmental agency or authority that is empowered directly or by designation to compel the attendance of witnesses and to examine witnesses under oath, or conducted by the Inspector General of a governmental agency that is a party in interest to the transaction, submitted bid, submitted proposal, contracts, lease, permit, or license that is the subject of the investigation, audit or inquiry.
- (b) If any person who has been advised that his or her statement, and any information from such statement, will not be used against him or her in any subsequent criminal proceeding refuses to testify before a grand jury or other governmental agency or authority empowered directly or by designation to compel the attendance of witness and to examine witnesses under oath concerning the award of or performance under any transaction, agreement, lease, permit, contract, or license entered into with the City, the State or any political subdivision or public authority thereof, or the Port Authority of New York and New Jersey, or any local development corporation within the City, or any public benefit corporation organized under the laws of the State of New York, or;
- (c) If any person refuses to testify for a reason other than the assertion of his or her privilege against self-incrimination in an investigation, audit or inquiry conducted by a City or State governmental agency or authority empowered directly or by designation to compel the attendance of witnesses and to take testimony under oath, or by the Inspector General of the governmental agency that is a party in interest in, and is seeking testimony concerning the award of, or performance under, any transaction, agreement, lease, permit, contract, or license entered into with the City, the State, or any political subdivision thereof or any local development corporation within the City, then;
- (d) The commissioner or agency head whose agency is a party in interest to the transaction, submitted bid, submitted proposal, contract, lease, permit, or license shall convene a hearing upon not less than five (5) days written notice to the parties involved to determine if any penalties should attach for the failure of a person to testify.
- (e) If any non-governmental party to the hearing requests an adjournment, the commissioner or agency head who convened the hearing may, upon granting the adjournment, suspend any contract, lease, permit, or license pending the final determination pursuant to paragraph (g) below without the City incurring any penalty or damages for delay or otherwise.
- (f) The penalties which may attach after a final determination by the commissioner or agency head may include but shall not exceed:
 - (1) The disqualification for a period not to exceed five (5) years from the date of an adverse determination for any person, or any entity of which such person was a member at the time the testimony was sought, from submitting bids for, or transacting business with, or entering into or obtaining any contract, lease, permit or license with or from the City; and/or
 - (2) The cancellation or termination of any and all such existing City contracts, leases, permits, or licenses that the refusal to testify concerns and that have not been assigned as permitted under this agreement, nor the proceeds of which pledged, to an unaffiliated and unrelated institutional lender for fair value prior to the issuance of the notice scheduling

the hearing, without the City incurring any penalty or damages on account of such cancellation or termination; monies lawfully due for goods delivered, work done, rentals, or fees accrued prior to the cancellation or termination shall be paid by the City.

- (g) The commissioner or agency head shall consider and address in reaching his or her determination and in assessing an appropriate penalty the factors in paragraphs (1) and (2) below. He or she may also consider, if relevant and appropriate, the criteria established in paragraphs (3) and (4) below in addition to any other information which may be relevant and appropriate:
- (1) The party's good faith endeavors or lack thereof to cooperate fully and faithfully with any governmental investigation or audit, including but not limited to the discipline, discharge, or disassociation of any person failing to testify, the production of accurate and complete books and records, and the forthcoming testimony of all other members, agents, assignees or fiduciaries whose testimony is sought.
 - (2) The relationship of the person who refused to testify to any entity that is a party to the hearing, including, but not limited to, whether the person whose testimony is sought has an ownership interest in the entity and/or the degree of authority and responsibility the person has within the entity.
 - (3) The nexus of the testimony sought to the subject entity and its contracts, leases, permits or licenses with the City.
 - (4) The effect a penalty may have on an unaffiliated and unrelated party or entity that has a significant interest in an entity subject to penalties under (f) above, provided that the party or entity has given actual notice to the commissioner or agency head upon the acquisition of the interest, or at the hearing called for in (d) above gives notice and proves that such interest was previously acquired. Under either circumstance the party or entity must present evidence at the hearing demonstrating the potential adverse impact a penalty will have on such person or entity.
- (h)
- (1) The term "license" or "permit" as used herein shall be defined as a license, permit, franchise or concession not granted as a matter of right.
 - (2) The term "person" as used herein shall be defined as any natural person doing business alone or associated with another person or entity as a partner, director, officer, principal or employee.
 - (3) The term "entity" as used herein shall be defined as any firm, partnership, corporation, association, or person that receives monies, benefits, licenses, leases, or permits from or through the City or otherwise transacts business with the City.
 - (4) The term "member" as used herein shall be defined as any person in association with another person or entity as a partner, officer, principal or employee.
- (i) In addition to and notwithstanding any other provisions of this Agreement the Commissioner or agency head may in his or her sole discretion terminate this Agreement upon not less than three (3) days written notice in the event the contractor fails to promptly report in writing to the Commissioner of Investigation of the City of New York any solicitation of money, goods, requests for future employment or other benefit or thing of value, by or on behalf of any employee of the City or other person, firm, corporation or entity for any purpose which may be related to the procurement or obtaining of this Agreement by the Contractor, or affecting the performance of this Agreement.

REGULATORY AGREEMENT

BETWEEN

AND

THE CITY OF NEW YORK

Block(s) Lot(s) Address(es)

County:

RECORD AND RETURN TO:

Department of Housing Preservation
and Development
Office of Legal Affairs
100 Gold Street, Room 5-___
New York, NY 10038
