

Section 12.	Regrouping of Space	13
Section 13.	House Rules	14
Section 14.	Professional Management Services	14
V.	Officers	14
Section 1.	Designation	14
Section 2.	Election of Officers	14
Section 3.	Removal of Officers	14
Section 4.	President	15
Section 5.	Vice President	15
Section 6.	Secretary	15
Section 7.	Treasurer	15
VI.	Committees	16
Section 1.	Purpose	16
Section 2.	Creation	16
Section 3.	Required Committees	16
Section 4.	Appointment of Committees	16
Section 5.	Committee Structure	17
Section 6.	Committee Termination	17
VII.	Restrictions on Compensation and Transactions	17
Section 1.	Compensation	17
Section 2.	Loans to Shareholders, Directors and Officers	17
Section 3.	Dividends to Members, Directors and Officers	17
Section 4.	Contracts with Directors and Officers	17
VIII.	Indemnification	18
IX.	Capital Shares	18
Section 1.	Issuance to Shareholders only; Unsold Shares	18
Section 2.	Issuance of Certificates	18
Section 3.	Form and Share Register	18
Section 4.	Transfers	19
Section 5.	Units of Issuance	19
Section 6.	HDFC's Lien on Shares of Stock	19
Section 7.	Lost Certificates	20
Section 8.	Legend on Share Certificate	20

X.	Proprietary Lease	21
	Section 1. Form of Lease	21
	Section 2. Assignment	21
	Section 3. Policy on Subletting	22
	Section 4. Allocation of Shares	23
	Section 5. Lost Proprietary Lease	23
XI.	Resale Restrictions	23
	Section 1. Transfers and Assignments Under the Regulatory Agreement	23
	Section 2. Adoption of Resale Policy Upon Expiration of Regulatory Agreement Transfers	23
XII.	Apartment Rental Restrictions	24
	Section 1. Renting Apartments Under Regulatory Agreement	24
	Section 2. Renting Apartments Upon Expiration of Regulatory Agreement	24
XIII.	Records and Fiscal Management	24
	Section 1. Fiscal Year	24
	Section 2. Books and Accounts	24
	Section 3. Auditing and Annual Reports	24
	Section 4. Fidelity Bonds	25
	Section 5. Place of Keeping Books and Minutes	25
	Section 6. Examination of Books	25
	Section 7. Deposit of Funds	25
	Section 8. Safe Deposit Boxes	25
	Section 9. Authorized Signatures	25
	Section 10. Corporate Seal	25
XIV.	Amendment and Repeal of By-Laws	26
XV.	Interpretation of By-Laws	26

ARTICLE I
PURPOSE OF THE CORPORATION

The purpose of _____ Housing Development Fund Corporation (hereinafter "HDFC") is to provide its member Shareholders with affordable limited-equity cooperative homeownership in compliance with the Certificate of Incorporation, Proprietary Lease and, if any in effect, Regulatory Agreement. The HDFC is not organized for pecuniary profit or financial gain. All income and earnings of the HDFC shall be used exclusively for corporate purposes, and no part of the net income or net earnings of the HDFC shall inure to the benefit or profit of any private individual, firm, corporation or association. The Shareholders, as defined below, shall in good faith endeavor to observe and promote the cooperative purposes for which the HDFC was established.

ARTICLE II
DEFINITIONS

Apartment: Apartment shall refer to any unit within any building within the HDFC which is legally suitable for residential purposes.

Area Median Income: (AMI) shall be defined as the maximum household income for appropriate household size, as determined from time to time by the United States Department of Housing and Urban Development (HUD).

Assignment: Any sale, transfer, bequest, devise, or any other form of disposition, and any purported sale, whether voluntarily, by operation of law, of interests and rights associated with the shares in the HDFC.

Assignee: An Assignee shall refer to the person(s) who has been assigned the Proprietary Lease to their benefit.

Board: Board shall be used to reference the Board of Directors of the HDFC.

Capital Shares: Capital shares shall refer to the shares of stock issued by the HDFC, representing an ownership interest in the HDFC.

Chairperson: Chairperson shall refer to the person appointed by the President of the Board to preside over the affairs of a particular meeting, including but not limited to meetings of the Board or Committee meetings.

Certificate of Incorporation: The Certificate of Incorporation is the document filed with the office of the New York State Secretary of State on _____ creating the HDFC apartment corporation. The Certificate of Incorporation is the document which sets forth the corporate purpose of the HDFC and cannot be amended without the

approval of a vote of 66 2/3% of all Shareholders and the New York City Department of Housing Preservation and Development.

Certificate of Stock: Certificate of Stock is the certificate issued to each Shareholder evidencing ownership of a designated number of shares of stock in the HDFC.

Director(s): Director shall refer to a duly elected member of the Board of the HDFC, regardless of whether she or he holds a particular office.

Dividends: Dividends shall refer to the current or accumulated earnings of the HDFC to the Shareholders of a corporation based upon the number of shares owned. Dividends shall not be applicable to the HDFC, except upon dissolution.

Fidelity Bonds: A fidelity bond shall refer to a contract of fidelity insurance to be entered into by any corporate officer of the HDFC, for the purpose of indemnifying the HDFC against loss arising from actions carried out by the officer related to his or her capacity as a member of the Board of the HDFC.

Housing Development Fund Corporation: A Housing Development Fund Corporation ("HDFC") shall refer to the corporate entity empowered to act as the cooperative corporation pursuant to Article IX of the New York Private Housing Finance Law.

Majority Rule: Majority rule shall refer to rule by the choice of the majority of those who are eligible to vote, irrespective of whether or not those eligible participate. A majority shall equal Fifty (50%) percent of those present who are eligible to vote, plus one additional person.

Plurality: Plurality shall refer to the number of votes cast for one candidate over those cast for any other. Where there are only two candidates, he who receives the greater number of the votes cast is said to have a majority; when there are more than two competitors for the same office, the person who receives the greatest number of votes has a plurality, but he has not a majority unless he receives a greater number of votes than those cast for all of his competitors combined, or, in other words, more than one-half of the total number of votes cast.

Primary Residence: Primary Residence shall be defined as (a) being domiciled at the HDFC Apartment and (b) residing more than 187 days in the preceding calendar year at the Apartment, unless such individual proved to the Board, by providing documentation, that their inability is based on hospitalization, institutionalization, or active service in the Armed Forces of the United States, or unless the Shareholder began occupancy of the Apartment during the preceding calendar year.

Proprietary Lease: The Proprietary Lease shall refer to the occupancy agreement issued to each Shareholder permitting use and occupancy to the Apartment associated with the Shares of Stocks issued in the HDFC, which shall be for a term of 99 years.

Proxy: A person who is substituted for another to represent him and act for him, particularly in some meeting or public body. A proxy shall take written form and shall direct the person to act in a particular manner.

Quorum: Quorum shall refer to the number of participants that must be present before business may be commenced. In the absence of any law or rule fixing the quorum, it shall consist of a majority of those eligible to act.

Regulatory Agreement: Regulatory Agreement shall refer to agreement entered into between **Sponsor, HPD,** and the HDFC as a condition precedent of transfer of any properties to the HDFC which shall require the HDFC to abide by certain terms, conditions and restrictions for a period of time as defined therein.

Restriction Period: When referring to the Regulatory Agreement, the restriction period shall commence on the date the Regulatory Agreement was entered into and shall last until the later of (i) thirty eight (38) years from the date of the Regulatory Agreement, or (ii) until the exemption and/or abatement from taxation on the property pursuant to Section 577 of the New York State Private Housing Finance Law.

Shareholder: Shareholder shall refer to the holder of shares of stock evidenced by Certificate of Stock in the HDFC.

Shares: When used herein, Shares shall refer to the shares of stock in the HDFC which shall be evidenced by Certificate of Shares.

Sublet: A sublet shall refer to a temporary conveyance of the Shareholder(s) interests associated with the occupancy rights under the Proprietary Lease which allows a subtenant to temporarily occupy the Apartment, so long as approved by the Board.

Tenant: When used herein, a tenant shall refer to a non-purchasing tenant or any other non-Shareholder who has approval to occupy the Apartment.

Transfer: A transfer shall refer to any sale, transfer, bequest, devise or any other form of disposition, and any purported sale, whether voluntary or by operation of law, of interests and rights associated with the Proprietary Lease.

ARTICLE III
MEETINGS OF SHAREHOLDERS

Section 1. Annual Meetings.

Each annual meeting of the Shareholders of the HDFC, for the election of directors and for the transaction of other such business, shall be held in the City of New York, State of New York, at such hour and place as may be determined by the Board of Directors and designated in the meeting notice, during the month of _____ of each and every year. The notice of the meeting shall be in writing and signed by the President or Vice-President or the Secretary. Such notice shall state the time when and the place at which such meeting is to be held, and a copy thereof shall be served, either personally or by mail, upon each Shareholder of record entitled to vote at such meeting, not less than ten (10) nor more than fifty (50) days before the meeting.

Section 2. Regular Meetings.

Regular Meetings of the Shareholders shall be held for the transaction of HDFC business and shall be held in the City of New York, State of New York, at such hour and place as may be determined by the Board of Directors and designated in the meeting notice. The notice of the meeting shall be in writing and signed by any Officer of the HDFC. Such notice shall state the time when and the place at which such meeting is to be held, and a copy thereof shall be served, either personally or by mail, upon each Shareholder of record not less than ten (10) nor more than fifty (50) days before the meeting.

Section 3. Special Meetings.

Special meetings of the Shareholders of the HDFC, other than those regulated by statute, may be called at any time by any Officer of the HDFC or a majority of the Board and it shall also be the duty of the Secretary to call such a meeting whenever requested in writing to do so by Shareholders of record of at least one-quarter (25%). A notice of each special meeting, stating the time, place and purpose of the meeting and the Officer or person or persons by whom the meeting is called, shall be served, either personally or by mail, on each Shareholder, not less than ten (10) nor more than fifty (50) days before the date of the meeting. No business other than that stated in the notice shall be transacted at any special meeting.

Section 4. Notice of Meetings.

Written notice of any meeting of Shareholders will state the place, date and hour and will be given personally or by first class mail to each Shareholder. If mailed, such notice shall be deemed to be delivered when deposited in the mail. All meeting notices shall also be conspicuously displayed within each building for at least ten (10) days prior to the meeting date. Written notice of a special meeting will indicate that it is being sent

by or at the direction of the person or persons calling the meeting and state the purpose for which the meeting is being called.

Section 5. Waiver of Mailing of Notice.

Written notice of any meeting does not have to be given to any Shareholder who submits a signed waiver of notice, in person or by proxy. In addition, the attendance of any Shareholder at a meeting, in person or by proxy, without protesting the lack of notice shall constitute a waiver of notice by that Shareholder.

Section 6. Quorum.

At all meetings of the Shareholders of the HDFC, the presence, in person or by proxy, of a majority of the Shareholders in Good Standing shall be necessary to constitute a quorum for transaction of business. If there is no quorum at the roll call or following any Shareholder requesting a count for quorum, then no business may be taken except that a majority of the voting eligible Shareholders that are present may adjourn the meeting to some future time and place. No additional notice of the adjourned meeting need be given. At the reconvened meeting, the same quorum will be required.

Section 7. Conduct of Meetings.

Annual, Regular and Special Meetings shall be conducted in accordance with rules adopted by at least two-thirds of Shareholders, provided that such rules are in accordance with these By-laws. Meetings of the Shareholders shall be presided over by the President or, if the President is not present, by a Vice-President or, if neither the President nor Vice-President is present, by a Chairman to be chosen by a majority vote of the present Shareholders at the meeting. The Secretary of the HDFC, or, in the Secretary's absence, an assistant Secretary, shall act as Secretary of every meeting, but if neither the Secretary nor assistant Secretary is present, those Shareholders present at the meeting shall choose any person present to act as the Secretary of the meeting.

Section 8. Fixing of Record Date (Eligibility).

For the purpose of determining Shareholders eligible to vote at any meeting of the Shareholders, the Board shall fix in advance a date as the record date for any such determination of Shareholders in Good Standing. Such date in any case shall be not more than ten (10) days and, in case of meeting of Shareholders, not fewer than two (2) days prior to the date on which the particular action, requiring such determination of Shareholders, is to be taken. A Shareholder shall be deemed in Good Standing and therefore eligible to vote if, at the time of fixing the record date, the Shareholder is at least 18 years of age, not more than two (2) months in arrears in the payment of maintenance, and not in default under any other provisions of the Proprietary Lease

related to Shareholder good standing, or specific provisions of any Regulatory Agreement, if any.:-

Section 9. Manner of Voting.

At every meeting of the Shareholders, each Shareholder present, either in person or by proxy, shall have the right to cast one vote per Apartment, except that when voting for the election of Directors, such Shareholder shall be entitled to one vote for each director to be elected and shall not have the right to cumulate his or her votes in favor of any one or more directors to be elected. Voting by Shareholders to elect or remove directors or officers, or to adopt, rescind or amend documents shall be by written ballot.

Section 10. Majority Rule; Directors elected by Plurality.

The votes of Shareholders, voting in person or by proxy, which are present at a duly conducted Shareholders meeting shall decide by majority vote thereof any question brought before the meeting unless the question is one for which any express provision of law, these By-Laws, the Proprietary Lease or the Certificate of Incorporation requires a different vote, in which case such express provision shall govern and control. Directors shall be elected by plurality vote.

Section 11. Proxies.

A Shareholder may authorize in writing authorizing another person to act for him as proxy. Every proxy authorization must be signed by the Shareholder and be filed with the Secretary of the HDFC at least two (2) days in advance of any annual, regular or special meeting. Where two (2) or more co-shareholders hold an undivided interest in the shares allocated to an Apartment, the signature of one of the co-shareholders on the proxy shall be sufficient, unless prior to the meeting in which the proxy is being used, the HDFC receives written notice from one of the co-shareholders that no proxy shall be valid, in which event only proxies executed by all co-shareholders shall be valid.

Section 12. Voting of Shares in the Name of Two or More Persons.

When ownership stands in the name of two or more persons, at any meeting of the Shareholders of the HDFC any one or more of the Shareholders may cast, in person or in proxy, one vote only. In the event an attempt is made to cast conflicting votes, in person or in proxy, no vote shall be cast if the parties cannot agree. A Shareholder may also authorize another person or persons to act for the Shareholder as proxy by transmitting or authorizing the transmission of a facsimile, electronic mail or other means of electronic transmission to the person, who will be the holder of the proxy to receive such transmission, provided such proxy was authorized by the Shareholder, and the requirements stated in this Article III Section 11 are adhered to.

Section 13. Inspectors of Elections.

All elections are to be overseen by the Monitoring Agent, if applicable, in connection with any Regulatory Agreement the HDFC may be bound by. At least thirty (30) days notice shall be given to Inspector of the scheduled date of elections. At any election of directors where more candidates are nominated than there are positions to be filled, the election shall be conducted by at least one inspector of elections to be appointed by the President. No director or candidate for director shall be eligible to appointment as inspector. Before entering upon the discharge of their duties, the Inspector appointed to act at any meeting of the Shareholders shall be sworn faithfully to execute the duties of inspectors at such meeting of the Shareholders of the HDFC. Said oath shall be signed by the inspector and immediately filed with the Secretary of the HDFC with a certificate of the result of the vote taken at such meeting. If there is not an Inspector present, ready and willing to act, the chairman of the meeting shall appoint an Inspector. The duties of such Inspector shall include: determining the number of Shareholders present in Good Standing and eligible to participate in the elections; validity and effect of proxies; receiving votes, ballots, or consents; hearing and determining all challenges and questions in any way arising in connection with the rights to vote; counting and tabulating all votes or consents; determining the results; and such acts as may be proper to conduct the election or vote with fairness to all Shareholders.

Section 14. Order of Business

The Order of Business at all annual and other meetings of the Shareholders and Board of Directors shall be as follows:

1. Roll call
2. Proof of notice of meeting or waiver of notice
3. Reading the minutes of the preceding meeting
4. Reports of officers
5. Reports of committees
6. Election of directors, if applicable
7. Unfinished business
8. New business

ARTICLE IV **DIRECTORS**

Section 1. Number and Qualifications.

The affairs of the HDFC shall be governed by a Board composed of at least

three (3) and not greater than _____ Shareholders. Any Shareholder who is at least eighteen (18) years of age and in Good Standing shall be eligible to be elected as Director. The number of Directors may be increased by a vote of a majority of all Shareholders entitled to vote, subject to the limitations that a decrease may not shorten the term of any incumbent Director or reduce the number of Directors to less than the requisite number set forth within the Certificate of Incorporation for the HDFC.

Section 2. Powers and Duties.

The Board shall have all the powers and duties necessary to administer the affairs of the HDFC in accordance with the Purpose of this Corporation, as set forth in Article I of these By-Laws, including, but not limited to, the election of the officers of the HDFC and creation of committees and appointments thereto. The Board may do all such acts and things except those acts which by law, the Proprietary Lease, these By-Laws, the Regulatory Agreement or the Certificate of Incorporation are directed to be exercised and done by the Shareholders or are expressly prohibited.

Section 3. Election and Term of Office.

Each Director shall be elected by a plurality of the votes of Shareholders at the meeting called for the election thereof. Directors shall serve for a term of one year. Directors shall be elected at the annual meeting of the HDFC. Each Director shall continue in office until the close of the meeting at which a successor is elected or until his or her earlier death, resignation or removal.

Section 4. Resignation.

Any Director may resign at any time by delivering a signed letter of resignation to the office of the HDFC. Such resignation shall take effect at the time specified in that letter or, if not so specified, on the date the letter is delivered. Immediate notice of any resignation must be given to all Shareholders within ten (10) days of receipt of said resignation by the Secretary of the Board. No resignation shall discharge any accrued obligation or duty of a Director.

Section 5. Removal of Directors.

At any meeting of the Shareholders duly called by any Director, having been given written notice of the proposed removal at least ten (10) days in advance, may be removed with or without cause by a majority of all Shareholders entitled to vote and a successor may then be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Shareholders shall be given any opportunity to be heard at a special meeting of Shareholders called for that purpose, prior to any vote on removal. The term of any Director who becomes more than two (2) months behind in payment of his or her maintenance charges, and who fails to cure within ten (10) days of being sent a written notice of such arrears, shall be terminated automatically and a

replacement shall be elected in accordance with these By-laws.

Section 6. Vacancies.

Vacancies occurring in the Board for any reason, including removal with or without cause shall be filled by a vote of a plurality of the Shareholders at the meeting called for the election thereof. A Director elected to fill a vacancy shall hold office until the next annual meeting at which the election of Directors is the regular order of business and until his or her successor is elected and qualified or until his or her earlier death, resignation or removal.

Section 7. Meetings.

The Board of Directors shall meet immediately after the annual meeting of Shareholders with no requirement for notice of that Board meeting. Special meetings of the Board may be called by the President on two days notice given to each Director personally or by mail or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or Secretary in the same way and with the same notice on the written request of at least twenty (20%) percent of all Directors. Any meeting of the Board at which all the members are present, or of which notice shall have been waived by all absentees, shall be valid.

Section 8. Waiver of Notice.

Before or after any meeting of the Board, any Director may, in writing, waive the notice requirement. Attendance by a Director at any meeting of the Board without protesting the lack of notice shall be a waiver of notice by him or her. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 9. Quorum and Voting.

At all meetings of the Board a majority of the Directors shall constitute a quorum for the transaction of business and the vote of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board. If at any meeting of the Board, there is less than a quorum present, the majority of those present may adjourn the meeting to some future time and place.

Section 10. Annual Cash Payments.

The Board of Directors shall have discretionary power to (a) prescribe the manner of maintaining and operating the property of the HDFC, (b) determine the amounts to be paid by the Shareholders under their respective Proprietary Leases and (c) fix the terms and manner of payment of maintenance fees under the Proprietary

Leases, subject to compliance with any restrictions set forth within any Regulatory Agreement, if applicable. Every such determination by the Board shall be final and conclusive as to all Shareholders and any expenditure made by the HDFC's officers or its agent under the direction or with the approval of the Board shall, as against the Shareholders, be deemed necessarily and properly made for such purpose.

Section 11. Special Assessments.

The Board may require the payment of special assessments to pay for particular repairs or other financial outlays in accordance with the provisions of the Proprietary Lease.

Section 12. Re-Grouping of Space.

The Board, upon the written request of any Shareholder under any Proprietary Lease covering any Apartment in the HDFC, may in its discretion at any time, permit such Shareholder, at the Shareholder(s)' own expense to incorporate one or more rooms, or other space in the building, not covered by any Proprietary Lease, into one or more Apartments covered by a Proprietary Lease, and in allocating shares to any such resulting Apartment or Apartments, the Board shall determine the number of Shares to be issued and allocated in connection with the incorporation of such additional space (such allocation to be based on a per zoning room basis attributable to such resulting Apartment or Apartments), provided such incorporation shall be conditioned upon the surrender by the Shareholder making such request of such Shareholder's Proprietary Lease and Certificate of Stock and provided further such Shareholder shall execute a new Proprietary Lease covering such resulting Apartment or Apartments. A new Certificate of Stock for the number of Shares so reallocated to the new Proprietary Lease will be issued to the Shareholder surrendering said Certificate of Stock.

Section 13. House Rules.

The Board may, from time to time, for the health, safety, convenience and enjoyment of the Shareholders, adopt and amend such House Rules as it may deem necessary in respect to the HDFC. Copies of the House Rules and of any changes in them shall be furnished to each Shareholder.

Section 14. Professional Management Services.

The Board may engage a professional management company, by written contract for a term not exceeding one (1) year, to assist the Board in its duties of maintaining and operating property of the HDFC.

ARTICLE V **OFFICERS**

Section 1. Designation.

The principal officers of the HDFC shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board and, except for the President and Vice President, need not be Directors. Only Shareholders who satisfy the qualifications for Directors as set forth in Article IV, Section 1 of these By-Laws, shall be eligible to be officers of the HDFC. The Board may appoint an assistant Treasurer, an assistant Secretary and such other officers as in its judgment may be necessary. One person may not hold more than one office at the same time.

Section 2. Election of Officers.

The officers of the HDFC shall be elected by the Board at the first meeting of the Board following the annual meeting of the Shareholders and shall hold office for a one year term and until their successors have been elected and qualified unless removed.

Section 3. Removal of Officers.

Any officer may be removed, either with or without cause, and a successor elected, by a vote of a majority of the Board at a meeting duly called. In addition, any officer may be removed with cause by the vote of a majority of all Shareholders entitled to vote at a meeting duly called.

Section 4. President.

The President shall be chief executive officer of the HDFC. He or she shall preside at all meetings of the Shareholders and of the Board and carry out decisions and policies of the Board, and act on its behalf. The President shall prepare agendas for the Board and Shareholder meetings in accordance with the Order of Business in these By-Laws. The President shall oversee that the agendas are fully and timely distributed or ensure the Secretary does so. The President shall call all meetings of the Board or Shareholders whenever they are scheduled and/or necessary. The President shall also be empowered to designate a Chairperson to oversee any meeting of the Board, Shareholders or a committee. The President shall be responsible for communication and coordination with any required monitoring agent, if any shall be required. The President shall also carry out the decisions and policies of the Board and act on its behalf.

Section 5. Vice President.

The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the

President nor the Vice President is able to act, the Board shall appoint some other member of the Board to act on an interim basis as a Chairperson. The Vice President shall be responsible for encouraging Shareholders to consider running for the Board. The Vice President shall assist the other Officers and Committees to perform such other duties as shall from time to time be determined by the Board.

Section 6. Secretary.

The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Shareholders of the HDFC. The Secretary shall record the wording of all resolutions of the Board along with the number of votes for, against and abstaining. At each meeting of the Board, the Secretary shall provide each Officer with a copy of the meeting minutes for Board meetings and Shareholder meetings as a normal course of business, except for internal Board meeting minutes dealing with open and confidential issues. The Secretary shall be responsible for giving proper and timely notice to all Board and Shareholder meetings. The Secretary shall also have custody of the seal of the HDFC, the record of Shares, Proprietary Leases, and such other books and papers as the Board may direct; and, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer.

The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the HDFC. He or she shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the HDFC in such places as may from time to time be designated by the Board and perform all other duties and acts incident to the office of Treasurer.

ARTICLE VI **COMMITTEES**

Section 1. Purpose of Committees.

The purpose of a committee shall be to advise the Board upon a specific matter. It shall, under the direction of the Board, take necessary steps to address the specific matter or matters.

Section 2. Creation.

A Committee may be created by a resolution of a quorum of the Board. The resolution shall set forth the matter or matters upon which the Committee shall advise the Board of Directors. Each Committee shall serve under the direction of the President. There is no limit on the number of Committees that can be formed.

Section 3. Required Committees.

The following committee shall be required to be formed by the Board:

Shareholder Selection Committee (SCC): The SCC shall be comprised of at least two (2) members of the Board and no more than five (5) Shareholders in Good Standing who have attended and completed shareholder selection training with a focus on compliance with any and all applicable fair housing laws and regulations. The SCC shall be responsible for carrying out the shareholder selection process. All decisions of the SSC must be ratified by the Board before determined final.

Section 4. Appointment of Committees.

Members of committees shall be appointed by the President via his/her recruiting efforts with the approval of the Board. The Chairperson shall be appointed annually by the President with the approval of the Board. Each committee shall elect its own Vice Chairperson and Secretary.

Section 5. Committee Structure.

Each committee shall consist of a Chairperson, a Secretary and at least two additional Shareholders. If a Chairperson or Secretary of any Committee is remiss in carrying out his/her duties, the President may, with approval of the Board, request the resignation in writing of said Chairperson before the expiration of his/her term.

Section 6. Committee Termination.

Committees shall terminate at the date of termination provided by the Board in the resolution which created the committee. If no date of termination was provided, a committee shall terminate as directed by the Board.

ARTICLE VII. **RESTRICTIONS ON COMPENSATION AND TRANSACTIONS**

Section 1. Compensation.

No compensation shall be paid to Directors or officers for their services as Directors or Officers. No compensation shall be paid to a Director or officer for services performed by them for the HDFC in any other capacity unless a resolution authorizing such compensation is unanimously adopted by the Board before the services are undertaken.

Section 2. Loans to Shareholders, Directors and Officers.

The HDFC shall make no loans to any of its Shareholders, Directors or officers or to any corporation, firm, association or other entity in which one or more of its Shareholders, Directors or Officers are Directors or Officers or have substantial financial interest.

Section 3. Dividends to Members, Directors and Officers.

The HDFC shall not, except upon liquidation of the HDFC and subject to any restrictions set forth within the Certificate of Incorporation of the HDFC, pay dividends or distribute any part of its income or profits to any of its Shareholders, Directors or Officers.

Section 4. Contracts with Directors and Officers.

No Director or officer of the HDFC shall be interested, directly or indirectly, in any contract or transaction relating to the operations conducted by the HDFC, or in any contract for furnishing services or supplies to the HDFC, unless:

- a) Such contract shall be authorized by the Board (without counting the vote of such interested Director) and such interest shall have been disclosed or known to the Board; and
- b) Such contract shall be authorized by the Shareholders after such interest shall have been disclosed or known to the Shareholders.

If there was no disclosure, knowledge or vote as provided in (a) and (b) above the HDFC may void the contract.

Interested Directors may be counted in determining the presence of a quorum at a meeting of the Board or Shareholders which authorizes such contract or transaction but in no event may they vote on the issue.

ARTICLE VIII. **INDEMNIFICATION**

The HDFC shall provide indemnification of its Directors and Officers to the fullest extent permitted by Sections 721 through 726 of the Business Corporation Law except in relation to matters as to which such Director or Officer is adjudged to have breached his duty to the HDFC.

ARTICLE IX.
CAPITAL SHARES

Section 1. Issuance to Shareholders Only; Unsold Shares.

(a) Shares of the HDFC shall only be issued or reissued when a Proprietary Lease for an Apartment in the HDFC is entered into between the HDFC and any Shareholder or purchaser of Shares. The ownership of Shares shall entitle the Shareholder to occupy the Apartment for the purposes specified in, and subject to the provisions and covenants of, such Proprietary Lease.

(b) Unsold Shares, as defined in the Proprietary Lease, shall be retained by the HDFC. Such Shares shall cease being Unsold Shares only after the shares have been transferred to a purchaser and the requirements of the Proprietary Lease have been met.

Section 2. Issuance of Certificates.

Shares allocated to each Apartment shall be issued in the amount fixed by the Board for the Apartment described in the Proprietary Lease and shall be represented by a single Certificate of Shares.

Section 3. Form and Share Register.

Certificates of Stock in the HDFC shall be in the form adopted by the Board and shall contain the specific legend set forth in Section 8 of this Article IX. All Certificates of Shares shall be signed by the President or Vice President and the Secretary or the Treasurer, sealed with the official corporate seal of the HDFC and shall be numbered in the order in which issued. The signatures and seal may be facsimiles when and to the extent permitted by Section 508(a) of the Business Corporation Law or other applicable law. Certificates shall be issued in consecutive order and there shall be recorded in the name of the person holding the Shares, the number of Shares and the date of issue. Any Certificate of Stock exchanged or returned to the HDFC shall be canceled with the date of cancellation indicated thereon. All canceled Certificates of Stock shall be retained in the corporate records by the HDFC.

Section 4. Transfers.

Transfers of Shares shall be made only upon the books of the HDFC by the Shareholder in person or by power of attorney, duly executed and witnessed (or with such signature guaranty as the Board may request) and filed with the Secretary, and on the surrender of the Certificate of Shares, except that Shares sold by the HDFC to satisfy any lien which it holds thereon, or Shares required to be (but which are not) surrendered under the Proprietary Lease, may be transferred without the surrender of such Certificate of Shares. No transfer of shares shall be valid as against the HDFC, its

Shareholders and creditors, for any purpose, except to render the transferee liable for the debts of the HDFC to the extent provided for in the Business Corporation Law, until it shall have been entered into the stock book as required by the Business Corporation Law or any other applicable law by an entry from whom and to whom transferred. No such transfer shall be valid or effected until all the requirements set forth in the Regulatory Agreement, Proprietary Lease, Certificate of Incorporation, Deed and Resale Restriction provisions set forth in Article XI shall have been satisfied and complied with.

Section 5. Units of Issuance.

The Shares allocated to each Apartment as set forth within the Proprietary Lease and Certificate of Shares shall not be sold or assigned except as an entirety to the HDFC or an assignee of the Proprietary Lease after satisfying the requirements of the Proprietary Lease and these By-Laws with respect to the assignment.

Section 6. HDFC's Lien on Shares of Stock.

The HDFC shall at all times have a first lien on the Shares owned by each Shareholder for all sums due and to be due the HDFC from the Shareholder, including, without limitation, obligations arising under the provisions of any Proprietary Lease issued by the HDFC and held at any time by the Shareholder. Unless and until the Shareholder, as lessee, defaults in the payment of any maintenance charge, special assessment or of any other indebtedness or obligation or defaults in the performance of any of the other covenants or conditions contained in the Proprietary Lease, the Shares shall continue to stand in the name of the Shareholder on the books of the HDFC and the Shareholder shall be entitled to vote such Shares as though the lien did not exist. On the enforcement of the lien by the HDFC, the HDFC shall have the right to issue to any purchaser of the Shares, a Certificate of the Shares so purchased, substantially similar to the Certificate previously issued to the defaulting Shareholder and that previously issued certificate shall then become void. The defaulting Shareholder agrees to surrender the Certificate to the HDFC on demand, but the failure of the defaulting Shareholder to surrender the Certificate shall not affect the validity of the Certificate issued in replacement of the original. The HDFC shall refuse to consent to the transfer of Shares of any Shareholder indebted to the HDFC unless and until the indebtedness is paid.

Section 7. Lost Certificates.

In the event any Certificate is lost, stolen, destroyed or mutilated, the Board may authorize the issuance of a new Certificate substantially similar and for the same number of Shares in lieu thereof. The Board may, in its discretion, before the issuance of any new Certificate, require the owner of the lost, stolen, destroyed or mutilated Certificate or the legal representative of the owner to make an affidavit or affirmation setting forth such facts as to the loss, destruction or mutilation as it deems necessary

and to give the HDFC a bond or title insurance in such amount as it may direct, indemnifying the HDFC against any liability or loss it may sustain by reason of the issuance of such new Certificate.

Section 8. Legend on Share Certificate.

(a) Certificates representing Shares in the HDFC shall bear a legend on the front of the Certificate of Stock reading as follows:

“The rights of any owner of this Certificate of Stock are subject to the requirements of the Private Housing Finance Law, the provisions of the Certificate of Incorporation, and By-Laws and Deed of the HDFC, and a Regulatory Agreement for a designated Restriction Period, the obligations of the HDFC pursuant to financing documentation and to all terms, covenants, condition, and provisions of the Proprietary Lease made between the person(s) in whose name this Certificate of Stock is issued, as Lessee, and this HDFC, as Lessor, for an Apartment in the premises located at _____, which lease restricts the title and rights of the owner of this Certificate of Stock, as printed on the reverse side of this document.”

(b) Additional restrictions shall be set forth on the reverse side of the Certificate as follows:

“1). The Shares represented by this Certificate of Stock have been issued by the HDFC, a limited-equity housing cooperative formed under Article XI of the New York State Private Housing Finance Law. The purpose of the HDFC is to provide low-income residents affordable homeownership. Low-income shall be defined as 120% of the Area Median Income for the New York City standard metropolitan statistical area, as determined by the United States Department of Housing and Urban Development, from time to time.

2.) The rights of any owner(s) of this Certificate are subject to certain restrictions related to income requirements, primary residency requirements, restrictions against renting, subletting and the resale or conveyance of the Shares of Stock allocated in this Certificate. All requirements shall be set forth within the Certificate of Incorporation, By-Laws, Deed, Proprietary Lease and, if any, a Regulatory Agreement and Agreement for the designated Restriction Period.

3.) Copies of the Certificate of Incorporation, By-Laws, and the Proprietary Leases are on file and available for inspection at the office of this HDFC at _____.

4.) Any sale, transfer, sublet, bequest, devise, or any other form of transfer or assignment, by operation of law or otherwise, shall be null and void unless the requirements of the Certificate of Incorporation, By-Laws, Deed, Proprietary Lease and Regulatory Agreement, if any, are strictly adhered to.

5.) The Board of this HDFC may refuse to consent to the transfer of the Shares represented by this Certificate. The HDFC shall have an option to purchase the Shares represented by this Certificate as described in the By-Laws. The HDFC shall have a lien on the Shares represented by this Certificate for all sums due and owing under the Proprietary Lease and Regulatory Agreement, if any, including a lien against any profit from any payment of the purchase price upon the conveyance or sale of these Shares.”

ARTICLE X **PROPRIETARY LEASE**

Section 1. Form of Lease.

The Board shall use the form of the attached Proprietary Lease (attached hereto as Exhibit “A”) for the leasing of all Apartments to Shareholders. Proprietary Leases shall be for a stated term, with or without provision for renewal, and shall contain such restrictions, limitations and provisions in respect to the assignment thereof, the subletting of the premises demised thereby, and such other terms, provisions, conditions and covenants as the Shareholders may determine, consistent with the Proprietary Lease and Certificate of Incorporation. All Proprietary Leases signed and delivered shall be in the same form except for the address of the building owned by HDFC, the name of the Shareholder, Apartment number, number of Shares, the commencement date and termination date of the term of the lease. The Board may also, at their discretion and by a vote of 66 2/3% of its members, change the provisions related to the responsibility for maintenance and repair of alterations, fixtures and equipment. Any other change or alteration, except for any provisions related to resale restrictions, income requirements, which are governed by the Certificate of Incorporation, or shall require approval of 66 2/3% of all Shareholders of the HDFC, shall be approved by a majority vote of the Shareholders in accordance with the requirements of the By-laws and Proprietary Lease. Changes approved by a vote of the Shareholders shall be binding on all Shareholders even if they did not vote for such changes.

Section 2. Assignment.

(a) Proprietary Leases may be assigned or transferred only in compliance with the terms, conditions and provisions of the Proprietary Lease, these By-Laws and the Certificate of Incorporation of the HDFC, the Regulatory Agreement. A copy of each Proprietary Lease shall be kept on file in the principal office of the HDFC at all times.

(b) The Board shall authorize and supervise any assignment or transfer of the Proprietary Lease and Shares to assure compliance with the provisions of the Certificate of Incorporation of the HDFC, the Proprietary Lease, these By-Laws the Regulatory Agreement, if applicable.

Section 3. Policy on Subletting

(a) The Board shall be required to follow all restrictions related to subletting as set forth within the Proprietary Lease and Regulatory Agreement during the Restriction Period.

(b) Upon the termination of the Regulatory Agreement at the end of the Restriction Period, the Board and Shareholders shall adopt a policy to prevent any subletting unless the Apartment is sublet (1) with prior approval by resolution of the Board; (2) for no more than two (2) years out of every five (5) years; (3) with sublet fees of no more than 110% of the Shareholder's monthly maintenance; and (4) to a household at or below 120% of Area Median Income.

Section 4. Allocation of Shares.

The Board shall allocate the number of Shares of the HDFC which pertain to each apartment in the Building to be leased to Shareholders under Proprietary Leases, which number shall be set forth in the Proprietary Lease and the Certificate of Shares.

Section 5. Lost Proprietary Leases.

In the event any Proprietary Lease is lost, stolen, destroyed or mutilated, the Board may authorize the issuance of a replacement Proprietary Lease in the same form and with the same terms, provisions, conditions and limitations. The Board may, in its discretion, before the issuance of any such replacement Proprietary Lease require the owner to furnish an affidavit setting forth such facts as to the loss, destruction or mutilation as the Board deems necessary and to give the HDFC a bond or title insurance in such sum and as the Board directs, indemnifying the HDFC against any liability or loss it may sustain by reason of the issuance of such replacement Proprietary Lease.

ARTICLE XI. RESALE RESTRICTIONS

Section 1. Resale Restrictions Under Regulatory Agreement

During the Restriction Period, the HDFC and its Shareholders shall be required to follow all restrictions set forth in the Regulatory Agreement.

Section 2. Resale Policy Upon Expiration of Regulatory Agreement

Upon the expiration of the Regulatory Agreement at the end of the Restriction Period, the Board shall adopt a resale policy which shall require that any transfer, sale or other

conveyance of Shares shall be in compliance with the corporate purpose of providing affordable housing to households at or below 120% of the Area Median Income. In order to achieve this goal, the policy to be adopted by the Board must:

- (a) set a base price on a per zoning room basis, to be applied equally among all Apartments based upon allocated zoning rooms per Apartment; and
- (b) establish a mandatory increase to apply to the base price per Apartment, using a standardized factor such as Consumer Price Index, the yearly increase in Area Median Income for the New York City metropolitan statistical area as determined by the United States Department of Housing and Urban Development (HUD) or 3%; and
- (c) the establishment of a mandatory Flip Tax;

The policy shall also require that any purchaser or assignee of shares use the Apartment as their primary residence, as defined by the Proprietary Lease

ARTICLE XII **APARTMENT RENTAL RESTRICTIONS**

Section 1. Renting Apartments Under Regulatory Agreement

The HDFC shall be permitted to rent vacant Apartments under the terms and conditions set forth under the Regulatory Agreement for the Restriction Period.

Section 2. Renting Apartments Upon Expiration of Regulatory Agreement

Upon expiration of the Regulatory Agreement, the HDFC shall be entitled to rent up to 10% of the vacant Apartments. Apartments rented by the HDFC may only be rented to households at or below 120% of the Area Median Income. The rent for said Apartment shall be set according to fair market rents as set by the United States Department of Housing and Urban Development for an appropriate sized family.

ARTICLE XIII **RECORDS AND FISCAL MANAGEMENT**

Section 1. Fiscal Year.

The fiscal year of the HDFC shall be the calendar year unless otherwise determined by resolution of the Board.

Section 2. Books and Accounts.

Books and accounts of the HDFC shall be kept under the direction of the Treasurer and in accordance with generally accepted accounting procedures.

Section 3. Auditing and Annual Reports.

Within four months after the close of each fiscal year, the HDFC will furnish the Shareholders with an annual Financial Statement, including the income and disbursements of the HDFC, which statement, if appropriate or required, shall be audited by a certified public accountant or such other person approved by the Board.

Section 4. Fidelity Bonds.

The Board may require that all officers and employees of the HDFC who handle or are responsible for corporate or trust funds furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the HDFC.

Section 5. Place of Keeping Books and Minutes.

The HDFC shall keep its books and records of account and minutes of the meetings of its Shareholders and Board at its principal office in the State of New York. Minutes may be in written form or in any other form which can be converted into written form within a reasonable time.

Section 6. Examination of Books.

The books, records, documents and accounts of the HDFC shall be open to inspection by Shareholders, at reasonable times, at the office of the HDFC. Minutes of meetings of the Board and files and records of ongoing matters shall not be open to inspection unless expressly authorized by the Board.

Section 7. Deposit of Funds.

All funds of the HDFC which are not otherwise spent or invested shall be deposited in such banks or trust companies or similar depositories as the Board may determine from time to time.

Section 8. Safe Deposit Boxes.

The Board shall from time to time, name an officer or officers who shall have access to any safe of the HDFC in the vault of any safe deposit company.

Section 9. Authorized Signatures.

With the prior authorization of the Board, all securities, drafts, orders for payment of money, negotiable instruments, notes and contracts, including Proprietary Leases,

shall be signed on behalf of the HDFC by two officers, including the President, the Vice President, the Secretary and the Treasurer. Board authorization may be general or confined to specific instances. All checks shall be signed on behalf of the HDFC by two officers. All deeds shall be signed on behalf of the HDFC by either the President or Vice President.

Section 10. Corporate Seal.

The seal of the HDFC shall be circular in form and have inscribed thereon the name of the HDFC, the year of its organization and the word "Corporate Seal" and "New York". The seal shall be kept by the Secretary.

ARTICLE XIV. AMENDMENT AND REPEAL OF BY-LAWS

Unless otherwise provided in the Certificate of Incorporation or as follows, these By-Laws may be adopted, amended or repealed by a vote of two-thirds of the Shareholders eligible to vote at any meeting of the Shareholders, provided that the proposed amendment or the substance thereof shall have been fully inserted in the notice of meeting or that all the Shareholders in Good Standing to vote are present in person or by proxy.

ARTICLE XV. INTERPRETATION OF BY-LAWS

The decision of the Board shall be conclusive on all questions of the meaning of these By-Laws except as otherwise expressly provided in the Certificate of Incorporation or the Proprietary Lease.