

## BREAKDOWN OF THE HPD REGULATORY AGREEMENT DRAFT

SECTION	DETAILS
<b>Required Reports</b>	Each year, following documents must be sent to and approved by HPD: 1) Annual budget and certification of a maintenance increase if any 2) Financial statements prepared by independent accountant 3) Board certifications of: prior year's sales, all leases/subleases, withdrawals from reserve funds, annual election, that all shareholders have received budget and financial statements, and a list of all shareholders and tenants 4) training report and training plan for upcoming year
<b>Asset Limit</b>	175% of AMI, dependent on household size
<b>Owner Occupancy Requirements</b>	Meets income guidelines (120% AMI or below), apt must be shareholders' sole primary residence, reside and sleep at apt no less than 270 days (except military). Purchaser who owns or leases any other residential property in or within 100 mile radius of NYC not applicable without affidavit. [Fleshed out on page 27 of draft agreement in Exhibit C form]
<b>Sales</b>	Require prior written approval of the Board and the Monitor. Must present documents to Monitor for approval. Sold to eligible household not to exceed maximum sale price.
<b>Flip Tax</b>	30% of sale profit from any sale of shares by a SH goes to the HDFC, after 3 years. If the apt. is sold in less than 3 years, 100% goes to the HDFC. All 60/40 agreements would be cancelled.
<b>Maintenance</b>	Increase of 2% per year.
<b>Prohibited Event</b>	If a prohibited event occurs in an apt., Monitor will give written notice to SH and give copy to HDFC. Apt. must pay prohibited event fee of \$200, or difference between market rate rent and maintenance plus \$200, until cure date. Additional actions can be taken if Monitor or HPD determines it is necessary to stop the prohibited event. Waiver may be obtained under special circumstances - defined on page 23 of the agreement.
<b>Monitoring Contract</b>	HDFC <i>must</i> enter into a monitoring contract with an organization approved by HPD [see page 4 of agreement]. Changes in contract and of monitor will require prior written consent of HPD.
<b>Waiver of Management requirement and annual renewal</b>	HDFC <i>can self-manage</i> if they get from HPD a waiver in writing. Otherwise, requirement that the HDFC hire a manager and enter into a management contract. During self-management, responsible for all functions, powers, and duties of the Manager. If HDFC does not pay all charges in a timely manner, maintain property in good condition to legal requirements, provide insurance, then HDFC will need a manager through request by HDFC to HPD or, if HPD denies request, HPD may perform as manager or designate another.
<b>Management Contract</b>	HDFC enters into a Management contract with HPD-approved managers. All changes in contract will be approved by HPD in writing after written request by HDFC.
<b>Conflicts of Interest</b>	HDFC can't enter into a management contract, monitoring contract, or other contract or agreement with any shareholder, immediate family member, entity with a legal or beneficial interest held by a SH or immediate family member of SH, or entity where SH or immediate family member of SH is a director, officer, or employee, without prior written approval of HPD.
<b>Withdrawal of reserve funds, including for</b>	Must get HPD and Monitor written approval when withdrawing funds from any reserve account.

<p><b>operating shortfalls</b></p>	<p><b>To fund an operating shortfalls</b>, HDFC must provide:</p> <ol style="list-style-type: none"> <li>1. The most recent operating account bank statement and management report demonstrating a shortfall in meeting expenses for the property.</li> <li>2. Copies of any invoices to be paid</li> <li>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</li> <li>4. If HPD disapproves the request, HPD will provide a written explanation to the HDFC.</li> </ol> <p><b>To fund a capital need</b> for the property, HDFC must provide:</p> <ol style="list-style-type: none"> <li>1. Must provide scope of work and cost estimate.</li> <li>2. If above \$10,000 need examples of 3 bona fide bids.</li> </ol> <p>Disbursement of funds in 3rds as work is proven completed. HDFC shall annually inform all shareholders of all withdrawals from the reserve fund in the preceding twelve months</p>
<p><b>Leasing of non-residential space</b></p>	<p>If lease for a commercial space is for more than 2 years, need Manager and HPD approval. Leasing of non-residential space also requires prior written approval from HPD if space will be leased to anyone with a “conflict of interest” (as defined above)</p>
<p><b>Leases from HDFC to renting tenants</b></p>	<p>Rented to eligible household not exceeding maximum rent. Requires HDFC board approval after obtaining written monitor approval.</p>
<p><b>Subletting</b></p>	<p>Sublets must be to eligible household, rent not exceeding the maximum sublease rent, for no more than 18 months in a 5 year period. HDFC board and monitor can require an interview with the proposed subtenant. No sublease shall be final without board receives the written approval of the monitor.</p>
<p><b>Training Plan</b></p>	<p>Directors must take one or more training course within 3 months after initial election and one or more training course each year thereafter, so long as such director serves on the Board.</p> <p>The HDFC may require each new shareholder to take a training course within 3 months after becoming a shareholder. Must present a training plan for current calendar year.</p> <p>The monitor, in its sole discretion, may approve, modify, or reject the training plan.</p>
<p><b>Combined Apts</b></p>	<p>Apartments shall not be combined, joined, split, or subdivided during regulatory agreement period.</p>
<p><b>Enforcement</b></p>	<p>If prohibited event occurs and remains uncured or uncorrected over 30 days after HPD gives notice, HPD can institute and prosecute, terminate the membership of the entire board, or any one or more specific Directors,</p>