

Riverbay Corporation By-Laws

(1993; 1998; 2012; & 2018 Amendments)

Organized Pursuant to the Limited-Profit Housing Companies Law

Article I: Declaration of Purposes

Section 1. Organization

This Corporation is organized under and pursuant to the Limited-Profit Housing Companies Law of the State of New York and with the approval of the Commissioner of Housing and Community Renewal of the State of New York. The object of the Corporation is to construct and operate adequate, safe and sanitary housing accommodations in accordance with cooperative principles, subject to the provisions and limitations of the Limited-Profit Housing Companies Law and the Rules and Regulations promulgated by the Commissioner of Housing and Community Renewal.

Article II: Shareholders Meeting

Section 1. Annual Meeting

The annual meeting of shareholders of the Corporation, for the election of Directors and for such other business as may properly come before such meeting, shall be held in the Borough of the Bronx, City of New York, at such time and place as may be designated by the Board of Directors, in the month of May on a date to be set by the Board of Directors.

Section 2. Special Meetings

Special meetings of the shareholders for any purpose or purposes may be called at any time by the President. Any officers of the Corporation may call a special Meeting of Shareholders which is requested by a majority of the Directors or 25% of the Shareholders. In addition, the President and Secretary or any Assistant Secretary, shall cause notice of a special meeting to be sent within ten days after receipt of a request for a special meeting from a majority of the Board of Directors or 25% of the shareholders. Such request shall be in writing and shall specify the purpose or purposes of the meeting.

Section 3. Notice of Meetings

(a) Notice of any meeting of shareholder, whether annual or special, shall be in writing and signed by the President and the Secretary or any Assistant Secretary. Such notice shall state the time when and the place where the meeting is to be held, the purpose of the meeting and the Secretary shall cause a copy thereof to be delivered personally or mailed to each shareholder of record of the Corporation entitled to vote at such meeting not less than ten (10) days nor more than forty (40) days before the meeting. If mailed, it shall be directed in a sealed envelope to each shareholder at his or her address as it appears in the records of the Corporation, unless he or she shall have filed with the Secretary of the Corporation a written request that notices intended for him or her be mailed to some other address, in which case it shall be mailed to the address designated in such request. Personal delivery of a notice of meeting may be accomplished by publication of such notice in the Co-op City Times (or successor official newspaper of the Corporation) if such notice is printed prominently and conspicuously and the newspaper is delivered to each apartment in Co-op City.

(b) The attendance of any shareholder at a meeting without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him.

(c) The Commissioner of Housing and Community Renewal or his duly authorized representative shall be notified in writing of and shall have the right to attend all meetings of the shareholders of the Corporation.

Section 4. Quorum

(a) Attendance by one-third of the shareholders entitled to vote shall constitute a quorum, and if a quorum shall not attend, the Secretary shall notify the shareholders of the time and place of an adjourned meeting which shall be held within 20 days from the date of the meeting at which a quorum did not attend, by sending a notice as required by Section 3 of this Article II. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified.

(b) Voting on business transacted as part of a shareholders' meeting in accordance with the provisions of Section 5 of this Article II shall constitute attendance at such meeting.

Section 5. Voting

(a) At all meetings of shareholders, all questions which are not specifically regulated by statute or by these By-laws shall be determined by a vote of a majority of shareholders present and voting at the meeting, except that voting for directors shall be plurality of those voting. All voting by shareholders for the election of directors, amendments to the Certificate of Incorporation or these By-laws, or on questions where more than a majority vote is required by law or on questions determined by the Board of Directors in their discretion to be important issues shall be by voting machine or printed ballots. All voting on other matters shall be viva voce. Each shareholder shall be entitled to one vote on all matters on which shareholders may be entitled to vote, regardless of the number of shares of stock held by such shareholder. For all purposes of these By-laws, there shall be only one shareholder recognized per apartment.

(b) All voting at shareholders' meetings shall be organized, supervised and

conducted by the Board of Directors or by an election committee appointed by the President and approved by the Board of Directors. Included in the duties of the election committee (or of the Board of Directors if no election committee has been appointed) shall be the supervision of election campaigns, the preparation, printing and distribution of the ballots and notices; the posting of notice; and the supervision of orderly voting. No candidate for election or reelection shall serve on the election committee. The Board of Directors may, by resolution, adopt regulations governing election campaigns and voting in order to assure fairness with respect thereto.

Section 6. Order of Business

At all meetings of the shareholders, the following order of business shall be observed so far as consistent with the purpose of the meeting:

1. Proof of notice of meeting.
2. Minutes of prior meeting.
3. Reports of President, Treasurer, Secretary and Executive Manager.
4. Reports of committees, if any.
5. Transaction of such other business as may properly come before the meeting.

After all of the business of the meeting has been transacted other than the election of Directors or any other business which requires a vote of the shareholders by paper ballot or voting machine, the meeting shall be laid over and continued for a period of not more than eight days for the sole purpose of conducting, counting and reporting such vote.

Article III: Directors Section 1. Duties and Powers

The Board of Directors shall have entire charge of the property, interests, business and transactions of the Corporation, and may adopt such rules, regulations and resolutions for the conduct of its meetings and management of the Corporation as it may deem proper, not inconsistent with law or these By-laws. The Board of Directors may delegate to the officers of the Corporation such powers and authority and assign to them such duties as the Board may deem necessary, proper or appropriate to the effective prosecution of the Corporation's business not inconsistent with law or these By-laws.

Section 2. Number and Qualifications

(a) The number of Directors elected by the shareholders shall be fifteen. One additional Director may be designated by the Commissioner of Housing and Community Renewal of the State of New York. All Directors elected by the shareholders must be resident shareholders. Only one resident of any one apartment may serve as a Director at any time. No person shall serve as a Director unless he or she is fully current as to carrying charges and is not otherwise indebted to the Corporation. If a Director is two months plus ten day in arrears on carrying charges or other indebtedness to the Corporation, the Board of Directors shall suspend such Director from the Board until the arrearages are fully paid. During such suspension period, the suspended Director shall lose all rights and privileges granted to members of the Board of Directors. If the suspension period shall continue for a period of four months, the Director's position shall be deemed vacant. For purposes of this paragraph, a cooperator who is current on an arrearage program agreement shall be considered current on charges to the Corporation if such cooperator is not otherwise indebted to the Corporation.

(b) Commencing with the 1993 election, no member of the Board elected in 1993 and thereafter shall serve as member of the Board of Directors while at the same time holding a party position, or government office, the election to which is governed by New York State Election Law.

(c) One-third of the Board of Directors shall be elected at the annual meeting of shareholders each year, to serve three year terms.

(d) The Directors elected in 1977 were divided into three classes. The first five candidates receiving the highest number of votes were deemed Directors of the first class and elected for a term of three years. The next five candidates receiving the highest number of votes were deemed Directors of the second class and elected for a term of two years. The next five candidates receiving the highest number of votes were deemed Directors of the third class and elected for a term of one year. At the expiration of their respective terms, their successors shall be elected for terms of three years.

(e) At each election, the five eligible candidates receiving the highest number of votes shall be elected to full three-year terms. If at such election there are unexpired terms resulting from vacancies as provided in Section 4 of this Article III, the eligible candidate receiving the sixth highest number of votes shall be elected to fill the longest unexpired term, the eligible candidate receiving the seventh highest number of votes shall be elected to fill the next longest unexpired term, and so forth.

(f) No director elected to the Board in or after the 2019 election may serve more than three consecutive terms.

Section 3. Removal of Directors

(a) Responsibility to the Public. Members of the Board of Directors bear a high public responsibility since they have elected to operate under a state-aided



program and to effectuate public policy by encouraging the building and operating of housing projects for families of moderate income.

(b) Responsibility to Cooperators. Members of the Board of Directors have an obligation to cooperators of their projects. Cooperators will seek and demand the most economical operation of the development in order to obtain the lowest possible carrying charge. The Board must meet this demand without endangering the long-term interest of the project, minimizing its essential services or impairing proper maintenance.

(c) Disclosure of Information. Members of the Board of Directors have access to a considerable amount of information. Such information should be held in the strictest of confidence and should not be disclosed to any person except insofar as it has a direct bearing on the business of the Corporation, and except to persons duly authorized to receive such information.

(d) Conflict of Interest. Members of the Board of Directors shall make every effort to avoid contracts or other transactions for material or services which may involve a possible conflict of interest. Prior disclosure must be made to the Division of Housing and Community Renewal and to the Board of Directors by any board member who has a direct or indirect interest in a business which proposes to participate at any stage or transaction which may lead to the providing of materials or services to the Corporation.

(e) Each board member must recognize that his or her authority is limited to the oversight of the well being of the cooperative as a whole.

(f) Each board member shall perform his or her duties, including his or her duties as a member of any committee of the Board of Directors upon which he or she may serve, in good faith and with the degree of care which an ordinarily prudent person in a like position would exercise under similar circumstances.

(g) Each board member must recognize that, except when the Board of Directors is acting in its formal capacity, no board member may exercise rights that are any greater than any other shareholder within the cooperative, unless those rights have been specifically delegated to the individual board member by the Board of Directors as a whole.

(h) Each board member must recognize his or her individual responsibility and collective responsibility of the Board of Directors as a whole to assure the continued confidentiality of matters presented to the Board.

(i) Each board member must recognize and carry out his or her statutory duties of loyalty and care to the Corporation and to the cooperators it serves and that such duties are utmost and paramount and supersede any conflicting individual opportunity.

(j) Acts of malfeasance by members of the Board of Directors shall mean wrongful conduct that affects, interrupts or interferes with the performance of official duties or adversely affects the Corporation.

(k) Any director may be removed from the Board of Directors for cause by affirmative vote of the Board of Directors pursuant to Section 7 of this article. Such action may be taken at any regular meeting or any special meeting at which due notice of the proposed removal shall have been duly given to the directors together with or as part of the notice of meeting.

(l) No director shall be removed from office unless a written notice of his intended removal is sent to him by certified mail, return receipt requested. Said notice must be signed by an officer of the corporation; clearly set forth the grounds for removal; notify the director of the date, time and place for the meeting at which his removal will be voted upon; notify the director of his right to appear before the Board of Directors and offer testimony on his behalf and in mitigation of his actions; clearly notify the director that if the Board votes against him he may be removed from office. The notice must be mailed to the director's home of record, as set forth in the Corporation's books and records, at least fifteen (15) days prior to the meeting at which his removal is to be considered.

(m) The removal of a Director for cause by the Board of Directors may be initiated at an Executive Session of a regular meeting of the Board of Directors by motion made at the meeting. The director moving for removal shall provide information to the Board for review, upon which the Board shall make a determination, by a majority vote, of whether to formally request the accused Board member to respond to the allegations that he/she has violated his/her fiduciary and/or administrative duties to the Corporation. If members of the Board of Directors determine that there is sufficient evidence to formally request the affected Board member to respond to the charges, the Board shall schedule a subsequent Board meeting in Executive Session to be held not more than ten (10) business days following the initial board meeting to discuss the issue of removal. The affected board member shall be given the required written notice of the upcoming meeting to discuss removal, and at such meeting be given full and fair opportunity to be heard on the issue before the Board of Directors. The affected Board member shall have the right at his/her option to have the meeting held in public. If the Board votes to proceed with formal action against the Board member, such meeting shall be held in public and the affected board member shall have the right to challenge the evidence.

(n) The Board of Directors, by majority vote, shall declare vacant the office of a director when he is found to be of unsound mind by a court of competent jurisdiction; when he is convicted of a felony; when he is convicted of a misdemeanor involving moral turpitude; or within 30 days after notice of election, if he does not accept the office either in writing or by attending a meeting of the Board of Directors and fulfill such other requirements of qualification as the By-laws may specify and as shall from time to time be duly established by the Board of Directors.

(o) The Board of Directors, by majority vote, may declare vacant the office of a director when he has been absent from three (3) consecutive, regularly scheduled, meetings of the Board of Directors, or when he has been absent from four (4) out of five (5) consecutive, regularly scheduled, meetings of the Board of Directors; which meetings shall have been scheduled over a period of at least sixty (60) days, and such absences have not been duly excused.

(p) The Board of Directors, acting through the President, must, upon receipt of knowledge, declare vacant the office of a director when he is found to no longer be a resident of Co-op City. For the purposes of this section a director is no longer a resident when any one or more of the following events shall occur: (1) he surrenders his occupancy agreement/proprietary lease;

(2) he surrenders his stock certificate; (3) he sells his stock certificate; (4) his primary residence is no longer Co-op City; (5) he has vacated his unit at Co-op City; (6) he has submitted a set of move out documents to the sales department; (7) the occurrence of any other event that would clearly demonstrate that he is no longer a resident at Co-op City.

Section 4. Vacancies

(a) Any vacancy occurring in the Board of Directors by reason of death, resignation, removal or otherwise of any Director elected by the shareholders shall be filled until the next annual meeting by the person who received the highest number of votes in the immediately preceding election of directors but who was not elected to a director's position. At the next annual meeting of shareholders, successors shall be elected for the unexpired term created by any vacancy as provided herein.

(b) Any such vacancy of the Director designated by the Commissioner of Housing and Community Renewal of the State of New York shall be filled by the Commissioner's designation.

Section 5. Meetings

Meetings of the Board of Directors may be held at any time upon call of the President or any two members of the Board. Such meetings shall be held at the office of the Corporation except as otherwise determined and fixed from time to time by the Board of Directors.

Section 6. Notice of Meetings and Waiver of Notice

Notice of each meeting, stating the time, place and objects thereof shall be given by mailing a copy of such notice addressed to each Director at his last known post office address at least forty-eight hours before such meeting, or by personal delivery of or telegram of such notice at least twenty-four hours before such meeting. Notice may be waived in writing by any Director. The presence of any Director at a meeting without protesting prior to the conclusion of the meeting the lack of notice of such meeting, shall constitute a waiver of notice by him. Any meeting at which every Director is present, or of which those Directors who are absent have waived notice, may be validly held without notice.

The Commissioner of the Division of Housing and Community Renewal of the State of New York or his duly authorized deputy shall be notified in writing of and shall have the right to attend all meetings of the Board of Directors, but notice to the Director designated by the Commissioner of Housing and Community Renewal shall constitute notice to the Commissioner.

Section 7. Quorum

A Majority of the Board of Directors shall constitute a quorum and a majority of the members in attendance at any meeting of the Board shall, in the presence of a quorum, decide its action; a minority of the Board present at any meeting may, in the absence of a quorum, adjourn to a later date but may not transact any other business.

Section 8. Committees

The Board of Directors may, by resolution, from time to time appoint such committees as it deems desirable, with each committee to have such duties as may be specified in the resolution establishing such committees. Such duties may be amended or abolished by the Board of Directors at any time. At least one member of the Board of Directors shall be appointed to each committee. The Chairman of each committee shall be appointed by the President with the consent of the Board of Directors, in consultation with the Committee on Committees. The Board of Directors may also appoint from time to time such ad hoc committees as it deems necessary. Such ad hoc committees shall be limited as to membership and purpose as determined by the Board of Directors. Committees shall serve at the pleasure of the Board and their functions and existence shall be subject to any and all rules, regulations and resolutions adopted at any time by the Board of Directors. Any committee to which powers or authority of the Board of Directors are delegated shall be created only by resolution adopted by a majority of the entire Board, and shall consist of three or more members, all of whom are members of the Board of Directors.

Section 9. Audit Committee

The Board of Directors shall establish an Audit Committee. The Audit Committee shall consist of at least three members of the Board of Directors, none of whom shall be officers of the Corporation. The Audit Committee shall, in conjunction with the independent certified public accounting firm designated by the Board of Directors, monitor the financial condition of the Corporation. The Audit Committee shall report to the Board of Directors at least quarterly.

Section 10. Action by the Board or Committees

(a) Any action required or permitted to be taken by the Board or any committee thereof may be taken without a meeting if all members of the Board or the committee consent in writing to the adoption of a resolution authorizing the action. The resolution and the written consents thereto by the members of the

Board or committee shall be filed with the minutes of the proceedings of the Board or committee.

(b) Any one or more members of the Board or any committee thereof may participate in a meeting of such Board or committee by means of a conference telephone or similar communications equipment allowing all persons participating in the meeting to hear each other at the same time. Participation by such means shall constitute presence in person at a meeting.

Section 11. Reimbursement of Directors

No Director shall be entitled to receive a salary, but Directors shall, subject to the approval of the Board of Directors, be entitled to be reimbursed for expenses incurred on behalf of the Corporation and they may be reimbursed for lost salary from their regular place of employment, not to exceed a reasonable number of days per annum and in accordance with policies established by resolution of the Board of Directors.

Article IV Officers

Section 1. Election

The Board of Directors at its first meeting after the election of Directors in each year shall elect from its number a President. At such meeting, the Board of Directors shall also elect a Secretary, a Treasurer, one or more Vice-Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers and other such officers as in its discretion the needs of the Corporation may from time to time require.

Section 2. Term of Office

All officers of the Corporation shall hold their respective office during the pleasure of the Board of Directors, and any vacancy occurring in any such office shall be filled by the Board of Directors.

A director may not serve in any of the following offices for a period longer than three (3) consecutive years: President, First Vice President, Second Vice President, Third Vice President, Secretary, Assistant Secretary, Treasurer or Assistant Treasurer. A director who has served in any of the above-referenced offices for a continuous period of three (3) years shall not be eligible to serve in that same office for a period of three (3) years.

Nothing in this article shall prohibit any otherwise qualified member of the Board of Directors from serving in another office, subject to the same limitations with respect to length of service.

Section 3. President

The President shall preside at all meetings of the Board of Directors, and shall act as chairman at and call to order all meetings of the shareholders. Subject to the supervision and direction of the Board of Directors, the President shall be the chief executive officer of the Corporation and shall have responsibility and authority for the general management of the affairs of the Corporation and perform all the duties incidental to that office. The President shall issue quarterly Presidential reports each year.

Section 4. Vice-President

The Vice-President, if there shall be one, or if there shall be more than one, the vice-presidents in the order determined by the Board of Directors, shall, in the absence, disability or incapacity of the President, have the powers and perform the duties of the President, and shall have such other duties and powers as the Board of Directors may from time to time prescribe or, subject to the supervision of the Board of Directors, as the President may delegate.

Section 5. Secretary

The Secretary shall keep the minutes of the meetings of the Directors and shareholders; shall attend to the serving of notices of the meetings of the directors and shareholders; shall affix the seal of the Corporation to such certificates, documents and papers as may require it, except that from time to time the Board of Directors may direct such seal to be affixed by any other officer or officers; shall have charge of the stock certificate book and of such other books and papers as the Board of Directors may direct; shall attend to such correspondence as may be assigned to him, and shall perform all the other duties incidental to his office and those which the Board of Directors may from time to time designate.

Section 6. Treasurer

The Treasurer shall be the chief financial officer of the Corporation and shall have the care and custody of all the funds and securities of the Corporation and shall deposit the same in the name of the Corporation in such bank or banks as the Board of Directors may designate. He may be required by the Board of Directors to give such bond as it shall determine for the faithful performance of his duties. The Treasurer may at the same time hold the office of Assistant Secretary but no other office in the Corporation. The Treasurer shall issue quarterly treasurer's reports each year.

Section 7. Assistant Secretaries and Assistant Treasurers

The Assistant Secretary and the Assistant Treasurer, if there shall be any, or if there shall be more than one Assistant Treasurer, in the order determined by the Board of Directors shall, in the absence, disability or incapacity of the officer to whom they are an assistant, have the powers and perform the duties of such officer, and shall perform such other duties as may be assigned to them from time to time by the Board of Directors. Assistant Treasurers may be required by the Board of Directors to give such bonds as it shall determine for the faithful performance of their duties.

Section 8. General Manager

For administrative purposes, there shall be a non-Director officer position in the Corporation known as the General Manager. Within specific limitations established by the President or the Board of Directors, he shall have charge of

the day to day operations of the Corporation and such other specific duties as may be assigned to him by the President or the Board of Directors.

Section 9. Other Officers

Other officers shall perform such duties and have such powers as may be assigned to them from time to time by the Board of Directors.

Article V

Operation of the Project as a Cooperative

Subject to the provisions of statute, the Corporation will operate the housing project known as Co-op City in the Borough of the Bronx, City and State of New York, as a cooperative and, in accordance therewith, may pay, or allow, as and when determined by the Board of Directors, with the approval of the Commissioner of the Division of Housing and Community Renewal of the State of New York, after the payment obligations, expenses, taxes and assessments, or after making suitable provision therefore, a rebate of carrying charge payments made by him during the period in respect of which said rent rebate or rebates are allowed or paid. The monthly carrying charges paid by the tenant-cooperators shall be deemed to be payment on account of their annual carrying charge obligation, which shall be finally determined by the Board of Directors.

Article VI

Signature of Instruments

Checks, notes, drafts and orders for the payment of money and obligations of the corporation, and all contracts, mortgages, deeds and other instruments, except as otherwise in these By-Laws provided, shall be signed by the President or by such officer, officers, individual or individuals as the Board of Directors may from time to time otherwise designate.

Article VII

Signature of Capital stock

Section 1. Certificates

Certificates of Stock shall be numbered and issued in consecutive order, shall be signed by the President or a Vice-President and by the Secretary or Treasurer or and Assistant Secretary or an Assistant Treasurer, and sealed with the seal of the Corporation; and in appropriate books of record shall be entered the name of the person owning the shares represented by each certificate, the number of shares and the date of issue. All certificates exchanged and returned to the Corporation shall be marked "Cancelled," with the date of cancellation by the President, a Vice-President, the Secretary, the Treasurer, an Assistant Secretary or an Assistant Treasurer and shall be filed among the corporate records of the Corporation.

Shares represented by any certificate shall be transferrable only as an entirety on the books of the Corporation by the holder in person or by an attorney, upon surrender of the certificate for such shares.

Section 2. Restrictions on Transfers

(a) No shareholder shall have the right or power to sell, alienate or otherwise dispose of any share or shares of the capital stock of the Corporation without first offering said share or shares of stock for sale to the Corporation or its designee for the aggregate sum which such shareholder paid for said stock.

(b) Such offer shall be made in writing, signed by such shareholder, and sent by mail to the Corporation in a postpaid wrapper to the post office address of the Corporation, at its principal place of business, and such offer shall remain good for acceptance by the Corporation or a person designated by the Corporation for a period of ninety days from the date of mailing such notice. Such offer shall constitute the Corporation an agent for the sale of the shares of stock to the Corporation or to such person as may be designated by the Corporation.

(c) If the Corporation, or person designated by it, within the said ninety day period shall indicate that it, or the person designated by it, desires to purchase said shares of stock and shall give notice thereto in writing to the retiring stockholder, the latter shall be bound, within thirty days thereafter, to transfer such shares and surrender his lease to the Corporation or the person designated by the Corporation, upon payment and receipt of the price herein provided.

(d) In the event that the Corporation or the person designated by the Corporation shall not purchase said shares of capital stock of the Corporation within said ninety day period, then and in such event only, the retiring shareholder shall have the right or power to sell, alienate or otherwise dispose of said share or shares of the capital stock of the Corporation to any person acceptable to the Corporation, and to the Commissioner of Housing and Community Renewal, provided such person shall enter, upon the transfer of said shares, into a non-proprietary lease with the Corporation for the premises formerly occupied by the retiring shareholder; however, the Corporation will not unreasonably withhold its acceptance of any person to whom the retiring shareholder proposes to sell such shares as aforesaid.

In the event that the retiring shareholder does not sell his stock to any person within six months after his right to do so has accrued, then and in such event, he must again notify the Corporation of his intent to transfer his shares and he shall again be bound by the provisions of Paragraphs a, b, c and d of this Article VII, Section 2.

(e) If in any case, the retiring shareholder, after becoming bound to sell, convey or transfer his shares to the Corporation or such other person as may be designated by the Corporation, defaults in transferring said shares, the Corporation or such other person as designated by the Corporation shall hold, after notice to and approval by the Commissioner of Housing and Community Renewal, the purchase money in trust for the retiring shareholder, or his executors, administrators or assigns and shall substitute the name of the purchaser upon the books of the Corporation in place of the name of the retiring shareholder. After

the name of the purchaser has been entered on the books of the Corporation in the exercise of the aforesaid powers, the validity of the proceedings shall not be questioned by any person and the Corporation or such other persons as may be designated by the Corporation shall be deemed and taken to be the owner of such shares.

(f) In the event that any shareholder shall have defaulted in the payment of any obligation arising under his lease with the Corporation or shall, apart from said lease, become indebted to the Corporation, or in the event of the termination of the lease or the recovery of possession of the apartment by the lessor under any of the provisions of the lease, or in the event of violation by the shareholder of any provisions in Article VII, Section 3 of these By-laws, the shareholder shall forthwith surrender to the Corporation the certificate representing the shares of capital stock of the Corporation owned by the shareholder and upon the failure or refusal of the shareholder to surrender such shares of stock, the same shall be, after notice to and approval by the Commissioner of Housing and Community Renewal, automatically cancelled and rendered null and void and the Corporation may issue a new certificate or certificates in their place and stead and such new certificate or certificates shall represent the same shares as were represented by the original certificate or certificates. The stock represented by the certificate or certificates so surrendered or by such new certificate or certificates may be sold by the Corporation at public or private sale, without notice, and the proceeds applied toward all indebtedness of the shareholder, and the Corporation shall remit any balance after payment of the expenses of sale to the shareholder, who shall remain liable for any deficiency.

(g) Shareholders shall have the right and power to pledge or otherwise encumber any share or shares of the Corporation which may have been issued to them for the purpose of obtaining purchase money financing for the purchase of said shares or to borrow against their equity for any purpose permitted under both the Internal Revenue Code and Sec. 31(b) of the Private Housing Finance Law. The holder of a security interest in such shares shall not be entitled to have the shares transferred of record on the books of the Corporation nor to vote such shares.

(h) The provisions of this Article VII shall be binding upon any executor, administrator or other legal representative and successors and assigns of every shareholder. Any person, other than a surviving spouse, parent or adult child, acquiring through will or descent, or by conveyance to take effect at death, any share or shares of the capital stock of the Corporation shall be bound to offer the same for sale and transfer to the Corporation upon the terms hereinabove set forth in this Article VII, Section 2 of the By-Laws.

(i) The certificates of stock shall bear a legend to the effect that the right to pledge, encumber, sell, alienate or otherwise dispose of the share or shares represented by such certificate is restricted in this Article VII, Section 2.

Section 3. Record Ownership Conclusive

The Corporation shall be entitled to treat the holder of record of any share or shares of capital stock of the Corporation as the holder in fact thereof, and shall not be bound to recognize any equitable or other claim to or interest in such share on the part of any other person whether or not it shall have express or other notice thereof, except as expressly provided by the laws of the State of New York.

Section 4. Lien of the Corporation

The Corporation shall have a lien upon the shares of stock of any shareholder and upon all monies due and owing by the Corporation to any shareholder for any debts owed to the Corporation by such shareholder. The Board of Directors may refuse to approve a transfer of any shares upon which the Corporation has such a lien.

Section 5. Definitions

As used in this Article, the words "stock," "shares of stock" and "certificates of stock" shall include any interest in the Corporation, and the word "shareholders" shall include the owner or holder of any such interest.

Section 6. Prohibition Against Reinvestment Request or Equity Overcall

The Board of Directors may not adopt any resolution which directly or indirectly requires a shareholder of the Corporation to make any reinvestment or otherwise contribute any additional amount to the equity contribution already made by such shareholder, and this prohibition shall apply whether such arrangement is considered as a reinvestment, an equity overcall or otherwise.

Article VIII Amendments

These By-laws may be amended, repealed or altered, in whole or in part, a) by vote of a majority of the shareholders of the Corporation at any duly called annual or special meeting of the shareholders, provided the proposed amendment is set forth in the notice of the meeting, or b) by vote of two-

thirds of the entire Board of Directors at any regular or special meeting of the Board of Directors.

The Board of Directors shall not alter or repeal any By-laws adopted by the stockholders of the Corporation, but may adopt additional By-laws, in harmony therewith which may be amended or altered by the stockholders at the next annual meeting or at a special meeting of the stockholders called for this purpose. Any and all amendments or changes of these By-laws shall not take effect until approval thereof by the Commissioner or Housing and Community Renewal.

Article IX Seal

The seal of the Corporation shall be circular in form and shall bear the name of the Corporation, the words "Corporate Seal," the year of the incorporation and the words "New York."

ARTICLE X Special HUD Provisions Section 1.

(a) The provisions of this Article X shall apply only for so long as the Corporation is subject to a mortgage loan which is insured, guaranteed or held by the Secretary of Housing and Urban Development ("HUD"), its successors or assigns.

(b) So long as HUD or HUD's successors or assigns is the insurer, guarantor or holder of any mortgage loan with the Corporation, the Corporation's By-Laws and organizational documents may not be amended without HUD's prior written approval in any manner which would be in conflict with, affect, or impede the enforceability of any HUD-insured or guaranteed Note (the "Note"), Security Instrument, or Regulatory Agreement (the "HUD Loan Documents").

Section 2.

(a) So long as HUD or HUD's successors or assigns is the insurer, guarantor or holder of any mortgage loan with the Corporation, none of the following will have any force or effect without the prior written consent of HUD:

(i) Any amendment that modifies the term of the Corporation;

(ii) Any amendment that activates the requirement that a HUD previous participation certification (as set forth in Form HUD-2530, Previous Participation Certification, or 24 C.F.R. § 200.210 et seq.) be obtained from any additional member;

(iii) Any amendment that in any way affects the HUD Loan Documents;

(iv) Any amendment that would authorize any member, partner, owner, officer or director, other than the one previously authorized by HUD, to bind the Corporation as to any matters concerning the Project which require HUD's consent or approval, provided that HUD shall not unreasonably withhold consent to approval by any person duly elected to the Corporation's Board by the shareholders, or to any person or entity approved by the New York State managing agent for the Corporation, not previously authorized by HUD;

(v) A change that is subject to the HUD TPA requirements contained in Chapter 13 of HUD Handbook 4350.1 REV-1, or that requires a vote of those who control the Corporation; or

(vi) Any change in a guarantor of any obligation to HUD (including those obligations arising from violations of the Regulatory Agreement.

Section 3.

(a) Notwithstanding any other provisions of these By-Laws, upon any dissolution of the Corporation, no title or right to possession and control of the Corporation's property, and no right to collect the common charges or rents from the Cooperative, shall pass to any person who is not bound by the Regulatory Agreement in a manner satisfactory to HUD.

(b) So long as HUD or HUD's successors or assigns is the insurer, guarantor or holder of the Note secured by the Corporation's property, the Corporation may not voluntarily be dissolved or converted to another form of entity without the prior written approval of HUD.

Section 4.

Notwithstanding any provision in this Agreement or any other organizational document of the Corporation to the contrary, for so long as the Corporation is subject to a loan insured or guaranteed by HUD, any obligation of the Corporation to provide indemnification thereunder shall be limited to (i) coverage afforded under any liability insurance carried by the Corporation and (ii) available "surplus cash" of the Corporation as defined in the Regulatory Agreement.

Section 5.

Any reference in these By-Laws to notices to be provided to the Commissioner of the Department of Housing and Community Renewal or any successor thereto shall also be deemed to require notices to the Secretary of Housing and Urban Development, and its successors.