

**NO NON-PARTICIPATING RESIDENT WILL BE EVICTED BY REASON OF
THE PLAN OF RECONSTITUTION.**

PROXY STATEMENT FOR PLAN OF RECONSTITUTION

**PROXY STATEMENT FOR THE RECONSTITUTION OF THE PROPERTY
FROM AN ARTICLE II MITCHELL-LAMA COOPERATIVE TO AN ARTICLE
XI HOUSING DEVELOPMENT FUND COMPANY (HDFC COOPERATIVE)**

SPONSOR/BOARD OF DIRECTORS

**THIS PROXY STATEMENT DESCRIBES THE TERMS AND CONDITIONS OF
THE PROPOSED PLAN OF RECONSTITUTION. ML SHAREHOLDERS ARE
STRONGLY ADVISED TO READ THESE MATERIALS IN THEIR ENTIRETY
PRIOR TO VOTING.**

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PART II

[INSERT]

Throughout this Plan of Reconstitution, various capitalized terms are used. Definitions of these terms may be found beginning on page 6.

PART I

I. SPECIAL RISKS TO BE CONSIDERED BY ML SHAREHOLDERS

THE RECONSTITUTION OF THE MITCHELL-LAMA MUTUAL HOUSING COMPANY (ML COOPERATIVE) FORMED PURSUANT TO ARTICLE II OF THE PRIVATE HOUSING FINANCE LAW (PHFL) AS A HOUSING DEVELOPMENT FUND COMPANY (HDFC COOPERATIVE) FORMED PURSUANT TO ARTICLE XI OF THE PHFL HAS MANY SIGNIFICANT LEGAL AND FINANCIAL CONSEQUENCES. THE ATTORNEY GENERAL STRONGLY URGES YOU TO READ THIS PROXY STATEMENT AND SUPPORTING DOCUMENTATION CAREFULLY BEFORE VOTING ON THE PLAN OF RECONSTITUTION.

1. These materials describe the proposed Plan of Reconstitution of _____ (ML Cooperative). The proposed Plan of Reconstitution contemplates voluntarily dissolving the ML Cooperative by filing an amended and restated certificate of incorporation with the New York State Department of State (DOS) that would reconstitute the ML Cooperative as another form of a regulated cooperative pursuant to Article XI of the PHFL. The new corporation would be known as _____ Housing Development Fund Company (HDFC Cooperative). The HDFC Cooperative will have the sole corporate purpose of providing housing to individuals and families at or below 130% of the Area Median Income (“AMI”). For a period of 30 years from the Reconstitution Date, the HDFC Cooperative will be bound by a Regulatory Agreement. For the period of the Regulatory Agreement, the HDFC Cooperative will be bound by numerous restrictions. ML Shareholders are strongly advised to review the Regulatory Agreement in Part II of the Proxy Statement.

2. Pursuant to § 35 of the PHFL, Mitchell-Lama Mutual Housing Companies may voluntarily dissolve and reconstitute as another form of entity. The ML Cooperative meets the requirements of PHFL § 35, and is presenting this Proxy Statement to the ML Shareholders in order to voluntarily dissolve and reconstitute as an HDFC Cooperative, which is another form of restricted-income housing. PHFL § 35 also permits Mitchell-Lama Mutual Housing Companies to dissolve and reconstitute as market-rate entities without any restrictions. In the event the Board of the ML Cooperative wishes to explore voluntarily dissolving and reconstituting as an unrestricted market-rate entity, all of the City of New York Department of Housing Preservation and Development (HPD) rules governing voluntary dissolution would apply as required by 28 RCNY 3-14 (i) (1)- (14) and (j). For purposes of Reconstitution as an HDFC Cooperative, the ML Cooperative needs to only abide by the following HPD Rules governing voluntary dissolution: 28 RCNY 3-14(i)(15) and (j), and other parts of (i)(1) -(14) as cross-referenced therein. ML Shareholders are strongly encouraged to review the HPD rules governing voluntary dissolution. An unofficial copy of the HPD Rules is available at: <http://www.nyc.gov/html/hpd/downloads/pdf/mitchell-lama-rules.pdf>.

3. The New York Business Corporation Law (BCL) § 1001 requires at least a 66 2/3% vote for the dissolution of a business corporation. PHFL § 35 permits voluntary

dissolution of a ML Cooperative, which includes Reconstitution as an HDFC Cooperative. Because the ML Cooperative is organized under the BCL in the ML Certificate of Incorporation, the Reconstitution must be approved by a vote of at least 66 2/3 % of all Apartments.

4. As set forth in the ML Cooperative's Certificate of Incorporation, all ML Shareholders are entitled to one vote per Apartment for the vote on the Plan of Reconstitution.

5. The proposed Plan of Reconstitution of the ML Cooperative as an HDFC Cooperative is subject to the provisions of BCL § 623, which permits ML Shareholders to dissent to the proposed Plan of Reconstitution. Because the proposed Plan of Reconstitution is a non-eviction plan, all non-participants will be offered a [insert type of lease] Rental Lease and a return of their Equity. Dissenting ML Shareholders are strongly encouraged to review the section of the Proxy Statement entitled "Information for Non-Participants" to understand their rights pursuant to the proposed Plan of Reconstitution.

6. All ML Shareholders are currently eligible to become HDFC Shareholders after the ML Cooperative reconstitutes as an HDFC Cooperative, and HDFC Shareholders will continue to occupy the same apartment after Reconstitution that they occupied as ML Shareholders. Although the HDFC Cooperative has the sole corporate purpose of providing housing to individuals and families whose household income does not exceed 130% of the Area Median Income (AMI), ML Shareholders are not required to meet any income requirements in order to participate in the Plan of Reconstitution. Notwithstanding, all future sales of Shares must be to Qualified Purchasers whose household income does not exceed 130% of the AMI, as required by the Regulatory Agreement. Furthermore, the Regulatory Agreement includes a formula that determines Purchase Prices for the resale of Shares allocated to Apartments. ML Shareholders are strongly encouraged to read the sections of the Regulatory Agreement pertaining to resale restrictions.

7. The HDFC Cooperative will be required to enter into a Regulatory Agreement with HPD on the Reconstitution Date. The Regulatory Agreement will be for a period of 30 years from the date of Reconstitution and will require among other things: 1) approval by HPD of all contracts greater than \$100,000; 2) mandatory maintenance increases on a yearly basis based upon the Consumer Price Index- All Urban Consumers (CPI) unless the HDFC Cooperative applies to HPD for a different yearly increase; 3) occupancy standards analogous to Mitchell-Lama Occupancy Standards; 4) mandatory reserve fund requirements; 5) mandatory flip taxes; and 6) maximum Purchase Prices on resale that are affordable to households with incomes no greater than 130% of AMI. ML Shareholders should note that because HUD adjusts AMI annually, the Purchase Prices for resale will be adjusted accordingly and will in all likelihood increase over time. ML Shareholders are strongly encouraged to read the Regulatory Agreement in Part II of the Proxy Statement.

8. Regardless of whether or not the HDFC is still subject to a Regulatory Agreement, the sole corporate purpose of providing housing to households at or below 130% of the AMI does not change. ML Shareholders are strongly advised to review paragraph ___ of the proposed HDFC Cooperative Certificate of Incorporation included in Part II of the Proxy Statement.

9. The Purchase Prices for the resale of Shares allocated to Apartments in the HDFC Cooperative are restricted for a period of 30 years from the date of Reconstitution as an HDFC Cooperative. Furthermore, notwithstanding the expiration of the Regulatory Agreement, the HDFC Cooperative will still have the sole corporate purpose of providing housing to individuals and families with a household income at or below 130% of the AMI. ML Shareholders are advised to review Section ___ of the HDFC By-Laws and Section ___ of the Proprietary Lease regarding the responsibility of the HDFC Cooperative to adopt resale restrictions at the expiration of the Regulatory Agreement.

10. Upon expiration of the Regulatory Agreement, the HDFC Cooperative may seek permission from the HDFC Shareholders to dissolve and reconstitute as a market-rate corporation in accordance with the terms and conditions set forth in the HDFC Certificate of Incorporation, which permits such market-rate conversion so long as the following criteria have been met: 1) the HDFC Cooperative has complied with the Regulatory Agreement for the full thirty-year term thereof; 2) an offering plan has been accepted for filing by the New York State Department of Law (DOL); 3) such plan has been approved by a 66 2/3% vote of all dwelling units in order to become effective; and 4) compliance with any other necessary provisions of any other laws governing such dissolution. ML Shareholders are advised that HPD has given its preapproval and consent to the dissolution of the HDFC Cooperative at any time after the 30 year period has expired, as evidenced by the Certificate of Consent to Dissolution of _____ Housing Development Fund Company, set forth in Part II of the Proxy Statement, provided that these conditions are met.

11. HDFC Shareholders will be required to occupy their Apartments as their Primary Residence. HDFC Shareholders who cease to be Primary Residents may be subject to eviction. The Primary Residency requirements are set forth in the Regulatory Agreement, HDFC By-Laws and Proprietary Lease. ML Shareholders are strongly advised to review all of these documents to fully understand the Primary Residency requirements.

12. Description Of Mortgage - [this should be filled in once the terms of the mortgage are known. The special risk section should highlight any unique or unusual features such as balloon financing, pre-payment penalties, etc].

13. All HDFC Shareholders will be entitled to one vote per Apartment in all decision-making that is reserved for the HDFC Shareholders, as set forth in Paragraph ___ of the HDFC Certificate of Incorporation.

14. Upon Reconstitution, there will no longer be a waiting list used to fill vacancies. Instead, each HDFC Shareholder will be required to find his own Qualified Purchaser to purchase Shares allocated to his Apartment. The Board has the right to reject or deny any Qualified Purchaser for any lawful reason, even if the Qualified Purchaser meets all of the financial criteria set forth in the Regulatory Agreement.
15. Upon Reconstitution, HDFC Shareholders will also be able to will the value of their Shares freely. Eligible Successors will only be able to take occupancy of the Apartment, if they meet the income requirements.
16. Pursuant to the terms of the Regulatory Agreement, HPD may replace any or all members of the HDFC Cooperative board of directors (Board) by appointing persons whom HPD, in its sole discretion, deems advisable, including officers or employees of HPD, as new directors to serve in the places of those removed. Directors so appointed need not be HDFC Shareholders or meet other qualifications that may be prescribed by the HDFC Certificate of Incorporation or HDFC By-Laws. ML Shareholders are strongly encouraged to review Paragraph ___ of the Regulatory Agreement and Paragraph __ of the HDFC Certificate of Incorporation.
17. New York City transfer taxes are not due for the proposed Plan of Reconstitution. HPD procured a legal opinion from the City of New York Department of Finance (DOF) on January 20, 2012, which is attached hereto in Part II. New York State transfer taxes are due for the proposed Plan of Reconstitution. An estimate of the proposed New York state transfer taxes are set forth in the _____ Section of the Proxy Statement.
18. The Building that is currently owned by the ML Cooperative receives a partial real property tax exemption pursuant to PHFL Section 33. After Reconstitution, the HDFC Cooperative will receive a partial real property tax exemption pursuant to Article XI of the PHFL equal to the current tax exemption received by the ML Cooperative. The proposed real property taxes for the first year of operation after Reconstitution are set forth in Schedule B of the Proxy Statement.

II. DEFINITIONS

Area Median Income: (AMI) shall mean the area median income for the primary metropolitan statistical area as determined by the United States Department of Housing and Urban Development (HUD) from time to time for a family of four, as adjusted for family size. "130% of AMI" shall mean 260% of the income levels as modified by household size for the New York metropolitan statistical area for fifty percent (50%) of median income families (a.k.a. as "very low income families") as determined from time to time by HUD under Section 3(b) (2) of the United States Housing Act of 1937 (or, if such program is terminated, under such program as was in effect immediately before such termination). As of _____, the AMI is ___ and 130% of AMI, the maximum income for prospective Purchasers, is _____. The maximum income for prospective Purchasers will change annually as AMI changes.

Apartment: Apartment, also referred to sometimes as unit or dwelling unit, shall refer to any unit within any building that is legally suitable for residential purposes.

City of New York Department of Housing Preservation and Development: Referred to herein as HPD.

Consumer Price Index-All Urban Consumers: Also referred to herein as “CPI” the Consumer Price Index-All Urban Consumers, is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services, and is determined on an annual basis by the Bureau of Labor Statistics.

Dissenters’ Rights: ML Shareholders who do not wish to become HDFC Shareholders may remain in their current Apartment as Rental Tenants of the HDFC Cooperative (dissenting ML Shareholders). Dissenting ML Shareholders must notify the HDFC Cooperative within 30 days of receipt of the Effective Date Notice of their intention to sell their Shares back to the HDFC Cooperative and to remain in occupancy as Rental Tenants.

Effectiveness Amendment: Effectiveness Amendment is the document that must be filed with the Attorney General’s Office by the Sponsor pursuant to 13 N.Y.C.R.R. §18.5(e) if the Plan of Reconstitution is approved.

Effective Date Notice: Effective Date Notice refers to the notice that shall be sent to all ML Shareholders by ordinary mail or by distribution under each Apartment door, providing that: 1) the Proxy Statement has been approved by at least 66 2/3 % of the dwelling units and the requisite voting procedures for the vote were followed; 2) ML Shareholders who wish to exercise Dissenters’ Rights may do so by providing the Sponsor an Affidavit of Non-Participating ML Shareholder within 30 days of receipt of the Effective Date Notice, and the procedures for filing such affidavit; and 3) the Effectiveness Amendment, which shall include as Exhibits a copy of HPD’s letter of authorization and the Effective Date Notice, shall be filed with the Attorney General’s office within thirty days of the Effective Date Notice.

Equity: The total value of the Mitchell-Lama Cooperative shares, which includes the initial purchase price of the Shares, any assessments paid by the ML Shareholder and the pro-rata value of the amortization of the underlying mortgage attributable to that Apartment, if any, to which the ML Shareholder would have been entitled if the ML Shareholder had sold its Shares in the ML Cooperative on the Reconstitution Date.

HDFC By-Laws: HDFC By-Laws shall refer to the organizational document used to govern the operations of the HDFC Cooperative.

HDFC Certificate of Incorporation: HDFC Certificate of Incorporation shall refer to the amended and restated certificate of incorporation to be filed with the Office of the New York State Secretary of State on the Reconstitution Date. The HDFC Certificate of Incorporation cannot be amended without the approval of a vote of 66 2/3% of all

dwelling units of the HDFC and the City of New York Department of Housing Preservation and Development.

HDFC Cooperative: HDFC Cooperative shall refer to the corporate entity empowered to act as the cooperative pursuant to Article XI of the New York State Private Housing Finance Law and the Business Corporation Law.

HDFC Shareholder: HDFC Shareholder shall refer to the holder of Shares in the HDFC Cooperative.

HDFC Stock Certificate: HDFC Stock Certificate shall refer to the new stock certificate in the HDFC Cooperative that evidences ownership of Shares in the HDFC Cooperative on and after the Reconstitution Date.

Maintenance Charges: Maintenance Charges shall refer to each HDFC Shareholder's proportionate share of the HDFC Cooperative's expenses, as determined annually by the Board of Directors

Managing Agent: Managing Agent shall mean a professional management company contracted by the HDFC Cooperative.

ML Certificate of Incorporation: ML Certificate of Incorporation shall refer to the document filed with the DOS to create the ML Cooperative.

ML Cooperative: ML Cooperative shall refer to the _____.

ML Occupancy Standards: ML Occupancy Standards shall refer to the current occupancy standards for Mitchell-Lama Apartments as defined in the Mitchell-Lama rules (Chapter 3 of Title 28 of the Rules of the City of New York), unless otherwise specified in the Regulatory Agreement.

ML Shareholder: ML Shareholder shall refer to the holder of Shares in the ML Cooperative.

New York State Department of Law: New York State Department of Law shall refer to the New York State Office of the Attorney General, Real Estate Finance Bureau.

Non-Eviction Plan: Non-Eviction Plan shall mean that any ML Shareholder on the date of distribution of the Effective Date Notice who elects not to purchase Shares in the HDFC Cooperative shall not be evicted solely because s/he has elected to remain as a Rental Tenant in the HDFC Cooperative.

Non-Participating ML Shareholder Affidavit: The document signed and notarized by any ML Shareholder wishing to remain a Rental Tenant at the Property instead of becoming an HDFC Shareholder in the HDFC Cooperative.

Primary Residents/Primary Residence: Primary Residence shall be defined as (a) being domiciled at the Apartment in the HDFC Cooperative and (b) residing more than 183 days in the preceding calendar year at the Apartment in the HDFC Cooperative, unless such individual proves to the Board, by providing documentation, that his or her inability to reside more than 183 days in such Apartment is based upon hospitalization, institutionalization, or active service in the Armed Forces of the United States, or unless the HDFC Shareholder began occupancy of such Apartment during the preceding calendar year.

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

Property: Property shall refer to the buildings and grounds that are owned by the ML Cooperative located at _____.

Proxy Statement: Proxy Statement, sometimes also referred to as the “Plan” or Plan of Reconstitution herein, shall refer to this document and all supporting documents which must be distributed to all prospective Purchasers by the Sponsor to comply with 13 N.Y.C.R.R. Part 18.

Qualified Purchaser: A prospective purchaser, who meets income and household composition requirements set forth in the Regulatory Agreement and who intends to use the Apartment in the HDFC as his or her Primary Residence.

Reconstitution: Reconstitution shall refer to the dissolution of the Mitchell-Lama Mutual Housing Company pursuant to § 35 of the PHFL, which shall be effectuated by amending and restating the ML Cooperative Certificate of Incorporation to reconstitute as a Housing Development Fund Company pursuant to Article XI of the PHFL.

Reconstitution Date: Reconstitution Date shall be a date within six months after the New York City Council approves the real property tax exemption for the HDFC Cooperative or within such reasonable time period as HPD has otherwise approved in writing; provided, however, that the Reconstitution Date must take place within 12 months from the proposed first year of operation of the HDFC Cooperative, unless otherwise approved by HPD and the Attorney General’s office by the filing of an amendment to the Proxy Statement. The following actions shall occur on the Reconstitution Date: 1) the filing with the New York State Department of State (DOS) of the HDFC Certificate of Incorporation; 2) the loan closing for any new financing for such HDFC Cooperative; 3) the execution of the Regulatory Agreement by all parties; and 4) the payment of any and all costs associated with carrying out the Plan to reconstitute as an HDFC Cooperative.

Regulatory Agreement: Regulatory Agreement shall refer to the thirty-year agreement entered into between the City of New York, acting by and through HPD, and the HDFC Cooperative as a condition to the Reconstitution, which shall require the HDFC

Cooperative to abide by certain terms, conditions and restrictions for a period of time as defined therein.

Rental Lease: [fill in once the terms of the lease have been agreed upon]

Rental Tenant: Rental Tenant shall refer collectively to any non-participating dissenting ML Shareholder who is not participating in the Plan of Reconstitution, who will be occupying an Apartment in the HDFC Cooperative, and whose Shares will be transferred to the HDFC Cooperative on the Reconstitution Date in exchange for his or her Equity.

Reserve Accounts: Reserve Accounts shall refer to the accounts that must be maintained by the HDFC Cooperative pursuant to the Regulatory Agreement.

Rooms: For purposes of allocating Shares and setting Maintenance Charges, the following rooms shall be counted: living room (1 Room), bedroom (1 Room), kitchen or kitchenette (1 Room), dining room (1 Room), balcony (1/2 room) and bathroom (1/2 room). Notwithstanding the above, the room count for any particular Apartment in the HDFC Cooperative shall be the same as the room count attributed to that Apartment when it was in the ML Cooperative.

Shares: When used herein, Shares shall refer to the shares of stock in the ML Cooperative that will become Shares in the HDFC Cooperative on the Reconstitution Date, which shall be evidenced by an HDFC Stock Certificate.

Special Meeting: Special Meeting shall refer to the ML Shareholders meeting held by the ML Cooperative to vote on the Plan of Reconstitution that is set forth in this Proxy Statement.

Sponsor: Sponsor is [insert name of ML Cooperative], which is the ML Cooperative. The use of the terms Board of the ML Cooperative and Sponsor shall be used interchangeably in this Proxy Statement.

III. GENERAL DESCRIPTION OF THE LARGE-SCALE HOUSING CONVERSION PROGRAM

The Board of Directors of NAME OF Mitchell-Lama (ML Cooperative), is proposing to exit the Mitchell-Lama Program by voluntarily dissolving and reconstituting as a different type of corporation known as a Housing Development Fund Company (HDFC Cooperative), which shall be wholly owned and controlled by the HDFC Shareholders under the conditions described below. **PLEASE READ THIS INFORMATION CAREFULLY.**

HPD's Article II to Article XI Conversion Program is designed to encourage Mitchell-Lama Mutual Housing Companies currently in the Mitchell-Lama Program to be preserved as housing for individuals and families earning up to 130% of AMI for at least 30 years into the future. HPD is aware that one of the factors leading to Mitchell-Lama Mutual Housing Companies voluntarily dissolving is the inability of the ML Shareholders to realize any growth in their initial investment when they sell their Shares back to the Mitchell-Lama Mutual Housing Company. Under the Article II to Article XI Conversion Program, HDFC Shareholders will be able to sell the Shares allocated to their Apartments for more than their original equity investment. Notwithstanding the foregoing, there will be restrictions on future purchase prices so that the Shares allocated to Apartments will be affordable to individuals and families earning up to 130% of AMI for as long as the HDFC Cooperative exists.

In order to participate in the Article II to Article XI Conversion Program, 66 2/3% of the Apartments in the ML Cooperative will have to vote in favor of the Plan of Reconstitution, which plan is set forth in this Proxy Statement. For purposes of voting on the Plan of Reconstitution, all ML Shareholders will be able to cast one vote per dwelling unit.

IV. SUMMARY OF THE HDFC COOPERATIVE

If the Plan of Reconstitution is approved by 66 2/3% of the Apartments, the ML Cooperative will dissolve and reconstitute as an HDFC Cooperative by filing an amended and restated certificate of incorporation with the New York State Department of State (DOS). The HDFC Cooperative will be formed under Article XI of the New York Private Housing Finance Law (PHFL) and Section 402 of New York Business Corporation Law (BCL). The HDFC Cooperative will enter into a Regulatory Agreement with HPD that will require the HDFC Cooperative to operate the Property for individuals and families at or below 130% of AMI. If the Plan of Reconstitution is approved by 66 2/3% of the Apartments, all ML Shareholders will automatically become HDFC Shareholders, except for ML Shareholders who exercise Dissenters' Rights. ML Shareholders may exercise Dissenters' Rights whether they voted for or against the Reconstitution or failed to vote and without payment of any purchase price or other cash consideration.

The HDFC Shareholders will elect members of a board of directors ("Board" or "Board of Directors") that will function in the same way and have the same responsibility for the HDFC Cooperative as it did for the ML Cooperative. Board members will have a fiduciary duty to the HDFC Shareholders. Each Board member must ensure that the Property, grounds, and other assets of the HDFC Cooperative are kept up to high standards so that their value is not impaired and that the annual operating revenue is spent effectively and economically.

The HDFC Cooperative will operate according to a set of HDFC By-Laws (attached herein in Part II) that, among other things, outline the responsibilities of the Officers and the Board and specify how meetings and elections are held. All HDFC Shareholders will be entitled to one vote per Apartment in all decision-making that is reserved for the HDFC Shareholders, as set forth in the HDFC Certificate of Incorporation.

Each HDFC Shareholder will be issued a new lease known as a proprietary lease ("Proprietary Lease") that entitles the HDFC Shareholder to occupy his or her Apartment (attached herein in Part II). The Proprietary Lease defines the rights and responsibilities of the HDFC Shareholder and the HDFC Cooperative. The Proprietary Lease requires, among other things, that HDFC Shareholders use their Apartments as their Primary Residence. Occupancy Agreements with the ML Cooperative will terminate on the Reconstitution Date, and a new Proprietary Lease will be issued to HDFC Shareholders.

Once the Reconstitution Date occurs, each HDFC Shareholder will pay monthly maintenance charges ("Maintenance Charge") that are calculated according to the number of Rooms in his or her Apartment. Maintenance charges are based on the cost of maintaining and operating the HDFC Cooperative, including real property taxes and mortgage debt service payments. The proposed Maintenance Charges and current carrying charges are listed in Schedule A in Part I. Maintenance increases will be imposed automatically in accordance with the CPI, unless the Board of the HDFC Cooperative requests that HPD approve a different amount. Nothing herein shall denote or imply that the HDFC Cooperative is subject to any rent stabilization laws or regulations whatsoever.

An HDFC Shareholder who wants to sell the Shares allocated to his/her Apartment will be required to sell the shares to Qualified Purchasers and may negotiate a sales price up to the maximum approved Purchase Prices set forth in the Regulatory Agreement.

HPD will be the regulatory agency that will monitor the finances and physical conditions of the property and ensure compliance with the Regulatory Agreement.

V. SUMMARY OF HDFC PROPRIETARY LEASE

Each HDFC Shareholder will be issued a new lease known as a Proprietary Lease. The form of Proprietary Lease is in Part II. The Proprietary Lease gives the HDFC Shareholder the right to occupy his or her Apartment. It sets out the responsibilities of the HDFC Shareholder. The Apartment must be the Primary Residence of the HDFC Shareholder, which means that, with limited exceptions, the HDFC Shareholder must live in his or her Apartment at least 183 days per year. The HDFC Cooperative is required to evict HDFC Shareholders who do not live in their Apartments for at least 183 days per year. The Proprietary Lease also requires that HDFC Shareholders perform or pay for repairs within their Apartments. Maintenance, repair and replacement of the Property's structural components and systems (such as elevators, heating and the roof) and the Property's grounds are the responsibility of the HDFC Cooperative. The HDFC Cooperative must make sure that the Proprietary Lease is in compliance with the HDFC Certificate of Incorporation and the Regulatory Agreement.

VI. SUMMARY OF HDFC BY-LAWS

The HDFC Cooperative will operate in accordance with its HDFC By-Laws. The ML Shareholders will adopt the HDFC By-Laws in Part II of this Proxy Statement by voting in favor of the proposed Plan of Reconstitution. The proposed HDFC By-Laws are an exhibit to this Proxy Statement in Part II. The HDFC By-Laws outline the responsibilities of the Board

and Officers, specify how meetings and elections are held, and specify certain matters that can be decided only by a vote of the HDFC Shareholders (as opposed to a vote of the Board). The HDFC Shareholders elect the Board annually. Board members will have a fiduciary responsibility to the HDFC Shareholders of the HDFC Cooperative. Each Board member must ensure that the Property, grounds, and other assets are kept up to high standards so that their value is not impaired and that the annual operating revenue is spent effectively and economically. The HDFC By-Laws must be in compliance with both the HDFC Certificate of Incorporation and the Regulatory Agreement.

VII. SUMMARY OF REGULATORY AGREEMENT

As a requirement of the Article II to Article XI Conversion Program, the HDFC Cooperative will be required to enter into a Regulatory Agreement with HPD on the Reconstitution Date. The Regulatory Agreement will be a lien on the Property that is owned by the HDFC Cooperative and will be in full force and effect for a period of 30 years from the Reconstitution Date, unless the HDFC Shareholders opt to extend it. The Regulatory Agreement is a very important document and should be read very closely by all ML Shareholders prior to voting on the Plan of Reconstitution. Some of the requirements of the Regulatory Agreement include, but are not limited to: 1) restricting sales to Qualified Purchasers with household incomes at or below 130% of the AMI who meet ML Occupancy Standards; (2) restricting maximum sales prices; (3) implementing annual maintenance increases in accordance with CPI; (4) maintaining accurate books and records which are subject to HPD audit; (5) hiring a management company to maintain and operate the HDFC Cooperative; (6) maintaining the Reserve Accounts; and (7) requiring HDFC Shareholders to maintain their Apartment as their Primary Residence. A copy of the proposed Regulatory Agreement is attached hereto in Part II. ML Shareholders are strongly encouraged to read the Regulatory Agreement in its entirety.

VIII. SUMMARY OF THE HDFC CERTIFICATE OF INCORPORATION

If the ML Shareholders vote in favor of the Plan of Reconstitution, the ML Certificate of Incorporation will be amended and restated to reconstitute the ML Cooperative as an HDFC Cooperative. The HDFC Certificate of Incorporation will be filed with the DOS on the Reconstitution Date. The HDFC Cooperative shall be known as _____ Housing Development Fund Corporation. The proposed amended and restated HDFC Certificate of Incorporation is attached hereto in Part II. The HDFC Certificate of Incorporation is meant to put the public on notice of the existence of the HDFC Cooperative and the purpose it serves. Paragraph ___ of the HDFC Certificate of Incorporation specifically states that it was formed to provide housing for individuals and families whose income does not exceed 130% of the AMI. The HDFC Certificate of Incorporation allocates one vote per Apartment for all matters and may only be amended with the approval of HPD, and a 66 2/3% vote of all Apartments.

IX. THE HDFC COOPERATIVE

On the Reconstitution Date, the initial Board of the HDFC Cooperative will be the same directors as on the Board of the ML Cooperative. Within 180 days from the Reconstitution

Date, the HDFC Cooperative must conduct the first annual meeting of the HDFC Shareholders to elect new members of the Board, which shall be comprised solely of HDFC Shareholders. Pursuant to Section ____ of the HDFC Certificate of Incorporation, the HDFC Cooperative must have at least __ but no more than ____ Directors, all of whom must be HDFC Shareholders. Once the Board is elected, there shall be a meeting of the Board within 10 days from the first annual meeting, at which time the Board shall elect officers. The new officers will carry out the decisions of the Board and make decisions on matters that arise between Board meetings.

X. DESCRIPTION OF PROPERTY AND IMPROVEMENTS

The ML Cooperative is located at _____. The development has ____ (#) residential Apartments and ____ (#) commercial Units. The entire development and the individual residential Apartments are being reconstituted as an HDFC Cooperative in their “as is” condition. The ML Cooperative engaged a professional engineering firm to prepare a 15 year physical needs assessment (“PNA”) which assessed the current physical condition of the Property and projects its needs over 15 years. The PNA shows that _____ work needs to be completed over the next five years at an estimated cost of \$_____ and that _____ work needs to be completed over the next six to 15 years at an estimated cost of \$_____. See Attached Exhibit A.

[Insert any information about proposed timeline of renovations, and whether any of the financing secured to procure Reconstitution will be used for such physical needs identified in the PNA]

XI. FUTURE PURCHASE PRICES ON RESALE

The proposed Purchase Prices on resale during the first year of operation are as provided in the Regulatory Agreement and are listed in Schedule A. HDFC Shareholders should note that Purchase Prices change annually. [add more information about the formula in the Regulatory Agreement and how HDFC Shareholders obtain the additional information on an annual basis]

HDFC Shareholders who want to sell the Shares allocated to their Apartment will be permitted to sell their Shares to a Qualified Purchaser, subject to the Board approving such Qualified Purchaser. The Board has the authority to approve or disapprove the sale of Shares to a Qualified Purchaser based upon any lawful reason, even if the Qualified Purchaser meets the income and occupancy criteria set forth in the Regulatory Agreement.

Once approved by the Board, a prospective Qualified Purchaser’s income and family composition must be reviewed and approved by HPD prior to the sale of the Shares. The HDFC will have to submit income and family composition documentation in a form acceptable to HPD as part of its application for approval.

XII. PROPOSED SCHEDULE A FOR THE HDFC COOPERATIVE

[INSERT SCHEDULE A and include the proposed first year of operation of the HDFC Cooperative after Reconstitution]

XIII. FOOTNOTES TO SCHEDULE A

1. Apartment Number: This list includes all Apartments in the development at the time of conversion.
2. Unit Size: Apartment sizes are based upon rooms, including terraces. The room count for each Apartment shall be the same as was calculated in the ML Cooperative.
4. Number of Shares: The number of Shares allocated to an Apartment in the HDFC Cooperative shall be the same as the number of Shares so allocated in the ML Cooperative. Regardless of the number of Shares allocated to each Apartment, all HDFC Shareholders are given one vote per Apartment.
5. Estimated Maintenance: The estimated annual Maintenance Charges are based upon the projections included in Schedule B of this Proxy Statement. Maintenance Charges are established by taking the total number of Rooms divided by the total expenses listed in Schedule B of the Proxy Statement. Maintenance Charges are allocated per Apartment based upon the number of Rooms per Apartment.

XIV. SCHEDULE B-PROJECTED BUDGET

Estimated Schedule of Income and Expenses

For the First Full Year of Operation as an HDFC Cooperative

Commencing on or around _____, 201__ through _____, 201_.

1. Projected Income

(a)	Maintenance Charges	\$ _____
(b)	Other Income	\$ _____
(c)	Commercial Income	\$ _____
	Total	\$ _____

2. Projected Expenses

(a)	Management	\$ _____
(b)	Administrative	\$ _____

(c)	Professional Fees	\$ _____
(d)	Payroll & Benefits	\$ _____
(e)	Security	\$ _____
(f)	Fuel	\$ _____
(g)	Utilities	\$ _____
(h)	Water & Sewer	\$ _____
(i)	Repair & Maintenance	\$ _____
(j)	Insurance	\$ _____
(k)	Real Estate Taxes	\$ _____
(l)	Mortgage Payments	\$ _____
(m)	Other	\$ _____
Total		\$ _____

3. Reserves

(a)	General Operating Reserve	\$ _____
(b)	Replacement Reserve	\$ _____
Total		\$ _____

XV. FOOTNOTES TO SCHEDULE B

1. Income

(a) Residential Income

\$_____ represents the HDFC Cooperative's projected annual income from Maintenance Charges. Maintenance Charges have been calculated on a per Room basis and are allocated to each Apartment on Schedule A.

(b) Commercial Income

The HDFC Cooperative has ____ (#) commercial unit(s). Commercial unit located at _____ is held by _____ with a lease term of ____ years at a rate of _____ per month.

[REPEAT FOR EACH COMMERCIAL UNIT]

Commercial tenants are responsible for the payment of utilities and real estate taxes. [IF APPLICABLE, or change accordingly]

2. Projected Expenses

(a) Management Fee

The ML Cooperative will be reconstituted as an HDFC Cooperative and will continue to be subject to a management agreement with _____ (“Managing Agent”). The current agreement with the Managing Agent expires on _____ 201_ at a rate of \$_____ per month.

(b) Administrative

An amount of \$_____ has been projected to cover administrative and other expenses associated with the first year of operation.

(c) Professional Fees

An amount of \$_____ has been projected to cover legal, accounting and engineering expenses associated with the first year of operation

(d) Payroll

During the first year of operation, the HDFC Cooperative’s staff is projected to be ___ employees. Total salary costs for the first year of operation are projected to be \$_____. This projection includes wages, benefits and additional payroll expenses such as Disability Benefits Insurance and Social Security.

(e) Security

The projected costs are based upon the actual costs for the preceding year with an allowance of 3% for inflation.

(f) Fuel

The total projected cost of heating is \$_____. The projected costs are based upon the actual charges for the preceding year with an allowance of 3% for inflation. A very cold or very mild heat season will increase or reduce the cost of heating, respectively.

(g) Utilities

Utility charges include the costs of electricity for both common areas and in individual Apartments.

(h) Water and Sewer

Water consumed by the development is measured by a single meter. The projected costs are based upon the actual charges for the preceding year with an allowance of 3% for inflation.

(i) Repair and Maintenance

The budgeted amounts for repair and maintenance include the costs associated with the upkeep and maintenance of development-wide systems such as the boiler and other major systems. The estimated projected costs are based upon the actual costs for the preceding year with an allowance of 3% for inflation.

(j) Insurance

The budget amounts for insurance based upon following coverage will be provided:

A. Property Insurance

Total Insured Value: _____

Deductibles: _____

B. Primary Liability

Limits: _____

C. List others such as Boiler, etc.

(k) Real Property Taxes

The HDFC Cooperative will have the same real property tax exemption as the ML Cooperative. Real property tax payments will be calculated by subtracting utility costs from total income and multiplying by 10%. This is commonly known as the shelter rent tax.

(l) Mortgage Payments

A. Monthly Payments for the first mortgage are

\$ _____

B. Monthly Payments for the second mortgage are

\$ _____

XVI. PROCEDURE FOR RECONSTITUTION

ML SHAREHOLDERS

ML Shareholders will automatically be entitled to receive a new HDFC Stock Certificate, HDFC By-Laws, and a Proprietary Lease in the HDFC Cooperative within thirty days after the Reconstitution Date, unless Dissenters' Rights are exercised. For ML Shareholders who choose to remain HDFC Shareholders, the number of Shares in the HDFC will be the same number as in the ML Cooperative. Within ___ days after the Reconstitution Date, each participating ML Shareholder will receive a notice requiring their appearance at _____ to sign all documents necessary to receive a new HDFC Stock Certificate, HDFC By-Laws, and a Proprietary Lease in the HDFC Cooperative. Participating ML Shareholders will be given the opportunity to schedule this appointment on a date and time that is convenient for them. [add additional information about how this will work] However, participating ML Shareholders should note that failure to appear to the scheduled appointment may result in the Board taking action against the participating ML Shareholders to compel their appearance. If a participating ML Shareholder refuses to cooperate with the Board, eviction proceedings will be commenced against the participating ML Shareholder.

RIGHTS OF NON-PARTICIPANTS (DISSENTING ML SHAREHOLDERS)

ML Shareholders may opt to sell their Shares back to the HDFC Cooperative in exchange for their Equity. Such non-participating ML Shareholders shall also become Rental Tenants of the HDFC Cooperative. Dissenting ML Shareholders must notify the HDFC Cooperative within 30 days of the distribution of the Effective Date Notice of their intention to sell their Shares back to the HDFC Cooperative by providing the ML Cooperative a Non-Participating ML Shareholder Affidavit, a copy of which is attached hereto in Part II. Within 30 days after the Reconstitution Date, any non-participating ML Shareholder will receive their Equity and a Rental Lease. The initial rent for such Rental Tenants under the Rental Lease shall be equal to the amount of the initial maintenance charges for a similarly sized unit in the HDFC Cooperative shown on Schedule ____. The HDFC Cooperative may charge up to \$250 as an administrative fee. [if yes, give estimate of charges] Dissenting ML Shareholders will become Rental Tenants of the HDFC Cooperative and shall be entitled to regular lease renewals. One or two year lease renewals must be offered to Rental Tenants 60 days prior to the expiration of their current leases. Rent increases may not be greater than the projected CPI, plus an additional amount that reasonably reflects assessments that are being charged to HDFC Shareholders. All such rent increases must be approved by HPD. A copy of the Rental Lease is included in Part II.

PROCEDURE FOR APPROVING PLAN OF RECONSTITUTION

Within 30 days after the Attorney General's Office issues an Exemption Letter permitting the ML Shareholders to vote on the Plan of Reconstitution, the final Proxy Statement for the Plan of Reconstitution as an HDFC Cooperative must be distributed to each ML Shareholder by ordinary mail or distribution under each Apartment door. No other material related to Reconstitution may be distributed. Between 30 and 120 days after this

distribution, the ML Cooperative shall conduct a Special Meeting pursuant to the applicable notice period in the ML Cooperative by-laws. This Special Meeting must also meet HPD's requirements as follows: (a) no such meeting can occur more than once every 12 months; (b) an independent election company must conduct this Special Meeting and the chosen independent election company as well as the intended Special Meeting procedures must be provided to HPD no later than 60 days prior to the Special Meeting; (c) voting by proxy shall be prohibited at such Special Meeting, but HPD shall approve in writing a standard form direct mail ballot for transmission to the independent election company, a copy of which is attached hereto in Part II; and (d) each Apartment shall be entitled to one vote regardless of the number of Shares allocated to such Apartment, the number of ML Shareholders holding such Shares, or the provisions regarding voting in the ML Cooperative's Certificate of Incorporation.

In order to gain approval of the Plan of Reconstitution, at least 66 2/3% of the Apartments must approve this Proxy Statement. The independent election company must certify the results of the vote as well as provide proof that HPD's requirements for the Special Meeting have been met. If the requisite vote was obtained and the correct procedures followed, HPD will issue a letter of authorization to proceed with Reconstitution. Within seven days of receipt of HPD's letter of authorization or within such reasonable time period as HPD has otherwise approved in writing, the Sponsor shall distribute the Effective Date Notice to all ML Shareholders and, within thirty days of such Effective Date Notice, the Sponsor shall also submit an Effectiveness Amendment to the Attorney General's Office.

Upon distribution of the Effective Date Notice, non-participating ML Shareholders shall have 30 days to exercise Dissenters' Rights by signing and returning the Non-Participating ML Shareholder Affidavit to the Sponsor. Failure to return the executed Non-Participating ML Shareholder Affidavit to the Sponsor within 30 days of receipt of the Effective Date Notice shall foreclose any opportunity for exercising Dissenters' Rights.

The Sponsor's Effectiveness Amendment, which must be submitted to the Attorney General's Office within thirty days of the Effective Date Notice, shall include HPD's letter of authorization and the Effective Date Notice as exhibits. Once the Effectiveness Amendment has been accepted for filing by the Attorney General's Office, HPD shall request that the City Council approve a real property tax exemption for the HDFC Cooperative. Within six months after the City Council approves such tax exemption or within such reasonable time period as HPD approves in writing, the Sponsor will set the Reconstitution Date. However, the Reconstitution Date must take place within 12 months from the proposed first year of operation of the HDFC Cooperative, unless otherwise approved by HPD and the Attorney General's office by filing an amendment to the Proxy Statement. Once the Reconstitution Date has been set, the following actions must take place on such Reconstitution Date: (a) the amended and restated HDFC Certificate of Incorporation must be filed with the DOS; (b) the loan closing for any new financing must occur; (c) the Regulatory Agreement must be executed; and (d) all costs associated with the Plan of Reconstitution must be paid, including, but not limited to, New York State Transfer Taxes.

Within thirty days after the Reconstitution Date or within such reasonable time period as HPD has otherwise approved in writing, the Board of the HDFC Cooperative shall provide participating ML Shareholders with their HDFC Stock Certificate, Proprietary Lease and the corporate documents, such as the HDFC By-Laws. During this same time period, dissenting ML Shareholders shall receive their Equity and their Rental Leases for their Apartments.

XVII. TERMS OF MORTGAGES

On the Reconstitution Date, the ML Cooperative will be reconstituted as an HDFC Cooperative and will be subject to a new permanent mortgages (loans). [insert terms of loans]

XVIII. RESERVE ACCOUNT

The Board of the HDFC Cooperative must establish a Reserve Account in the amount of \$_____ for the HDFC Cooperative within ___ days after the Reconstitution Date. The Reserve Account may be used for capital expenditures such as capital improvements and other renovations to the Property. The HDFC Cooperative must seek approval from HPD and, if required by the loan documents, any private lender prior to withdrawing any funds from the Reserve Account. Moreover, the HDFC Cooperative must also inform the HDFC Shareholders of any withdrawal made from the Reserve Account, as required by the Regulatory Agreement.

After the Reconstitution Date, the HDFC Cooperative will also be required to deposit a certain percentage of the Profit from the sale of Apartments into the Reserve Account, at a percentage that is set forth in the Regulatory Agreement in Part II of the Plan.

XIX. MANAGEMENT AGREEMENT, PROFESSIONAL RETAINERS AND COMMERCIAL LEASES

On the Reconstitution Date, the management contract, professional retainers, service contracts, commercial leases and any other such continuing agreements will be assumed by the HDFC Cooperative. A summary of such agreements is included in the Footnotes to Schedule B.

XX. DISCUSSION OF HDFC COOPERATIVE STATUS AS A QUALIFIED COOPERATIVE FOR IRC 216

[Disclosure for qualified cooperative with no change in status]

The ML Cooperative is currently a qualified cooperative housing corporation under Section 216 of the Internal Revenue Code (IRC) and Reconstitution as an HDFC Cooperative should not change this qualification. [include this or something similar] In the past, the ML

Cooperative has filed a special election pursuant to IRC Section 216(b)(3)(B) that permits ML Shareholders to deduct on their federal income tax return their proportionate share of certain mortgage interest and real estate taxes paid or accrued by the ML Cooperative in accordance with the allocation of maintenance. The Board will continue to file such special elections after Reconstitution and it is anticipated that HDFC Shareholders will continue to be able to receive deductions into the future.

Notwithstanding the foregoing, ML Shareholders are strongly encouraged to obtain personal tax advice concerning this transaction from his or her personal tax advisor, accountant, or attorney.

[Disclose for non-qualified cooperative]

The ML Cooperative does not currently operate as a qualified housing corporation under Section 216 of the Internal Revenue Code (IRC). Upon Reconstitution, it is the position of the Board that the HDFC Cooperative will be a qualified housing corporation for purposes of IRC Section 216, and as such, HDFC Shareholders will be permitted to deduct on their federal income tax return their proportionate share of certain mortgage interest and real estate taxes paid or accrued by the HDFC Cooperative in accordance with the allocation of maintenance.

ML Shareholders are directed to the Opinion of Reasonable Relationship and Attorney's Income Tax Opinion in Part II of the Proxy Statement for a discussion of future tax deductions and the conditions applicable thereto.

XXI. FINANCIAL FORECAST OF MITCHELL-LAMA COOPERATIVE WITH NO CHANGE IN STATUS

[insert this information]

XXII. IDENTITY OF PARTIES

ML Cooperative Board:

The current members of the Board of the ML Cooperative who are acting as Sponsor for the purposes of presenting this Proxy Statement and the Plan of Reconstitution to the ML Shareholders are: _____

_____.

Management Company:

The Management Company is _____
