

SHERMAN TERRACE COOPERATIVE, INC.

BY-LAWS

TABLE OF CONTENTS.

| | |
|--------------|---|
| ARTICLE I. | NAME AND LOCATION OF CORPORATION |
| ARTICLE II. | PURPOSE |
| ARTICLE III. | MEMBERSHIP |
| | Section 1. Eligibility |
| | Section 2. Application for Membership |
| | Section 3. Subscription Funds |
| | Section 4. Members |
| | Section 5. Transfer of Membership |
| | Section 6. Termination of Membership |
| ARTICLE IV. | MEETINGS OF MEMBERS |
| | Section 1. Place of Meetings |
| | Section 2. Annual Meetings |
| | Section 3. Special Meetings |
| | Section 4. Notice of Meetings |
| | Section 5. Quorum |
| | Section 6. Adjourned Meetings |
| | Section 7. Voting |
| | Section 8. Proxies |
| | Section 9. Order of Business |
| ARTICLE V. | DIRECTORS |
| | Section 1. Number and Qualification |
| | Section 2. Powers and Duties |
| | Section 3. Election and Term of Office |
| | Section 4. Vacancies |
| | Section 5. Removal of Directors |
| | Section 6. Compensation |
| | Section 7. Organization Meeting |
| | Section 8. Regular Meetings |
| | Section 9. Special Meetings |
| | Section 10. Waiver of Notice |
| | Section 11. Quorum |
| | Section 12. Fidelity Bonds |
| | Section 13. Safeguarding Subscription Funds |
| ARTICLE VI. | OFFICERS |
| | Section 1. Designation |
| | Section 2. Election of Officers |
| | Section 3. Removal of Officers |
| | Section 4. President |
| | Section 5. Vice-President |
| | Section 6. Secretary |
| | Section 7. Treasurer |
| ARTICLE VII. | CAPITAL STOCK |
| | Section 1. Authorized Capital |
| | Section 2. Stock Certificates |
| | Section 3. Book Value |
| | Section 4. Lost Certificates |
| | Section 5. Transfer of Stock |
| | Section 6. Lien |

ARTICLE VIII. ISSUANCE OF SPECIAL STOCK TO FHA

Section 1. Rights of Preferred Stockholders.

ARTICLE IX. ADMENDMENTS

ARTICLE X. CORPORATE SEAL

ARTICLE XI. FISCAL MANAGEMENT

- Section 1. Fiscal Year
- Section 2. Books and Accounts
- Section 3. Auditing
- Section 4. Inspection of Books
- Section 5. Execution of Corporate Documents

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ARTICLE I

NAME AND LOCATION OF CORPORATION

Section 1. The name of this corporation is SHERMAN TERRACE COOPERATIVE, INC.. Its principal office is located at c/o Grad & Marcus, 185 Montague Street, Brooklyn 1, N.Y.

ARTICLE II

PURPOSE

Section 1. The purpose of this corporation is to provide its members with housing on a non-profit basis consonant with the provisions set forth in its Certificate of Incorporation.

ARTICLE III

MEMBERSHIP

Section 1. Eligibility. Any natural person approved by the Board of Directors shall be eligible for membership, provided that he or she executes a Subscription Agreement, and Occupancy Agreement in the usual form employed by the corporation covering a specific unit in the housing project.

Section 2. Application for Membership. Application for membership shall be presented in person on a form of Subscription Agreement prescribed by the Board of Directors and approved by the FHA, and all such application shall be acted upon promptly by the Board of Directors.

Section 3. Subscription Funds. All subscription funds received from applicants prior to the initial endorsement of the mortgage note by the Federal Housing Administration shall be deposited promptly without deduction in a special account to be designated "Herbert Charles & Co., Inc., Agency Account - Sherman Terrace Cooperative, Inc." with the Banker's Trust Company, located at 76 East 161 Street, Bronx, New York. Such funds shall be subject to withdrawal or transfer to the account of the corporation only upon certification by the President and Secretary of the corporation to the above-named bank that:

- (a) The Subscription Agreement of a named applicant has been terminated pursuant to its terms and such withdrawal is required to repay the amount paid by him under such agreement.
- (b) Applicants for all dwelling units in the project have not been procured within the effective period of the FHA Commitment, or

any extension thereof, and such withdrawal is required to repay to the applicants the amounts paid by them.

- (c) Applicants for all dwelling units in the project have signed Subscription Agreements, have been approved as to their credit by the Federal Housing Administration, and have paid the subscription price in full. If these requirements have been met, the entire amount of the funds in the subscription escrow account may be transferred to the corporation, at which time the corporation shall issue and deliver stock certificates to all members.

Section 4. Members. The members shall consist of the incorporators and such subscribers as have been approved for membership by the Board of Directors and who have paid for their stock and received stock certificates.

Section 5. Transfer of Membership. Except as provided herein, membership shall not be transferable.

- (a) Death of Member. If, upon death of a member, his stock in the corporation passes by will or intestate distribution to a member of his immediate family, such legatee or distributee may, by assuming in writing the terms of the Subscription Agreement, and Occupancy Agreement within sixty (60) days after member's death, and paying all amounts due thereunder, become a member of the corporation. If member dies and an obligation is not assumed in accordance with the foregoing, then the corporation shall have an option to purchase the stock from the deceased member's estate in the manner provided in paragraph (b) of this Section, written notice of the death being equivalent to notice of intention to withdraw. If the corporation does not exercise such option, the provisions of paragraph (c) of this Section shall be applicable, the references to "member" therein to be construed as references to the legal representative of the deceased member.
- (b) Option of Corporation to Purchase. If the member desires to leave the project, he shall notify the corporation in writing of such intention and the corporation shall have an option for a period of thirty (30) days thereafter, but not the obligation, to purchase the member's shares of common stock and right of occupancy, at an amount to be determined by the corporation as representing the book value thereof, less any amounts due by the member to the corporation. The purchase by the corporation of the member's stock will immediately terminate the member's rights and the member shall forthwith vacate the premises.
- (c) Procedure Where Corporation Does Not Exercise Option. If the corporation waives in writing its right to purchase the member's stock under the foregoing option, or if the corporation fails to exercise such option within the thirty day period, the member may sell his stock to any person who has been duly approved by the corporation as a member.

Section 6. Termination of Membership. In the event the corporation has, pursuant to the provisions of the Occupancy Agreement, terminated the rights of a member under said Occupancy Agreement and repossessed the dwelling unit, the member shall be required to deliver promptly to the corporation his share or shares of stock and his Occupancy Agreement, both endorsed in such manner as may be required by the corporation. The corporation shall thereupon at its election either (1) repurchase said stock at its book value as determined by the corporation, or (2) proceed with reasonable diligence to effect a sale of the member's rights under such share or shares of stock to a purchaser and at a sales price acceptable to the corporation. The retiring member shall be entitled to receive the book value (if the corporation has exercised election (1) above) or the sales price (if the corporation has exercised (2) above) but in either case less the following amounts (the determination of such amounts by the corporation to be conclusive):

- (a) any amounts due to the corporation from the member under the Occupancy Agreement;
- (b) the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the corporation to place the dwelling unit in suitable condition for another occupant; and
- (c) legal and other expenses incurred by the corporation in connection with the default of such member and the resale of his stock.

ARTICLE IV

MEETINGS OF MEMBERS

Section 1. Place of Meetings. Meetings of the membership shall be held at the principal office or place of business of the corporation or at such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. The first annual meeting of the corporation shall be held on March 1, 1958. Thereafter, the annual meetings of the corporation shall be held on the FIRST Monday of March in each succeeding year. At such meeting there shall be elected by ballot of the members a Board of Directors in accordance with the requirements of Section 3 of Article V of these By-Laws. The members may also transact such other business of the corporation as may properly come before them.

Section 3. Special Meetings. It shall be the duty of the President to call a special meeting of the corporation as directed by resolution of the Board of Directors or upon a petition signed by twenty percent of the members having been presented to the Secretary, or at the request of the Federal Housing Commissioner or his duly authorized representative. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the stockholders present.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each stockholder of record, at his address as it appears on the stock book of the corporation, or if no such address appears, at his last known place of address, at least 10 but not more than 40 days prior to such meeting (the number of days notice to comply with state statute). The mailing of a notice in the manner provided in this Section shall be considered notice served. Notices of all meetings shall be mailed to the Director of the local insuring office of the Federal Housing Administration.

Section 5. Quorum. The presence, of a majority of the member-stockholders of record of the corporation shall be requisite for, and shall constitute a quorum for, the transaction of business at all meetings of members.

Section 6. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, the members who are present, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight hours from the time the original meeting was called. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 7. Voting. At every meeting of the members, each member present shall have the right to cast one vote on each question and never more than one vote, without regard to the number of shares of stock standing in the name of the member on the books of the corporation except that where the vote is vested in joint owners the one vote may be divided equally. The vote of the majority of those present shall decide any question brought before such meeting,

unless the question is one upon which, by express provision of statute or of the Certificate of Incorporation or of these By-Laws, a different vote is required, in which case such express provision shall govern and control.

Section 8. Order of Business. The order of business at all annual meetings of the stockholders shall be as follows:

- (a) Roll Call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Report of Federal Housing Administrative representative, if present.
- (f) Report of committees.
- (g) Election of inspectors of election.
- (h) Election of directors.
- (i) Unfinished business.
- (j) New business.

ARTICLE V

DIRECTORS

Section 1. Number and Qualification. The affairs of the corporation shall be governed by a Board of Directors composed of not less than 5 nor more than 9 persons, all of whom shall be stockholders in the corporation.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the corporation and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members. The powers of the Board of Directors shall include but not be limited:

- (a) To accept or reject all applications for membership and admission to occupancy of a dwelling unit in the cooperative housing project, either directly or through an authorized representative;
- (b) To establish monthly carrying charges prescribed in the Occupancy Agreement, based on an annual operating budget formally adopted by such Board;
- (c) To authorize in their discretion patronage refunds from residual receipts when and as reflected in the annual report prescribed in the Certificate of Incorporation; and
- (d) To promulgate such rules and regulations pertaining to use and occupancy of the premises as may be deemed proper and which are consistent with these By-Laws and the Certificate of Incorporation.

Section 3. Election and Term of Office. At the first annual meeting of the members, three classes of directors shall be elected consisting of Class I, Class II and Class III; directors to serve for terms of one year, two years and three years respectively. The number of directors in each class shall be equal in number as far as possible. The directors shall hold office until their successors are elected and hold their first meeting.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership or by the vote of the preferred stockholders shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected by the members at the next annual meeting.

Section 5. Removal of Directors. Any member may bring charges against a director by filing them in writing with the secretary, together with a petition signed by five per centum of the members, requesting removal. The corporation may thereupon remove the director by the affirmative vote of

three-fourths of the members voting thereon at a meeting promptly held after due notice in writing setting forth accurately the purpose for which such meeting is called, provided that at such meeting not less than ten per centum of the entire membership vote, personally or by mail. The director involved shall be given a copy of the charges reasonably in advance of the meeting, and he and the complainant shall have an opportunity at the meeting to be heard in person or by counsel and to present and cross examine witnesses.

Section 6. Compensation. No compensation shall be paid to Directors for their services as Directors. No remuneration shall be paid to a Director for services performed by him for the corporation in any other capacity, unless a resolution authorizing such remuneration shall have been unanimously adopted by the Board of Directors before the services are undertaken. No remuneration or compensation shall in any case be paid to a Director without the approval of the preferred stockholders. A Director may not be an employee of the corporation.

Section 7. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least two such meetings shall be held during each fiscal year.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three days notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three Directors.

Section 10. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 11. Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

Section 12. Fidelity Bonds. The Board of Directors shall require that all officers and employees of the corporation handling or responsible for corporate funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the corporation.

Section 13. Safeguarding Subscription Funds. It shall be the duty of the Board of Directors to see to it that all sums received in connection with stock subscriptions prior to the closing of the mortgage transaction covering the housing project of the corporation, are deposited and withdrawn only in the manner provided for in Article III, Section 3 of these By-Laws.

ARTICLE VI

OFFICERS

Section 1. Designation. The principal officers of the corporation shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by and from the Board of Directors. The Directors may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary.

Section 2. Election of Officers. The officers of the corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the corporation. He shall preside at all meetings of the members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including but not limited to the power to appoint committees from among the membership from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the corporation.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to so do on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the corporation; he shall have the custody of the seal of the corporation; he shall have charge of the stock transfer books and of such other books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the corporation. He shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the corporation in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VII

CAPITAL STOCK

Section 1. Authorized Capital. The authorized capital stock of the corporation shall consist of 23,174 shares of common stock of a par value of \$5.00 per share and 100 shares of preferred stock of a value of \$1.00 per share, which shares shall have the preferences and restrictions provided herein and in the Certificate of Incorporation.

Section 2. Stock Certificates. Each share certificate shall state that the corporation is organized under the laws of the State of New York, the name of the registered holder of the shares represented thereby, the number of shares represented by such certifi-

cate, and the par value of each share, the corporation lien rights as against such shares as set forth in Section 6 of this Article, and the preferences and restrictions applicable thereto, and shall be in such form as shall be approved by the Board of Directors. Stock certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to full payment. Every stock certificate shall be signed by the President or Vice President, and the Secretary, and shall be sealed with the corporate seal.

Section 3. Book Value. Whenever the corporation elects to purchase the stock of a member as set forth in Article III, Sections 5 and 6 of these By-Laws, the term "book value" shall be understood to mean the proportionate amount of the net worth of the corporation attributable to such holdings as of a given date. For the purposes of this computation, net worth consists of the share capital paid in by the members as increased or diminished by the reserve or surplus accounts listed under the capital account classification on the most recent balance sheet prepared in accordance with the FHA Uniform System of Accounts.

Section 4. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the share certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the corporation a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the corporation.

Section 5. Transfer of Stock. No transfer of stock shall be made from the books of the corporation within ten days next preceding the annual meeting of the stockholders.

Section 6. Lien. The corporation shall have a lien on the shares of the outstanding common stock in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under any occupancy agreements.

ARTICLE VIII

ISSUANCE OF SPECIAL STOCK TO FHA

Section 1. Rights of Preferred Stockholders. The rights and privileges of the common stock of the corporation and the management, operation and control of the affairs of the corporation shall be subject to the rights, powers and privileges of the preferred stock of the corporation registered in the name of the Federal Housing Administration as provided in the Certificate of Incorporation.

ARTICLE IX

AMENDMENTS

Section 1. By-Laws. The by-laws may be amended by a majority vote of the board of directors; but any amendment adopted by the board shall be reported to the annual meeting of the corporation and, if not affirmatively approved thereat, shall cease to be in effect. By-laws may be adopted, repealed or amended on the affirmative vote of two-thirds of the members, stockholders or delegates voting thereon at a meeting held after due written notice setting forth the proposed action and the purpose of the meeting.

ARTICLE X

CORPORATE SEAL

Section 1. Seal. The Board of Directors shall provide a suitable corporate seal containing the name of the corporation, which seal shall be in charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any assistant secretary or assistant treasurer.

ARTICLE XI

FISCAL MANAGEMENT

Section 1. Fiscal Year. The fiscal year of the corporation shall begin on the first day of January every year, except that the first fiscal year of the corporation shall begin at the date of incorporation. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate, but not without the prior written approval of the holders of the preferred stock.

Section 2. Books and Accounts. Books and accounts of the corporation shall be kept under the direction of the Treasurer and in accordance with the Uniform System of Accounts prescribed by the FHA Commissioner.

Section 3. Auditing. At the closing of each fiscal year, the books and records of the corporation shall be audited by a Certified Public Accountant, whose report will be prepared and certified in accordance with the requirements of the holders of the preferred stock. Based on such reports, the corporation will furnish its members with a statement of the income and disbursements of the corporation for each fiscal year as provided in the Occupancy Agreements.

Section 4. Inspection of Books. Financial reports such as are required to be furnished to the Federal Housing Administration and the membership records of the corporation shall be available at the principal office of the corporation for inspection at reasonable times by any members.

Section 5. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the corporation by either the President or the Vice President, and all checks shall be executed on behalf of the corporation by (1) either the President or the Vice President, and countersigned (2) by either the Secretary or Treasurer.