STATE OF NEW YORK DEPARTMENT OF LAW

OFFICE OF ATTORNEY GENERAL ROBERT ABRAMS

MEMORANDUM

TO: REF Attorneys, Paralegals and Law Students

DATE: 5/21/93

FROM: Mary Sabatini DiStephan MSD

RE: Status of Sales

I have just been called by an attorney who is representing tenants in a post-effective coop where the sponsor is making a new and attractive offer.

In this particular building the mortgage is due for refinancing and the tenants are concerned whether the refinancing is possible since there are so many sponsor shares unsold. Likewise, end loan financing may be difficult.

The tenants would like to know, before making a binding determination to buy, how many units the sponsor has sold and have requested that the sponsor do a posting similar to that which is required in New York City and eee jurisdictions preeffectiveness.

The sponsor has refused, saying that the statutory and regulatory requirement to do that posting is only in the preeffectiveness/closing period of a conversion.

Although the sponsor is correct that the posting is only a requirement preeffectiveness, the Martin Act is a disclosure statute and it would seem that disclosure concerning sales is a material item which in the total mix influences the decision as to whether or not to purchase.

Therefore, please have sponsors who are making new offers to tenants promise to let the tenants know before the end of the selling period the status of sales (e.g., by sending each tenant a notice or by doing a posting). The sponsor should represent that it will do that in the amendment.

If there are any questions, please see me.

MSD:sg