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The Honorable Alphonso Jackson  
Secretary of the United States Department  
of Housing and Urban Development  
451 7th Street, SW  
Washington, DC 20410

February 16, 2007

Re: Sale of Starrett City

Dear Secretary Jackson:

An investment group led by David Bistricher agreed last week to acquire the Starrett City development in Brooklyn. As HUD approval of the purchaser is required, there is important information from the New York State Attorney General's Office which I want to share with your Department. Mr. Bistricher has a troubling history of doing business as a sponsor of residential co-operative conversions in New York City. In my view, this information is relevant on two levels. First, HUD considers past performance of a prospective purchaser in its decision making. Mr. Bistricher is highly problematic and troubling in that regard. Second, a court-ordered injunction against Mr. Bistricher prohibits him from converting any building through the coop-condo process and my office intends to enforce that prohibition which will likely have a significant impact on the proposed project financing.

In 1998, as a result of successful litigation brought by the Attorney General's Office, the New York Supreme Court issued a permanent injunction barring Bistricher from the offer and sale of real estate securities in New York State. See *State v. David Bistricher, et al.*, Sup. Ct., N.Y. Co., Index No. 409875-94. This litigation arose out of Mr. Bistricher's conversion of rental buildings in New York City to co-operative ownership in the late-1980s.

In 1989, this office received complaints from tenant shareholders at Fort Tryon Apartment Corporation in upper Manhattan, which had been converted to co-operative ownership in 1986 by Mr. Bistricher and his parents. The shareholders claimed that the Bistrichers used corporate funds for work on their own apartments, failed to hold board of directors meetings and failed to permit shareholder participation in running the affairs of the co-operative. In 1992, shareholders complained that the Bistrichers were refusing to surrender control of the co-operative

board, in violation of regulations and representations in the offering plan filed with this office which required such surrender no later than five years from closing. Shareholders also raised questions about the refinancing of the apartment corporation's mortgage held by the Bistricers, including the extraction of a large prepayment penalty as part of the transaction which had been negotiated by David Bistricer. Such actions, the shareholders claimed, represented a breach of fiduciary duty owed the co-operative by the Bistricers. When this office looked into the refinancing and mortgage prepayment transactions at Fort Tryon and two other Bistricer co-operative conversions, 3060 Ocean Avenue and 20-40 89<sup>th</sup> Street in Brooklyn, it discerned a pattern of abuse and initiated an action alleging a failure to disclose material terms of the refinancings.

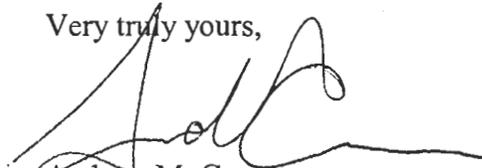
The litigation resulted in a partial summary judgment in the State's favor and the issuance of a permanent injunction prohibiting the Bistricers from engaging in any new conversions or sales in New York State. Pursuant to an agreement with this office, the Bistricers were required to make periodic reports to this office on the status of sales and to disclose the litigation and injunction in amendments to all their offering plans. The Bistricers also agreed to make payments to two of the co-operatives in amounts essentially equivalent to the prepayment penalties taken. The superseding consent order and judgment embodying these terms went into effect in 2001.

In 2006, the consent order was further modified to permit Mr. Bistricer to act as a principal in a single offer, the conversion of the uninhabited Verizon Building at 101 Willoughby Street in Brooklyn to residential condominiums. However, approval of that single conversion plan is now in question due to asbestos removal problems at the site. The permanent injunction otherwise remains intact, and the Bistricers are prohibited from engaging in sales of real estate securities for any properties not enumerated in the amended superseding consent order.

Should Mr. Bistricer be successful in purchasing Starrett City, the position of my office is that he would be prohibited from any co-op/condo conversion under the laws of the State of New York.

I hope the following information is helpful as you complete the HUD review process and decide whether to approve or disapprove the transfer of Starrett City. Copies of the various orders and the court decision are enclosed.

Very truly yours,



Andrew M. Cuomo