

Further Revised Proposed Revisions to 13 N.Y.C.R.R. § 22.3(c, k)

Plans subject to this Part must comply with the format and minimum disclosure requirements set forth herein in addition to the requirements of provisions of article 23-A of the General Business Law and, if applicable, the laws governing corporations which affect the creation and operation of the HOA in the State of incorporation of the HOA.

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(c) *Table of contents.* The format and order set forth below must be followed in the table of contents. Include headings for the subjects not marked with an asterisk. In addition, a limited number of headings may be added to the plan. Headings for subjects that are marked with an asterisk may be omitted if the subject matter is not applicable to the offering. Omissions, other than headings marked with an asterisk in the table of contents, and additions, should be expressly noted and explained in the transmittal letter. Documentation listed in Part II of the table of contents shall be included in full in Part II of the plan. The texts of such documents which will be binding on the sponsor or the board of directors, such as the purchase agreement or contract of sale, the deed to the lot, the declaration of covenants, restrictions, easements and liens, and the by-laws of the HOA shall be consistent with the disclosures in the plan and shall conform to the requirements of this section.

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(k) *Procedure to purchase.* Describe the essential terms of the purchase agreement which must comply with this Part. State the purchase procedure, including to whom and when the purchase agreement must be returned and the deposit payment made.

(1) Statutory requirement. The sponsor shall comply with the escrow and trust fund requirements of [General Business Law sections 352-e](#)(2-b) and [352-h](#) and these regulations, and all funds paid by purchasers shall be handled in accordance with these statutes and regulations.

(2) Escrow, trust fund. The following requirements shall apply to all offerings and shall be fully disclosed in all offering plans subject to this Part:

(i) ~~Mandatory escrow agreement. The account.~~ All deposits, down payments, or advances made by purchasers prior to closing of each individual transaction ~~shall must be held pursuant to a written agreement entered into between the sponsor, the purchaser, and the escrow agent. Said provisions may be included in a separate escrow agreement or in the purchase agreement entered into between the sponsor, the purchaser and the escrow agent, and are referred to in this Paragraph (2) as the "escrow agreement." The plan must set forth the material terms of the escrow agreement. The sponsor shall specify the exhibit in Part II of the plan that contains the escrow agreement. If a separate escrow agreement is used, a copy of the full agreement must be contained as a separate exhibit to the plan in Part II. Disclose, without limitation, any indemnity by the sponsor in favor of the escrow agent, provision for discharge of the escrow agent's obligations by the sponsor upon payment of the deposit and interest in accordance with these regulations, any right of the escrow agent to represent the sponsor in any lawsuit, any compensation by the sponsor to the depository bank, any provision for payments by the sponsor under an indemnity in favor of the escrow agent and whether the sponsor will compensate the escrow agent for acting as such. The plan and escrow agreement must include language conforming to subsections (v) - (vii), below. However, the failure to include such language in the plan or escrow agreement shall not excuse the sponsor and the escrow agent from compliance with said subsections.~~ placed within five business days after the agreement is signed by all necessary parties, in an attorney's segregated special escrow account in a bank doing business in the State of New York which account is covered by Federal bank deposit insurance. Sponsor shall include as a special risk, where applicable, that deposits in excess of \$100,000 will not be federally insured in excess of \$100,000. An attorney shall open and maintain such account in his or her own name, or in the name of a firm of attorneys of which he or she is a member, or in the name of the attorney or firm of attorneys by whom he or she is employed, separate from such attorney's personal accounts or from any accounts in which assets belonging to the firm are deposited, and separate from any accounts maintained in the capacity of executor, guardian, trustee or receiver. A master escrow account with a subaccount for each purchaser is acceptable. The name of the account, the bank, and the bank address must be stated in the plan. The word "escrow" must be included as part of the name of the account. Funds from this account may be released only by signature of the attorney who is named as escrow agent. Neither the sponsor nor any principal of the sponsor may be a signatory on the account. Funds must be placed in an interest bearing account, with all interest credited to the purchaser, unless either the purchaser defaults and the plan is consummated, or the sponsor elects to place the funds in a separate Interest On Lawyer's Account (IOLA) for each offering plan pursuant to Judiciary Law section 497. The plan shall indicate whether the interest rate to be earned will be the prevailing rate for such accounts. State the current prevailing rate and when interest will begin to accrue. No fees of any kind may be deducted from the account principal or any interest earned thereon. Sponsor shall bear any administrative cost for maintenance of the account.

(ii) Payments. All funds received from purchasers whether in the form of checks, drafts, money orders, wire transfers, or other instruments which identify the payor, shall be made payable to or endorsed by the purchaser to the order of the attorney or law firm as escrow agent.

(iii) The escrow agent. The escrow agent must be an attorney or firm of attorneys admitted to practice in the State of New York or an attorney admitted in a foreign jurisdiction who submits to the jurisdiction of the State of New York for any cause of action arising out of the escrow provisions set forth in the escrow agreement or a firm of such attorneys. The authorized signatories on the escrow account must be escrow agent shall be independent of the sponsor. Attorneys admitted or to practicing in the State of New York must comply with the Appellate Division rules for the preservation of client funds of the Judicial Department having jurisdiction over the attorney or admitted in a foreign jurisdiction who

submit to the jurisdiction of the State of New York for any cause of action arising out of the escrow provisions set forth in the escrow agreement. Neither the escrow agent nor any authorized signatory on the account may be the sponsor, the selling agent, the managing agent, or a principal thereof. However, ~~A~~ a law firm ~~which~~ that has a member who is a principal ~~of the sponsor, shall not~~ may be the escrow agent; ~~provided that but one or more~~ members of the firm ~~other than the principal may act as escrow agent~~ who are signatories on the account are not themselves principals. Only an attorney or a member of a firm acting as escrow agent shall be a signatory on the account and only such attorney shall be authorized to release funds. The name, address and telephone number of the escrow agent and of each attorney who is a signatory must be stated in the plan.

(iv) The account. All deposits, down payments, or advances made by purchasers prior to closing of each individual transaction, whether received before or after the date of consummation of the plan, must be placed within five business days after the escrow agreement is signed by all necessary parties in an attorney's segregated special escrow account in a bank doing business in the State of New York which account is covered by Federal bank deposit insurance. Sponsor shall include as a special risk that deposits in excess of \$100,000 will not be federally insured in excess of \$100,000. An attorney shall open and maintain such account in his or her own name, or in the name of a firm of attorneys of which he or she is a member, or in the name of the attorney or firm of attorneys by whom he or she is employed, separate from such attorney's personal accounts or from any accounts in which assets belonging to the firm are deposited, and separate from any accounts maintained in the capacity of executor, guardian, trustee or receiver. A master escrow account with a sub-account for each purchaser is acceptable. The name of the account, the bank, and the bank address must be stated in the plan. The word "escrow" must be included as part of the name of the account. Funds from this account may be released only by signature of the attorney(s) who is/are named as an authorized signatory or signatories. Neither the sponsor nor any principal of the sponsor may be an authorized signatory on the account. Funds must be placed in an interest-bearing account, with all interest credited to the purchaser, unless the sponsor elects to place the funds in a separate Interest-On-Lawyer's- Account ("IOLA") for each plan pursuant to Judiciary Law section 497. The plan shall indicate whether the interest rate to be earned will be the prevailing rate for such accounts. State the current prevailing rate and when interest will begin to accrue. No fees of any kind may be deducted from the account principal or any interest earned thereon. Sponsor shall bear any administrative cost for maintenance of the account. ~~Escrow agreement. The material terms of the escrow agreement shall be disclosed in the plan and a copy of the full agreement must be contained as an exhibit to the plan in Part II. Include, without limitation, any indemnity by the sponsor in favor of the escrow agent, provision for discharge of the escrow agent's obligations by the sponsor upon payment of the deposit and interest in accordance with these regulations, any right of the escrow agent to represent the sponsor in any lawsuit, any compensation by the sponsor to the depository bank, any provision for payments by the sponsor under an indemnity in favor of the escrow agent and whether the sponsor will compensate the escrow agent for acting as such. A model form for the escrow agreement is available from the Department of Law; if such form is not used the attorney's transmittal letter should so indicate. If a different form of escrow agreement is used, all material terms of the Department of Law's model must be included in the agreement, and the agreement should be red lined to indicate changes from or additions to the model form.~~

(v) Notification to purchaser. Within 10 business days after ~~tender of the deposit submitted with the purchase~~ escrow agreement is signed by all necessary parties, the escrow agent shall notify the purchaser that such funds have been deposited in the bank indicated in the ~~offering~~ plan, and shall provide the account number and the initial interest rate. If the purchaser does not receive notice of such deposit within 15 business days after tender of the deposit, he or she may cancel the purchase and rescind within 90 days after tender of the deposit, ~~or may apply to the Attorney General for relief.~~ Complaints concerning the failure to honor such cancellation requests may be referred to the New York State Department of Law, Real Estate Finance Bureau, 120 Broadway, 23rd Floor, New York, N.Y. 10271. Rescission may not be afforded where proof satisfactory to the Attorney General is submitted establishing that the escrowed funds were timely deposited in accordance with these regulations and requisite notice was timely mailed to the purchaser.

(vi) Escrow revisions. Before funds are transferred to a new escrow account, or if the escrow agent is replaced, the plan must be amended to provide the same full disclosure with respect to the new account, the escrow agent and the escrow agreement as was originally provided. A bond, letter of credit or other security may be substituted for the escrow account only after the Department of Law approves in writing the use of such alternate form of security, pursuant to the provi-

sions of paragraph (4) of this subdivision *et seq.*

(vii) Release of funds. The escrow agreement and the plan must set forth the requirements and procedures for the release of the escrowed funds. These shall include:

(a) Under no circumstances shall sponsor ~~apply for~~ release of the escrowed funds of a defaulting purchaser until after consummation of the plan. Consummation of the plan does not relieve the sponsor of its obligations pursuant to [General Business Law section 352-h](#).

(b) The escrow agent shall ~~hold~~ release the funds ~~in escrow until otherwise~~ if so directed in:

(1) pursuant to terms and conditions set forth in the escrow agreement upon closing of the individual transaction;

(2) in a subsequent writing signed by both sponsor and purchaser;

~~(2) a determination of the Attorney General pursuant to subparagraph (vii) of this paragraph;~~

(3) by a final, non-appealable order or judgment or order of a court of competent jurisdiction, or until released pursuant to clause (d) of this subparagraph; or

(4) by a final, non-reviewable determination of the Attorney General pursuant to subparagraph (viii) of this paragraph so long as the purchase agreement provides for dispute resolution by the Attorney General and was signed on or before March 1, 2013.

(c) If the escrowed funds are not released pursuant to subparagraph (b), above, and the escrow agent receives a request by either party to release the funds, the escrow agent must give both parties prior written notice of not fewer than 30 days before releasing said funds. If the escrow agent has not received notice of objection to the release of the funds at the expiration of the 30 day period, the funds shall be released and the escrow agent shall provide further written notice to both parties informing them of said release. If the escrow agent receives a written notice from either party objecting to the release of the escrowed funds within said 30 day period, the escrow agent shall continue to hold said funds until otherwise directed pursuant to subparagraph (b), above. However, the escrow agent shall also have the right at any time to deposit the funds contained in the escrow account with the clerk of a court in the county in which the interest offered pursuant to the plan is located and shall give written notice to both parties of such deposit.

(ed) The sponsor shall not object to the release of the escrowed funds to:

(1) a purchaser who timely rescinds in accordance with an offer of rescission contained in the plan or an amendment to the plan; or

(2) all purchasers after an amendment abandoning the plan is accepted for filing by the Department of Law.

(d) If there is no written agreement between the parties to release the escrowed funds, the escrow agent shall not pay the funds to the sponsor until the escrow agent has given the purchaser written notice of not fewer than 10 business days. Thereafter, the funds may be paid to the sponsor unless the purchaser has already made application to the Department of Law pursuant to the dispute resolution provisions contained in these regulations and has so notified the escrow agent in accordance with such provisions.

(viii) Disputes.

(a) In the event of a dispute arising in connection with a purchase agreement providing for dispute resolution by the Attorney General that was signed on or before March 1, 2013, the sponsor shall apply and the purchaser or the escrow agent holding the down payments in escrow may apply to the Attorney General for a determination on the disposition of the down payment

and any interest earned thereon. Forms for this purpose will be available from the Department of Law. A copy of such form shall be annexed as an exhibit in Part II of the plan. The party applying shall contemporaneously send to all other parties a copy of such application.

(b) Pending the determination of the Attorney General to grant or deny the application, the sponsor, the purchaser and the escrow agent shall abide by any interim directive issued by the Attorney General.

(c) If the application permitting release of funds is granted, the deposit and any interest earned thereon shall be disposed of in accordance with ~~the a final, non-reviewable~~ determination of the Attorney General, ~~subject to any court action in which preliminary relief is granted.~~

(d) The Attorney General shall act upon the application within 30 days after its submission to the Department of Law, by either making a determination or notifying the parties that an extension of time in which to do so is necessary for stated reasons.

(e) If the application seeking release of funds is denied, the escrow agent shall continue to hold the deposit and any interest earned thereon until:

(1) both the sponsor and purchaser direct payment to a specified party in accordance with a written direction signed by both the sponsor and purchaser;

(2) a ~~final, non-appealable order or judgment or order~~ of a court ~~of competent jurisdiction~~ is served on the escrow agent; or

(3) the escrow agent deposits the disputed amount into court.

~~(f) In no event shall the escrow agent release funds in dispute, other than a payment of such funds into court, until such dispute is finally resolved either by determination of the Attorney General, by order or judgment of a court of competent jurisdiction or by written agreement of the sponsor and the purchaser.~~

(ix) Exhibits to plan. Copies of the forms provided by the bank for opening the escrow account and the form of escrow agreement ~~as proposed, if separate from the purchase agreement,~~ must be included as Exhibit B-21 of the submission. ~~Upon first deposit, a copy of the escrow agreement as executed and a copy of the bank forms as executed must be submitted as supplements to Exhibit B-21 of the submission.~~

(x) Records on file. The escrow agent shall maintain all records concerning the escrow account for seven years after release of the funds. Upon the dissolution of any law firm which was the escrow agent, the former partners or members of the firm shall make appropriate arrangements for the maintenance of these records by one of them or by the successor firm and shall notify the Department of Law of such transfer.

(xi) Review and audit. The Department of Law may perform random reviews and audits of any records involving escrow accounts to determine compliance with statute and regulation.

(xii) Waiver void. Any provision of any contract or agreement, whether oral or in writing, by which a purchaser purports to waive or indemnify any obligation of the escrow agent holding trust funds is absolutely void. The provisions of this section of the regulations shall prevail over any conflicting or inconsistent provision in the offering plan or in a purchase agreement.

(xiii) Trust obligation of sponsor. Nothing contained herein shall diminish or impair the sponsor's statutory obligation to each purchaser pursuant to General Business Law section 352-h to hold in trust all deposits, advances or payments made in connection with the offer until consummation of the transaction with such purchaser. Consummation of the plan does not relieve sponsor of its obligations pursuant to General Business Law section 352-h. Funds from the escrow account

remain the property of the purchaser until employed in connection with the consummation of the transaction. Such funds shall not be a part of the estate of the sponsor or the escrow agent upon any bankruptcy, incapacity or death.

(3) Alternatives to escrow account. A sponsor may apply to the Attorney General to use security in the form of surety bonds or a letter of credit in lieu of escrow of such funds for use in newly constructed or gut rehabilitated developments upon showing of adequate insurance of such funds to the satisfaction of the Attorney General.

(i) Application for alternate security. Sponsor must submit an affidavit which contains full information as to the proposed usage of such funds, the sponsor's financing of construction or rehabilitation work, expected completion date, the terms and conditions of the proposed surety bonds or letter of credit, and required undertakings and covenants.

(ii) Documentation. The proposed form of surety bond or letter of credit, any underlying agreement or related agreement, and any undertaking or covenant required hereunder, shall be appended to the application and also filed as exhibits to the plan in Exhibits Part B section 22.2(c)(6)(ii)(v) (B-22) of this Part or as exhibits to an amendment to the plan.

(iii) Change from escrow account. Where surety bonds are or a letter of credit is to be provided under an amendment to the plan calling for release of funds already deposited in escrow, the amendment shall provide for, and annex a form for, the written consent of each affected purchaser and shall provide for continuation of escrow of funds of any purchaser who does not execute and deliver such written consent to the sponsor.

(iv) Disclosure. If an application for alternate security is approved, the terms of such alternate security shall be disclosed in the plan or in an amendment to the plan promptly submitted.

(4) Surety bonds. A sponsor whose application to use alternate security is approved by the Attorney General, may meet its obligation to insure the availability of such funds to purchasers by a licensed insurance company which agrees to act as surety for the amount of such down payments or deposits.

(i) Deposits into escrow account. All down payments and deposits, received after the Attorney General's approval of the use of surety bonds as alternate security, shall be placed, within five business days after the ~~purchase-escrow~~ agreement is signed by all necessary parties, in an attorney's segregated special escrow account, established pursuant to and in compliance with paragraph (2) of this subdivision. Such funds shall be released by the escrow agent to the sponsor upon receipt by the escrow agent of a copy of the surety bond issued to the purchaser whose funds are being released.

(ii) Payments. All funds received from purchasers, whether in the form of checks, drafts, money orders, wire transfers, or other instruments which identify the payor, shall be made payable to or endorsed by the purchaser to the order of the attorney or law firm as escrow agent.

(iii) Requirements to act as surety. The surety company must be licensed to write insurance in the State of New York by the New York State Department of Insurance, whether or not the property which is the subject of the plan is located in the State of New York unless the law of the state where the property is located requires otherwise. If the property is located outside New York State and the sponsor claims that the law of such state conflicts and is controlling, the sponsor's application must specify the conflicting law. In order for the application for alternate security to be approved by the Attorney General, the applicant must show that the surety company with which the sponsor proposes to contract has a current rating for debt securities no lower than the third highest grade conferred by at least two of the national reporting services regularly evaluating insurance companies.

(iv) Agreement between sponsor and surety. The plan must fully disclose the material terms of the agreement between the insurance company as surety and the sponsor, including the premium to be paid by the sponsor, any agreement by which sponsor provides collateral to secure its obligations to the surety and any agreement by the sponsor indemnifying the surety. The agreement must provide that the surety will abide by directives in conformity with these regulations.

(v) Provisions of the bond. The surety bond must specify the name and address of the sponsor as principal; the name and

address of the surety company to which claims for payment may be made; provision for the name and address of the purchaser as obligee on the bond; provision for the amount of the down payment or deposit secured and the rate of interest, if any, to accrue on such funds; the term of the bond, and, if the bond is for a finite period, a guarantee by the surety that it will pay the amount secured to the purchaser-obligee prior to expiration of the bond or a guarantee by the sponsor that the bond will be renewed before expiration.

(vi) Term and continuation. Each surety bond and any accompanying agreement shall provide that it will continue in effect or that it will be renewed periodically until consummation and closing of the sale of the respective unit the down payment for which is secured by such surety bond or until the secured funds of a purchaser have been returned in full, or until the funds secured by the surety bond have been placed in the escrow account pursuant to paragraph (6) of this subdivision or until there is an undisputed purchaser default or a final, non-reviewable determination by the Attorney General or final, non-appealable order or judgment of a court of ~~competent jurisdiction~~ that the purchaser has defaulted and that the sponsor is entitled to the secured funds.

(vii) Delivery of the surety bond. The sponsor shall cause the surety to mail or personally deliver the surety bond to the purchaser-obligee before the funds are released to the sponsor from the escrow account. The sponsor, the escrow agent and the surety company shall each retain a copy of the surety bond.

(viii) Invoking the bond. The purchaser-obligee shall have the right to demand payment of the amount secured by the surety bond directly from the surety, without first requesting payment from the sponsor. The surety shall be obligated to pay the amount secured by the bond to the purchaser-obligee without the consent or despite the objection of the sponsor, upon the following events or circumstances:

(a) timely rescission of a purchase agreement by a purchaser pursuant to an offer of rescission contained in the plan or an amendment to the plan;

(b) acceptance for filing by the Department of Law of an amendment abandoning the plan;

(c) pursuant to terms and conditions set forth in the escrow agreement upon closing of the individual transaction;

(d) in a subsequent writing signed by both sponsor and purchaser;

(e) by a final, non-appealable order or judgment of a court;

(f) for purchase agreements providing for dispute resolution by the Attorney General that were signed on or before March 1, 2013, by final, non-reviewable

~~(e)~~ determination by the Attorney General pursuant to subparagraph (x) of this paragraph that rescission or the return of funds is required;

~~(d)~~ failure by the sponsor to obtain a commitment by the surety company to renew the surety bond 60 days prior to its expiration; or

~~(e)~~ direction by the sponsor upon request by the purchaser.

(ix) Failure by purchaser-obligee to produce a copy of the bond. A purchaser's inability to produce a copy of the surety bond shall not be a basis for the surety to reject the purchaser's claim. The surety shall retain a copy of the bond and shall pay the secured funds to the purchaser-obligee without a copy of the bond as long as the purchaser is able to provide proof of identity as the obligee on the bond.

(x) Disputes.

(a) In the event of a dispute arising in connection with a purchase agreement providing for dispute resolution by the Attorney General that was signed on or before March 1, 2013, the sponsor shall apply and the purchaser or the surety issuing the bond may apply to the Attorney General for a determination on the disposition of the down payment secured by the bond and any interest earned thereon. Forms for this purpose will be available from the Department of Law. The party applying shall contemporaneously send to all other parties a copy of such application.

(b) Pending the determination of the Attorney General to grant or deny the application, the sponsor, the purchaser and the surety shall abide by any interim directive issued by the Attorney General.

(c) If the Attorney General determines:

(1) that the purchaser is entitled to the disputed funds secured by the surety bond, the Attorney General shall direct that the surety shall pay the funds to the purchaser ~~in accordance with the determination of the Attorney General~~;

(2) that the purchaser is not entitled to the disputed funds secured by the surety bond, the Attorney General shall direct such determination may provide either that the surety bond shall be continued in effect or that the surety bond ~~may shall~~ be cancelled.

(d) The Attorney General shall act upon the application within 30 days after its submission to the Department of Law, by either making a determination or notifying the parties that an extension of time in which to do so is necessary for stated reasons.

(e) In no event shall the funds secured by the bond be paid to the purchaser nor shall the surety bond be discharged until any dispute is finally resolved either by written agreement of the parties directing payment of the funds or discharge of the surety bond, or, for purchase agreements providing for dispute resolution by the Attorney General that were signed on or before March 1, 2013, by a final, non-reviewable determination of the Attorney General or by final, non-appealable order or judgment of a court ~~of competent jurisdiction~~.

(5) Letters of credit. A sponsor whose application to use alternate security is approved by the Attorney General, may meet its obligation to insure the availability of such funds to purchasers by effectuating the issuance of a letter of credit for the benefit of the purchasers by an issuer qualifying hereunder.

(i) Amount. The amount of the letter of credit shall be at least 125 percent of the aggregate of all down payments or payments expected to be received from purchasers, and not retained in escrow, during such period of time as the letter of credit will be needed, as estimated by the sponsor in the application to the Department of Law. The amount of the letter of credit may be reduced or increased as warranted by circumstances and pursuant to a filed amendment to the ~~offering~~ plan.

(ii) Irrevocability. The letter of credit must be irrevocable during the stated term and any renewal term.

(iii) Beneficiary. The beneficiary must be an attorney, or firm of attorneys, acting as or qualified under subparagraph (2)(iii) of this subdivision to act as escrow agent under the plan, who shall act as a fiduciary for the benefit of purchasers under the plan.

(iv) Authority to draw. The letter of credit must provide that the beneficiary shall have sole power to draw upon the letter of credit without the consent or despite the objection of the sponsor or of any provider of underlying credit, at such times or upon such events as are set forth in subparagraph (ix) of this paragraph.

(v) Issuer. The issuer must be a bank authorized to act as a commercial bank or savings institution under supervision of the New York State Banking Department or a federally supervised banking institution located in the State of New York, unless the property is located in another state and the letter of credit is issued by a bank located within such state. In or-

der for the application for alternate security to be approved by the Attorney General the applicant must show that the issuer bank has surplus funds and net worth of at least 10 times the amount of the letter of credit, and must have a current rating with respect to its debt securities that is within "investment grade" by one of the generally accepted national reporting services regularly rating the debt securities of banking institutions and that the provisions of the letter of credit include the right of the beneficiary to draw down the letter of credit in conformity with these regulations.

(vi) Term and continuation. The letter of credit and related agreement and any accompanying undertaking shall provide that it will continue in effect or that it shall be periodically renewed until consummation and closings of sales of all units referred to in the application for alternate security pursuant to paragraph (3)(i) of this subdivision or until the covered funds of purchasers have been returned to them in full.

(vii) Undertaking. If the letter of credit will expire prior to the latest date of closings of sales of all such units, provision for renewal of the letter of credit without loss of irrevocability and without any change of terms shall be afforded by:

(a) an "evergreen" or automatic renewal clause, if obtainable; and

(b) the irrevocable undertaking and covenant of the sponsor and by any other provider of underlying credit to provide successive renewals thereof until consummation and closings of sales of all units or until the covered funds of purchasers have been returned in full.

(vii) Operative provisions. Upon approval of a sponsor's application for use of a letter of credit as alternate security:

(a) Deposits into escrow account. All down payments and deposits received shall be placed, within five business days after the purchase-escrow agreement is signed by all necessary parties, in an attorney's segregated special escrow account established pursuant to and in compliance with paragraph (2) of this subdivision. The escrow agent shall release such funds to the sponsor provided that the escrow agent has documentation showing that the letter of credit or a renewal or replacement letter of credit has been issued and is in effect. Such escrow agent shall no longer release funds from escrow if the escrow agent receives notice or information warranting draw down of the letter of credit under subparagraph (ix) of this paragraph.

(b) Payments. All funds received from purchasers whether in the form of checks, drafts, money orders, wire transfers or other instruments which identify the payor, shall be made payable to or endorsed by the purchaser to the order of the attorney or law firm as escrow agent.

(ix) Right to draw upon letter of credit. The escrow agent as the beneficiary of the letter of credit, acting as fiduciary for the benefit of purchasers under the plan whose funds were released from escrow by reason of the grant of sponsor's application, shall have the duty and the right to draw upon and collect the proceeds of the letter of credit, 10 business days after notice to the sponsor and sponsor's failure or refusal to restore such funds to the escrow agent, without the consent or despite the objection of the sponsor or the provider of the credit, upon the following events or circumstances:

(a) timely rescission of a purchase agreement by a purchaser pursuant to an offer of rescission contained in the plan or an amendment to the plan;

(b) acceptance for filing by the Department of Law of an amendment abandoning the plan;

(c) pursuant to terms and conditions set forth in the escrow agreement upon closing of the individual transaction;

(d) in a subsequent writing signed by both sponsor and purchaser;

(e) by a final, non-appealable order or judgment of a court;

~~(f) for purchase agreements providing for dispute resolution by the Attorney General that were signed on or before March 1, 2013, by final, non-reviewable~~ determinations by the Attorney General pursuant to subparagraph (x) of this paragraph that rescission or the return of funds is required;

~~(dg)~~ failure by the sponsor to obtain a renewal or replacement letter of credit no later than 60 days prior to the expiration of the existing letter of credit;

~~(eh)~~ direction by the sponsor upon request of the purchaser; or

~~(fi)~~ notice if impending cancellation of the letter of credit has been given or received, or the issuer has filed a bankruptcy or insolvency petition or has been taken over by a federal or state authority, and no proper replacement of the letter of credit has been furnished although continuation of the same in effect is required under paragraph (3) or subparagraph (5)(vi) of this subdivision.

(x) Disputes.

(a) In the event of a dispute arising in connection with a purchase agreement providing for dispute resolution by the Attorney General that was signed on or before March 1, 2013, the sponsor shall apply, and the purchaser, the escrow agent or the bank issuing the letter of credit may apply to the Attorney General for a determination on the disposition of funds secured by the letter of credit, the deposit and any interest earned thereon. Forms for this purpose shall be available from the Department of Law. The party making such application shall contemporaneously send to the other three parties a copy of such application.

(b) Pending the determination of the Attorney General to grant or deny the application, the sponsor, the purchaser, the escrow agent and the bank shall abide by any interim directive issued by the Attorney General.

(c) If the Attorney General determines:

(1) that the purchaser is entitled to the disputed funds secured by the letter of credit, the Attorney General shall direct that the issuer of the letter of credit pay the funds to the purchaser;

(2) that the purchaser is not entitled to the disputed funds secured by the letter of credit, the Attorney General shall direct that the letter of credit shall be continued in effect or that the letter of credit shall be cancelled.

~~application permitting release of funds is granted, such funds secured by the letter of credit, and any interest earned thereon shall be disposed of in accordance with the determination of the Attorney General, subject to any court action in which preliminary relief is granted.~~

(d) The Attorney General shall act upon the application within 30 days after its submission to the Department of Law, by either making a determination or notifying the parties that an extension of time in which to do so is necessary for stated reasons.

(e) In no event shall the disputed funds secured by the letter of credit be paid to the purchaser nor shall the letter of credit be terminated until any dispute is finally resolved either by written agreement of the parties directing payment of the funds, or by a final, non-appealable order or judgment of a court, or, for purchase agreements providing for dispute resolution by the Attorney General that were signed on or before March 1, 2013, a final, non-reviewable determination of the Attorney General ~~or by order or judgment of a court of competent jurisdiction.~~

(6) Change to escrow account. Where alternate security as provided under a filed offering plan is no longer needed by the sponsor, or new or additional alternate security cannot be obtained by a sponsor or its successor, sponsor shall submit an amendment for filing which provides that any future purchase deposits or down payments shall be held in the escrow account in accordance with paragraph (2) of this subdivision. Such amendment shall not affect the sponsor's obligation to account for

funds previously released to the sponsor unless the funds representing all such deposits or down payments are restored to the escrow account.

(7) If the plan provides for the construction of residential homes, the purchase agreement and the plan must comply with and explain [section 71-a\(3\) of the Lien Law](#) and any other applicable provisions of law.

(8) Highlight as a special risk any provision allowing sums in excess of 10 percent of the purchase price to be retained as liquidated damages, other than the actual cost incurred for any special work ordered by the purchaser. Disclose under what circumstances sponsor may retain additional moneys paid for special work ordered by the purchaser. Highlight as a special risk if sponsor may seek specific performance of the purchase agreement.

(9) Any “time is of the essence” provision concerning purchasers' obligations must be explained in easily understandable terms and must be highlighted as a special risk.

(10) State when sponsor expects the first closing of a home or lot to occur which should correspond to the first year of operation projected in Schedule A. State that if a date set for closing is delayed by the sponsor 12 months or more, purchaser will be offered rescission.

(11) Sponsor must make a written demand for payment after default at least 30 days before forfeiture of the deposit may be declared.

(12) The plan shall state that at sponsor's option purchasers who have received the plan and all filed amendments will be afforded:

(i) not fewer than seven days after delivering an executed purchase agreement together with the required deposit to rescind the purchase agreement and have the full deposit refunded promptly. The purchaser must either personally deliver a written notice of rescission to the sponsor or selling agent within the seven day period or mail the notice of rescission to the sponsor or selling agent and have the mailing post marked within the seven day period; or

(ii) not fewer than three business days to review the offering plan and all filed amendments prior to executing a purchase agreement.

(13) Disclose whether the risk of loss from fire or other casualty remains with the sponsor unless and until a purchaser takes actual possession of a home pursuant to an interim lease (or written agreement with the sponsor) or legal title to the home has been conveyed to the purchaser. Highlight as a special risk if the risk of loss passes to the purchaser before closing, and explain the need for insurance.

(14) A complete copy of the contract of sale must be included in the plan.

(15) Highlight as a special risk if the purchaser's obligation to purchase is not contingent on obtaining financing. If purchaser's obligation is contingent upon obtaining a commitment for financing or actually obtaining financing, explain the terms of the contingency. State the time within which the purchaser must notify sponsor of any inability to obtain financing or a commitment and the risk, if any, that the commitment may expire or that the terms of the commitment may expire or that the terms of the commitment may change prior to actual closing. If a purchaser's obligations are contingent on obtaining a financing commitment and the financing commitment lapses or expires prior to closing, and the purchaser has made a good faith effort to extend the commitment, sponsor must grant to such purchaser a right of rescission and a reasonable period of time to exercise the right.

(16) The plan and contract of sale must provide that any conflict between the plan and the contract of sale will be resolved according to the terms of the plan.

(17) State that within a specified number of days after a purchaser delivers an executed contract of sale together with the re-

quired deposit, the sponsor must either accept the contract and return a fully executed counterpart to the purchaser or reject the contract and refund the full deposit previously tendered. Discuss the outcome for the purchaser if the sponsor takes no action within the time period specified in the plan.

(18) The purchase agreement and plan may not contain, or be modified to contain, a provision waiving purchaser's rights or abrogating sponsor's obligations under article 23-A of the General Business Law.

(19) State whether sponsor will permit the assignment or transfer of purchase agreements.