

To Our Clients:

December 2, 1974

PROPOSED GUIDELINES FOR NEW YORK PRIVATE
PLACEMENT REAL ESTATE SYNDICATIONS

On November 12, 1974 the New York Attorney General issued for comment proposed guidelines for private placement real estate syndications in New York. Essentially the guidelines coordinate SEC Rule 146 with Sections 352-e and 352-g of the New York General Business Law so that if a real estate offering is exempt from the registration requirements of the federal securities laws as a private placement, it will also be exempt from the registration requirements of the New York Law.

To obtain exemption in New York for a Rule 146 real estate offering the issuer must submit an application to the Attorney General. In addition, as a practical matter, in order to comply with Rule 146 most offerings will require an offering memorandum containing the same type of information required for registration under the Securities Act of 1933. Set forth below are the principal responses required in the application under the proposed guidelines.

A. Information:

1. Background information relating to principals of the issuer and other entities in which they are or have been principals (e.g., officers, directors, trustees or general partners) through the filing on behalf of each such principal of a Form RI-1 and information respecting any criminal, bankruptcy, trade or practice proceeding in which any principal is or has been involved.

2. A statement that the application is made on the basis that the offering is exempt from the registration requirements of the federal securities laws through compliance with Rule 146; the issuer is familiar with Rule 146 and the issuer will use its best efforts to conduct the offering in accordance with Rule 146. Apparently the New York exemption will now be available only for Rule 146 private placements. Rule 146 is not exclusive and it is possible to have an exempt private placement under the federal securities laws that does not comply with Rule 146. It appears that the new exemption will be limited however to only Rule 146 exempt transactions. See B.1 below for the procedure to be followed if an offering originally designed to be within Rule 146 subsequently falls outside Rule 146.

3. The name and address of the attorney consulted regarding the application and the availability of Rule 146 for the offering, and of the attorney to be consulted during the offering and closing regarding the offering and Rule 146.

4. Information concerning the dollar amount of the offering, the number of units to be offered and the minimum dollar amount of participation offered to any one person and a detailed breakdown of the proposed use of the proceeds of the offering.

5. A statement by each principal listing all real estate syndications in which he has been or is engaged and setting forth which of those syndications have New York residents as investors.

6. A statement that no previous application, other than as specified, has been made by the applicant or any of its affiliates regarding the property involved in the application.

B. Undertakings:

1. If Rule 146 subsequently becomes unavailable for the offering, all offers and sales will immediately cease, all monies collected prior to the cessation of the offering will be retained in trust for the benefit of investors, an amendment to the application setting forth the details of

the facts regarding the unavailability of Rule 146 will be submitted to the Attorney General for new approval as an exempt transaction in New York and in the absence of such approval all monies collected will be returned to investors.

2. To transmit to each of the then owners of securities of the issuer who are residents of the State of New York a quarterly statement known as a "source of distribution statement" with respect to distributions paid by the issuer from any source during such quarterly period on Form SD-1.

3. That the proceeds of the offering will be held in trust in a named bank for the benefit of the investors to be used only for the specific purposes of the offering.

4. To provide certified financial statements on an annual basis to all investors (there is a proviso that if records are kept on a cash basis and the accountant can opine that the financial statements fairly present the financial position, the changes therein and the results of operations on a cash basis consistently applied, then the financial statements can be on a cash basis).

5. To keep books and records at its principal place of business and make them available to the investors at reasonable times upon reasonable notice.

6. To obtain from each purchaser within or from the State of New York a signed statement (containing the exact language specified in the proposed guidelines) before any money is received from him to the effect that (i) he understands that the offering has not been reviewed by the Attorney General on the basis of the representation of the issuer that it is a Rule 146 offering and if all of the conditions and limitations of Rule 146 are not complied with, the offering will be resubmitted to the Attorney General for exemption, (ii) he knows that the offering literature has not been prefiled with or reviewed by the Attorney General, (iii) the usual investment representation, (iv) he has adequate means for providing for his current needs and possible personal contingencies and

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that he has no need for liquidity of this investment (sic), and (v) all documents, records and books pertaining to the investment have been made available to him and his representatives and that the books and records of the issuer will be available in the future for inspection by investors upon reasonable notice and at reasonable times. The undertaking with respect to the furnishing of financial statements must also be included in this statement if it is not contained in an offering memorandum.

7. The offering memorandum or prospectus used in connection with the offering will contain (a) on its cover page, (with exact language specified) a legend to the effect that the memorandum has not been filed with or reviewed by the Attorney General and that he has not passed on or endorsed the merits of the offering and any representation to the contrary is a criminal offense; (b) the trust fund undertaking with respect to the use of proceeds and (c) a representation that the memorandum contains a fair summary of the material terms of documents referred to therein and does not omit any material fact or contain any misstatement of a material fact.

8. To file copies of any offering literature and amendments with the Attorney General within 10 days after such material is used to offer the securities within or from New York State.

9. To furnish within 10 days from the closing of the offering an opinion of counsel that the offering is exempt under Section 4(2) of the 1933 Act, such opinion to contain the facts upon which it is based.

10. To file the principal documents of the issuer and the names and addresses of participants in the offering and the extent of their participation with the Attorney General upon completion of the offering.

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