

5000 BOARDWALK CONDOMINIUM ASSOCIATION
OWNERS MEETING
November 16th, 2014
MINUTES

THOSE PRESENT:

Ron Cook	President
Susan Green	Director
Ben Coren	Director

VIA TELEPHONE:

Stanley Merves	Treasurer
David Gold	Vice President
Philip B. Papier Jr.	Secretary

THOSE ABSENT:

Miriam Holzman	Director
Sandy Montano	General Manager

President Ron Cook called the meeting to order at 11:18 A.M.

President Ron Cook started the meeting asking for approval of the minutes from August 31st and October 11th, Director Susan Green made a motion to accept the minutes. Director Ben Coren seconds the motion. All in favor, motion carried unanimously.

Treasurer Stanley Merves gave a brief financial statement. The Financial Committee met on November 15th, we worked with Sandy's figures for 2015 which came to a deficit of \$205,600. The past year, 2014, was projected with the same numbers that Sandy used and came to a deficit of \$213,800. The capital budget shows \$171,300, although some the numbers have yet to be approved. There was a total shortfall of \$590,700. The Financial Committee recommended instead of 12 months common area maintenance, we should pay 14 months common area maintenance. We will pay an extra month on January 31st and an extra month on July 31st, which will bring us to \$524,000 and leaves us about \$66,000 short which we would then get out of the reserve. The Finance Committee also recommended that the fee for the parking lot privilege should be raised because we have a waiting list of people who want to park outside, however this was not included in the numbers. The board has heard these numbers and the problem being is we cannot change these numbers. Sandy can tell you with more details about the shortage. In order to have enough money to operate, I hereby move that we increase payments by the owners in 2015 to 14 payments, in two increments one due at the end of January and one due at the end of July, but the payments remaining the same amount due at the end of each month. President Ron Cook asked Treasurer Stanley Merves if this was going to be considered as a special assessment or a maintenance increase because I believe that we voted for a special assessment for a cost basis issue that we can carry forward. Treasurer Stanley Merves replied that one of these should be an assessment and one should be an increase for the cost basis because in the regular payments, we are paying towards the mortgage which is a capital, so about half and half, one payment for an assessment and one payment for an operating expense.

President Ron Cook made a motion for one month's increase in the maintenance and one month assessment. Director Susan Green seconds the motion. All in favor, carried unanimously.

Todd Miller wanted to discuss the motion that was being made about the assessment. This was proposed to us because of additional revenue needed for operating expenses. There was no explanation of the operating expenses being onetime expenses, or related to Hurricane Sandy or of that nature. If these are just the regular increase in operating expenses than we should not be dealing with these as assessments, we should be dealing with them in our fees because otherwise there will be assessment after assessment every year. If something happened in 2014 that we needed to make up, a onetime thing, or if you are anticipating a onetime expense in 2015 then it makes sense to do these as assessments. I can tell you one thing that if there are assessments every year that will lower the values of our units because people cannot plan to buy or sell their unit they ask have there been any assessments. The question I have is are these onetime expenses or are these just the regular necessary expenses in order to operate this condominium in which case I don't think anyone wants to pay more money.

President Ron Cook gave an overall general view of the budget. We had cost overruns from energy of over \$100,000, we had construction overruns, and we had a bookkeeping error which goes back to the previous manager where they didn't bring forward an increase in insurance fees. It was these errors that were made for 2014 and they are the same errors being carried over for 2015 that was about \$100,000 each. When we started to add up all the numbers we came to the \$500,000 figure. Vice President David Gold said that they also did not include the increase in the cable service, which goes up every year under the contract. President Ron Cook stated that there were several increases that we were trying to point out in energy cost, among other onetime fixed charges that would be done with assessments. Treasurer Stanley Merves said that the numbers are what they are, but the total still comes to \$590,000. The extra two months will bring up a total to \$524,000, leaving us \$66,000 short which we can get out of the reserve. These number are not exact, hopefully we will do a little better with our costs in the winter time. Todd Miller asked how much of the \$425,000 of projected overages are onetime fees and how much will be reoccurring expenses. I think our Condominium fees should be adjusted to reflect our belief of reoccurring expenses if there is a onetime fee then that's acceptable. President Ron Cook stated that the only reoccurring fee is going to be the increase in insurance premiums. The other fees are unpredictable like energy cost and construction. The Comcast is a fixed expense, so you are going to have a maintenance increase as well as an assessment. Treasurer Stanly Merves said whatever we call it is all money. I am not worried about what we are calling it, as long as we have money when our bills come due. The point about there being a lot of maintenance increases is incorrect. If you look at our maintenance increases they are rather conservative though out the years. Todd Miller replied that he did not say that we have had a lot of maintenance increases. I said when you have a history of ongoing assessments that lowers the value of everyone's unit. President Ron Cook said to Todd Miller that his points are valid for discussion and he would like to go further with the meeting. Mrs. Karsh spoke to the Board mentioning that they were missing the point of the gentleman. If there are increases in fees and utilities that are not going down these are ongoing perpetuities and they need to be added to the monthly maintenance fee. President Ron Cook reiterated that we are adding one month's maintenance increase to the next budget. We are taking one month's maintenance increase, you are being assessed your one month maintenance fee. You will get a statement. Director Susan Green tried to explain the maintenance increase a little better. Right now because we have listed this year's maintenance fee we are going to have one month of a maintenance increase, so

realistically you are going to pay 13 months of your fee. The other is going to be a special assessment, which will be one month's maintenance. It will be the same number, but it will be titled something different. It still will be the same number. The Regency has had 13 or 14 months maintenance fee for a few years now. Unfortunately the raise came from expenses not being attributed properly from the previous year's come up and has to be attributed each year. General Manager Sandy Montano can explain this topic a little better. General Manager Sandy Montano addressed Todd Miller's concern first. The expenses that are operational overruns are primarily operational. We are predicting that we may have the same expenses next year and we are correcting errors that come from 2013 when the budget for 2014 was made. There were some errors in there, shortfalls, not only into 2014 but into 2015 so we are carrying the correct numbers now. There are some capital expense projects that I am hoping will lower some of the major numbers, like the energy consumption number, the gas, and electric primarily and some water so one of the winter projects that we want to do is to tighten up the building. We hope that will result in some lower numbers in operation in 2015. We are planning for the worst and hoping for the best. We don't know what kind of winter we are going to have this year. Hopefully next year we will be under budget and that will be great, but for this year and the planning for next, we are keeping basically the same predictions. They are operational and there are some errors we had to account for, but the majority of it was overruns that were not predicted which was the \$100,000 from the electric, gas and the Comcast bill.

Sam Karsh questioned the procedure that was involved in this meeting. We live in a condominium in Philadelphia. Earlier in the week we went through the budget process. In order to review the budget we had material in hand with description of last year's expenses, projected expenses, and the projected increase in the condominium fee. I feel as though I'm walking into a blind room here. We have nothing in hand. There are people who are in this room that know how to read and analyze financial statements and it would seem to me it would be helpful that a week before this kind of meeting or when the budget is at issue, it would be made available for those people who want to review the budget, so we don't walk into this Star Chamber kind of proceeding, where they are throwing stuff at us and we have to absorb it all at one time. Obviously the Board has full authority to approve the budget, the owners do not, but input from the owners would be very helpful in bringing the appropriate questions to this meeting. President Ron Cook was asking if there were volunteers willing to be on the Finance Committee. Treasurer Stanley Merves has asked several times for members. President Ron Cook asked if any one that wants to get involved with the Finance Committee should step forward. They meet once a year usually before a meeting like this. Twice a year when we go through the budget and all you need to do is let Stanley Merves know you are interested in joining the Committee. Sam Karsh was not suggesting the Committee, but disseminating the results of the Committee to the owners who want to review it before the meeting. President Ron Cook apologized for not disseminating the material, but he did offer the results for anyone who wanted to see them after the meeting he would have them out. President Ron Cook asked for a vote on the cash flow of the building is received in one month's maintenance increase and one month's special assessment. All in favor, motion carried unanimously.

The next item on the agenda was an update from Director Ben Coren about the restaurant. The restaurant will have a new floor put in. There was a question that came up was if there was an assessment for the restaurant. President Ron Cook replied that the people coming in are well known and will do a great job without the assessment and will only require an assessment if they need the money. A person asked if the Board could give the name of the

people coming into the restaurant. President Ron Cook said it would be unwise to reveal the name of the company just yet.

President Ron Cook states that next on the agenda is physical plant. General Manager Sandy Montano will be discussing the physical plant. We will be changing the ceiling tiles in the card room to match the ceiling tiles in the rest of the building and to reduce the noise from the movie and the opera nights. Director Susan Green makes a motion to replace the ceiling in the card room not to exceed \$9,200. Director Ben Coren seconds the motion. All in favor, motion carried unanimously. The swing for the balcony project on Oakland Ave will be starting on Monday. They will not be allowed to work before 9 A.M. and we ask you to let the office know if you see or hear the workers prior to this time. The window replacement project, which is an elective project by the owners, has a cut-off end of day, Monday and there were still a few people who need windows but weren't sure if they were going to move ahead with the project. We would strongly encourage you to do so for energy conservation, for water intrusion and other various reasons. It is a very good thing to replace the windows if you still have the original ones from the building. We will be going around the building patching holes in order to reduce gas and electric bills. We have had a visit from the Fire Marshall. They went into a few units and realized that some of them did not have fire blasters, which are for life safety and should be in the units already. If you do not have one please let the office know.

Todd Miller said Sandy, going back to the drafts; I can tell you as an architect that they also represent significant fire and life safety hazards. I would like to suggest that the Board work with an architect or an engineer to not only identify and plug them; but to plug them with the correct materials or special materials that need to be used for these things. General Manager Sandy Montano replied, Yes we are working with an engineer and yes, I am familiar with the materials and we are using the correct materials to fire stop the piping between the floors and we will be using proper materials to do either the block work that is required or the in-house work.. We don't want to stop just one problem, but while we are up there, we will conquer both. That was a good point, thank you.

President Ron Cook "next topic on the agenda is really for the Master Deed and the first thing is to really approve the resolution which is a Board of Directors function and then we can go into the details of the Master Deed. But we have to have a Resolution that would approve us going forward to make a procedure to get a modification to the Master Deed for the 75% vote of the owners. So if someone could make a motion on that one...Director Susan Green "making a motion to pass a Resolution to modify the Master Deed. President Ron Cook "We will discuss the Master Deed in just a second". This has been going around upstairs. We had a little meeting so it's passed by a majority of the voters. Secretary Philip Papier had an objection. Phil, do you want to go ahead and vote on your position. Via phone, Secretary Philip Papier "I am going to vote no. Can I explain why I am voting no? President Ron Cook "At this point, no, we have taken the vote. It's a majority vote and it will be carried that way. I will get into the Master Deed situation now. If I could get your attention, please. There has been a lot of time put into this issue. If you recall two months ago it got to be very boisterous if not rowdy in objection to the Master Deed modifications. The Master Deed allows for rental units with a minimum of three months and it doesn't reflect anything else in the documents about any other procedures as far as annual extensive time, etc. So to create any rental policies, the Master Deed must be amended with a 75% vote of all the shares. Not 75% of the shares that come in, but 75% of the total number of shares existing. The rate of rental units has accelerated rapidly over the last few years. If we do not have the subject addressed now, we may not be able to achieve the 75% vote

of owners in the future and the building's rental policy will be controlled actually by a minority amount of owners. To give you an idea of the number of changes...in 2010, we had 8 annual renters and in 2014, the number jumped to 27 and it is going up rapidly. We had, in addition to that, with the summer/seasonal rentals with the 27 annual comes to a grand total of 46 units last year in the building of rental units. Question: "What is the gross number of units in the building"? We have about 324. It comes to roughly 10%. The issues really are: we are trying to maintain the unit value...that is first and foremost. Secondly, we have been told by the insurance companies that handle us that if the rental units get to be over a certain number; our insurance rates will be increased by 40 to \$50,000 per year. In addition to that, the banks will then look at the building, if the rentals get too high, as being a speculative type thing being much too risky as an investment and that would affect the owner who wants to sell his place perhaps having trouble getting a bank to give financing for the potential buyer. We have increased operating expenses through heat, electricity, water and maintenance. You also have a transient population and this will eventually change the quality of life you have in the building. We have had independent counsel advise us on this process. We are not the only condo along the beach taking this action. Several condos have done the same process. In fact, Greenhill in Philadelphia and the Berkley's just down the street from us have already passed policies very similar to what we are going to present. We are trying to accommodate everybody in the building and we are not looking to single out any one person. First thing we are going to recommend is that all of the rental units that in process right now are "grandfathered" in whether they are annual or whether they are seasonal. It's really to discourage speculators from coming into the building and trying to operate that way. The second thing is that anyone buying a new unit will not be allowed to rent the unit for a period of two years. So that will kind of cut some things off that way. If you get a unit through an inheritance or basically through a chain of transfer that way, those owners would not be subject to the two year rental wait period. Vice President David Gold via speakerphone: "As long as they are linear descendants" and President Ron Cook reiterated that. Secretary Philip Papier then asked about spousal. President Ron Cook continued...This will all be included in the document. We are going to put a cap which is what has been done in these other buildings of 30 units of annual rentals and 30 units of seasonal so there will be a total of 60 maximum. If you then are still interested in looking to rent, there will be a wait list. In that way, this will develop a policy of how you will be on that list and how you will be off the list. But those are the main items we are going about in trying to make a change to the Master Deed. In doing it this way I think we covered everybody's requirements. We are not cheating anybody out of a tenant. They will be grandfathered in. If the tenant leaves, you will fall into the policies of the other things as long as you work within the limits of the cap. That is the proposal. We need to get 75% vote of all the owners so we need everyone to vote and the Board will comply with however the vote comes out. We will be getting correspondence out probably within a week with all the details being written up in it. We will ask you for a response quickly. We are looking for a response date of December 31st as far as getting information to us and response wise. We will keep the voting open until March 1st so we have some time to hunt down whoever doesn't respond by vote to see if we can get to reply by voting. Then we will take that count and it will be a certified count by a CPA who does our election results and that is the way it will operate. Any questions?

Owner: "It seems to me that at the last open meeting, there was some controversy about an owner moving into an apartment that had been rented that they could not move back in during the same time frame". President Ron Cook responds: I understand what you are getting at. We

had a violation of that some time back. One of the building policies already is that if you rent your unit out, you are supposed to rent it for a minimum of three months. In one occasion, what happened was someone had rented it out for 30 days. The tenant left and then the owner moved back in within a day of the tenant leaving. That violated the 90-day policies. Essentially what we are saying is that you cannot use your place for 90 days if you rent it. Then you can move back into it. What is the building's fee for an owner to rent his unit"? President Ron Cook responds, "We made the fee from \$350.00 to \$500.00".

Owner: "My concerns, and you addressed them somewhat, are what efforts are there going to be to make sure that everybody that owns property in here votes because I know other votes in the past, they did not get anywhere near 75% return let alone 75% majority." President Ron Cook responds "you are going to have to push your friends and that is why we said we wanted a response by December 31st so we can look and see who hasn't voted because the envelopes that go out will have identified who has responded and then we will know who has not voted and we will have to start calling one by one to start to force the issue." Owner: "Because I think the only way to get this passed is that every one of us vote." President Ron Cook "yes, if you have a friend or someone else in this building, you just bug them all to get their votes in" It is an important issue like I said...it affects the value of your place."

Director Susan Green "We won't know if you vote yes or you vote no, but we will know who actually sent in their ballot and when the Dec 31st cut-off occurs, we will then see who has not returned their ballot and contact them.

Owner: "Having worked with direct mail for non-profits and stuff. I think in order to get the response you want, which is very high and very unusual, you really have to keep reminding people, as expensive as it might be, on a regular basis with very clear, plainly written, easily understandable components of what you are proposing and just keep doing it until the end of your cut-off period." You might want to apologize in advance that it's always the good people that have to keep getting the mailings but this is something that you really need to do to make this happen." President Ron Cook "good suggestion, thank you very much".

Owner: "I am sure there are a lot of people that receive mail who don't open it even though it might say 5000 on it, they are not here, they are in Florida those things don't get opened. So I suggest that maybe something on the face of the envelope rather than just the return address put something like "very important – must open". Director Susan Green added we are also going to call people in advance of the mailing. That is a factor.

Secretary Philip Papier had a question..."I was going to state the reason why I am voting no and that has to do with the cap. If in the event you are beyond that cap and for some reason you are unable to rent it, it really has the effect of confiscating a portion of your property interest from when you acquired the purchase President Ron Cook told Phil he made his point. Director Papier stated that the public has not heard it and he would like to make it.

President Ron Cook says "we heard it and that is the reason for the cap also".

Director Susan Green "Our attorney has gone over this". President Ron Cook "and we have had several discussions with attorneys. Obviously Phil is an attorney and he has his own opinions on how this affects ownership and with the advice of the council we have, this is a legitimate way of solving the problem. Director Susan Green "The attorney that has been handling this for us, this is their expertise. They are experts in the condominium field in NJ so it not just a PI attorney. It is someone that does this all the time and they are familiar with it.

Owner: "Will there be a provision on the ballot to have a negative vote"? Yes, replied President Ron Cook. It will be a yes or no and they will sign it.

Owner : “I wonder if you could just refresh our memory. I know there was a lot of talk about the meeting when this was first proposed in terms of what the renters would have to be to affect the insurance. General Manager Sandy Montano answers “it was a percentage and between 25 and 30%. 25% was the red flag and then you were tossed off to go to a more condotel or hotel type of transient carrier. It doesn’t mean that we can’t find somebody who would insure us as a condominium, it just means that we will be paying a lot more money because our percentage of renters is going to be so great that we are not really considered an owner-occupied building anymore and that really was a catalyst to this whole thing. In June we received notification from our insurance company giving us the heads up that this was a problem and that we should be careful about this type of thing.” Owner: “And what percentage are we now?” “We are close to 20.” Director Susan Green “and remember too, that when you have more renters in the building, yearly or seasonal, the additional use of electric, gas. They have no vested interest in turning off a light or lowering the heat in the winter and the reality is when we see the numbers of the electric bills and the gas bills that went up so astronomically last year. Yes, there was a cold winter but the reality is we also went from 8 year round renters to 24 in a very short period of time and that increase is costing us all money and because we don’t have meters for electric and it’s included in our condo fee, these people have no vested interest in saving energy and it’s costing us all more. Thank you.

Owner “Have you started a surcharge for year-round rentals for using all of the facilities?” President Ron Cook “There is no difference between the seasonal and the annual rentals, no. We just have one fee.”

President Ron Cook goes on to say “historically this has always been an owner-occupied building and it is changing. So if that is the reason you bought it, that it’s an owner-occupied building, we need to try and maintain it that way”.

Owner “My point was that if someone rented all year round and used the facilities all year round like many of us that own here, has there been any thought to a surcharge to renters who rent all year round”. President Ron Cook replied “We haven’t done that and before I answer that question, I have to find out if that violates the Master Deed policy. Does it change the Master Deed or does it change the Rules & Regulations. Until I find out, I cannot answer that question. Owner added “That might offset some of the additional expense”.

President Ron Cook “The comment that people might not have picked up on earlier or understand about the outside parking lot. The outside parking lot fee is going up and some people would say the indoor parking has valet service, but the outdoor lot does cost us money too. Computers, electricity. We spent over \$200,000 a few years ago fixing that lot up completely Resurfacing. So there is a justification for that increase. Let’s leave it that way. Owner “How much is it going to be, do we know” President Ron Cook replied we are going to make it the same rate as the indoor lot as I recall. Am I correct? General Manager Sandy Montano replies yes.

Owner “I have outdoor parking and I have to pay an additional each month to park inside. If they are going to make it the same rate, why can’t a person like myself just get the inside parking? President Ron Cook, “You can...there is a waiting list for both. I mean if you would like to put your name on the waiting list for the indoor spot, we can supply it. Owner “Absolutely, if it’s going to be the same price” President Ron Cook goes on to say the waiting list on the inside lot, at least at this point, is much shorter than the outdoor lot. The outdoor lot always had a two-year waiting list.

President Ron Cook (after discussion with Director Susan Green) “I have to interrupt for a moment. We did not vote on the approval on the Resolution to the Master Deed. So just let me go through this again. I vote yes. Director Ben Coren? He replies yes. Director Susan Green? I vote yes. Vice President David Gold? David votes yes. Treasurer Stanley Merves? Stanley voted yes. Director Miriam Holzman I know voted yes this morning and Secretary Philip Papier you voted no, correct? The motion is carried by the majority.

Pete D’Orazio (Unit 1706) “I have been involved in the energy business for a lot of years and a lot of it is just common sense. We all have to make a concerted effort. Conserve electricity. I can show where you can save \$20,000 per year by cutting lights out, we can get more sophisticated with controls on the a/c and heating and so forth, but as unit owners, and we have to all do our job. How many of you left your units today and left your lights on? It happens a lot, I know it happens a lot. Do you know how many times I come in here and see all of these lights on ... there are over 2000 watts in this room. Its 30cents an hour. Ok, we can save about \$1,000 per year. It doesn’t sound like a lot, but just by being conscious of the fact that if you are not in a room, you need to turn the lights out. Or have the maintenance people when they are walking through, turning all the lights out. Common sense really, cut back where you can.

President Ron Cook told Mr. D’Orazio to send his suggestions to Sandy to get them out in a newsletter and asked if there were any other questions.

Owner: “My question on the parking. When I purchased the unit, the previous owner had outdoor parking and I understood that it was transferred to us. We wanted inside and our name went on a list. Now that I have indoor, if and when I should ever decide to sell or rent the apartment, would they have the same parking as I have?” President Ron Cook replies “everyone gets a parking privilege but not a parking space. Owner: I know I don’t have a space, but I have indoor now. Originally I did not.” Director Susan Green “it doesn’t travel with the transfer”. President Ron Cook “the new owner goes on a list” We so far have been able to accommodate everybody.

Director Susan Green made a motion to adjourn the meeting. Director Ben Coren seconds the motion. All in favor, motion carried.