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RIVER PLACE EAST HOUSING CORPORATION

MINUTES OF THE ANNUAL SHAREHOLDERS MEETING

TUESDAY, MARCH 23, 2004

CALL TO ORDER

The meeting was called to order by President Anthony Priest at 6:17 p.m.

ROLL CALL

Board Members Present: Anthony Priest, President
Brian Fredericks, Vice President
Mary Jean Schmelzer, Secretary
Andrew Spell, Director
Elaine Cummins, Director

Board Members Absent: William Johns, Treasurer

General Counsel: James Zelloe, General Counsel

Building Manager: Ruby Nester, Building Manager

Accountant: Kay Dunovant

Building Engineer: Joe Curtis

Recording Secretary: Chris Creswell

Shareholders: 36

ASCERTAINMENT OF QUORUM

Ms. Schmelzer affirmed that a quorum was met.

PROOF OF NOTICE OF MEETING

Ms. Schmelzer stated that notice of the annual meeting was mailed on February 18, 2004.

APPROVAL OF MINUTES

A motion was made to dispense with the reading of the minutes from the 2003 annual shareholders meeting. The motion was seconded, and passed unanimously.

APPOINTMENT OF VOTE TELLERS

Employees with the accounting firm, Goldklang and Associates, were present to count the votes.

INTRODUCTION OF BOARD MEMBERS:

Mr. Priest informed shareholders that two previous Board members resigned and new Board members were appointed to fill those seats. He also noted, that as of the February Board meeting, a third Board member missed three Board meetings in a row, and was therefore dismissed from serving on the Board. This seat will be filled as a result of tonight's election. Current Board members and the Management team were introduced to the shareholders that were present.

ELECTION OF DIRECTORS

Mr. Priest requested that speeches by candidates be dispensed with since ballots had already been cast. However, all candidates were identified.

OFFICER REPORTS

President's Report

Mr. Priest informed shareholders about the accomplishments of the Board during the preceding year, including the rejuvenation of the newsletter, appointment of new Board members, hiring of a building engineer, repairs to the boiler room, preparation of repairs to the penthouse level, filing of lawsuit against previous Board members, and creation of a comprehensive storage space policy.

Vice President's Report

Mr. Fredericks provided an update of sales at River Place for the past year. He noted that the Board is now keeping track of this information, and noting whether the sale is to a buyer or an investor. He feels the increase in sales is due to a good market and the availability of financing, also that the percent of resident owners is increasing.

Treasurer's Report

Mr. Priest reported that Mr. Johns has assisted with the implementation of a new accounting system in the Management Office. Although some of the bugs are still being worked out, he hopes to have it be the premier accounting system for all of River Place, and then possibly offer our services to the other buildings. A shareholder questioned whether it was legal to purchase the software from Mr. Johns' employer. Mr. Zelloe stated that the software was not purchased from Mr. Johns' company, but directly from the vendor. Mr. Johns' role was to facilitate the process. In addition, he has volunteered over 100 hours of his time in this endeavor. The Treasurer is working on a policies manual as a result of the audit. He is also looking into getting building-wide Internet access, which will generate revenue.

Secretary's Report

Ms. Schmelzer informed shareholders that copies of the energy audit, the audit procedures manual, renovation procedures, and back issues of the newsletter are available for interested shareholders. She noted that all of these documents can be found on the web site, and thanked Andrew Spell for all of his efforts in getting the web page operating. It was noted that there had been one bylaw change since the last annual meeting held in September, which states that the address of the shareholder cannot be denied to the Corporation.

One shareholder stated that it is important for shareholders to be informed of all meeting changes, with the changes highlighted. The Board informed shareholders that the annual meeting will continue to be held in March.

A shareholder inquired about the bylaw change. Ms. Schmelzer stated that it was created to protect owners, especially those who are non-shareholder owners.

There was also an inquiry about the land lease--when it expires, what will happen when it expires, and whether the four buildings have talked about purchasing the land. Mr. Priest stated that the lease expires in 2052, at which time all improvements will revert back to the landowner.

Owners' Association Representative Report

Mr. Hashmat Ali has formed a River Place Task Force that is looking into potential redevelopment of River Place. A goal of the Task Force is for the River Place community to be prepared in the event that it is approached again about a buyout of the property or possible redevelopment. A shareholder requested that any Task Force updates be published in the newsletter.

Ms. Schmelzer also noted that the residential assessments for the OA increased to \$24,140 per building per month. The OA is currently involved with improvements to the Monroe Parking Garage and the Entertainment Center reconstruction.

A shareholder asked if any money will be refunded because residents can't use the Entertainment Center. Mr. Priest responded that the Entertainment Center is only a small percentage of the budget.

Another shareholder inquired about the basis for condo fees. Mr. Priest stated that the number of shares was originally allocated based on the size of the unit and the elevation of the unit in the building.

MANAGEMENT REPORT

Ms. Nester noted that the office has been cleaned and made more open. These renovations were done on a minimal budget. She informed shareholders that because a building engineer was hired, he can devote more time to the boiler room, which will allow Eddie to focus on maintenance issues. She also noted that Eddie is on-call 24 hours.

BUILDING ENGINEER REPORT

Mr. Curtis stated that the building's water was surveyed for lead and was found to be lead-safe. He asked shareholders to be patient with temporary water shut-offs as this will be necessary for the process of getting everything to run more efficiently. Mr. Priest noted that Mr. Curtis is also working on a reserve study of all the mechanical systems.

ACCOUNTANT REPORT

Ms. Dunovant reported that receivables are in good shape. Mr. Priest noted that when Kay began working about a year ago, late assessments were about \$90,000, and now they are about \$6,000. Ms. Schmelzer also commended the Management staff, stating that they are in the building at 7:00 a.m., they treat tenants fairly, and have worked hard in the face of the destruction of office records by the previous board to restore unit and financial records.

BUDGET AND CAPITAL RESERVE PRESENTATION

Mr. Priest informed shareholders that the Board has held three special meetings for the purpose of budget preparation. He reviewed the budget figures, stating that the large items are the penthouse refurbishment and the replacement of the electrical switches. These two projects were briefly discussed. It was also noted that two or three risers would be replaced each year.

Window Replacement

A previous reserve study determined that window replacement should be completed in 2002, however, this date was pushed back to 2010 by the previous board. An energy audit done by a college grad student/resident concluded that new windows would provide a huge savings. The Board asked shareholders whether they would be in favor of an additional special assessment of 5% to start a window replacement fund. One shareholder suggested implementing the special assessment and then borrowing the rest of the money while interest rates are low. Several shareholders requested that payment plan options be available for the complete project cost.

A motion was made to authorize an increase of co-op fees an additional 5%, beginning May 1, 2004. When window replacement proposals are reviewed at the 2005 annual meeting, if the majority votes to continue with the window replacement project, the assessment will continue. If the window replacement project is rejected, the money that was collected will go into the reserve account. The motion was seconded and the majority voted in favor.

UNFINISHED BUSINESS

The audit was finalized and it was found that the previous accountant had misappropriated funds. The funds and related expenses have been recovered, and the issue has been closed.

NEW BUSINESS

The audit also uncovered that three previous Board members had also misappropriated funds and a lien against their units has been filed. Mr. Zelloe provided the details he could disclose regarding the claim against the former Board members. He stated that the Board has the right to take actions necessary relating to the leases and can take over any rents for these units. Mr. Fredericks noted that the Directors and Officers liability insurance has also been affected. He explained that the 2002 elections were not certified, and he had a suit filed against the Board of Directors. A global settlement was offered to the Fredericks in exchange for the settlement of the election issue. The D&O insurance was with a different carrier at the time, and claims to this policy will also have to be researched as this issue relates to the current legal suit.

One shareholder requested that the powers of the Board members need to be clearly defined and there needs to be more disclosure so that the association can make sure that the bylaws are being followed. Mr. Priest stated that the previous Board's legal counsel should not have let those things happen, and the new Board and legal counsel are following all bylaws and are serving on the Board in the best interest of the community.

A motion was made to authorize an investigation from an independent source, at a cost not to exceed \$10,000, to clarify the liability issues, legal fees, lost revenue for the market rents associated with the units, which fiduciary duties of the Board were involved, and who is responsible for paying these debts. The motion was seconded, and the majority voted in favor.

Mr. Priest stated that he feels many of these issues will be settled with the lawsuit, but the details cannot be disclosed at this time. Mr. Zelloe stated that the lawsuit involves all of the issues that the shareholders are concerned with, but they will need to be patient with the results. He noted that he would be happy to hear input from all shareholders. He informed shareholders that a full-day hearing will be held on April 8, 2004, and Mr. Priest stated that the results of the suit will be published in a newsletter.

A motion was made to amend the bylaws so that the Board of Directors cannot encumber a lease in excess of two years without a quorum of stockholders agreeing it to it, and cannot make any expenditure greater than \$100,000 without a quorum of stockholders agreeing to it, by either written notification or a personal meeting. The motion was seconded.

Mr. Zelloe noted that a proposal to amend the bylaws must be published for 30 days before it can be considered, and must be for a valid issue.

An investor inquired whether the Board is allowed to sign a 20-year lease. Mr. Zelloe confirmed that they are. The shareholder felt that by signing the lease, the Corporation was denied millions of dollars of revenue over the next 20 years, and asked the President why the lease was signed. Mr.

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Priest stated that he reviewed the lease and asked the tenant to revise several clauses so that the lease would be agreeable to both parties. In addition, the space was unrentable and the tenant spent \$250,000 to renovate the space, which now allows it to be a revenue-generating space.

Raffle Drawing

The following units won a \$100 credit certificate toward assessment fees: #727, #1108, and #1015.

Party Room

One shareholder recommended reopening the old party room, but another shareholder stated it was probably best to keep the Management Office in that space. Ms. Schmelzer stated that the Board is looking at other locations in the building for a party room.

ELECTION RESULTS

Mr. Keith Jones, Mr. Anthony Priest and Ms. Mary Jean Schmelzer were elected to the Board of Directors as per the unofficial results of the election, provided by the vote tellers. The official results will be published. Mr. Priest thanked all of the candidates.

Keith Jones	540,485
Mary Jean Schmelzer	492,576
Anthony Priest	459,493
Suzanne Pearson	
Cynthia Solana	
Royce Spence	

ADJOURNMENT

A motion was made to adjourn the meeting at 9:50 p.m. The motion was seconded and passed unanimously.

Respectfully submitted,

Date Approved:

Mary Jean Schmelzer, Secretary

Attested By: _____
Christine M. Creswell

Recording Secretary
(Title)