

MINUTES OF THE
RIVER PLACE EAST HOUSING CORPORATION
BOARD OF DIRECTORS MEETING

January 10, 2006

I. CALL TO ORDER: Mr. Priest called the meeting to order at 6:12 p.m.

Directors Present: Mr. Anthony Priest, President
Mr. John Curle, Treasurer
Ms. Elaine Cummins, Secretary
Ms. M.J. Schmelzer
Mr. Brian Fredericks [late]
Mr. Brian Schill

Directors Absent: Mr. Andrew Spell

Management: Ms. Carol Brooke, Building Manager

Others: Mr. Jim Zelloe, Legal Counsel
Ms. Barbara Seaman, Recording Secretary

Shareholders: Mr. Hiranya Maru, #543

II. APPROVAL OF MINUTES:

MOTION: Ms. Schmelzer moved, Mr. Schill seconded, to approve the Minutes of November 29, 2005 as amended. The motion passed unanimously (5-0-0).

MOTION: Ms. Schmelzer moved, Mr. Schill seconded, to approve the Minutes of December 12, 2005 as amended. The motion passed unanimously (5-0-0).

III. SHAREHOLDER PARTICIPATION: Mr. Curle reported that a resident told him that the Entertainment Center was not open at 6:00 a.m. and that heavier weights were needed. Mr. Priest suggested that the resident make a list of the specific weights he wanted so they could report that to the OA. Ms. Schmelzer also said that the 6:00 a.m. opening was a difficult one for Ms. Beruete to check on. She added that the OA was cost conscious and that they were concerned more about security.

IV. PROPERTY REPORTS:

A. Engineer's Report:

1. Water Intrusion Project: Ms. Brooke said that she did a walk-through with Mr. Johnson and that the project was finished except for some small items. She also said that Mr. Johnson wanted some things not in the scope of work, such as the louvers. Ms. Schmelzer said they were cosmetic and easy to fix, but that there were more pressing issues. Ms. Brooke said that Mr. Johnson thought they should be replaced with aluminum which was expensive. She also said that flashes needed to be

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covered and sealed to make sure water didn't seep in. She added that she would forward Mr. Johnson's list as well as before and after pictures.

[Mr. Fredericks arrived at 6:10 p.m.]

2. Cleaning Boiler Room: Ms. Brooke said she chose the date of Saturday, February 4th at random to power wash and clean the boiler room.

3. Zone Pump # 4: Ms. Brooke said that a new propeller was needed and that she was getting two proposals for a zone pump. Ms. Cummins added that she hoped that the heat would be better controlled this year. Ms. Brooke said she would look into the heating and saving energy, but that the tenant-landlord handbook required a minimum of 65° in units and 60° in hallways. She said she would also find out whether the zone pump was under warranty.

V. OLD BUSINESS:

A. Bylaw Revisions: Ms. Schmelzer said that the Board should decide on the limits of Presidential powers. Mr. Zelloe said that the bylaws gave the President broad powers. Ms. Schmelzer said that in the past the President signed transfers outside of the Board meeting. Mr. Fredericks said that the Board let him do so. Mr. Zelloe also said that the bylaws gave the President the authority to act as a normal President of a corporation and that the Board controls the President. He also said that the President was limited to spending \$1,000.00 without Board approval. Ms. Schmelzer said that she wanted to make sure that the President acted in consultation with the Board. She also said that changes would be posted before the next meeting. Next, she asked if the amount for additions, alterations, or improvements should be increased from \$40,000.00. Mr. Priest suggested increasing the amount to \$300,000.00 with an escalation clause. The other issue was the question of non-person ownership. Ms. Schmelzer said that the concern was someone hiding their identity and not being held financially responsible. Mr. Zelloe said that the Patriot Act required banks to have all names of owners of a non-person entity; so that if a non-person entity wanted to take title at River Place, the owners should be listed on the application and would be held accountable. Mr. Curle added that the resolution didn't exclude LLC's from ownership. Mr. Fredericks said that these were administrative resolutions not bylaws.

MOTION: Mr. Schill moved, Mr. Curle seconded, to table the resolutions with the added language until next month and review them at the next meeting. The motion passed unanimously (6-0-0).

Mr. Zelloe said that these were not bylaw changes and did not require posting.

VI. OFFICERS' REPORTS:

A. OA Report: Ms. Schmelzer said that Mr. Fredericks was working on the budget and that there would be no increase for buildings assuming the budget is approved in February.

[Ms. Schmelzer left the meeting at 6:45 p.m.]

IV. PROPERTY REPORTS continued:

B. Manager's Report

1. Financials and Budget: Mr. Fredericks said he was surprised that no financial statement was available. Ms. Brooke said that all data entries had to be recreated and had to be closed each month by the accountant, who works only part time. She added that when the system crashed the data was re-entered into Great Plains to transfer to Skyline. She also said that all the data year-to-date through December has been entered. Mr. Curle said that they had 8 months of information, but not monthly data. He added some could be prorated to arrive at annualized figures. Mr. Fredericks then said he would have liked to have the information the previous week. He also asked if there was a surplus of \$13,409.00 and if contributions to reserves were caught up. Ms. Brooke said not in December because of the payout to Atlantic. Mr. Fredericks also said that the East building had the lowest amount in reserves in all of River Place. He also said that the list of reserves projects went back to 2005 and projects have not been done. He added that if there was a shortfall of \$58,000.00 even with a 5% increase in assessments, then the percentage should be increased. Mr. Priest added that the combined reserve balance was \$350,000.00 with the windows and the figure was coming back up. Mr. Curle also said that there have been unexpected repairs and maintenance expenses. Ms. Brooke then said that of the planned reserve expenditures, the electric switch upgrade had not been done, but that one double riser had as well as the penthouse water intrusion, basement painting, lighting, pumps, and other projects. She also said that in the forecast for 2007, \$300,000.00 was budgeted for reserves and \$48,000.00 for operating reserves. To get rid of the \$58,000.00 shortfall, Mr. Priest said would require a 9% increase. He added that reasons for the increase could be broken out and presented at the Annual Meeting including the percentage for operating expenses and the percentage for reserves.
2. In terms of investments, Mr. Fredericks said that the corporation should be getting no less than a 4% return. Mr. Curle replied that the windows reserves could be reinvested into a higher yielding account due to their longer holding period and that he could start laddering investments, but he was comfortable about investing in corporate bonds.

2. Capital Reserve Study: Ms. Brooke said the FEA rejected negotiating on price. Mr. Curle said it might be worth giving them another \$1,000.00 to get a study sooner than Mason & Mason to present at the Annual Meeting. Mr. Curle expressed frustration as other board members approved and authorized the reserve study at the last meeting but now changed their mind. He made a motion to approve \$9,200.00 for FEA to do a reserve study but no one seconded. Mr. Schill suggested putting off the reserve study for four to five months. Ms. Cummins agreed to wait until after the rush season. Mr. Priest said a goal should be to have it by October for the following year.

VI. OFFICERS' REPORTS-continued:

A. OA Report: Mr. Fredericks said that the Board approved a brick River Place sign for the front entrance.

VII. COMMITTEE REPORTS:

A. Windows Committee: Mr. Priest reported that he was waiting on a bid for a window of lower quality.

B. WiFi Committee: Mr. Fredericks said that he spoke to Mr. Singlar and explained the corporation's interest in purchasing the service or slaving off the North and South buildings. The price would be \$30,000.00 to set up and another \$10,000.00 to maintain the system. He also said he would talk to the North Board about their providing an extra antenna and would talk to Mr. Singlar about alternatives.

VIII. APPROVAL OF UNIT SALES:

Mr. Priest said that as of April 30, 2003, Ms. Newell owed \$14,632.00. Mr. Zelloe suggested sending her a letter stating that the corporation wanted the matter settled. He added that the problem is that it is a separate entity, but that the Board had the right to inquire about the buyer and the ownership of the LLC, and have Ms. Newell and the buyer sign an affidavit.

MOTION: Mr. Fredericks moved, Mr. Curle seconded, to do due diligence on the buyer for Unit 906. The motion passed (4-0-1), with Brian Schill abstaining.

MOTION: Ms. Cummins moved, Mr. Schill seconded, to approve the sales of Units 510 and 847. The motion passed unanimously (5-0-0).

V. OLD BUSINESS- continued:

B. Lawsuit Update: Mr. Zelloe said that the hearing would be held on February 23, 2006 and that both cases would be consolidated.

C. Wall Leak in Lutheran College Space: Ms. Brooke said that CPM Construction said that the water was coming from the ground and moving into the wall. Mr. Zelloe said that when the College did the renovation, they were responsible for all modifications to the space, but that the Board needed someone's opinion on the cause. Ms. Cummins added that it could be damaging the building. Mr. Fredericks added that the College took over the property as it was. Mr. Priest also said that since the small leakage was in the boiler room, the water problem might not be addressed by the corporation. Mr. Zelloe also said he did a previous analysis of the lease and discussed his findings with Mssrs. Priest and Fredericks, and would go back through the lease. Mr. Curle suggested putting the burden on the College to prove they didn't cause the problem when they took over the space.

MOTION: Ms. Cummins moved, Mr. Schill seconded, that River Place East Housing Corporation was not responsible for the leak in the wall

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of the Lutheran College space because they leased it as is. The motion passed (3-0-2), with Mr. Curle and Mr. Fredericks abstaining.

D. Elevator Noise-Unit 1213: Ms. Brooke said that an electrical person inspected the elevator and said it was running as it was supposed to. Mr. Zelloe added that she should get a letter from them attesting to the inspection and that nothing was out of the ordinary. Mr. Fredericks added that the elevator was like that when the owner bought the unit six months before. Mr. Priest concluded that Legal Counsel would draft a letter to be sent to the owners of 1213.

E. Letter from Diane Fredericks: Mr. Priest said that Mrs. Fredericks wanted to change the rule which bars a husband and wife being on the same Board at the same time as she intended to run for the Board. Mr. Zelloe then read the bylaw that stated that no shareholder may hold more than one position at the same time. The bylaw also specifies that a spouse, significant other, partner, or family member may not serve on the Board at the same time. Mrs. Fredericks letter says that she and her husband were separate owners. Mr. Fredericks said his wife wanted more visibility. Mr. Zelloe said he wanted to analyze the law in Virginia and how to interpret it and then let the Board decide. Mr. Curle said it was a control and independence issue.

MOTION: Ms. Cummins moved, Mr. Curle seconded, to table the issues in Mrs. Fredericks' letter until Legal Counsel provides an opinion. The motion passed (3-0-1), with Mr. Fredericks abstaining.

Mr. Priest said that the deadline for candidates was February 10, 2006. Mr. Zelloe said he would have an opinion by the next meeting on February 7, 2006.

IX. NEW BUSINESS:

A. Meetings: Mr. Priest said that the budget would be finalized on February 28, 2006 and the Annual Meeting would be held on March 22, 2006.

B. Proposal from Densel for Condensate Makeup Control Valve: Ms. Brooke said that the valve was needed as soon as possible for boiler #3 and would cost \$1,503.00.

MOTION: Mr. Curle moved, Mr. Schill seconded, to approve \$1,503.00 for a condensate makeup control valve for boiler #3. The motion passed unanimously (5-0-0).

X. EXECUTIVE SESSION:

MOTION: There being no further business, Mr. Priest adjourned the open meeting at 8:48 p.m. to convene an Executive Session.

SUBMISSION OF MINUTES

Approved by:

Barbara Seaman
Recording Secretary

Elaine Cummins, Secretary
River Place East
Housing Corporation