

350 BLEECKER STREET CO-OP NEWSLETTER #148

December 23, 2001

The board met on December 12 and 20, 2001, largely focusing on the budget. Among the issues discussed:

2002 FEES

Maintenance was raised to \$5.04 from \$4.65 per share per month. There is no more assessment. The sublet fee was raised to \$5 from \$2.50 per share per month. All other fees remain the same: bike room \$100; sublet application \$500; late fee \$50.

The fees normally due January 1 will be due January 15th, 2002. If you've already received a bill from Tudor that contradicts this Newsletter, please ignore the bill.

Maintenance has not been raised for 4 years. The 39-cent increase is 8%, which works out to the equivalent of about 2% per year.

2002 EXPENSE INCREASES

The 2002 budget is attached. The largest expense increases, compared to the most recent 2001 projection are:

- a. Real estate taxes are expected to rise 10%, since the assessed value of the building is rising. The New York City budget is usually not adopted until summertime, so the exact real estate tax rate is unknown. This is the largest expense increase in the budget, \$30,660. The co-op board hires a certiorari attorney to challenge the real estate tax valuation every year. The attorney's fee is based on the tax savings. Nonetheless, real estate values have risen, so the tax expense is expected to rise, even if the tax rate remains the same as a percentage of the valuation.
- b. Utilities are expected to rise \$9,256, largely because of water and sewer charges. The projection for 2001 is only \$12,745 because of the broken water meter. Our typical water/sewer charge is \$5,500 per quarter. The co-op overpaid in 2000 due to the broken meter, and the adjustment was accrued in the 2001 projection. In November 2001, the co-op received a water/sewer bill for approximately \$42,000, based on the broken meter. The City's bill is being challenged by Tudor.
- c. Multiperil insurance is expected to rise from \$31,630 to \$41,118, an increase of \$9,488 (30%). Our attorney, managing agent, and insurance broker all warned the board that other co-ops are experiencing unusually high increases, largely due to the poor performance of the stock market in the past 12 months. Stock market performance is a major profit generator for insurance companies.
- d. Payroll is expected to rise \$6,364 because our staff receives the same increase union members receive.
- e. The intercom will be upgraded for \$5,000. The co-op spent less than \$300 on the intercom in 2001.
- f. Ani Antreasyan's \$250/month fee for taking care of the Bleecker Street planters comes to \$3,000. The co-op never had professional landscaping care before.
- g. Health care insurance is budgeted to rise \$2,382, a 15% increase, for similar reasons to the multiperil insurance.

LEGAL

Legal expenses related to the garage litigation include:

1. \$17,000 for the appeal
2. \$2,000 for a filing by Andrew Brucker relating to possible ethics violations by Ken Newman
3. \$15,000 for Walter Goldsmith and Bob Fass to challenge Ken Newman's demand for legal fees. The co-op may also have to pay another attorney as expert witness another \$4,000. Ken's demand now is for \$338,000, up from \$270,000 that was previously claimed.

Other legal expenses include \$12,500 for attorney and arbitration fees relating to the co-op's possible claim that Ken Newman, when managing agent, underbilled himself over \$250,000 for the commercial space rent. The board was quoted a retainer of \$7,500 with a contingent fee of 30%, plus a likely arbitration expense of \$5,000 to collect this alleged underpayment. The commercial lease has a mandatory arbitration clause for this type of dispute, so if it is pursued, it will not be a court case. Mitchell Schrage, an attorney specializing in collection cases, offered to take the case for the fee arrangement stated above. If the co-op loses the case, it will not be liable for Ken Newman's legal fees, so the maximum risk is \$12,500, and maximum gain may be above \$250,000.

INCOME ASSUMPTIONS IN THE BUDGET

The commercial space lease provides for Ken Newman to pay a percentage of the real estate tax increases. When managing agent, Ken billed himself once a year for this, after each year ended. From now on, the co-op will bill this monthly, which accounts for the rise from \$18,875 in 2001 to \$37,750 in 2002.

Furthermore, Ken Newman still owes the co-op \$5,642 for the water meters installed in July. The commercial lease allows the co-op to install water meters at Ken's expense and bill him for his commercial tenants' usage.

Transfer fees are expected to rise to \$40,000 from \$21,400. This is the 2% fee paid when selling an apartment. The budgeted figure may be conservative, since apartments whose prices total \$3 million are already on the market.

KEN NEWMAN'S LEGAL FEES

When the judge determines the amount the co-op must pay Ken Newman, the board will consider alternative ways to make the payment. If the arbitration case is won by the co-op, and the amount due is greater than or equal to the legal fees due Ken, then the board may simply make the payment without any borrowing. If the co-op does not have sufficient funds, then a loan may be requested from the co-op's mortgage bank.

OTHER POSSIBLE PROJECTS NOT YET INCLUDED IN THE BUDGET

Depending on the co-op's financial condition when the judge makes his decision on Ken's legal fees, the board may or may not go ahead with the projects listed below that total \$203,500.

1. Master Metering

Herbert Hirschfeld, the engineer, reported that this project will cost about \$106,000. New York State will pay a subsidy of around \$34,000, so the net cost to the co-op will be \$72,000. The electricity cost to the shareholders will decline by about \$15,000 annually.

2. Mailboxes and lobby construction

All new mailboxes approved by the Postal Service are at least twice the volume of our current mailboxes, so certain walls will require partial demolition. When the walls are changed, the lobby air conditioning will need to be replaced. The total cost is estimated at \$40,000.

3. Lawsuit in New York State court against Ken Newman

The board is exploring a suit against Ken for violating his fiduciary responsibilities. A fee quote supplied by Walter Goldsmith and Bob Fass is \$40,000 versus a 30% contingency. If the co-op loses the suit, it would not be liable for Ken's legal fees, but it will have paid the \$40,000.

4. Waterproofing

The AM+G project did not successfully waterproof the wall shared by the building and 102 Charles Street. Sal-Mar supplied an estimate of \$24,000 for this project. Although the board will try to get 102 Charles to pay for a portion of this project, it may not be worthwhile to litigate, considering the amount involved.

5. Carpet replacement

The board would like to replace hallway carpeting for 2 more floors. The lobby and sixth floor carpet was replaced over a year ago. The rest of the building's carpeting is about a dozen years old. The board would like to replace 2 floors each year, which costs about \$9,000.

6. Engineering

If the master meter and waterproofing projects are attempted, the engineering fees are estimated at \$7,500.

7. Stairwell painting

Now that the basement is painted, the board would like to paint the stairwells. The cost is estimated to be \$6,000.

8. Zolotone touch-up

Zolotone is the paint process used for the hallways. A typical building-wide touch-up costs about \$5,000.

SHAREHOLDER COMMENTS

The board voted unanimously to adopt the budget. **If you agree with the board you need not submit any paperwork at all.** If a large number of people object to the budget or raise unexpected issues, then the board may make further adjustments to accommodate the majority of the shareholders.

You need not write comments on the "Other Possible Projects" section because the board will solicit shareholder comments when, and if, these projects receive further consideration after the judge's decision.

If you prefer to keep your comments and suggestions confidential, please write your message below, and place it into an envelope. Seal the envelope and on the outside, print your name, apartment number, and sign it. Slip the envelope under the door to 6R, Susan Kim. Or you can fax your comments to Susan at 212 242 7919. If you want to keep your fax confidential, please fax a second sheet with your signature, apartment number, and printed name, which will be attached by Susan Kim to the outside of a sealed envelope, with your fax inside. All the confidential messages will be opened by Andrew Brucker, who will give the message contents to the board.

Please submit your comments within 3 days of your receipt of this letter.

Thank you.

Comments and suggestions _____

350 Bleecker Street Budget for 2002

	2002 Budget	% of Total Expenses
<u>Income</u>		
Commercial Rent	\$ 86,000	
Additional Commercial Rent	37,750	
Laundry Income	12,000	
Interest Income	1,000	
National Co-op Bank Dividend	1,000	
2% Transfer Fees	40,000	
Sublet fees	6,000	
Late fees @ \$50	1,200	
Bike Room Fees @ \$100	1,400	
Maintenance @ \$5.04/share/month	1,041,587	
Total Income	\$ 1,227,937	
<u>Expenses:</u>		
Real Estate Tax	337,256	
NY City and NY State -- other taxes	3,939	
Mortgage Interest & Principal	290,526	
Total Taxes & Interest	631,721	51%
Gas for cooking	3,610	
Electricity	22,802	
Gas for heat + hot water	66,796	
Cable TV	720	
Water and sewer	22,000	
Total Utilities	115,928	9%
Multiperil Insurance (fire, directors' + officers, etc.)	41,118	
Other insurance	24,782	
Management Fee	40,689	
Legal Fees for garage	38,500	
Legal Fees -- other	34,500	
Accounting	7,206	
Total Administration	186,795	15%
Payroll	190,000	
ADP fees (payroll system)	1,201	
Cigna Healthcare	18,259	
Dental Insurance	2,713	
Total Labor	212,173	17%

350 Bleecker Street Budget for 2002

	2002 Budget	% of Total Expenses
Boiler, plumbing, a/c	8,138	
Architect and engineer	2,500	
Janitorial + other supplies	8,306	
Elevator	8,596	
Electrician	364	
Equipment repairs	605	
Landscaping -- roof and backyard	936	
Landscaping -- Bleecker St planters	3,000	
Exterminator	4,560	
Exercise room	2,000	
Uniform cleaning	265	
Repairs, physical maintenance -- Other	4,825	
Carpet cleaning machine	1,500	
Painting + carpet repairs	1,000	
Dues + subscriptions	1,000	
Internet site	300	
Miscellaneous	500	
Security system	2,500	
Telephone	840	
Postage and stationery	100	
Printing	500	
Licenses, permits, violations	2,000	
Bank charges	100	
Total Administrative	54,435	4%
Contingency	15,000	1%
AM+G -- holdback	22,500	
Garage water meter reimbursement from Ken Newman	(5,642)	
Intercom upgrade	5,000	
Total construction	21,858	2%
Total Expenses	1,237,910	
Net Operating Income/(Loss)	\$ (9,973)	
Projected Cash @ 12/31/01	\$149,222	
Projected Cash @ 12/31/02	\$139,251	