Nagle Apartments Corp
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January 19, 2026

Dear Shareholders,

As a follow up to our November meeting with all Shareholders announcing the move to EBMG, and the December introduction of Mark Levine, the board has been working with EBMG to review our accounts and explain discrepancies in project and operational funds. This is needed as we complete this transition to new management and move forward responsibly.

We have simultaneously been working with EBMG to establish and pass the 2026 budget for the Co-Op and ensure that a reasonable maintenance increase will cover our current and anticipated expenses. We now know that Blue Woods had consistently led our Co-Op to operate on a deficit budget year after year, resulting in systemic underfunding of normal operations, and that Blue Woods would regularly draw down our capital and reserve funds to cover the deficit. In the spirit of open and honest communication, we are summarizing a few notable items that shareholders should be aware of so you can understand how the Board plans to address these challenges.

Items Clarified with the Help of EBMG:

- *The Façade Project*: The current Board, who was seated in July 2025, suspected that the original bid for the façade project and the one-time assessment from 2024 was undervalued. We have since learned that this is true. Originally, Blue Woods estimated this project at $180,000 and structured the original assessment accordingly. In early 2026, the Board hired RAND to complete an engineering report, estimate true cost and scope of work, and to file the project ahead of 2025 deadlines with the city. RAND completed the engineers report and has now estimated the actual cost of the project is closer to $1,000,000.
- *Parking Garage*: In 2024, the previous Board approved and negotiated a new lease, intended to increase revenue from the parking garage for the Co-Op. This revenue was planned and accounted for in the 2025 budget based on those assumed lease terms. The current Board discovered that the updated lease agreement was never finalized by Blue Woods, which forced us to re-negotiate a lease at the end of 2025. The result of this year delay was an equivalent deficit in the 2025 budget of over $100,000 due to unrealized income. Additionally, a required inspection of the garage in 2025 produced a report including necessary maintenance items which will now need to be addressed.
- *Building Amenities and Related Revenue*: While auditing detailed monthly maintenance information from the past few years, the Board has learned that numerous shareholders have not been properly billed for certain community benefits and amenities, including cable/internet through our Spectrum bulk agreement, bicycle storage, storage units, the gym, and the garage parking. Shareholders should expect to see corrections billed on upcoming maintenance bills.
- *Tax Abatement*: We have also learned that out of the 300+ buildings managed by EBMG, we are the only one that gives out the full annual Co-Op tax abatement to shareholders as a direct discount in maintenance, representing a loss of over $100,000 to the operating budget on a yearly basis. Standard practice among New York City Co-Ops is to retain the abatement for use in the operating budget resulting in a reduction in maintenance increases.

- *Budgets*: We learned that Blue Woods consistently underestimated normal operating costs while also miscalculating the total number of shareholders/apartments paying maintenance when presenting budgets to the board for review and approval. While previous boards attempted to pass responsible budgets that covered our operating costs, actual income from maintenance was always lower than projected resulting in consistent deficits for many years which went unaddressed.

<u>The Impact of the Above Items:</u>

- The outcome of the above budgeting and spending shortfalls was that Blue Woods used reserve and capital project funds raised through the assessments to cover operating costs for our Co-Op. All the original façade assessment was spent on both sidewalk sheds/scaffolding costs and diverted by Blue Woods to cover general operating costs. Additionally, approximately $120,000 of the elevator assessment was used to cover deficits in our operating account, while that assessment continues to accrue on the scheduled timeline.
- Lastly, we learned that Blue Woods chose to utilize approximately $120,000 of our line of credit to cover unexpected charges in fuel costs from 2023 for which we had collected a one-time assessment. Instead of using the assessment to pay this expense, funds were taken from the line of credit and not repaid. Blue Woods had been making interest only payments on this sum, which means that the full principal balance still exists and needs to be paid down.

<u>Next Steps:</u>

With the help of EBMG, the current Board now has a clear understanding of our financial situation, the funds needed to complete current projects and has mapped out a realistic timeline to successfully correct past mistakes and move us forward with solvency. The difficult part is that we must now collect a large assessment to complete the façade project in the next 6 to 9 months. As mentioned above, this project was significantly underestimated, and the initial assessment collected fell short of what is needed to do the work.

Funding the Façade Project: A 12-month assessment for completion of the façade project will begin on March 1st maintenance bills at a rate of $103.05/share and total $1.218 million. This covers the full estimated cost of the facade project and small scope of parking garage repairs which must be completed this year. Hopefully through the competitive bid process and good management by RAND and EBMG, the facade project comes in under budget, allowing us to also pick up the lost funds for the elevator project within this total sum. The elevator project is required to start by spring 2027, so we will be looking closely at this when the facade project is complete. While we understand these numbers are large, it is imperative that we collect this assessment to complete the façade project during 2026, so we can remove the *UNSAFE* status we have on file with the City. We are on track to begin work this spring and hopefully see scaffolding and sidewalk sheds coming down in areas of our Co-Op by the end of summer—but that can only happen with the assessment as structured.

In discussion with EBMG, the Board is prepared to offer two options for Shareholders to pay this assessment:

- Paid over 12 months on your monthly billing statement from March 2026 through February 2027.
- Paid in full by February 28, 2026, and will include a 5% discount.

Charges for the 12-month amortization will begin on March 1, 2026. Please respond to the form which will be circulated by Mark Levine on January 20th to indicate if you intend to pay over 12 months or in-full so we can plan accordingly.

Balancing Budgets Through the Tax Abatement: EBMG calculated the Co-Op has operated on over a $100,000 yearly deficit due to Blue Woods poor financial planning. To offset this, the Board has chosen to align our practices with other Co-Ops of similar size and income. Beginning this year, Shareholders will no longer receive the Co-Op tax abatement returned to them as a reduction in maintenance charges annually from March to June. By doing this, the Co-Op will eliminate the operating cost deficit and significantly reduce the maintenance increase this year and in the future. This is a direct benefit to all Shareholders. Your March through June maintenance bills will continue to reflect the reduction in cost due to the abatement, but these bills will also now include an "assessment" valued at $2.28/share per month. Because your bill will reflect the reduction in cost due to the abatement, and include the "assessment" on that abatement, the total of what you owe in maintenance will be the same every month throughout the year.

Yearly Maintenance Increase: Finally, as is the case every year, we have approved a standard maintenance increase. Thankfully, because of EBMG's professional approach to planning our budget, and the change to the distribution of the Co-Op abatement, we will only need to increase maintenance by 3%, to $9.15/share in 2026. This is lower than the past two years and significantly less than what was originally anticipated or discussed. Given our current situation and need to have balanced budgets in the future, we were anticipating a maintenance increase of over 12%. By recapturing the abatement, we can avoid that hardship for Shareholders.

We understand and acknowledge how difficult the assessment will be for many shareholders. This board has decided to share everything we learned of the mismanagement by Blue Woods following your feedback in 2025, and we chose to act swiftly to rectify these issues in the best interest of the Co-Op. Moving to EBMG has given us a clear and realistic budget process, clarity on the cost of the projects, and an understanding of how our Co-Op can be better managed so future years financing is more stable. Amidst all this, you will see improved service and quality of life in the building in many areas. We plan to hold another open Shareholder meeting in the next few months in the usual town hall style so that you can ask questions about this information. In the meantime, please direct questions to Mark Levine and the Board email as needed.

Thank you,

Nagle Apartments Corporation Board of Directors