

### **Why is the Board able to make decisions on behalf of the co-op?**

A co-op board of directors is allowed to make decisions on behalf of the cooperative because they are elected by the shareholders to govern the corporation, and their authority is defined by legal documents, including the bylaws, certificate of incorporation, and proprietary lease.

### **What happens if someone does not pay?**

We understand that this is a financial burden for all of us. It is important to remember that you are a shareholder, and therefore you own part of the co-op and are responsible for the cost of maintaining the building.

EBMG and the board will work with shareholders on a case by case basis but we have already extended the pay schedule over a longer term than will be needed for the project cash flow in order to help mitigate the impact on shareholders.

The proprietary lease and by-laws are clear about potential non-payment by Shareholders in situations like this. Failure to pay this assessment could result in fines, late fees, and legal action to recover funds, which in worst case scenarios, may include eviction and retaking shares. While we are open to working with Shareholders on a case-by-case basis, this work is necessary and must be funded by an assessment paid by Shareholders. The Board took time to find the best possible option for Shareholders with a goal of mitigating negative impacts.

We encourage all Shareholders to take advantage of every possible avenue they may have at their disposal including savings, stocks/investments, retirement savings, and even manageable debt in order to complete this assessment in full. The health and future of the building is dependent on this project's completion in 2026. That success is, in turn, dependent on Shareholders.

### **Why couldn't we refinance the mortgage to cover the cost of this project?**

We determined with the help of EBMG that it does not make financial sense for the co-op to Refinance as a way to pay for the cost of a capital project. We did look at that option and were advised that without a comfortable capital reserve we would likely not qualify for the amount we needed, the mortgage refinance would be a significantly higher interest rate than we have now, and the bank would likely impose terms we could

not meet - such as a 20% reserve fund and escrow accounts equal to the current arrears. Additionally, the result would be a significant permanent maintenance increase in excess of 20% beginning this year.

**Can shareholders decide to take on duties of porters to cut down costs? Why do we need three?**

We have a currently active union contract. The estimated payroll cost is approximately 270,000 a year, which includes salaries, pension/retirement, health, insurance, PTO etc.

The logistics of organizing shareholders to consistently work in the buildings without pay and insurance coverage, to cover trash and recycling, shoveling snow, cleaning all 3 buildings and addressing maintenance is not a reasonable proposition. Additionally, our managing agent is tasked with managing building staff activities, responsibilities, and standards. We do not want to undermine that relationship, and the long-term goal of effectively running this Co-Op, by relying on volunteers to complete duties which are necessary professional services.

**Why can't the assessment last longer?**

Our building is currently filed as UNSAFE with the city which results in fines and violations, and requires protective sidewalk sheds (Scaffolding) to be in place until the conditions are addressed. The cost of fines (which we can try to contest), and the cost of scaffolding (which we have to pay) will continue accumulating, and the conditions will worsen over time, resulting in much higher overall project costs to shareholders.

The UNSAFE status not only represents real safety and facade deterioration issues, but also make it extremely difficult for shareholders to sell their apartments to buyers who will struggle to obtain financing due to the status. We need to get the work done, and this board has made every effort to get the project started so it can be completed by the summer. We are targeting work to begin in April, which means we will need money to pay the contractors over a 6-9 month project timeline.

We are very sensitive to the impact this will have on Shareholders and the culture in the Co-Op where we think of ourselves as a solidly middle class building with artists, retirees, public employees, families with children, and the like. That does not change the financial reality we find ourselves experiencing where this is a necessary project which will cost nearly \$900,000. These are realistic costs for a project of this size and as we've

said before, as Shareholder owners, it is our responsibility to complete this project as soon as possible.

**For years, Shareholders brought up issues—both financial and operational—which were outlined in the January 19th letter. Frequently, these issues were shut down or explained away. What has changed and how do we know this won't be repeated in the future?**

Up until around the COVID-19 pandemic we did not have many examples of poor management which would have risen to the level of direct intervention by the Board, like we saw in the past seven months. As we said previously, some Board members began looking into contracts and payments for capital projects and persistently unpaid bills. Those actions are examples of the oversight responsibilities of the Board.

For better or worse, moving to EBMG has shown that we likely stayed with Blue Woods far too long, and that Blue Woods took us for granted or grew to not take our business seriously. That's a complaint regarding Blue Woods's professional services, not an indication of fraudulent activities. From the first time the Board elected in July met after the Shareholder meeting, several members of the Board were focused on identifying issues surrounding project delays and exploring new management opportunities. This culture shift on the Board was fundamental to uncovering discrepancies and shortcomings with Blue Woods

We are fully confident in EBMG's ability to manage our Co-Op and achieve success on these projects. We also now see what professional financial planning for the Co-Op looks and feels like. Obviously, there have been changes just in the first month of being an EBMG client. We believe this is indicative of a truthful and realistic approach to budgeting, and a transparent commitment to capital planning. These experiences have the Board feel that we have turned a page and hope that you, as Shareholders, will feel the same way soon.