



Nagle Apartments Corp.
C/o Blue Woods Management Co.
42 River Street, Second Floor
Sleep Hollow, NY 10591

December 9, 2013

Regarding: Cash requirement changes for 2014

Dear Shareholders,

Maintenance charges

On Saturday December 7, the Board met to discuss cash needs for 2014. Planning for 2014 and beyond was made difficult this year due to not knowing the level of garage income the co-op will receive. The garage provides significant subsidy to the shareholders of approximately \$1.20 per share per month¹. Our current garage lease agreement expires at the end of this month.

Sometime in 2014, we will likely need to close the garage and remove all vehicles for approximately three to four months. This is to facilitate necessary structural repairs that the Board is considering beginning in early 2014. The Board has asked for a three month extension to the current garage lease so that people who use the garage will not be inconvenienced during the cold months (it is unlikely that garage work can begin during the winter too). When that agreement is finalized, Management will circulate a communication.

While the Board is planning on adding the lost garage income to the project financing, if allowed, it is not known how much rent or income the co-op will receive from the garage when the repairs are complete².

As a result of the above and regular expense increases, the Board voted to increase maintenance for 2014 by 2.5% (from \$6.200 per share to \$6.355 per share). The last increase in maintenance was in 2011.

Assessment

The Board voted to increase the imposed assessment from 5% of maintenance to 7% of maintenance. This equates a movement from \$0.310 per share to \$0.445 per share per month to be paid with the monthly billing. The amounts collected will be used to fund Capital Reserves for future projects.

¹ Source: 2012 audited financial statements

² Due to a lack of lease agreement if the Board decides a lease is best or garage income/expense information if the Board decided to run the garage operation ourselves.

As a reminder, two major and some minor building capital replacements and improvements were completed without having to ask shareholders for funds. This is because the corporation has rental units which, when sold, the funds from the sale can be used for these purposes. As of 12/31/2013, the corporation has four left. However, the timing of when these remaining four may be sold is uncertain and unpredictable.

The assessment is envisioned to supply only a portion of the funding necessary for upcoming necessary capital repairs and discretionary improvements. Any additional amounts will likely come from possible additional assessments, co-op income, loans and the sale of rental apartments; or a combination of sources. The assessment will start with the January 2014 bills and it has no end date.

Additionally, newer regulations from Fanny Mae and Freddie Mac, two large mortgage guarantors, require co-ops and condo to set aside 10% of their annual maintenance charges each year in reserves as a condition of granting mortgages to buyers. Frankly, without the approval of Fanny Mae and Freddie Mac, it will be hard for shareholders to sell their units as the financing Fanny Mae and Freddie Mac provide may not be available. While one can take the view that the 10% amount is heavy handed and arbitrary, despite these objections, the regulations also make prudent financial sense.

The enforcement of these new regulations has been spotty with condo's taking the brunt of the enforcement action so far. However, one doesn't want to be on the short end should they go after co-ops too. With the assessment and reserves on hand, it is believed that our co-op will have met their requirement for 2014.

Staff Holiday Tips

If you want to give holiday tips to the superintendent or the porters, please do so directly³:

- Shahabudeen "Sha" Hayatt Since 1996
- Andres Mangual Since 2008
- Narine "Ricky" Doelaal Since 2008

Building security and loss prevention

Management and the Board wished to remind everyone that the doors are meant to let you in and keep unwanted individuals out. Forcing the door open without a key or propping the door open compromise resident and building (property) security, especially during the holiday season.

Please also keep your fire escape windows closed when you are not in the room or unit. If you need extra keys, please contact the superintendent or the building manager.

Don't forget, if you have a digital cable television converter box, you can press "998"⁴ to see a picture of the entrance of each of your buildings.

³ The co-op supplies a small bonus to the staff each year, as it has in prior years.

⁴ It is not listed on the TWC guide; you have to press "998" on your remote.