

THE COOPERATOR

THE 875 WEST 181st STREET NEWSLETTER

January 22, 2011

Since you selected us to serve as your Board of Directors in late September, we have been committed to honest and forthright communication with all who live at 875. The message that we have to deliver today concerning the Coop's financial future is by far the most important in the Board's brief tenure. Please keep in mind that in addition to serving as Board members, we are shareholders too, and the new budget as outlined below, will affect all of us equally. Nevertheless, we have an obligation to implement a budget that is fiscally responsible, and want to assure you that the steps we are taking are absolutely unavoidable at this time.

It is most important that all of us understand the reasons for the actions the Board has unanimously voted to take. The building is currently facing a 13% increase in energy costs, an approximately 11% increase in taxes, as well as increased water costs. Furthermore, during the course of the exterior capital project, it became evident that the scope of work had to be significantly expanded. Now, the Coop is going to have to pay for the remainder of the exterior work as well as the extensive interior repairs.

Additionally, while last year's budget was forecast to be balanced, various assumptions in that budget were not borne out, and as a result, there was a significant operating loss that must be recouped in order for the Coop to continue to pay its bills. At the same time, the Board is continually exploring ways to use our financial resources more efficiently and effectively.

The Board has been wrestling with this critical issue for quite awhile and the actions listed below are not being taken lightly; they are based upon extremely careful study of the situation, an evaluation of all foreseeable options as well as extensive consultation with our accountants.

As of February 2011, the Board is instituting the following measures:

First, because the Board did not receive a proposed budget from Century until December 29, 2010, our January maintenance bills did not include the \$1.35 per share assessment that we have already been paying. This assessment should have been included and will be reinstated on the February maintenance bill. The assessment for January will also be included in the February bill.

Second, there will be a 3% cost-of-living maintenance increase. To help put this increase in perspective, keep in mind that (according to The Wall Street Journal) the average coop maintenance fee increase from 2009 to 2010 was a staggering 19%. Our maintenance did not increase at all during that same period.

Third, based on the new maintenance scale, there will be an additional 5% assessment to help pay for ongoing essential capital projects. (Remember that if and when you wish to sell your apartment, all assessments are added to the cost basis and can significantly lower your capital gains tax burden.)

In an effort to minimize the impact of these increases, the 3% maintenance increase and the 5% assessment will not be retroactive to January 1, 2011, but they will begin in February.

To avoid the situation that the Board is faced with now, where a significant operating loss from the previous year is limiting the Board's options with regard to a new budget, we are going to perform an additional budget review in 6 months. At that time, there could be changes. To be clear, while an additional increase could be possible, it is also possible that the assessments could be reduced. Everything will depend on how various costs and expenses that cannot be predicted with precision play out during the first half of the year.

Again, we wish that there were another way to protect our building's future but after careful consideration and detailed analysis, the Board has concluded that there is no other way. We appreciate everyone's understanding and patience while the Board takes the steps necessary to bring financial stability and strength to this building which we all love.

Your Board of Directors:

Peter Schalk, President

Mark Planner, Vice President

Della DeKay, Secretary

James Lee, Treasurer

Lori McMarland, Staffing Committee

June Cross, Special Projects

Bin Weng, Capital Projects