

Memorandum

Date: November 18, 2009

Message to the RBLCA unit owners regarding the proposed Special Assessment for masonry and roof remediation and other expenditures expected to be incurred 2010 through 2012.

Background:

The board engaged, after competitive proposals, SGW to provide a capital reserve report (“CRR”). The CRR is a tool used by associations like ourselves to plan for and budget funds for future major capital expenditures that may once, on occasion or occur on a regular or annual basis. During the course of their work, and discussions with our masonry contractor, SGW stated that they observed that our masonry façade had deteriorated and was in need of substantial and immediate remediation. During this time, the building experienced unexpected and necessary repairs where substantial water infiltration into several units had occurred. The board, after discussions with other architectural consultants, chose SGW to assist with determining the scope of emergency remediation work and to review the adequacy of the masonry repairs. Eventually, SGW prepared estimates, costs and timing of remediation to bring our building to a condition that can be adequately maintained with annual inspection and addressing repairs as needed. At the 10/19/2009 board meeting, SGW presented their findings, including photographs of the current state of our building.

Because of the significance of the recommended scope of work and resulting cost, the board has retained another architectural and construction management firm to provide an independent peer review. This peer review is expected to determine if the SGW plan is reasonable in scope and cost of remediation, as well as their proposed consulting fee is in line with proposed plan of remediation. Assuming that the peer review validates the findings of SGW, the board is faced with the task of how to proceed.

Considerations:

In selecting a proposed course of action for the masonry and related remediation, the Board considered the following:

Knowledge of the potential for a Special Assessment and need for substantial remediation expenditures is public knowledge and has already impacted the value and marketability of individual units.

A prolonged or delayed remediation program beyond the proposed plan will likely create uncertainty as to the financial exposure to potential buyers, resulting in continuing issues of unit value and marketability.

Embedding remediation cost into annual assessments will create regular assessments far out of line with the market place, impacting unit value and marketability.

We have been advised by our consultants that delayed or extended remediation will likely lead to substantially more expensive remediation for future problems.

Current reserves have been depleted due to the cost of 2009 unbudgeted emergency repairs (work is ongoing and subject to adjustment, and therefore the cost is only an estimate at this time).

The current economic environment is unfavorable and unplanned assessment may well create a hardship on our current owners.

Alternatives:

The Board has discussed various alternatives to address the current situation, as we know it.

The Board believes the proposed comprehensive remediation plan is the most beneficial plan for all owners. It will eliminate the pall of uncertainty that negatively impacts value and marketability of units. It also provides a measure of certainty for unit owners to plan for future expenditures over a 2 to 3 year period. Recognizing the size of the required expenditures, the Board believes that the Association should provide a financing alternative that might not otherwise be available to individual unit owners. Such financing is explained in the accompanying SA letter. Such financing also has certain drawbacks including the uncertainty of what future interest rates and resulting monthly payments might be. Further, the embedded interest cost would not be available as a current tax deduction.

The following courses of action were determined to be unworkable;

- Continue piecemeal remediation work based on available funds
- Consider a lesser Special Assessment equal to estimated 2010 or lesser scope of work
- Consider a Special Assessment equal to the 2009 emergency remediation work to rebuild reserves

These alternatives and variations thereof were discounted because of the uncertainty of possible future emergency work and additional assessments. Uncertainty would continue to impact values and marketability of our units. Further, these alternatives would not adequately address the current situation or ultimate solution. Delaying this work may result in greater future expenditures and emergency special assessments with no financing recourse available to unit owners.

For any Unit Owners that would like to learn more about the actions the Board has taken the decision process and listen to the findings of the peer review we strongly urge you to attend the 11/30/2009 Board meeting. For any Unit Owners that are not able to attend the Board meeting we encourage you to talk with any of the Board members or the building Manager. We look forward to seeing you at the 11/30/2009 Board meeting.

The Board of Directors of River Bank Lofts.