

GRENELEFE ASSOCIATION OF CONDOMINIUM OWNERS NO. 1, INC.

Minutes of the Meeting of the Board of Directors

June 3, 2010

John Rasmussen called the meeting to order at 1:05 p.m. on the date above noted at the location and time specified in the notice of meeting.

Those present were:

John Rasmussen, President
Shirley Gold, First Vice-President (via phone)
Robert Krueger, Treasurer
Bryon Smith, Secretary
Earl Monari (via phone)

Richard Moore, Director (via phone)
Joyce Morris, Director (via phone)
Chris Gourdie, General Manager
Carol Post, Asst. General Manager

Joyce Brown and Carl Bauer were absent.

The president announced that a quorum was present and that the notice for this meeting was posted in accordance with the bylaws and statutory requirements.

Under provisions for owner comments, no owners indicated a desire to address the board.

The minutes of the December 4, 2009 board meeting were then presented to the board. There being no corrections to the minutes, the president stated that the minutes of the December 4 meeting stand approved as submitted. The minutes of the January 12, 2010 board meeting were then presented to the board. There being no corrections to the minutes, the president stated that the minutes of the January 12 meeting stand approved as submitted. The minutes of the February 4, 2010 board meeting were then presented to the board. There being no corrections to the minutes, the president stated that the minutes of the February 4 meeting stand approved as submitted. The minutes of the February 25, 2010 board meeting were then presented to the board. There being no corrections to the minutes, the president stated that the minutes of the February 25 meeting stand approved as submitted.

Robert Krueger then gave the treasurer's report. He indicated that the Association ended April with a surplus of \$50,910 and operating cash of \$484,694. He reported that cash in reserves totaled \$760,470, \$202,291 of which is the SunTrust Property Insurance Fund. Then Mr. Krueger called attention to the shrinking amounts in the reserve accounts and expressed concern over the fiscal cash standing of the Association. Mr. Rasmussen stated that these issues would be discussed at the upcoming budget meeting, and Chris Gourdie suggested having GAB Robins do an in-depth reserve study.

The next item on the agenda was the general manager's report. Chris Gourdie gave an update on the tornado damage and reported on the status of the multi-unit building preventative maintenance schedule and the extensive work that had been completed at the lakelofts. He also reported on work done by the landscaping department to remove freeze-damaged plant material, as well as new installations.

Under administration, Carol Post reported that receivables in collection totaled \$203,245, \$97,587 of which is owed by a single owner of 19 units, with another \$63,001 owed by two other owners. All units in collection have been placed with the attorney and are either lienied or have had foreclosure proceedings filed.

Mr. Gourdie then reported on the pros and cons of changing the annual meeting date to February or March, and it was decided by consensus of the board to leave the date in November, due to the billing problems and increased staff workload that would be created in moving the meeting.

Mr. Gourdie then provided information on asphalt seal-coating and cost comparisons between purchasing the equipment and doing it in house versus contracting it out. Richard Moore advised against seal-coating and suggested that the Association consider using a product called Grip-Flex. He indicated that he would send his expert out the following week to look at the property and meet with Mr. Gourdie.

Mr. Gourdie then reported on some areas where the Association will need to budget for higher costs due to increased occupancy of the units. This includes plumbing contractors because of backed up sewer lines and either additional trash containers or additional trash pick-ups. Mr. Gourdie was instructed to try to negotiate lower rates for trash service as well as a cap on the allowable annual increase.

The next item on the agenda was the condition of the roads. Earl Monari asked if a formal letter had ever been sent to CFI, and Joyce Morris questioned the possibility of CFI selling the roads to the Association. More discussion ensued, and Richard Moore indicated that the proper approach would be to send David Siegel a letter stating the condition of the roads and what the comments have been, along with photographs, and ask him to respond.

The next item on the agenda was parking. The board was presented with several photos of vehicles parked on the turf and the damage caused, and a copy of Florida Statutes governing towing of vehicles parked on private property. Mr. Gourdie indicated that he had had a discussion with the Association's attorney regarding posting signs for tow-away zones, and that the attorney indicated that if the tow-away zones were indicated on the signs, the Association could have vehicles towed. Robert Krueger moved and Shirley Gold seconded a motion, which was passed unanimously, to follow through with parking violations to the extent of following the attorney's advice and enforcing the rules with the towing company.

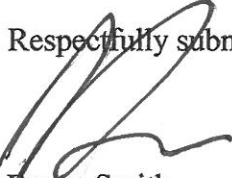
The next item on the agenda was discussion of grills on balconies and patios. Mr. Gourdie indicated that during a recent inspection of the property, 32 grills were found, about half at privately-owned units and half at Westgate units, and that letters would be going to all of the violators. He then presented the board with information and pricing on charcoal park grills, suggesting that the "no grills" rule might be easier to enforce if residents had an alternative. The board, however, felt that community grills would not be used and decided to take no action beyond sending the letters.

The last item on the agenda was approval of the laundry equipment purchase. Mr. Gourdie referred to information which had been provided to the board a month prior to the meeting regarding the investigation process, all the alternatives researched, and the models which he felt

would provide the Association with the best service at the best price. He indicated that of the three vendors who provided quotes, CoinMach had the best price since they buy in large quantities and get volume discounts. Bryon Smith asked for Richard Moore's input regarding his experience with the laundry equipment owned by CFI, and he indicated that it was pretty much trouble free. Shirley Gold asked how long the equipment lasts, and Mr. Moore stated as much as 10 years. He suggested that the board move forward with the purchase. Shirley Gold moved and Bryon Smith seconded a motion, which was passed unanimously, to go ahead with the plan that Chris Gourdie proposed in his report to the board.

At 4:00 p.m., Earl Monari moved and Bryon Smith seconded a motion to adjourn.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Bryon Smith', written over the words 'Respectfully submitted,'.

Bryon Smith
Secretary

Overview

We have been under contract with Coinmach since 1997. There has been a long history of service deficiencies over these past 13 years. Laundry machine complaint calls had become the highest volume of calls that we dealt with at the Association. We had to call their regional manager several times and send numerous complaint letters to correct deficiencies. The core of the problem is that a majority the laundry equipment here at Grenelefe is well beyond its prime, and Coinmach has been unwilling to replace it with new. There is no proactive program to maintain the machines, and Coinmach has been in a reactive mode for many years now. Coinmach is not staffed to handle the high volume of repair calls, and their reaction time does not meet the needs of our residents.

Our contract with Coinmach expires on June 17, and the board has voted to use reserve funding and our line of credit to purchase new laundry machines that will be serviced by Association staff. This will alleviate the complaints, allow us to keep the machines in good working order through maintenance, and hopefully increase laundry room revenues to build healthy reserve funds for replacements, maintenance and upkeep of our laundry facilities, and utility costs.

In taking this aspect of the condominium community in house, we had to consider several factors. One of them was payment method. It needed to be convenient to our residents and also be something the Association could manage. Having coin operated machines is not the most revenue-friendly method. Tenants would have to plan ahead and go to the bank or a grocery store to get rolls of quarters. The convenience store near property will not issue quarters, so presumably, people would not do laundry or they would take it into town if they did not have any quarters. Having coin operated washers and dryers also attracts crime and vandalism to our machines. Another reason coin operated machines are not practical is that we would have to expend more labor hours to collect revenues.

We have researched several alternatives to using coin operated machines. One method we looked at that would be very convenient to the residents was a system where each washer and dryer would be set up to accept debit/credit cards. However, in order to have this type of system, each laundry room would have to be equipped with a phone line. Because we have 99 different laundry rooms, the cost would be prohibitive to pay for installation, and the monthly line fee. This type of system is better suited for a laundry area that houses many machines in a central location.

The other systems we looked at all use rechargeable laundry cards. There was some conversation at our last board meeting about giving out free laundry cards to all of the tenants to promote the use of the laundry rooms. I think the assumption was that if you buy these cards in bulk, they would be cheap; however, this is not the case. The best price I have gotten on the cards is \$3.00 per card. Apparently they are specially made for a specific location, with each one programmed in advance. Some of the laundry services I spoke with suggest we sell them to the customers for \$5.00 apiece. They have found that at that price point, people will not lose them as often. Other suggestions

were that the cards could be sold back to the Association if the customer moves (card only, not any balance left on the card). We can still issue the cards for free, but need to understand that it will be a cost to the Association.

Several options are available with the card systems. With one that we looked at, customers can call in or go online to pay with a credit or debit card and receive a code. They must then go to a special machine, insert their laundry card into it and punch in the code that was issued to them. This seemed like a good option. However, the code expires after 72 hours and each machine costs approximately \$1,800, making it cost prohibitive to place in every laundry room. We could buy several, but finding locations around the property for them would be difficult, because placing them inside a few laundry rooms would draw a lot of unwanted traffic to specific buildings. Another problem with this machine is that it does not issue laundry cards.

The best option we found is a machine that can issue laundry cards for a fee and add value to the cards. Variations of this system are ones that take cash only, credit/debit card only, or both. In weighing the pros and cons of having a cash machine for adding value to the cards, the negatives far outweigh any additional profit we may receive by having a system that accepts cash. Grenelefe is an isolated community and we have very little security. If we were to install a cash type machine outside the office (or inside), it would become a crime magnet, which would necessitate the installation of a security camera system and possibly an alarm monitoring system for the office, as well as jeopardize the safety of our employees. If the machine was vandalized, we would be looking at a possible \$7,000 loss, besides the lost revenue while the machine is down.

After extensive research, I would advise the Board to go with a credit/debit machine which can also dispense new cards. This would be located outside the Association office and we would have maps and directions posted in all of the laundry rooms to educate and inform residents on where the center is located. This system will not attract the criminal element to the extent that a cash machine would. Though the machine would not accept cash, we would have the ability to take cash and add value to cards in the office if we come across a situation where someone does not have a debit/credit card. The software system will automatically track these transactions for accounting purposes. We would not want to advertise that we can take cash, but could handle these type situations on a case-by-case basis during regular office hours.

Laundry Equipment

There were questions asked about front loading washers and possible rebates on Energy Star rated machines. The machines we plan to purchase are energy star rated and will help conserve water if they are set to the low water levels. Unfortunately rebates are only offered to individual purchasers (not commercial) and would not apply in our situation. Also with our washers being used in a public laundry room,

customers tend to overload them, so they are always running at the highest levels of water consumption. Although front loading machines use less water and can take a high volume of clothes, there are a few issues with using them in a commercial setting. First, they are double the cost of the top loading washers, and we would have to buy dryers that could accommodate the larger loads that they are capable of handling. The second issue that was brought to my attention is that the gaskets around the door tend to mildew if they are not dried off frequently. Another issue with front loaders that has been observed in a commercial laundry setting is that the doors get broken because they lock after the cycles start and if customers want to add clothes, rather than wait, they tend to rip them open causing damage.

After researching and asking questions of the various laundry equipment providers we have decided to go with the Speed Queen brand based on their reliability to perform in a commercial laundry setting. There are many other brands such as Maytag and Whirlpool that are used in a commercial setting, but from conversations I have had with several vendors, the Speed Queen seems to get the endorsement from all for being dependable.

We explored several Speed Queen models and options that would best fit our situation here at Grenelefe. The washer we have chosen is a SWT920 and the Dryer is a SDE907. Attached is a copy of the descriptions and specifications on these models. We settled on these because of their durability and simplicity, and though they may not have all of the bells and whistles, they fit our purpose well. These will actually be modified coin-operated machines with card readers installed in place of the coin slots. These converted machines have several advantages over the models factory made to accept laundry cards. First, they have less electronics and circuitry in their control panels (and therefore fewer things to go wrong with the machines). The water temperature knobs are manual as opposed to push button with digital readouts. Second, price changes can be made in increments as low as 5 cents with little effort, as opposed to 25-cent increments required on the other machines. Third, as technology grows and new pay options become available, upgrading the system would involve changing out only the card reader rather than the entire circuit board. Technology currently being developed includes enhancing the micro chip cards to be compatible with sensors (similar to what is used with toll road passes) and value adding centers that can be placed on location at local merchants. Lastly, when these machines get close to their life span (approximately 7,200 cycles), they can be sold and easily converted back to coin-operated machines. Machines that have factory built card readers can only be used in a card type system and would have to have new card readers installed by whoever purchases them.

Electronic Payment System

We are looking at the Diamond Center Plus. This machine will transfer credit and debit card value to "smart" cards. A smart card looks like a credit card; it is the same size and made of plastic but instead of a magnetic strip on the back, it has a micro chip embedded on the front. The customer purchases the card from the machine, loads monetary value onto the card through the same device, and gets a receipt for the transaction. Then the card is ready to use. Each time the card is inserted into the special device mounted on each washer or dryer, the machine deducts the charge for the use of that machine from the balance on the smart card and starts the machine. When the smart card is out of value, the customer returns to the Diamond Center Plus machine at the office and adds more value to the card. This system will require a dedicated phone line which will cost approximately \$50 a month (which one of the vendors suggested may be offset by the sale of the laundry cards). This machine will accept Visa, MasterCard, Discover, and American Express, as well as Visa and MasterCard Debit cards. We will be required to pay a fee to our bank to process these transactions. As of this report, we are still working with our bank to determine compatibility and pricing for this service. Attached are specs for the Diamond Center and some background information on the EDS Money cards system.

Software

The Software system that we will be purchasing to help us manage the laundry income is the Laundry Logic Management System Basic Plus Edition. This software is designed by ESD and works with the Diamond Center Plus machine that we will be purchasing. The software allows us to set up and view information on individual cards, as well as set up management cards. It will allow us to establish pricing for the machines, card prices and maximum revalue, and view audits from the audit cards, including card slide audits and audits of the Diamond Center Plus machine. We can then load any of the information we gather into Excel or other formats for reporting purposes. There is some additional information about the software attached.

Maintenance

The biggest issue in our current situation with Coinmach is the fact that the machines were constantly breaking down and they were slow in responding to repair requests. There are two factors which influenced this situation, the first being that we have old tired machines that were being patched back together for years and not replaced. With the purchase of new machines, we should enjoy many years of efficient machines in good working order.

Another factor in the machines falling into disrepair was the fact that there was no preventative maintenance program put in place by Coinmach. We plan to remedy that situation by implementing a preventative maintenance program on all of the

Association's laundry equipment. We will establish a work area by our maintenance shop where washer and dryer hook ups are present and machines can be rotated out and repaired when needed. Speed Queen provides a one-week training class on repairing their machines for the cost of \$100.00 plus travel expenses. They also have online training and DVD video training that we can purchase. We will have an audit card that will track how many loads each machine has run. This will enable us to monitor and perform maintenance on the machines based on the usage and not on the years. We may have machines that reach their load limits faster than others and require more preventative maintenance procedures. This is also a good tool to use when reserving income for future replacements.

We will replace machines as they reach their limits, and this will be staggered based on the machine usage. We should not have to purchase in bulk like this in the future due to this ability. We can purchase parts through Coinmach Corporation if we decide to go with them on the purchase and installation. We would start with them until we get comfortable with the common parts we need and then do comparisons to make sure we are getting competitive pricing. They will ship the parts we need. As far as the manpower is concerned, we will not need to hire anybody to maintain the washers and **dryers. Our HVAC manager and his assistant will be able to handle the workload.** Currently the AC Tech assistant helps out in the landscaping department in between PM and filter change cycles. He will be fully dedicated to the HVAC/laundry equipment department once we purchase the new equipment.

Administration

Whenever we take on the responsibility of managing functions that were once outsourced, there are always additional job responsibilities that come along with bringing them in house. In addition to the work our AC Techs will be handling, the office staff will have some added duties as well. Auditing the value adding machine monthly readings, stocking cards and receipt tape, entering revenue into TOPS, processing payments for the line of credit, refunding lost fees due to mechanical breakdowns, handling cash transactions, fielding calls about broken machines, processing invoices for parts, and other duties will be absorbed into our daily routines.

Financial

Purchase Costs

	Coin Mach	Coin-O- Matic	Statewide USA
(112) Factory New Speed Queen* Card Operated Model SWT920 Top Load/ Model SDE907 (Retrofit) Porcelain Tub Washer/ Single Electric Dryers With extended warranty*, installation (incl. new hoses) and delivery included. Per set.	\$1,478 per set \$165,536	\$1,549 per set \$173,488	\$2,414 per set \$270,368 ((\$98,455**) \$171,913
ESD Diamond Center Plus (Unit Accepts Credit/Debit and dispenses cards—NO CASH)	\$4,195	\$3,870	\$4,587
ESD Laundry Logic Management--Basic Software with 1 Reader	\$1,434	\$1,170	\$1,305
ESD Super Audit Card (Read Usage of Washers/Dryers)	\$50	\$25	\$50
500 Cards	\$1,500	\$1,750	\$1,820
Sales Tax (7%)	\$12,090	\$12,621	\$12,577
Total	\$184,805	\$192,924	\$192,252

* An **extended warranty** is included: three (3) years parts on washers and dryers and five (5) years for washer transmission assembly, base and cabinet assembly including top, lid and door, against rust from inside out. The extended warranty is for parts only. Labor is not included. Parts do not include vandalism.

** This vendor priced their bid with a bulk rate discount figure.

Based on the above pricing and the ease of working with Coinmach on the replacement of the old equipment, we are recommending that we purchase the equipment from Coinmach.

Financing

We currently have \$81,528 in the laundry reserve. We would use this as a down payment and pay the balance amount of \$103,277 after installation of all of the washers, dryers and other equipment associated with the laundries.

The plan for financing the balance is to use our line of Credit with Citizens Bank. Our current line of credit is \$100,000. This would leave \$3,277 that could be taken out of operating funds and replaced with laundry proceeds when we start to generate income. We are currently receiving \$20,000 annually from laundry sales. According to our contract with Coinmach, this is half of everything that is collected. Using this figure and understanding that this will be doubled, we can anticipate that we should pull in at least \$40,000 annually. Our line of credit is financed at a 3% interest rate. At \$40,000 per year, it will take us a little less than three years to pay off the loan plus interest. Based on this, the cost of the loan (interest) will be \$4,692 (see attached amortization schedule). With the installation of the card system, having new machines and upgrading our laundry rooms, we may see higher revenues than \$40,000 annually, which will allow us to pay off the loan more quickly.

As we near the completion of paying off the loan through the use of the laundry room revenue, we will have a good idea on the amount of funding we will need to place in reserves for replacement machines and how much will have to go into operating funds to cover parts, maintenance and upkeep, along with any incremental revenue used to supplement our operating funds. This information would be included in the annual budget.

Recommendation

We recommend that the board approve the purchase the new laundry equipment from Coinmach, using our line of credit from Citizens Bank to finance it. They have the best pricing, and the transition period will go much more smoothly if we work with Coinmach on the replacement of the machines.