

Leisure World Community Corporation
Board of Directors Meeting # 5
Tuesday, April 27, 2010

Members Present:

Eleanor Friedenberg (MM), James McAlister (MM), Linda Wacha (MM), Mary Louise Furgurson (MM), Marion Herrington (5), Morton Sclar (6A), Frances Nebesky (6B), Phyllis Ross (6C), Arthur Rounds (7), Raymond Zagone (8), Betty Kontaxis (9), James Hummel (10), Darlene Hamilton (11), Marian Altman (12), Billie Saunders (13), Jacqueline Rabinow (14), Richard Carlson (15), Corwin Hansen (16), Barbara Cronin (17A), Allen Farrar (17B-nonvoting), Ed Psaltis (18), Charles Warner (19A), John Doherty (19B), Ralph Kirby (20A), Lawrence Traynham (20A), Philip Marks (20B), Al Lukas (20B), Robert Griffith (21), Mab Cantril (22-nonvoting), Neil Ross (23), Carl Goldstein (24), Roy Dickstein (25), Barry Lubin (26), and Art Nimetz (27).

Management Present:

Kevin Flannery, General Manager; Mark Ellis, Deputy General Manager; Tim Coursen, Assistant General Manager; Jennifer Peacock, Comptroller; and Berri Sommer, Executive Assistant.

Parliamentarian: Paul Bessel

Based on a motion by Mr. Marks and unanimous individual votes around the table authorizing a closed session, an Executive Session was held in conjunction with the Board of Directors meeting on March 30, 2010, to approve the Minutes of the Executive Session held on February 23, 2010. This Executive Session is reported in these Minutes in compliance with § 11B-111 (5) (ii) of the Maryland Homeowners Association Act.

1. Call to Order – The Chair called the meeting to order at 9:30 a.m.

2. Chair's Remarks –

Recognition of Employees – The Chair recognized four employees from the Security & Transportation Department for carrying out their duties in protecting the residents of the Community in an exemplary manner. The General Manager commended Officers Vynette Hodges, Michael Warren, Fernando Rosario, and John Mandich for demonstrating an exemplary commitment to their jobs during an incident on March 26th, in which they provided assistance to the Montgomery County Sheriff's Department leading to the apprehension and arrest of two wanted criminals who were attempting to enter Leisure World. Chief Deputy Darren Popkin and Lt. Col. Bruce Sherman of the Sheriff's Department were in attendance at the meeting and commended the officers for their quick

response. They presented the officers, as well as Leisure World of Maryland Corporation, with certificates of recognition.

Mid-County Citizens Advisory Board – The Chair reported that Councilwoman Nancy Navarro had appointed her to the Mid-County Citizens Advisory Board and that she is on their Land Use Subcommittee. She noted that at its meeting on April 15th, the County Planning Board approved the plan for the Wheaton Safeway, located at Georgia Avenue and Reddie Drive, with a larger store, underground parking, and residential units above the grocery store. They are currently studying a proposal for a Costco store at Wheaton Plaza (Westfield Shopping Center).

Appointments: Maureen McCleary (M19B) has replaced Evelyn Levine on the Emergency Preparedness Committee; Scott Cranston (M9) has resigned from the Golf & Greens Committee; and Jack Rich (M11) has replaced Steven Yowell on the Insurance Advisory Committee.

3. Adoption of Agenda – The Agenda was adopted as written.
4. Approval of Minutes – The Minutes of the meeting held March 30, 2010, were approved as written.
5. Correspondence – The Chair reviewed the correspondence contained in the Agenda packet:
 - a. Resolutions – Resolutions voted on by Advisory Committees during the month of March 2010.
 - b. Mutual 22 – Thank you letter from Mutual 22 President Leroy Henry relative to underground wiring for the Community.
 - c. Full Disclosure to LWCC HOA Members – Letters from Bob Conn (3/16/10 and 3/19/10) and Chair’s response (4/13/10).
 - d. Code of Ethics – Letter from Bob Conn (3/22/10) and Chair’s response (4/10/10).
 - e. 4th District Advisory Committee – Invitation from Captain Nancy Demme (3/23/10) to General Manager to be part of the 4th District Advisory Committee.
 - f. Council Bill 42-09 – Letter from Chair (3/23/10) to Council members in support of Council Bill 42-09 re CCOC dispute resolution.
 - g. Senate Bill 945 – Letter from Chair (3/23/10) to Senate Rules Committee opposing Senate Bill 945 re restriction on condo and HOA rentals.
 - h. JRLW/Activities Room – Letter from Fred Shapiro, JRLW (3/28/10) withdrawing proposal for the Activities Room and General Manager’s response (4/7/10).

- i. CCOC Complaint – Memorandum from James Cronin (3/29/10) re stay on the Medical Center and Chair’s response (4/12/10).
 - j. House Bill 842 – Chair’s letter to Judicial Proceedings Committee (4/2/10) re House Bill 842.
 - k. Town Hall Meeting – Letter from INFORCE requesting a town hall meeting (4/6/10) and Chair’s response (4/12/10).
6. General Manager’s Report – Mr. Flannery highlighted the General Manager’s Report for April 2010, and noted the following:
- a. Finances – Following two difficult months in January and February resulting from severe weather conditions, March was a good month, with a surplus of approximately \$20,000. The year-to-date deficit is approximately \$50,000. Management is monitoring expenses and labor hours in an effort to reduce the deficit.
 - b. Budget Forum – A Budget Forum is scheduled for May 26th, at 3:00 p.m. in the Auditorium of Clubhouse II, to give residents an opportunity to ask questions about the budget process. Full details will be published in the *Leisure World News*, along with the 2011 Budget Assumptions. Residents will be asked to submit their questions in advance.
 - c. Advisory Committee Round Table – Management will conduct a round table meeting for Advisory Committee Chairs and Vice-Chairs at 10:00 a.m. on May 21st, in the Montgomery Room of Clubhouse I. The topic will be the 2011 budgetary assumptions.
 - d. Delinquencies – The delinquency rate in the Community is currently about 2-3%, which is a decrease of almost 50% from six months ago.
 - e. Resales – In 2009, approximately \$885,000 was deposited into the Resales Fund. Compared to the same period in 2009, the Community is ahead in the level of contributions to the Fund for the first four months of this year by approximately \$75,000. Following a slow start in January and February, resales have increased in the Community, and April will be a very good month.
7. Old Business -
- a. Code of Ethics/Conflict of Interest Statement – The Board reviewed a copy of the amended Code of Ethics and Conflict of Interest Statement. The Chair noted that the Board’s only recourse for noncompliance or for failure to sign the Code would be to notify the individual’s Mutual, unless the Board were to pass a Bylaw

amendment making adherence to the Code a requirement for representation on the Board.

Upon motion by Mr. Dickstein, the Board agreed –

Resolution #26, 4/27/10

To accept the Code of Ethics and Conflict of Interest Statement.

- b. CCOC Complaint – The Chair stated that she had received a Summons, Statement of Charges, and Notice of Hearing from the Commission on Common Ownership Communities (CCOC). The Commission accepted the recommendation of the CCOC staff that the staff attempt to resolve the “open meetings” dispute prior to the hearing. The CCOC dismissed, without prejudice, all other matters included in the Complaint. The only open item for which they took jurisdiction was the process used by the Board to go into closed session.

The Board reviewed a proposed resolution on how they would conduct closed meetings. The Chair stated that the resolution is consistent with State law.

Upon motion by Mr. Marks, the Board agreed –

Resolution # 27, 4/27/10

To accept the “Leisure World Community Corporation Resolution of the Board of Directors Regarding Meetings of the Board of Directors.”

- c. Cable Negotiations – The Chair reported that, since the Ad Hoc Cable Committee met after the Executive Committee meeting and since time is of the essence, the Executive Committee had taken an “Action without a Meeting” in order to bring the Ad Hoc Cable Committee’s recommendation to the Board.

Mr. Flannery summarized the comparison of Comcast’s and Verizon’s bids, contained in the Agenda packet. This comparison was reviewed by the Ad Hoc Cable Committee and presented to the Executive Committee.

With regard to the “Door or Marketing Fee” payment to the Community (\$561,300 from Comcast or \$427,500 from Verizon), Mr. Flannery explained that this payment will be used, in part, to offset the expenses incurred in negotiating and implementing a contract – approximately \$100,000 for legal fees, \$40,000 for consultant fees, and \$40,000 for replacement of the character generator equipment used to place messages on the in-house channels. The remaining balance would be available to be used in the Community as the Board determines.

Mr. Lubin expressed his concerns about the length of the Comcast contract and the lack of high definition (HD) boxes in both bids. Mr. Hansen disagreed about seeking to add HD boxes, since they would increase the cost of the contract and

he believes there is not a high demand for them in Leisure World.

Upon motion by Mr. Nimetz, the Board agreed –

Resolution # 28, 4/27/10

To adopt the Executive Committee’s Resolution A, which recommends acceptance of the following recommendation of the Ad Hoc Cable Committee:

“Based on current information, the Ad Hoc Cable Committee recommends to the Board of Directors that they proceed with a contract with Comcast, and only in the event of receiving significant additional information from Verizon would the Ad Hoc Committee reconsider its recommendation.”

Mr. Flannery stated that he would advise Leisure World’s legal counsel of the Board’s action. Counsel will send a communication to Verizon thanking them for their interest and informing them that management and counsel are in the process of finalizing an agreement with Comcast. The proposed agreement with Comcast is presently being finalized between counsel representing Comcast and Leisure World’s counsel. A conference call meeting will probably take place in the next few days. Once the agreement is in a final form, it will be distributed to all of the Mutuals for review at their board meetings. It will be accompanied by a summary of the major provisions. Approval of the final contract will be by the Board of Directors – hopefully at their May meeting.

Mr. Flannery made available a schedule of Comcast’s add-on charges for upgrades to the bulk agreement.

8. New Business

- a. Operational Review Outlines – The Board received Operational Review Outlines for the Accounting Department and the Physical Properties Department. The Management Goals require that management submit to the Board outlines of what will be done in the various departments prior to starting an internal review. The Accounting Department Outline was reviewed by the Budget & Finance Committee at their meeting on April 14th, and the PPD Outline by the PPD Committee on April 13th. The findings will be reported back to the Executive Committee and the Board.

Mr. Flannery stated that the time frame he had suggested to the Executive Committee of 30-60 days for each review was unrealistic. In order to spend the appropriate amount of time in performing an effective review, given other priorities such as the 2011 Budget, he estimates approximately 120 days before the first report (for the Physical Properties Department) will be completed. The Chair also asked about the development of a multi-year plan for a systematic review of each major LWMC operation (to include PPD, E&R, Human

Resources, Refuse/Recycling, Finance, IT, etc.) and an indication of the schedule for each review included in Management's Goals. Mr. Flannery said that would be forthcoming.

- b. Veterans Park - Landscape Committee Recommendation – The Board reviewed the scope of the project contained in the Agenda package, along with the recommendation of the Executive Committee.

Upon motion by Ms. Furgurson, the Board agreed –

Resolution # 29, 4/27/10

To accept the Landscape Advisory Committee's recommendation that a plaque to honor veterans be placed in Cascade Park, and that the large boulder from the golf course be placed in Veterans Park.

There was consensus on carrying out Mr. Hansen's suggestion to amend the wording of the plaque to add "U.S." The plaque will read: "Veterans Park Dedicated to All Leisure World Residents Who Have Served in the U.S. Armed Forces."

- c. Mutual 6B – Becoming Voting Member of the Trust – The Chair stated that this is an informational item and that the Board will receive a letter from Mutual 6B requesting that they become a voting member of the Trust, even though there are still three unsold units in the Mutual. The Trust will receive the money owed when those units are sold.
- d. Report on PPD Showroom – The Board reviewed a summary of the financial performance of the showroom, which had been reviewed by the Physical Properties Committee the previous week. The report indicates that during its first year, the showroom has attracted traffic into the PPD area, with an average 32-35% commitment rate. In the first nine months of operation, PPD had 10 contracts for jobs greater than \$10,000, with an aggregate value of approximately \$132,500. The profit margin on those jobs is estimated to be from 3% to 5%. Three additional jobs are presently under contract, with an aggregate value of \$65,000. Management has sent out a customer satisfaction survey to the 10 customers who contracted for renovations, requesting feedback on the overall process, the coordination of work, pricing, etc. The results will be reported to the PPD Committee.

The report does not show individuals who visited the showroom without contracting for a renovation but who subsequently elected to purchase a new appliance. Management will refine the process so that improved tracking of data on non-major jobs can occur. The overall goal in 2010 is to achieve approximately \$200,000 worth of work and increase the profit margin to 8-10%. The Chair requested a comparison of the number of appliances purchased before

and after the opening of the showroom.

- e. S&T Committee Recommendation – Transportation Study – The Chair stated that this was an information item, and that management and the S&T Committee will develop a Request for Proposal.
- f. License Agreement – Due to the sensitivity of this topic, and in order to keep the discussions as confidential as possible, the Executive Committee recommended, in an Action without a Meeting, that they be authorized to meet with counsel to discuss the options relative to the proposed License Agreement on use of the Leisure World name. The Chair stated that the Executive Committee would report back to the Board and the Board would make the final decision.

Ms. Friedenberg noted that many rumors are circulating about this topic and that it is important to provide accurate information to the Community as soon as possible. Mr. Flannery responded that management will draft a summary of the status of this topic and provide it to counsel for review prior to publishing it in the May 18th issue of the *Leisure World News*.

Upon motion by Mr. Dickstein, the Board agreed –

Resolution # 30, 4/27/10

To adopt the Executive Committee’s Resolution B, as follows:

The Executive Committee is granted authority to discuss and review with legal counsel options related to the Community’s approach regarding the license agreement proposed by RRLH, Inc., and to make a recommendation to the Board of Directors. This action is for the purpose of investigating the legal options available, as well as other approaches, and reporting the results to the Board of Directors.

9. Open Forum –

Mr. Ray Zagone (M8) asked whether the Code of Ethics, if signed by a member, should be retained by the member or submitted to management. The Chair responded that either the original or a copy should be submitted to the Executive Secretary.

Ms. Billie Saunders (M13) noted that this was Mr. Hansen’s last meeting as a Board member. The Board expressed their appreciation to Mr. Hansen with applause.

Mr. Gene Byron (M27) asked whether Board members could see the legal opinion relative to the license agreement. The Chair declined.

Mr. George Lowy (M27) asked what an individual is supposed to do if contacted directly by Ms. Cortese. Mr. Flannery responded that, since Mr. Lowy is not an elected official

involved in the decision making process, he is at liberty to discuss whatever he feels inclined to discuss.

Mr. Lowy also asked why Leisure World is searching for outside management for the Medical Center, since residents are happy with it as it is. Mr. Flannery responded that Leisure World is not searching for an outside partner at this time to run the Leisure World Medical Center. The Board has approved an ad hoc committee to develop a Request for Proposal for engaging the services of a consultant to review the Medical Center and explore options on how to improve on its efficiencies.

Mr. Hansen (M16) confirmed that this was his last meeting as a Board member and as President of Mutual 16. He has been President for eight years and found it, until recently, a very interesting place to be.

Mr. James Cronin (M17A) stated that the Council (i.e., Commission on Common Ownership Communities or CCOC) said it was not time yet to look at other issues, but they sent the parties back to mediate the open meetings issue. He was not sure he wanted to go back to mediation, but accepted Mr. Traynham's wish to try to complete everything in mediation. He invited Board members to attend mediation hearings and to speak if permitted by the Chair. He stated that the resolution on open meetings was sent to the CCOC before it was voted on by the Board.

Mr. Bob Conn (M24) stated that three minutes was not enough time to say what was wrong with the Board's resolution. It does not require meetings of the Executive Committee and Advisory Committees to be open. He said the Chair is incorrect in stating that the resolution complies with the Maryland Homeowners Association Act.

10. Next Meeting – The next meeting of the Board of Directors is scheduled for Tuesday, May 25, 2010, at 9:30 a.m. in the Montgomery Room.
11. Adjournment – There being no further business to come before the Board, the meeting was adjourned at 10:37 a.m.

Billie Saunders, Executive Secretary
LWCC Board of Directors