

Leisure World Community Corporation
Executive Committee Meeting # 4
Friday, April 16, 2010

- Members Present: Marian Altman, Chair; Philip Marks, Vice-Chair, Billie Saunders, Secretary; James McAlister; Barry Lubin; Phyllis Ross; and Larry Traynham.
- 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
- Visitors: List on file.

Based on a unanimous vote authorizing a closed session, an Executive Session was held in conjunction with the Executive Committee meeting on March 19, 2010, for the purpose of approving the Minutes of the Executive Session held on February 12, 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 – 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 the previous day the County Planning Board approved the plan for the Wheaton Safeway, located at Georgia Avenue and Reddie Drive.

Request for Town Hall Meeting: The Chair received a follow-up letter from Mr. Robert Conn (M24) requesting that a town hall meeting be scheduled in April to discuss the trademark claim on the Leisure World name; the sale of the IDI-Cortese property; cable negotiations; and the future of the Leisure World Medical Center. Ms. Altman referred Committee members to a similar letter from INFORCE and her reply, contained in the correspondence section of the Agenda packet. She explained that it would be premature to report on the first three issues, since information is limited at this time, and that the Ad Hoc Medical Center Committee will meet on Thursday, April 22nd, at 1:30 p.m. in the Sullivan Room to develop a Charter for the committee.

Appointments: Scott Cranston (Mutual 9) has resigned from the Golf & Greens Advisory Committee due to health reasons. Jack Rich has replaced Steven Yowell as Mutual 11's representative on the Insurance Advisory Committee.

Executive Session: The Chair announced that an Executive Session would follow the regular meeting to approve the Minutes of the Executive Session held on February 12, 2010; for discussion of a business transaction in the negotiation stage (in accordance with § 11B-111 (4) (vi) of the Maryland Homeowners Association Act); and for further discussion of a legal matter (in accordance with § 11B-111 (4) (iv) of the Maryland Homeowners Association Act). She requested individual votes around the table on a motion to hold a closed session. The motion passed unanimously, with the following individuals voting in favor: Phil Marks; Billie Saunders; Jim McAlister; Phyllis Ross; Lawrence Traynham; and Barry Lubin.

3. Adoption of Agenda –The Chair announced that item 7-c, “Cable Negotiations,” would be moved to the Executive Session. The Agenda was adopted as amended.
4. Approval of Minutes – The Minutes of the meeting held on March 19, 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. The Chair noted that the last motion of the Community Planning Committee (relative to alcoves in the Activities Room) should state that the motion did not pass.
 - 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 - The General Manager's Report for April 2010 was received, noted, and made a part of the record. In addition, Mr. Flannery reported on the following.

Finances – The first quarter of 2010 ended with a deficit of approximately \$50,000. There was a surplus in March of approximately \$20,000. Much of the deficit occurred in February, due to the snow and resulting shortfalls in revenue generation. Management is monitoring expenses closely and is managing labor hours. The resale market, although somewhat slow in January and February, has shown improvement in March and April.

Meeting with Weichert Agents – Mr. Flannery met with 30-35 Weichert real estate agents on April 9th. The contract with Weichert stipulates that such a meeting take place every 2-3 months for management to share with the agents what is happening in the Community and answer their questions.

Maryland Unemployment Insurance Fund – This fund has been depleted due to the recession, and all employers in the State have been notified of a mandatory increase in unemployment contributions. The Corporation has been averaging \$140-\$150 per employee annually, which will now increase to approximately \$340 per employee, retroactive to January 1st. The budget is anticipated to increase by approximately \$25,000-\$30,000.

Asphalt/Concrete Work – Work will start on the Trust properties the week of April 29th.

Fidelity Crime Coverage – Many lenders, including FHA, Fannie Mae, and conventional lenders, are now stipulating that a “blanket” form of fidelity crime coverage is no longer acceptable. This coverage needs to be procured at an individual Mutual level, as opposed to the “blanket” form Leisure World presently has in place. The coverage is required to be at least equal to three months of condo receipts plus reserve balances. Management is putting together applications to obtain FHA approval and to purchase the insurance. Each Mutual will need to decide whether to purchase the coverage. Without both of these items in place, however, buyers into a Mutual without them may not be able to secure a loan, limiting the property's marketability.

Mr. Traynham requested that management prepare a fact sheet to help Mutuals understand this issue.

Employee Recognition – The Committee reviewed a memorandum from the General

Manager summarizing an incident in the Community and requesting that four employees of the Security & Transportation Department be recognized by the Board of Directors for their exemplary service.

Upon motion by Mr. Marks, the Committee agreed –

Resolution # 18, 4/16/10

To recommend that the Board of Directors recognize members of the Security & Transportation Department for carrying out their duties in protecting the residents of the Community in an exemplary manner.

7. Old Business

- a. Conflict of Interest Statement – The Chair noted that the Vendor List should be attached to the Conflict of Interest Statement. She stated that both the Code of Ethics and the complete Conflict of Interest Statement would be included in the Board package.

Mr. Marks asked for the criteria used for inclusion of a vendor on the list. Mr. Flannery responded that the list includes those vendors that might be presented to the Board or an advisory committee for a decision on a contract. It does not include vendors from whom the Corporation buys product, where the Board is not involved in the decision making process – e.g., an electrical or plumbing supply company. A secondary criterion for inclusion was a cost threshold of approximately \$10,000.

- b. Commission on Common Ownership Communities (CCOC) Complaint – The Chair stated that she had received a Summons, Statement of Charges, and Notice of Hearing from the CCOC. The Commission accepted the CCOC Staff's recommendation that the Staff attempt to resolve the “open meetings” dispute prior to the hearing.

Mr. Marks clarified that the CCOC dismissed, without prejudice, everything else that had been 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.

- c. Cable Negotiations – This item was moved to Executive Session.

8. New Business

- a. Operational Review Outlines – The Committee received Operational Review Outlines for the Accounting Department and the Physical Properties Department. The Management Goals require that outlines of what will be done in the various departments be submitted to the Board 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. In response to the Chair, Mr. Flannery stated that the time frame for each review would be 30-60 days. 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 indicate the schedule for each review to be conducted which is included in Management's Goals. Mr. Flannery said that would be forthcoming.

- b. Veterans Park – Landscape Committee Recommendation – The Committee reviewed a recommendation from the Landscape Committee relative to a memorial plaque to all Leisure World veterans.

Upon motion by Mr. Marks, the Committee agreed –

Resolution # 19, 4/16/10

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.

- c. Mutual 6B – Becoming Voting Member of Trust – Mr. Flannery stated that Mutual 6B still has three unsold units that were the models for IDI. The Board had indicated its willingness to accept Mutual 6B as a beneficiary of the Trust and to set up the liability due from the sale of the remaining units as a receivable. Leisure World of Maryland Corporation is presently not the Mutual's managing agent. However, Mr. Flannery met with the Mutual's Board of Directors, their Counsel, and their Managing Agent a month ago. Management has put together a Management & Operating Agreement, which he will provide to the Mutual in order for Leisure World of Maryland Corporation to become their Managing Agent. He will meet with them the first week of May, at which time they will provide a letter for action by the Executive Committee and Board of Directors. Once the Mutual is accepted as a beneficiary of the Trust, the final step is to record an Instrument of Adoption.
- d. PPD Showroom – The Committee 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. It does not show individuals who visit the showroom and do not contract for a renovation but do elect to purchase a new appliance. Management will refine the process so that improved tracking of data can occur. By instituting efficiencies, management's goal is to improve the profit margin on large renovation jobs from a 3-5% level to 8-10%.

Ms. Ross asked whether there is a report showing monthly forecast results versus

actual results and the variance. Mr. Flannery responded that each service area (plumbing, electrical, etc.) has documented monthly volume/revenue goals. This information is reported to the PPD and Budget & Finance Committees on a monthly basis, along with performance and variances. Management is currently reviewing the PPD operation from an organizational standpoint and evaluating ways to reduce overhead expenses.

The Chair stated that she would like to see the number of visits to PPD before and after the opening of the showroom. Mr. Flannery responded that, prior to the showroom, there was no tracking of visits; however, management will develop an analysis of product sold prior to and since the opening of the showroom.

Mr. Traynham stated that he is more interested in what the showroom is generating than in the purchase of appliances.

Ms. Altman asked for clarification of the statement in the report that says, “Implemented modifications to the billing system effective 4/1/10 which will allow for improved information on departmental estimates versus actual.” Mr. Flannery responded that three or four different service departments may participate in a large project such as a kitchen renovation, but the contract is written up as materials plus estimated labor. Management wants to improve tracking at the departmental level as well as at the overall contract level.

Mr. Traynham asked if PPD acts as a general contractor. Mr. Flannery responded that certain aspects of some renovations may be subcontracted – for example, installation of a granite countertop or purchase of kitchen cabinets. Most work, however, is performed by PPD.

- e. S&T Committee Recommendation – Transportation Study – The Chair noted that no dollar amount was included in the committee’s recommendation. Mr. Flannery said he assumed the S&T Committee would like management to develop a Request for Proposals to obtain some estimates; Mr. Damsky confirmed that. The committee’s recommendation is provided for information and review by the Executive Committee, but no action is needed at this time.

9. Open Forum –

Mr. Bob Conn (M24) thanked the Chair for acknowledging his letter and permitting him to distribute it to the members. He disagreed that there is nothing to talk about at a town hall meeting in April. The unit owners know very little about the cable negotiations, the trademark claim, the issues surrounding the Medical Center, or the sale of property. He asked the Executive Committee to authorize a town hall open meeting for all residents during the month of April to discuss these matters.

Mr. Jim Cronin (M17A) quoted part of the Chair’s letter to Mr. Conn dated April 13th (in

the Agenda packet), which cited the CCOC's Case Summary, and also from the CCOC's Case Summary and Motion to Lift Stay. He stated that there were important differences.

Mr. Jay Harding (M17B) asked the Executive Secretary to consider keeping the tape of the meeting for six months. He asked the Chair whether she received a letter from him dated April 7th regarding alleged wasteful spending by the Board and the General Manager. The Chair said she had not received a copy. Mr. Harding also wrote to the General Manager asking for the production of records on certain legal expenses for the Corporation, but has not received the information. He stated that the CCOC issue would be continuing. He said he had asked the General Manager to disclose that he is purchasing residential property in Leisure World.

10. Adjournment – There being no further business to come before the Committee, the meeting was adjourned at 10:30 a.m.
11. Next Meeting – The next meeting of the Executive Committee is scheduled for Friday, May 14th, 2010, at 9:30 a.m. in the Sullivan Room.
12. Executive Session – An Executive Session followed the regular meeting, as authorized by a unanimous vote of the members present.

Billie Saunders
Executive Secretary