



**The Galaxy Towers
Condominium Association**

December 16, 2002

Dear Fellow Homeowner,

On Wednesday evening December 4, the Board of Directors of the GTCA hosted a Budget Information Meeting to review the 2003 operating budget, the repair and restoration project and the planned loan to finance this project. While there were a significant number of people present at the meeting, we, of course have no idea how many of our homeowners watched the presentation on channel 26 or were unable to participate at all. We want to be sure that every homeowner including our non-resident owners are as informed as possible regarding the plan that the Board approved.

Hopefully, every homeowner has taken the time to review the budget package that was mailed to you a few weeks ago and to read the covering letters that accompanied the package. If you haven't, please take the time to do so.

I want to emphasize that our actual increase in maintenance payments for 2003 as compared to our total maintenance and insurance surcharge payments for 2002 is 6.2%, as we will no longer be billed separately for insurance costs. Our 2003 maintenance payments will include budgeted insurance premiums.

Remember, our goal in creating and approving this budget and plan is to ensure that we, a) preserve and improve the services and lifestyle that we as homeowner's expect, b) meet our rising insurance costs, c) embark on a huge and long overdue repair and restoration project, and d) maintain our reserves to cover future contingencies and needs.

The purpose of this letter is to advise you that;

- While the Board has approved the borrowing of \$12,500,000 it doesn't mean that we will borrow the full amount. Every effort is being made to minimize the amount that we will borrow and when we will borrow it so that interest costs are kept to a minimum.
- The type of loan, i.e., term, revolving line of credit or a combination thereof has not been finalized.
- While we have had substantial conversations with National Coop Bank, we continue to investigate other lenders. However, please note that there are a limited number of financial institutions that lend money to homeowner associations.
- Our law firm, Buckalew Frizzell & Crevina, has had substantial experience in negotiating homeowner loans.
- The loan, once finalized, will be taken by the GTCA. No homeowner will be a party to the loan or have any personal exposure other than payment of their monthly maintenance payments.

7000 Boulevard East, Guttenberg, New Jersey 07093 • (201) 453-2400 • Fax (201) 861-8387

- The collateral for any loan taken will be our monthly maintenance payments, our reserves, any other income that the Galaxy receives, as well as certain other assets typical in a loan of this nature, such the GTCA owned furniture and fixtures.
- No liens will be placed on any individual apartments.
- There are no limitations on our ability to sell or refinance our apartments due to this loan.
- As no homeowner is a party to the loan the interest on the loan cannot be deducted from our personal tax obligation.
- The bank will not take control of any collateral unless we default, which we will not.
- The bank will have absolutely no say in the day-to-day management of the Galaxy.
- Beginning in early 2003 our monthly maintenance payments will be sent to a GTCA lock box. This is to improve our systems and is not a requirement of the bank nor does it have anything to do with the loan.
- The borrowed funds will be earmarked for and only employed in the repair and restoration project. Each element of the project will be separately budgeted and tracked.
- We will be using only first-rate engineers to scope each project and to create bid packages and will only use highly regarded, reputable contractors to work for us.
- While the bank will have no say in who we use to do the work (that would create a conflict of interest) they will be reviewing our contracts and invoices and will be monitoring the work.

There is no question that the repair and restoration project has to be done. We've procrastinated long enough. The only question is how to best finance the work. While the projected costs are estimates, they are based on projected costs that were provided in prior studies, recent meetings with reliable engineering firms on our property, review by the chairman of our facilities committee and the experience of our General Manger. We will not have the actual costs until we receive sealed bids from those contractors that will bid on each element of the work. Those prices, once received, are still subject to negotiation. In the interim, we are working on securing the best form of financing that will have the least amount of impact on our homeowners.

We will continue to keep you informed.

Sincerely,



Allan Ellinger
Treasurer