

428 Alice Construction Defect Repairs

428 Alice Owners Association Members <428aliceoamembers@gmail.com>
To: 428AliceOAMembers@gmail.com

Bcc: [REDACTED]

Tue, Sep 21, 2021 at 1:08 PM

Attention Owners:

The following email was sent by Dylan Christensen to all residents in September 2021. I am including it because it was sent to the entire membership and documents the allegations referenced in my letter.

We received our Construction Defect Settlement way back in 2016. After 5 years, why has only 1 repair been completed?

It's because the Board wants to use the Construction Defect Settlement for an optional redesign project instead of making the required repairs.

Not only is this a massive violation of the Board's Fiduciary Duty, it also has significant tax implications...

If the Board attempts to use "excess" money from the Construction Defect Settlement for things like painting, that money is considered taxable by the IRS.

<https://hoacpa.com/wp-content/uploads/2018/08/FAQ-What-Should-the-Association-Do-With-This-Unexpected-Windfall.html>

Why does the Board continue to try and spend money they don't actually have? It's because certain Board Members, who were directly involved in the redesign project, have continued to push their personal agenda.

Below are some facts that I'm sure they haven't shared with you regarding the carpet and painting...

On October 15, 2018 there was an agenda item to approve replacement carpet. The Board Vice President at the time convinced a majority of the Board to hold off on replacing the carpet so he could put together a grand redesign of the interior of the building.

What should have been a simple carpet replacement ballooned into a very expensive and mostly optional redesign project.

When this redesign project was initially presented in 2019, the Board did not have the money to pay for it. As a result, they went to great lengths to make it appear as though our Residential Reserve Account had more money than it actually did.

They created a falsified 2020 Reserve Study that:

1. Inflated the starting balance by \$100,000 over what was actually in the bank
2. Included a \$20,388 Special Assessment that never existed.
3. Attempted to divert \$45,000 of "excess" construction defect funds

When The Helsing Group created our 2021 Reserve Study, they also inflated the starting balance, this time by over \$271,641.46.

When The Helsing Group finally admitted their "mistake", they then created a new Reserve Study. This new Reserve Study is now redirecting \$278,000 of Construction Defect Settlement Funds. This makes the Residential Reserves appear 43% funded when it is only 5.6% funded!

It's unclear whether The Helsing Group knew they were creating a significant tax liability by diverting Construction Defect Funds (and were just hoping no one would notice) or that they were just incompetent. They never provided an answer when asked.

As an Owner, you should be very concerned about the fiscal recklessness of the current Board at the direction of The Helsing Group.

There is incontrovertible evidence of everything written in this email. This evidence is available to any owner that would like to request a copy.

Dylan Christensen
428 Alice Owner since 2006

Official Request for Internal Dispute Resolution - Violation of Section 5.1 of 428 Alice CC&Rs [ref:_00D2EoFCk._5002E1vetzR:ref]

428 Alice <428alice@helsing.com>

Wed, Feb 16, 2022 at 6:18 PM

To: [REDACTED]

Dear Board of Directors, (BCC)

Please see below. We will need to set a date for this IDR. I will be in touch with all of you tomorrow regarding it.

Regards,

[REDACTED] CCAM, AMS, PCAM
Director of Management Division

The following Internal Dispute Resolution request was sent to management and the board in February 2022. I am including it as documentation of the formal legal action referenced in my letter."

----- Original Message -----

From: 428 HOA [428alicehoa@gmail.com]

Sent: 2/15/2022 8:44 PM

To: 428alice@helsing.com; [REDACTED]

Subject: Official Request for Internal Dispute Resolution - Violation of Section 5.1 of 428 Alice CC&Rs

Pursuant to Section 10.7 of the DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF 428 ALICE—I request that the 428 Alice Owners Association meet and confer with me in accordance with the provisions of California Civil Code section 1363.840, subdivisions (b) and (c), now restated as California Civil Code section 5915, subdivisions (b) and (c) in connection with the dispute stated below.

DISPUTE:

The 428 Alice Board of Directors are attempting to violate Section 5.1 of 428 Alice's CC&Rs.

Section 5.1 specifically states:

MAINTAINING COMMON AREA AND IMPROVEMENTS: Except as otherwise specifically provided in this Declaration, the Association shall Maintain the Common Area and all Improvements situated in, upon or under the Common Area (excluding Exclusive Use Common Area). The Association shall provide for all necessary services and cause all acts to be done which may be appropriate or proper to Maintain the Common Area and Improvements in first class condition.

428 Alice's fountain has been broken since September 2019.

TIMELINE OF BROKEN FOUNTAIN:

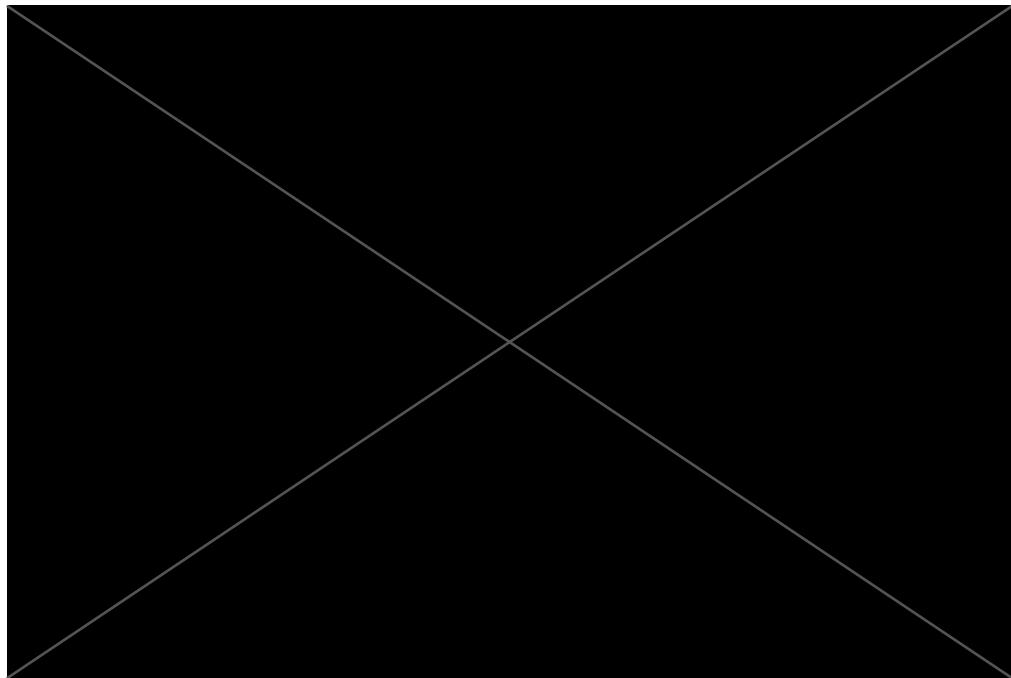
- In summer or early fall of 2019, the fountain located on the 3rd level was drained and had its lining redone.
- During this time, [REDACTED] was serving as Board Secretary alongside many of [REDACTED] friends who occupied the majority of 428 Alice's Board seats.
- On 9/9/19 my wife and I observed [REDACTED] family encouraging a young boy (who is [REDACTED] nephew) to play in our fountain.
- This young boy played in the newly repaired fountain for over 20 minutes and was being actively encouraged to keep playing in it.
- During this time, I was serving as Director at Large on the Board.
- I sent numerous photos and videos to our then property manager, Titan Management of this violation and requested that the Board issue a violation notice or schedule a hearing and also determine if any damage was done to our newly repaired fountain.

- During the next Board meeting, the majority of the Board Members refused to listen to [REDACTED] violation. They purposely ignored it since they didn't want to issue a violation to their friend.
- Shortly after [REDACTED] nephew played in our fountain, it began heavily leaking and was shut off and declared inoperable.
- While the above could be pure coincidence, it seems highly unlikely.
- From 2019-2022 the Board has continued to collect money to "maintain" this residential fountain located on our 3rd level which our CC&Rs explicitly reference. The 2019, 2020, 2021 and 2022 Residential Budgets collect money for maintaining the fountain yet the Board and management have failed to maintain it in proper working condition as required in our CC&Rs per Section 5.1 referenced above.
- Additionally, Section 2.38 of our CC&Rs state the Association is required to:
"...c) to operate, clean and otherwise Maintain the fountain situated on the third level".
- Section 2.24 of the CC&R's defines the word "Maintain" as used above as follows:
MAINTAIN: The term "Maintain" or "Maintained" (but not the word "maintenance") shall mean taking all actions reasonably necessary to keep an Improvement in first class condition and repair, which actions include but are not limited to regular inspections, painting, maintenance, refinishing, repairing, replacing and reconstructing the Improvement, and in the case of landscaping, irrigating and fertilizing the landscaping.

Per the draft meeting minute notes, this current Board is refusing to immediately fix the fountain. Instead, they are trying to explore options to potentially eliminate the fountain. This is a clear violation of our CC&Rs.

If anything other than immediately fixing and restoring the fountain to first class condition happens, legal action will be sought against each Board Member as an individual for violating 428 Alice's CC&Rs; which each agreed to uphold and follow when their Board terms commenced.

Dylan Christensen



----- Forwarded message -----

From: **Amber Gill** <[REDACTED]>

Date: Wed, Jul 22, 2020 at 2:11AM

Subject: Small Claims Demand Letter - Violating Section 2.38 of 428 Alice's CC&Rs + Preferential Treatment to Board Member, [REDACTED]

To: [REDACTED]

<[REDACTED], 428 Hoa <[REDACTED]>

Cc: [REDACTED]

SMALL CLAIMS DEMAND NOTICE

From
Amber Gill
428 Alice St, [REDACTED]
Oakland, CA 94607

The following document is a demand letter sent by Amber Gil to the board and management in July 2020. I am including it as documentation of the formal actions referenced in my letter. Some identifying information has been redacted for privacy.

July 22, 2020

THIS IS MY FINAL ATTEMPT TO SETTLE THIS DISPUTE

Response required by 5:00 PDT on Tuesday, July 29, 2020.

Dear 428 Alice Board and Legal Committee,

I, Amber Gill (resident at 428 Alice), am writing this pre-trial letter as a last and final attempt to settle the matter of: The 428 Alice Owners Association providing preferential treatment to current homeowner and Board Member, [REDACTED]. Current Board Members ([REDACTED]) have attempted to not enforce our Association's governing documents nor approve necessary penalties and damages against their fellow Board Member and friend, [REDACTED].

On July 13, 2019, my husband and I personally witnessed current 428 Alice Board Secretary, [REDACTED]'s guests (sister, brother in law and nephew) encouraging a young child to play in 428 Alice's common area fountain located in our building's 3rd floor courtyard. I took numerous photos of this incident, in addition to videos, which documents the child was jumping, running and playing with a ball in our fountain.

This matter was very disturbing for several different reasons:

1. If this child had fallen and gotten hurt by running on the slippery rocks in the fountain, his family could sue our Association, which would cause a spike in our insurance and we'd have to outlay significant amounts of cash to defend against a frivolous lawsuit.

2. Our fountain had just undergone a very expensive repair where the entire fountain was dismantled (the rocks were taken out, the water was emptied, the fountain had to be fully dried out before the waterproof lining/membrane was completely redone). Having a child unevenly distribute their weight on the rocks, having them shift the rocks with their movement and as a result have the rocks scratch the lining could have caused significant damage to our newly repaired fountain.

3. As seen in this photo, our fountain is functioning. Shortly thereafter, our fountain which resides on the 3rd floor of our building started having a continuous leak that penetrated into our 2nd floor garage. I believe this child playing in our fountain likely caused our fountain to begin leaking.

Please note that residents are personally and financially responsible for the actions and misconduct of their guests. Per 428 Alice's CC&Rs on page 10, Section 4.5 it states "Each owner shall be responsible for compliance with the provisions of the Project Documents by that Owner's Invitees. An Owner shall promptly pay any Reimbursement Assessment levied and/or fine or penalty imposed against an Owner for violations committed by that Owner's Invitees."

On August 2nd of 2019, I sent an email to Titan Management (our property manager at the time) reporting this violation. On August 4, 2019 I received a notice from Titan claiming they would issue a violation notice regarding this incident. Please note that prior to this incident, [REDACTED] had a history of repeatedly violating our building's Rules and Regulations. This was [REDACTED] primary impetus to run for a Board Seat, since [REDACTED] didn't want the Association to come across as a dictatorship that forces people to follow the rules...

Since I was concerned that [REDACTED] exploited [REDACTED] position on the Board, I followed up with Titan on August 13, 2019 to inquire what happened with [REDACTED]. They informed me that the Board would talk about [REDACTED] violation and deliberate on it at the next Board Meeting, which was scheduled for September 9, 2019.

On September 9, 2019 prior to the Board Meeting, my husband (and also Board Member at Large) requested that I share the videos of [REDACTED] violation with him since he'd pass it along to our property manager, who would then share it with the entire Board, so they could make a determination on [REDACTED] violation in that evening's Board Meeting.

Towards the end of the Open Meeting on September 9th, which was approximately 21:00 PDT, I heard Dylan Christensen (my husband) ask when the violations were going to be addressed and reviewed. Our property manager and the Board Members present told Dylan that it was late and they were adjourning the meeting and this could be discussed at some other meeting at some point in the future. However, I don't believe this matter ever came up again...

Instead, as mentioned earlier, our fountain started leaking shortly after Board Secretary, [REDACTED] nephew played in our fountain and continuously got worse (as documented in an email exchange between a homeowner by the name of [REDACTED] to Titan, where [REDACTED] was inquiring when this leaky fountain would get addressed on July 29th and 30th of 2019).

I do not believe that it's a coincidence that shortly after [REDACTED] nephew extensively played in our fountain that it began to leak.

Additionally, since this fountain was leaking so profusely, it was again drained and left empty. However, over one year later, it has not been repaired, despite Page 6, Section 2.38 of our Association's CC&R's stating "...(c.) to operate, clean and otherwise Maintain the fountain situated on the third level...".

Please note that since the word "Maintain" is capitalized, this means we must reference its definition on page 5 of Section 2.24 which states "The term "Maintain" or "Maintained" (but not the word "maintenance") shall mean taking all actions reasonably necessary to keep an Improvement in first class condition and repair, which actions include but are not limited to regular inspections, painting, maintenance, refinishing, repairing, replacing and reconstructing the Improvement..."

In the interest of both parties, and to settle this matter in an equitable way, I request that the Association do all the following:

1. Immediately issue [REDACTED] the maximum allowable fine for having [REDACTED] guests misuse our fountain.

2. Request that [REDACTED] immediately step down from the Board for abusing [REDACTED] position of power and having preferential treatment extended to [REDACTED].

3. [REDACTED] cannot participate in any Legal Committee meetings regarding this matter since [REDACTED] has a direct conflict of interest and any advice would be for [REDACTED] personal benefit and not that of the Association.

4. [REDACTED] cannot communicate or use Association resources or the Association attorney to develop a defense for this case and the other Board Members cannot divulge any information pertaining to this case to [REDACTED].

5. Have a reputable and highly rated fountain expert visit the property, empty the rocks and analyze the waterproof membrane of our fountain. [REDACTED] needs to be financially responsible for this independent analysis.

6. If the fountain repair expert determines that the waterproof membrane was damaged, then [REDACTED] needs to be responsible for any and all costs associated with this repair.

7. After this analysis, the fountain per our CC&R's needs to be fixed immediately.

8. The Board's failure to make the necessary repairs to our beautiful, serene and focal fountain greatly impacts my enjoyment of where I live. I surmise that I value this fountain at approximately \$5/day. As such, since the fountain has been inoperable for over 365 days, I request \$1,825 of my dues be returned back to me immediately.

If all the demands listed above are met, then I, Amber Gill, will be willing to dismiss this matter.

A response to this letter is required by 17:00 PDT on Tuesday, July 29, 2020.

If there is no response to this letter, all legal rights shall be explored, including but not limited to, legal proceedings in a small claims court necessary to enforce corrective measures and recover the monies listed above without further notice.

This offer of settlement serves as an official notice and may be tendered in court as evidence of your failure to attempt to come to a fair and equitable resolution.

I hope to resolve this matter as soon as possible.

Sincerely,

Amber Gill

428 Alice, [REDACTED]

428 Alice Owners Association - Updated 2019 Annual Budget Assessments Calculations

1 message

428 Alice <manager@428community.com>
Reply-To: 428 Alice <manager@428community.com>
To: [REDACTED]

Wed, Dec 19, 2018 at 4:04 PM

Dear 428 Alice Homeowners:

Please see the attached letter and updated 2019 Annual Budget and Assessments Calculations for your review.

Thank you and hope you have a great evening.

Sincerely,

428 Alice Management Team

 **428 Alice 2019 Annual Budget _ Updated Assessments Calculations.pdf**
876K

The facts concerning recent allegations of Board negligence

Roy Helsing

To: [REDACTED]

Wed, Jun 23, 2021 at 4:57 PM

Dear Homeowner:

Recently, you may have received a letter from Amber Gill and Dylan Christensen indicating an effort to recall all or part of the Board for allegedly not terminating our management company based on some beliefs they have of management wrongdoing.

The Board's response to each of these is below. Be advised, however, that the explanations are brief as Amber and Dylan have once more threatened litigation against the association. Specifically, they have expressed their intent to sue the association unless it stops installing the carpeting in the hallways and unless it levies a special assessment to the membership.

The association did spend a half-day in mediation with them last week but were unable to resolve the issues. The Board feels the carpet should be installed and that a special assessment should NOT be levied. This Board is not going to be bullied into doing what is not in the association's best interest.

Regarding the allegations put forth in their email – the following facts are provided.

Allegation 1 - RESERVE FUNDING: The Helsing Group continues to send out incorrect Reserve Funding information to prospective buyers and lenders. They were informed of the error in early April and still have not fixed it. Knowingly sending out incorrect financials is fraud. The Association will be liable since The Helsing Group is our vendor and the Board is responsible for their actions.

The Helsing Group was hired in late October. At that time, the Board was under the belief based on information from Dylan that the association had inadequate reserves and had a borrowed from the reserves that needed to be replaced. By law, the Budget needed to be in the mail by the end of October. The Helsing Group facilitated a reserve study immediately but at that time there were many unknowns. Specifically problematic was the monthly financials were not available from the previous management company, and the status of both the work still to be performed from the defect litigation settlement as well as work that had simply been deferred were largely unknown. Like most budgets, assumptions needed to be made on those unclear items. The Board then adopted a reserve funding plan based on those assumptions.

Since that time, a construction manager has been hired, much needed repair is underway with some completed, and bank statements have been received showing accurate balances. The Board has a legal requirement to review the reserve funding plan periodically (at least annually) and modify it. The next review of the funding plan is scheduled for the July Board Meeting and assuming the Board modifies the plan, a modified funding plan will be distributed. However, it looks at this time that there will be no impact on the assessments and still no need for a special assessment.

The biggest change will be in how the defect settlement monies are allocated. At the time of the study, it was felt that \$278K was to be spent on the exterior building stucco. However, it has recently been determined that that work has already been accomplished, and those monies will be reallocated to the Residential Fund which had understated beginning balances due to incomplete financials from previous management at the time of the study. There will be many more tweaks to the funding plan over the next couple of years as work is completed and bids come in – but the Board sees nothing at this time that would cause them to feel a special assessment is warranted.

As it pertains to this allegation, the Board would have no reason to terminate management because they cannot put out a new funding plan until the board approves it. In fact, the Board respects that management (which is also a well-known and

respected Reserve Study company) has shown us that no special assessment is needed. Please keep in mind those sending out the letter are threatening litigation to require a special assessment which your Board feels is unwarranted.

Allegation 2 - CORPORATE TAXES: The Helsing Group failed to submit our Corporate taxes by the 3/15 deadline. If taxes are not submitted on time, the Association can be suspended at any time by the CA Franchise Tax Board. If we are suspended, the Association is not recognized as a legal entity and, if sued, the owners will be responsible for the lawsuit.

Management does not submit taxes, the association does. Those taxes are prepared by an independent CPA and signed by a Board member as a corporate officer. This action was delayed because the former CPA refused to continue to do business with this association. Once identified, management brought it to the board's attention, solicited bids, and is now providing information to the new CPA as they are preparing the annual review and taxes for 2020. We should point out that Dylan was part of this process and in fact the Board hired a CPA he recommended. There is nothing here to warrant firing management – they raised the issue to the Board and fixed it. The association will not be losing its corporate status.

Allegation 3 - AUDITED FINANCIALS: The Helsing Group failed to send out the required annual reports for both 2019 and 2020 (Due 4/30). These are the only way for owners to know how the Board is spending relative to their budget. These financials are also required to be given to potential buyers.

Your association does not provide audited financials, they provide reviewed financial statements and they are due to the membership each year on April 30 as Dylan and Amber state. However, the 2019 review was not provided by management because that review was not completed by the board then in place. The Helsing Group was also not our management company at that time. The review was not completed because the Board in place in early 2020 (not the current board) did not sign the legally required CPA letter, and the current Board was unwilling to sign it because they could not attest to facts that took place before they were on the board. In fact, it was Management looking for this that led to the discovery that the letter had not been signed, and the fact that the CPA chose not to continue with our association. Again, Management is getting its feet on the ground and has solved or is working to solve each uncovered – they are not the problem.

The 2020 review has not been sent out yet because the CPA has not yet completed it (see the answer to the allegation about taxes) and there were so many financial actions not accomplished by Action Management, the prior management company, in 2020 this Board will have to see if it can attest to the letter on this review also. Please note, there are significant irregularities of actions with previous Boards (of which Amber and/or Dylan were part) that this Board is glad that we are finally getting complete and accurate financial information from Management.

The bottom line, however, is that Management cannot distribute documents it does not have

Allegation 4 - INCOME STATEMENTS: The Helsing Group created income statements for 2020 showing the Association taking in \$160K more than what was actually collected in dues.

This is simply false. The Helsing Group only prepared financials in 2020 for November and December. At that time, it did not yet have completed financials from Action management, only one bank account the association had no access to (nobody on the signature card), and many outstanding invoices had not been paid. The 2020 financials have not been finalized, that happens as the CPA prepares the taxes. In those two months, the financials showed the best available information. As we moved into 2021, The Helsing Group has provided complete and accurate financials backed up with reconciled bank statements each month. This Board has no idea why Amber and Dylan think The Helsing Group is responsible for previous management not preparing financials.

Allegation 5 - BORROWING FROM RESERVES: In October 2020, The Helsing Group caused the Board to illegally borrow an additional \$60K from our Reserves. They did not vote in an open meeting in front of homeowners. They do not have a plan for paying back this borrowing within the required 1 year.

This allegation grossly misrepresents what happened. In 2020 the association's property insurer refused to renew our insurance because of the amount of actual or threatened litigation. In fact, in 2020 the association spent almost

\$70,000 defending against accusations from Amber or Dylan. Our broker was almost unable to find a company that would insure us, and finally did so with huge deductible amounts. This happened in October as we were hiring The Helsing Group. At that time, we still did not have access to most of our bank accounts, and the only account we were able to access that had enough money was a reserve account. We met in emergency executive session to pay the premium so the association would have property insurance and announced in a letter to the membership that we took that action. We also announced that we might need a special assessment to refund the money because again – we had no financial information from our previous management company at that time. However, we now have access to adequate funds and no special assessment will be needed. There was no illegal borrowing, and The Helsing Group did not “cause” us to do anything.

In summary, The Helsing Group took over in a hurry when the previous management company terminated us. They have done an excellent job of discovering missing information, paying past due bills, finding vendors to start to get needed maintenance done, finding a construction manager to deal with the defect issues, and get us factual, accurate financial reporting. The entryway system is in place, the scaffolding is being repaired so the windows can be washed, the sewage lines have been inspected (no debris or problems found), the HVAC was inspected, and bids are coming in for repair, lighting has been repaired and lighting inspections will be starting – and many other things are in process. The hallway carpeting is waiting for two more proposals, (we already have two) and it will start soon despite Amber and Dylan’s threatened litigation. A special assessment at this time does not appear needed or warranted, despite the threatened litigation.

Sincerely,

The Board of Directors

 428 Alice Letter_pdf.html
1K

Re: The facts concerning recent allegations of Board negligence

2 messages

Amber Gill [REDACTED]

Fri, Jun 25, 2021 at 5:00 PM

To: [REDACTED]

Bcc: [REDACTED]

Dear Homeowner:

Since Roy Helsing and the 428 Alice Board have attempted to publicly defame my husband and I to the entire membership, I thought you should know more about us. This can help you better determine who is really telling the truth when it comes to the Association's finances...

My husband Dylan and I have lived in 428 Alice since 2006. In response to the severe financial mismanagement of our HOA that started in 2019, we created a non-profit to help protect homeowners from incompetent boards and predatory association managers.

Transparency HOA™ is an official 501(c)(3) non-profit that provides complimentary HOA financial analysis for prospective buyers, real estate agents, current owners and even board members.

So far we have analyzed the finances of over 3,000 HOAs. If you would like to learn more about our organization, please visit www.TransparencyHOA.org.

Thank you,
Amber & Dylan
[REDACTED]

On Wed, Jun 23, 2021 at 4:57 PM Roy Helsing [REDACTED] wrote:

Dear Homeowner:

Recently, you may have received a letter from Amber Gill and Dylan Christensen indicating an effort to recall all or part of the Board for allegedly not terminating our management company based on some beliefs they have of management wrongdoing.

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they could not attest to facts that took place before they were on the board. In fact, it was Management looking for this that led to the discovery that the letter had not been signed, and the fact that the CPA chose not to continue with our association. Again, Management is getting its feet on the ground and has solved or is working to solve each uncovered – they are not the problem.

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This is simply false. The Helsing Group only prepared financials in 2020 for November and December. At that time, it did not yet have completed financials from Action management, only one bank account the association had no access to (nobody on the signature card), and many outstanding invoices had not been paid. The 2020 financials have not been finalized, that happens as the CPA prepares the taxes. In those two months, the financials showed the best available information. As we moved into 2021, The Helsing Group has provided complete and accurate financials backed up with reconciled bank statements each month. This Board has no idea why Amber and Dylan think The Helsing Group is responsible for previous management not preparing financials.

Allegation 5 - BORROWING FROM RESERVES: In October 2020, The Helsing Group caused the Board to illegally borrow an additional \$60K from our Reserves. They did not vote in an open meeting in front of homeowners. They do not have a plan for paying back this borrowing within the required 1 year.

This allegation grossly misrepresents what happened. In 2020 the association's property insurer refused to renew our insurance because of the amount of actual or threatened litigation. In fact, in 2020 the association spent almost \$70,000 defending against accusations from Amber or Dylan. Our broker was almost unable to find a company that would insure us, and finally did so with huge deductible amounts. This happened in October as we were hiring The Helsing Group. At that time, we still did not have access to most of our bank accounts, and the only account we were able to access that had enough money was a reserve account. We met in emergency executive session to pay the premium so the association would have property insurance and announced in a letter to the membership that we took that action. We also announced that we might need a special assessment to refund the money because again – we had no financial information from our previous management company at that time. However, we now have access to adequate funds and no special assessment will be needed. There was no illegal borrowing, and The Helsing Group did not "cause" us to do anything.

In summary, The Helsing Group took over in a hurry when the previous management company terminated us. They have done an excellent job of discovering missing information, paying past due bills, finding vendors to start to get needed maintenance done, finding a construction manager to deal with the defect issues, and get us factual, accurate financial reporting. The entryway system is in place, the scaffolding is being repaired so the windows can be washed, the sewage lines have been inspected (no debris or problems found), the HVAC was inspected, and bids are coming in for repair, lighting has been repaired and lighting inspections will be starting – and many other things are in process. The hallway carpeting is waiting for two more proposals, (we already have two) and it will start soon despite Amber and Dylan's threatened litigation. A special assessment at this time does not appear needed or

warranted, despite the threatened litigation.

Sincerely,

The Board of Directors

[REDACTED]

[REDACTED]

[REDACTED]



- The Board has formed a Budget Task Force to spearhead efforts at expense reduction. If you are interested in joining the task force, please do - we need and want your help! You can join the task force by sending an email to manager@428community.com.
- While the HOA will continue to have an independent accountant, budget preparation and management will be handled by Titan Management in order to provide more transparency, accountability, and collaboration. Future budgets will require that we bid contracts out and provide supporting documentation for key line items.

We hope that this letter provides more transparency and insight into the process and ultimate decision to increase the assessments.

We value your participation, understanding, and support.

May you all have a very happy and prosperous new year.

Sincerely,

Michael Alfaro, President

Titan Management Group



Dear 428 Alice Community,

We would like to take this opportunity to recognize your concerns regarding both the increase in assessments as well as your feedback regarding the assessment calculation. We have verified that the assessment calculation was incorrect. I am attaching the corrected assessments, and you will receive a printed version of this in the mail shortly. Please disregard previous emails and letters.

The miscalculation and the previous mailings were the result of miscommunications between Titan (property management) and Condo Financial Management (accountant). We are taking steps to prevent this from happening again in the future.

Please know that increasing the assessments was an incredibly difficult decision and, like you, the Board Members had to weigh the impact of a significant assessment increase versus the best interest of the association as a whole when making this decision. The Board had several budget meetings with Titan Management and ardent debates over this issue. While the HOA dues have not significantly increased in the last 12 years, our expenses most certainly have. Without this increase the HOA would continue to operate at a loss and burn through reserve funds as it has done for the past three years when operating costs continued to increase even as the budget remained the same.

This financial model was not sustainable and while 18% is quite an increase, know that the board rejected the recommendation of a larger percentage increase and special assessment.

Please find attached the revised accurate assessment calculation for each unit, as you will see it falls in line with the 18% increase. The assessment calculation is based on a specific formula designated by Section 6.2 of the CC&R's, which establishes that part of the calculation is based on a per unit proration and part is based on the square footage of the unit, as such not everyone will have the same assessment amount or the same exact percentage increase. In this case, the assessments increases range from 17.51% - 18.34%. You will see the individual unit assessments listed on pages 9-10 of this document.

Please note, that if you are currently signed up with ACH autopay for assessment payments, your payment will automatically be adjusted. However, if you are on a "bill-pay" system with your bank, you will need to contact your bank to provide them with direction to change your assessment payment to the new assessment amount.



As a homeowner, you're probably asking yourself what the board and management are doing to protect you from future increases, rising costs, and to establish predictable stabilized assessments. A great deal of effort has been, and will be, focused on achieving these goals:

- Management has completed a study of expenses from comparable buildings in our community. While our new assessment amount is in line with comparable buildings, this study did identify some expenses that are above the average. In response, management has started the process of rebidding contracts that fall into this category with an eye on decreasing costs.
- We have implemented a proactive vendor bidding process to send out regular RFPs for any line items over \$5,000. A regular, proactive review of expenses and vendor bids had not been part of the building's financial strategy. That has now been changed.
- In addition to ongoing operating expenses, we have to account for several large projects that need to be completed in the near future. These include:
 - HVAC equipment replacements
 - Roofing & waterproofing repairs
 - Access control system replacement
 - Camera system replacement
 - Hallway flooring & painting
 - Lobby refurbishment & relocation of mailboxes
- There are a series of post-settlement construction defect repairs that must be completed. The initial cost of these repairs was in the \$1M range, but with a great deal of work and creative solutions, we were able to reduce the scope and cost of repair to a cost under \$200,000. The net proceeds from the settlement were \$387,000, and the excess cost savings that were achieved will be needed to help fund the reserve account.
- We are working on a long-term goal of capping assessment increases at an amount that is consistent with the published Consumer Price Index (CPI) for the Bay Area or less.