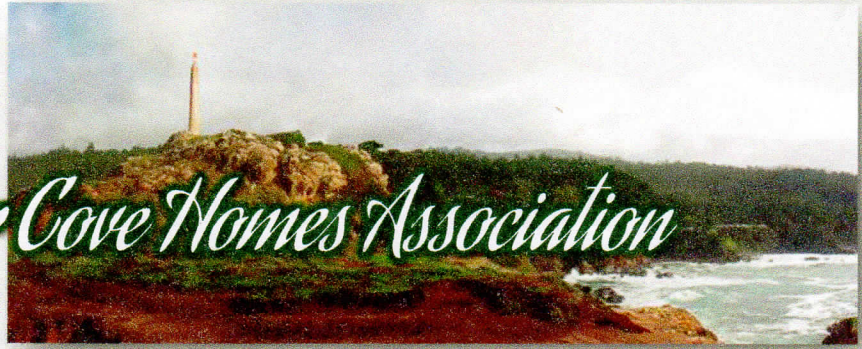




Timber Cove Homes Association



To: All TCHA Members

Subject: Important Updates:

1. Amended Complaint, McKay v. Timber Cove Homes lawsuit (New)
2. Answers to member questions about the lawsuit and the related special assessment we recently invoiced.

Background

On March 21, 2018 TCHA was sued in Sonoma County Superior Court by Carmen McKay, who had been employed by the prior TCHA Board from February to June 2017 as Community Manager. We previously transmitted a copy of the lawsuit, McKay v. Timber Cove Homes Association, to all members by email. We recently emailed members a status update from our defense counsel, providing more information about the case.

On August 23, 2018, the Plaintiff filed an Amended Complaint with the Court. A copy of the new, Amended Complaint, is attached to this memorandum.

We recently mailed to all property owners a special assessment in the amount of \$781.25 per parcel. As we have previously explained, \$336 of that assessment was required under our bylaws to repay funds we borrowed from the Reserve Account in order to address a serious shortfall in operating funds we inherited, which must be restored by January 2019. The larger portion, \$444 per parcel, is emergency funding required to pay the legal expenses we are incurring to defend against the McKay lawsuit. Our insurers denied coverage, and therefore defense of the lawsuit, and any resulting jury award of damages against the Association, must be paid with member funds.

The lawsuit and the special assessment have elicited widespread concern, anger and intense questioning by many members. That reaction is very understandable; the current Board is angry, too. The purpose of this memorandum is to try to answer the key questions regarding these painful topics, within the limits of our knowledge and attorney-client confidentiality protections. **We address the following questions in this memorandum:**

1. **What is the McKay lawsuit about? Why was the Complaint amended? How does she claim she was harmed?**
2. **Why was the Association named as a defendant, and why should members who were not involved and knew nothing about the alleged misconduct be at risk of liability to the Plaintiff?**
3. **Why are the members saddled with the expense of defending this lawsuit; why isn't the insurance obtained by the Association covering the costs of our defense and any possible resulting liability to McKay?**
4. **What actions has the current Board taken to defend this lawsuit?**
5. **Is there any form of Alternative Dispute Resolution that could shorten this trial process and reduce the expense?**
6. **Has a negotiated settlement been considered or proposed?**
7. **Why is the expensive special assessment necessary? What can be done to alleviate hardship claims?**
8. **What lies ahead?**

First, a request. A few members have contacted our Office Manager and expressed their frustration and irritation in angry terms. We fully understand the frustration and anger. However, it is unfair and unacceptable to speak angrily to our Manager. She had nothing to do with the lawsuit and has no information to share beyond that we have already



released in meetings and memoranda such as this one. Please treat Melany with the same courtesy and respect you would expect for your own family members; don't take your frustration out on her. She is family to us and she works hard to serve all members.

1. What is the McKay lawsuit about? Why was the Complaint amended? How does she claim she was harmed?

A copy of the Amended Complaint is attached to this memo. The significant new modifications from the original Complaint filed in March 2018 are: four new individuals are named as additional defendants. They include three members of the prior board of directors, and an associate they allegedly paid to invade Carmen McKay's private email account. Furthermore, the Amended Complaint sets forth a description of the alleged wrongs committed in greater detail than the original.

We urge you to read the Amended Complaint carefully. It will inform you of the claims and chronology. We would like to highlight some key points to help address questions that have been raised. All plaintiff's claims relate to alleged actions by the prior board members and their agent(s). There is no claim that the current board members caused any of the harms McKay complains of. The current board members had no knowledge about the claims alleged until they first surfaced publicly in October 2017 via the anonymous email from "Truth in Timber Cove", discussed below.

Key Facts:

(The following summary is based on non-confidential information already made public or referenced in McKay's Amended Complaint).

The plaintiff, Carmen McKay, was hired by the prior Board in February 2017 as "Community Manager". Her employment terminated only four months later, on June 12, 2017. She submitted a public resignation letter at that time accusing the prior board of wrongdoing, and stating she was consulting an attorney about her rights. Plaintiff returned the TCHA laptop she had been using to the office less than a week after she terminated employment.

After she returned the laptop, McKay alleges that the individual defendant directors and their agent(s) somehow discovered her private email password from the laptop, and using that password, they invaded her private email correspondence on Gmail repeatedly and extensively without her consent, over a period of weeks. They allegedly downloaded many of McKay's sensitive, personal emails.

It should be understood this is not an employment lawsuit. In this lawsuit, McKay does not complain about her termination and does not ask to recover her job. All the wrongful acts she complains of occurred AFTER her employment ended.

McKay's private email account was penetrated after she had ceased to be an employee. It was violated many times over a four-week period, and dozens of messages she sent friends and attorneys weeks after she ceased employment continued to be downloaded. Also, these messages were not "found" because they were stored on the TCHA laptop; rather, plaintiff alleges that TCHA directors and/or associates deliberately used McKay's password repeatedly to break into her private Gmail account at will.

It is our understanding that taking private electronic data without permission is a criminal violation under California law and Federal law. This is a civil lawsuit; if there is a criminal investigation pending regarding the unlawful violation of McKay's private email account, that is a separate matter from this case. Whether the named defendants had some legally recognized justification for penetrating her emails involves questions of fact and law to be explored and decided during the lawsuit.

Several weeks after her private emails were penetrated and downloaded, around August 30, 2017 the prior Board and associates compiled a 12-page selection of downloaded private McKay emails and submitted them to the Sheriff's Department, claiming they indicated wrongful misuse by McKay of confidential TCHA files she had access to while employed, and unauthorized transfer of that information to other members of the community. They asked the Sheriff to investigate for possible criminal violations. Apparently, the Sheriff's Office did not find evidence of criminal misconduct as claimed by the Board and did not commence an investigation. Our prior TCHA attorney confirmed that fact in December 2017.

Keep in mind that at this point, in September 2017, none of these allegedly improper board actions against McKay, stolen emails, or correspondence to law enforcement had publicly surfaced. Neither the newly elected directors, nor



McKay, knew about them; the Board had not received any claim communication from McKay or any attorney or her behalf since her resignation letter in June. However, around October 7, 2017, an anonymous email was circulated to members of the community, with a 12-page attachment revealing McKay's private emails. That compilation of McKay's private emails duplicates the 12-page selection of her downloaded emails attached to the letter sent by the Board to the Sheriff in August. The anonymous email included numerous accusations against McKay and members of the community, alleged criminal misconduct including "identity theft" and "cybercrime" and disparaged McKay's character.

The current board does not know the identity of the parties who prepared and distributed the October 2017 memo and attached the private email compilation from the complaint letter to the Sheriff's Department. However, you do not need an Einstein to deduce that whoever did so must have, in some manner, gained access to the purloined emails or confidential reports that the prior board had procured, and/or prepared. We should point out that damaging accusations against McKay and others from the anonymous October 2017 email have been discussed and further distributed on local social websites, including Yammer and Timber Cove Trails.org. The extension of the harmful communications on those social media sites is specifically referenced in McKay's lawsuit.

We believe it likely that the public circulation of the anonymous "Truth in Timber Cove" email and attachment in October 2017 alerted McKay to the apparent violations of her private email by prior board members and/or their associates and provoked her to sue the Association. A couple weeks after the anonymous accusations with attached stolen emails were publicly circulated in October 2017, an attorney representing McKay sent the new Board a demand letter alleging invasion of privacy and defamation, among other wrongs, and threatening litigation. On the advice of TCHA legal counsel at that time the claims were rejected. The new board asked counsel to inform our insurers of the litigation threat. The insurers denied coverage, asserting the prior board failed to notify them as required in June 2017 when McKay first made public accusations of wrongdoing and personal injury against the prior board and announced she was conferring with an attorney. The new insurer beginning July 15, 2017 also rejected coverage. Our current insurance, obtained by the current board in December 2017 after the prior insurers cancelled their policies because of material errors or omissions in the application filed by the prior board, only agreed to issue new insurance to TCHA on the condition that the McKay claim was excluded from coverage.

Around March 21, 2018, McKay filed a lawsuit for damages against the Association. At that time TCHA was the only named defendant. However, the plaintiff also named fictional "Doe" Defendants. That is a placeholder mechanism which means the Plaintiff suspects there may be other defendants who bear responsibility for the wrongs she alleges, but she doesn't yet know their identities. If she learns their names from evidence that surfaces during depositions, document discovery or other investigation, she can add them later.

We do not know what led McKay to amend the complaint and add the four new individual defendants. She may have obtained new information from the responses by TCHA counsel to her legal discovery requests. Another possible source is a recent message widely circulated to TCHA members by an individual subsequently named as a new defendant (using member email addresses without Board knowledge or permission). That gratuitous message, which probably reached the Plaintiff appears to admit that she **and others** invaded Plaintiff's private emails, and that members of the Board, with assistance from counsel, prepared the August 30, 2017 complaint letter with attached emails for the Sheriff's department. Those assertions may have exposed information Plaintiff did not previously possess. It is possible additional new defendants may be added in the future, depending on the facts that surface during discovery or publications on social media.

2. Why was the Association named as a defendant, and why should members who did nothing and knew nothing about the alleged misconduct be at risk of liability to plaintiff?

Here, briefly, is our understanding of the situation: Everyone who bought and owns a lot that is part of Timber Cove Unit 2, thereby became subject to the CCRs that were recorded with the County in 1965. The CCRs provided that a California non-profit corporation, Timber Cove Homes Association, had been created with legal authority to enforce the various provisions of the CCRs and to manage the affairs of the subdivision as described in the CCRs. All property owners are automatically members of TCHA. The corporation is managed by a Board of Directors, elected to three-year terms by members in accordance with the bylaws. The Association may be legally responsible for the actions of the Directors so long as they were acting within their authority under the CCRs, bylaws, and applicable California law.



So, the property owners who comprise the Association are being sued because some former directors who were their legal representatives to manage the affairs of the Association, or associates acting under their supervision, are alleged to have caused McKay harm. If evidence developed during litigation convinces a jury that the prior directors did not cause harm to McKay as she claims, the Association membership will face no damages (aside from legal expenses incurred for our defense). If the defendants are found liable for harm caused while acting within their authority as directors, officers or agents of the Association, then the Association may be accountable for their actions. On the other hand, if a jury determines that they acted outside their legal authority as directors and agents of the Association, they might be found liable on their own, as individuals. Those are all open questions at this stage of the lawsuit. The amount of damages against any defendant(s) found liable will depend on the evidence McKay presents. It may make a difference whether the wrongful actions were a result of negligence, or were knowing, intentional and malicious. If the jury finds the wrongful actions were really offensive, they may award punitive damages, which can greatly exceed the actual injuries McKay can prove.

Again, please keep in mind, all of these allegations are made against the **prior** directors and their agents. Also keep in mind that as of now, these are only allegations made by plaintiff; she has not proved any of her claims yet. We are not blaming the prior directors, we are simply explaining that members who call in angry with the current board for the lawsuit we all find ourselves mired in are mistakenly criticizing directors who were not even on the board when the alleged wrongs were committed and have no first-hand knowledge of the actions alleged by the Amended Complaint.

3. Why are the members saddled with the expense of defending this lawsuit; why isn't the insurance obtained by the Association covering the costs of our defense and any possible resulting liability to McKay?

Those are important questions, and frustrating ones.

The preliminary, fundamental question: why do Association members have to bear the costs of a legal defense at all? In the simplest terms, this is an actual lawsuit, **with serious potential consequences for the membership**, filed against the Association that we all belong to in California Superior Court in Sonoma County. It is not merely an internal political squabble, it is not just a threat, and the claims made are not frivolous. It is a real, immediate lawsuit, subject to applicable laws, and a lot of evidence has already surfaced publicly which appears to show McKay's private email account was violated, downloaded and disseminated through the community and used to accuse her of criminal misconduct and damage her reputation. Under the US system of adversary trial by jury, the plaintiff uncovers, prepares and presents evidence for the jury, in the context of applicable laws. The defendant(s) must attempt to counter that evidence by developing their own evidence and legal arguments to rebut plaintiff's case. If the defendants do not pursue, develop and present that opposing evidence, if they don't "put a team on the field", plaintiff will win by default, based on the evidence she presents. Once liability to plaintiff is established, the next question is the amount of damages she is entitled to, another evidentiary question. It is possible for a plaintiff to win a case on liability after expending a lot of attorney fees, but then to recover only an insignificant award from the jury. On the other hand, depending on the claims and the evidence, a jury might award punitive damages many times the actual damages the plaintiff can prove, just to "teach the defendants a lesson" for misconduct the jury really deplors. To prevent an adverse result which can be enforced against the Association by a court, we must defend against the lawsuit.

Now, the critical and frustrating questions about our insurance:

The Association did indeed purchase insurance policies which should have paid for a legal defense of the Association and covered any judgment or reasonable settlement resulting from the McKay lawsuit (excluding punitive damages). However, **the prior Board**, for unknown reasons, apparently did not promptly notify the insurers of McKay's threatened claims, nor did it disclose past or possible claims on the application for insurance with new insurers when prior insurers refused to renew. So, the insurance coverage we paid for has been denied.

The failure to notify insurers in June/July 2017 is hard to understand. First, before her employment terminated, it is our understanding that McKay informed prior Board members that she was planning to file a whistle blower claim with the California Labor Department. (She later did so, we were formally notified in November 2017, but the claim has been quiet for some time. That proceeding is separate from the current lawsuit). Second, her public resignation letter dated June 12, 2017 made claims of wrongdoing and disclosed she was consulting a lawyer. Finally, during the



invasions of her emails that occurred during June and July 2017, the prior board and/or their agents found, and downloaded, messages she was exchanging with legal counsel about potential claims.

And yet, for all that, notice was not provided the insurers as the policies required. We don't know the explanation. The insurer during McKay's employment tenure had previously notified the Board it would not renew coverage after the policy term expired in July 2017. But their insurance obligations were still in effect until then. By making a claim against them the Board would seemingly have had nothing to lose, they would not have been jeopardizing a valued relationship because they already knew it was ending. Also, their application for new, replacement insurance commencing July 15, 2017, which would have covered the period through McKay's legal claim letter in October 2017, did not disclose a potential McKay claim. So, both the prior and succeeding insurance companies have denied coverage that should have protected TCHA members from the defense costs and liability exposure of the McKay lawsuit.

Deprived of that insurance coverage, that leaves the Association to fund its legal defense and any ultimate judgment or settlement on its own, using member funds. Litigation is very expensive, and we cannot fund it from our limited existing funds. That's the reason for the special assessment for litigation defense costs.

Members need to be aware that the current Board have not given up trying to find some way to obtain some insurance coverage; we have engaged expert insurance coverage counsel and have mounted a vigorous effort targeting all plausible sources of insurance coverage to try to compel them to provide a legal defense, and coverage for any liability, through one or more insurance policies. Insurers are presently reviewing our submissions. Unless and until those insurance questions are favorably resolved, TCHA must plan to pay to defend this litigation out of the Association's own funds.

The insurance issues are very complicated. They involve different insurance companies, different periods of coverage, different kinds of policies, different controlling coverage terms, limitations and exclusions. Among the questions in play are:

- Will any insurer agree to pay all or a portion of our legal defense costs going forward?
- If so, will they only provide assistance going forward, or will we obtain some retrospective reimbursement for the substantial defense costs TCHA has already paid on our own?
- If they pick up our defense, will they allow us to continue with our current defense counsel, or will they compel us to accept new counsel selected and paid by the insurers?

Even if an insurer agrees to provide defense counsel at their cost, they may not agree to cover all claims, depending on the terms of their policies, the allegations in the Complaint, or the evidence. For example, insurers will not pay punitive damages, and may not cover damages arising from a criminal violation. Even if they offer some coverage, they may also reserve their rights to deny coverage for certain of McKay's claims. Thus, even if we have some success in our efforts to obtain coverage, it is possible we would still need to retain separate legal counsel at TCHA expense if there are gaps in what the insurers might agree to provide.

Finally, if one or more insurers do agree to cover these claims, under the policy language, their defense and coverage funding may give them considerable authority to control our defense, decide whether or not to pursue settlement, as they see fit, etc.

These are obviously complex questions. We are sharing them with you simply to reassure you we are leaving no stone unturned trying to reverse the previous denials of insurance coverage, so we can relieve the expense burden this lawsuit is causing our members. We suspect it may take at least two or three more weeks to sort out these questions. We are hopeful we may win at least some relief, but there is no assurance of that. We will keep you posted.

4. What actions has the current Board taken to defend this lawsuit?

It should be obvious from the foregoing discussion that the current Board has a fiduciary responsibility to our members to vigorously defend the Association against McKay's claims using competent local counsel. Initially, we were relying on the Association's existing legal counsel, the Perry Law Firm, to defend us. But after a few weeks, the Perry law firm acknowledged a conflict of interest which could limit their ability to provide a complete defense to the Association from McKay's claims, and to assist us to recover damages the Association has suffered caused by others, to the extent indicated by the evidence discovered. (It should be noted that even when a law firm is retained by the Board of the Association, the law firm's actual primary client is the entire Association, not any particular group of directors).

Accordingly, on May 1, 2018 the current Board found it necessary to terminate the relationship with the Perry Law firm and shift our defense to Greg Spaulding, of Spaulding, McCullough and Tansil, a Santa Rosa firm with an excellent reputation.

Our direction to our present attorney is to resolve all claims against the Association as cheaply and quickly as possible. That's precisely what he is doing, but the effort required is costly. We are still at the earliest stage of the litigation. TCHA has responded to extensive discovery requests by Plaintiff. We will pursue records from Plaintiff as well. A significant part of discovery is taking oral testimony of witnesses in depositions, under penalty of perjury, recorded by a court reporter. Depositions are likely to be taken of the plaintiff, all the newly named defendants, possibly other non-party witnesses. If the case proceeds all the way to trial, significant expense will need to be incurred for investigation, legal research and briefing, review of documents produced by other parties, as well as taking and defending depositions. Unless the case settles, it then proceeds to trial by a jury, unless the plaintiff or defendant waives that right in favor of a judge trial. Preparation for and participation in a jury trial itself will be very expensive.

The course and expense of all of this activity will obviously be impacted if we convince the insurers to reverse their denials of coverage for the Association and they take over TCHA defense.

5. Is there any form of Alternate Dispute Resolution that could shorten this trial process and reduce the expense?

The most common ADR mechanisms are Arbitration and Mediation. Arbitration is a private process which substitutes an expert arbitrator paid by all parties to replace the judge/jury trial, and to preside over discovery and hearings, and decide the case. That process requires agreement of all parties, it is not cheap, and is used mostly for larger commercial cases, or in situations where credit card companies or brokerage companies require use of arbitration via agreements with customers. It carries its own risks, including lack of the normal right to appeal, and is not likely to be acceptable in the current context.

Mediation is usually a non-binding process in which an impartial professional mediator attempts to facilitate a negotiated settlement of the parties. He/she does not act as a decisionmaker. It is a process of persuasion and guided negotiation. To proceed, all parties must agree. Generally, the basic facts must be well explored and reviewed by the parties before they are ready to discuss a mediated resolution. Use of mediation might be possible in this case, but probably not until considerable discovery has been completed, and only if all parties agree. This case is very early in its development, with new defendants just named, and is not yet ripe for a productive mediation attempt.

6. Has a negotiated settlement been considered or proposed?

Most lawsuits do not actually proceed all the way through a trial; up to 90% are settled by the parties at some stage, often fairly close to the trial date, after both sides have a pretty good idea of what the evidence and witness testimony will show. A settlement after evidentiary discovery is substantially complete may be achievable because the parties have acquired a rough idea of the strengths and weaknesses of their respective cases, and both sides may be motivated to compromise because of the notorious unpredictability of juries. At an earlier stage, settlement might also be pursued simply as a means to avoid the expensive process of discovery and trial preparation. As a hypothetical example, let's assume it is likely to cost \$200,000 to get a case through trial, regardless of the ultimate result. Recovery of attorney's fees by the winning party is only allowed in certain cases. That means, even if a defendant ultimately is found not liable, that "victory" may still cost them \$200,000 in legal fees. If a party who is a defendant can negotiate a settlement of all claims early in the process for only a fraction of the total cost of defense that will be incurred just to prepare and try the case, regardless of outcome, that might be a cost-effective option. That settlement rationale is sometimes referred to as a "cost of defense settlement".

In the McKay case, no settlement discussions have been held and no proposal for a settlement has been made. We will be guided by the best interests of the Association, and the advice of counsel, in assessing opportunities to explore the possibility of a favorable settlement as the case unfolds.

7. Why is the expensive special assessment necessary? What can be done to alleviate hardship claims?

Let us clarify how and why the Board decided to levy the special assessment everyone is upset about:

First, to be clear, please understand that all the board members are subject to the same assessment. One of us owns multiple lots and is facing a \$2400 bill he didn't budget for. We can assure you he totally shares your frustration and anger that this action is necessary.



The recent assessment of \$781.25 has two components. One component, approximately \$336, does not result from the McKay lawsuit. We are required under our bylaws to reimburse the Road Reserve Fund for the money we borrowed earlier in the year to cover a shortfall for regular operating expenses, and to bring the Reserve into compliance with the requirements reported in the Expert Reserve Study completed earlier this year. We have previously explained some of the reasons for the shortfall. They include a loss of \$22,000 in annual revenue resulting from the secession of Unit 1; transfer to Unit 1 of \$38,000 of Reserve Funds in 2015 without member approval; \$30,000 spent by the prior Board for investigation, legal advice and payment of an employee's criminal defense attorney bills arising from an altercation after a board meeting that resulted in felony charges; expenses for development and legal services regarding supposed trail easements and related disputes, totaling over \$30,000. The recent audit report comments on these items. We also note that the prior Board did not approve a budget for 2017 as required. Additionally, and importantly, as noted by the prior treasurer, HOA dues have failed to keep up with inflation for many years. Hence the shortfall we are required by law to make up to restore the Reserve Fund.

The portion of the special assessment required to fund our litigation defense, \$444 per lot, is intended to cover estimated additional defense costs of \$100,000 through the end of 2018, since insurers have declined to cover these costs. Our budget was prepared before the lawsuit was filed, and only provides \$7500 for all legal expense for the entire fiscal year to April 30, 2019. Without this special assessment, TCHA will soon be unable to fund our defense of the McKay lawsuit and would likely suffer serious financial harm if we cannot defend ourselves. We consider the need to fund our legal defense an emergency situation.

Authority of the Association to levy assessments is set forth in the CCRs and the bylaws, as well as Davis Stirling. Once an assessment has been levied, it is the obligation of every property owner to pay the assessment, even if they wish to protest it, and it is the Board's duty to collect the funds.

Comments on local social media sites have urged members to reject the special assessment. That is irresponsible and potentially harmful to our community. If we do not levy and fund the assessments, the Association will soon run out of funds to pay for a defense against McKay's claims which can lead to a default judgment being entered by the court in McKay's favor and against the Association. Does that sound like a desirable outcome? Moreover, if some members follow the irresponsible "advice" on social media and refuse to pay their fair allocation, the Association will be compelled to enforce established collection remedies against them

We understand that the hardship posed by the large, unexpected assessment invoice is real and quite serious for members, as several have explained. The Board will explore how we can develop arrangements to provide some relief to mitigate the hardship caused members by the unexpected significant bill. For example, we can consider offering a staged or deferred payment plan, which could reduce the immediate financial impact while keeping enough funds flowing to meet our defense costs. We expect to explore such arrangements soon and will keep you posted.

8. What lies ahead?

These are the steps ahead we presently foresee:

During September, we expect to learn whether our insurers will reverse their denial of coverage. If, and that's a very BIG IF, we do succeed in gaining insurance coverage for a significant portion of our continuing legal defense costs, that may render further assessments unnecessary. It is possible we might even be able to refund a portion of the current \$444 legal defense assessment. We will keep you posted.

The newly named individual defendants will file answers to the Amended Complaint and join the lawsuit. Discovery, including document production and depositions will proceed.

A trial setting conference is presently scheduled for November. We anticipate that the Judge may set the case for trial in 2019; that depends on the Court's docket.

There may be efforts made to explore the possibility of a settlement at some point.

Members have inquired about whether the Association can seek to recover expenses and losses it suffers as a result of the McKay lawsuit from any parties that are shown to be responsible for her claims. Theoretically, yes. Whether that is actually feasible and worthwhile will depend on the results of the case, what financial damages the Association suffers, and whether there is persuasive evidence showing that other parties should be held accountable. Keep in



mind, pursuing recovery of those funds would require the expenditure of still more attorneys' fees. We will keep this option under consideration as the lawsuit proceeds.

It is hard to absorb and accept all this negative information. Are there genuine prospects for relief for our community in the foreseeable future?

Yes, we strongly believe so! We know this is a grim narrative. But there are a lot of encouraging developments that should not be overshadowed or underestimated.

First, the current board has cleaned up and paid current 3 years of accumulated state and federal tax delinquencies and penalties. We have engaged and completed a professional Road Reserve Fund Review, and a financial audit, both for the first time since 2014. Our auditor confirms our basic financial and administrative operations are now sound and has made recommendations for policies and procedures we can implement for better future controls and integrity. We have a capable, responsible office manager who is fun to work with.

Our board is comprised of seven thoughtful, attentive individuals with varied backgrounds, styles, and concerns. Notwithstanding our differences, we work well collaboratively, with lively exchanges of views, candor and mutual respect. All comments and questions are heard and considered, and differences are resolved without rancor. We are committed to sharing key information with our members as fully as possible, subject only to confidentiality rules. Board meetings have been well attended and discourse is more civil and much less confrontational than past experience. We are minding the budget carefully and avoiding any nonessential expenditures. Right now, the essential priorities are resolving the legal claims and addressing overdue road maintenance needs.

The McKay lawsuit is a serious challenge for us all. But we have excellent counsel, and if we succeed in our quest to engage our insurers, that could provide major relief. A couple of our directors have reviewed all the downloaded McKay emails we found, not just the limited selection attached to the letter to the Sheriff's Department and the Anonymous October 2017 email dissemination. They note that those messages suggest that McKay conceived of her role for TCHA as a problem solver and bridge builder, talking about a mission to heal and protect the Association membership. If that is an accurate perception of her motivation, we can hope that she will remain open to a resolution of her claims that minimizes adverse impacts on blameless members of the Association she once sought to protect. We hope for the best.

TCHA is also confronted with a relentless barrage of personal attacks on local social websites that has grown tiresome and offensive. It depresses and alienates many members and creates a negative public impression of our community which certainly doesn't lift spirits or property values. The stone throwers show no interest in encouraging constructive dialogue, they cast their angry volleys solely to accuse, discredit and intimidate. However, and very importantly, outweighing their destructive messaging, we are increasingly encouraged by the interest, open mindedness and positive feedback we've encountered from the Association members we have met and talked with, including folks expressing frustrated concern and impatience for relief to move past these troubles. That openness and positive aspiration bodes very well for our future. This has been an eventful and difficult year. But we believe that with your help, we can build on the positive steps we've taken, find an acceptable resolution to our legal challenges, end the financial hemorrhaging, and promote the values we share. Lots of fine, thoughtful, friendly folks live here. Working together we can restore a focus on enjoying our uniquely beautiful environment in peace and mutual respect.

PS. The Annual Meeting and Board Elections are Saturday September 15. That is an excellent opportunity to help shape a better functioning future and restore our social and property values. We need your executed ballot to obtain the required quorum, or we will need to call another vote, with more admin costs. It's simple to vote; please do.

Also, following the Annual Meeting, the proponents of proposals for alternatives to the current CCR/Association structure will host an open Town Hall forum to share concerns and ideas about the best way forward for the community. Your input is important.

Sincerely,

The TCHA Board of Directors

