

Arbor Terrace Emergency Meeting of Homeowners
Meeting Summary
June 14, 2012

Owners were present as indicated on sign-in sheet and via conference call. The meeting was called to order at 6PM.

Treasurer Amy Boyle introduced Board Members, Chris Scott- HOA Attorney, Debra Schumacher- Insurance Representative and Rebecca Lipsey- Community Manager.

Amy summarized the timeline of events to date regarding the fraudulent activity with Northwest Empire Community Management. She stated that suspicious behavior was noticed on June 4, 2012 due to several bounced checks that had been issued for operating expenses through NW Empire. On June 5, upon further research it was found that the Association bank accounts had been cleared. Amy advised that owners are responsible for cancelling their ACH with NW Empire

The Board filed a police report and notified the FBI and open opened insurance claims. They discovered that the Chase bank statements that were forwarded to the board were fraudulent. Once this was determined, the Board contacted Greg Lloyd with NW Empire and met him at Chase bank. A new account was opened with only Board Members as signors on the account.

Due to the events listed above, Landye Bennett has been hired as legal counsel. In addition, the rowhouse construction has been suspended, and a Forensic CPA has been hired to audit the association's financial status. NW Bank has been notified to suspend the approved construction loan as well.

The Board has changed the association mailing address to:

Arbor Terrace Homeowner's Association
16004 SW Tualatin-Sherwood Rd. PMB205
Sherwood, OR 97140

All HOA payments should be mailed to the address above. Payments received by NW Empire will be picked up by Rebecca Lipsey in the interim. A new phone number for the association is in the process of being obtained at this time.

The association has 2 employee dishonesty insurance policies. Claims have been filed on both policies. The Board is hoping that funds will be replaced within 60-90 days. An actual figure for funds missing is still being researched. It is possible that up to \$625,000 was taken.

Special Assessment and construction for rowhouse owners has been suspended. The Board has contacted the Bank and has 2 months to suspend the loan transaction and the association should still be able to pursue a loan.

All owners were advised to send July payment to new mailing address until further notice. Treasurer, Amy Boyle has been working with Chase Bank and owners to determine if June payments have cleared and if accounts on ACH have been cancelled with NW Empire. Several owners thanked the Board for a job well done.

The next Board Meeting is Tuesday, June 26th at the Fire Station from 6-8 PM.

The meeting was adjourned at 8:30 PM.

Q&A REGARDING NW EMPIRE AND PLANS MOVING FORWARD

Q: What is the Board doing about it?

A: Per the previous notice the Board has taken the following steps:

1. Filed police and FBI reports.
2. Filed insurance claims on our policies, NW Empire's policies and are discussing filing a claim against Chase. We have \$625,000 coverage from our insurance policies alone.
3. Retained an attorney.
4. Retained a forensic CPA
5. Board is managing the Association with volunteer assistance from our prior property manager who is no longer working with NW Empire, Rebecca Lipsey, until further notice.

Q: What is the plan on paying legal fees that will be associated with the plan to retrieve funds?

A: The Board will be making an official decision at the next meeting. The plan is to use fees that would normally go into the reserve fund to pay for legal expenses. A definite plan on paying the funds back to the reserve account will be included in the next meeting minutes.

Q: How are we able to continue to pay bills?

A: Fortunately there are few bills to be paid at this time. All vendors have been notified and have changed the mailing address to the new address. The attorney has decided to defer their billing until positive cash flow is back.

Q: Is the person that embezzled our money in jail?

A: No. It is our understanding that he has still under investigation and has not yet been arrested.

Q: Why did the Oregonian state that we may never see any of our money?

A: The Board, at the direction of our attorney, has chosen not to comment to the media as of yet. Because of this, what you read in the Oregonian is only related to those that have provided information. We have insurance policies in place from which we expect to be able to fully recuperate our losses. Other associations however did not have proper insurance policies in place and may not be able to recuperate their losses. Some of those Associations are talking with the Oregonian and other media sources therefore that is the information which is being relayed to the public.

Q: The newspaper stated that the money was lost but in truth wasn't it stolen?

A: At this time we believe it was stolen. David Kobbeman, the CFO for NW Empire Community Management, had access to the Association's funds and produced fraudulent bank statements and financial statements which were presented monthly to the Board. There have been rumors that the missing money was being used to start a sister management company in California. We have been told that Mr. Kobbeman is cooperating with the police and the FBI and Portland Police are working together on this case.

Q: How will this affect the association's tax status?

A: It has been determined that tax returns were not filed for 2011. The CPA that has been hired will be filing taxes.

Q: How long will it take to be reimbursed by the insurance company?

A: 30-60 days or possibly up to 6 months after the Proof of Loss has been filed. This has already been filed. The Association's insurance will reimburse the association and then will subrogate against NW Empire.

Q: Will our insurance premiums increase?

A: Debra Schumacher stated that she does not believe this will be the case and the association should not be penalized for this incident.

Q: Is the Board shopping for another management company?

A: Currently the association is working with Rebecca Lipsey to assist in managing the association. She is no longer associated with NW Empire. Eventually the plan is to hire another management company, or at least a manager.

Q: What will happen to NW Empire? Do they have sufficient coverage to cover our loss?

A: They will more than likely file bankruptcy or a receiver will take over NW Empire. At this time, the coverage of NW Empire is questionable.

Q: Is the Association still banking through Chase?

A: Currently the Associations funds are being held in new bank accounts at Chase. The Board is reviewing all banking options for the association's funds.

Q: Will there be a special assessment to cover funds that were stolen?

A: The Board believes that if funds are recovered by the insurance companies, a special assessment will not be necessary. This cannot be guaranteed. Effective July 1 the new budget goes into effect, there is a 15% operating contingency that is a part of the new budget that can be used for unexpected expenses.

Q: How can you lower the monthly dues in light of the theft of our funds?

A: The Board approved the annual budget at our May 22nd Board meeting prior to the discovery of the embezzlement. As such, the Board has decided to follow through with the approved budget. The only item which has changed is that the rowhouse special assessment for construction has been suspended until further notice. This assessment did not pertain to single family homes.

Q: Would it be helpful for owners to pay 2-3 months in advance to get the cash flow going?

A: The Board is not going to ask owners to do this but if they can, it would be appreciated.

Q: What should we do in case of an emergency?

A: All life safety issues should be reported to the police or fire department. Other issues should be emailed to the Board. board@arborterrace.org

Q&A REGARDING ROWHOUSE CONSTRUCTION DUE TO NW EMPIRE'S EMBEZZLEMENT

Q: How is Charter Construction handling this?

A: The Board met with the Vice President of Oregon Operations from Charter and his response was nothing but supportive. The Board expects to continue working with Charter to complete the repairs once this incident is resolved.

Q: Will the Special Assessment for the rowhouse repairs still be required to be paid by rowhouse owners? Can it be paid now if the owner chooses to do so?

A: The Serial Special Assessment for rowhouse repairs has been suspended until further notice. Rowhouse owners will still be required to pay the assessment at a later date. For now the payments are deferred. It is not advisable for owners to pay the assessment at this time.

Q: What is going to happen to the tarped buildings? Will they have to sit in the condition they are in?

A: This is going to be discussed at the next board meeting. The board is working on a plan to figure out how to move forward with the tarped buildings.

Q: What happened to the funds received through litigation?

A: The funds are a part of the NW Empire missing funds.

Q: Why are all rowhouses being repaired when not all are damaged?

A: It has been determined that all rowhouses have been constructed in the same manner. Until they are taken apart it will not be apparent if there is damage or not. If left in the condition they are in, damages could show up

Q: Why is there a special assessment for repairs?

A: Not all funds needed for the repairs were collected during litigation. The association settled for \$12,500 per door however; attorney's fees and engineering specialist fees had to be paid out of the settlement funds. A total of approximately \$467,000 was received.

Q: Why can't owners opt out?

A: The governing documents of the Association state that the HOA is responsible for the exterior maintenance of the rowhomes collectively. As such, the rowhomes are treated as a single entity and thus individual units cannot be separated out from the repairs or assessment therein.