



Matthew Frank Condominium

February 2014

RE: CONSTRUCTION DEFECT UPDATE AND BUDGET IMPACT

Matthew Frank Residents:

As most of you are aware, the lawsuit the Association filed against the Declarant for Matthew Frank was settled late 2012. Construction then began in early February 2013. At this time, construction repairs have been completed and a release letter has been received from the Association's consultant Alliance Engineering, signing off that all repairs were completed in accordance with the scope and building codes. The final punch list walk through was held January 6, 2014 by Sean Gores Construction and they are effectively complete with this project.

Due to the cost of the construction project, the Association took a loan out to cover the remaining costs not covered by the settlement award. The loan amount is \$625,000 with a plan to pay it back in five (5) years beginning in 2014. Therefore, \$144,000 has been allocated in the budget for year one of the five year term. In addition to the loan repayment, the Association's insurance increased, specifically earthquake coverage increased significantly.

Additionally, the Board allocated \$20,000 to plant replacement for post construction landscape improvements.

While the Board understands the increases are fairly significant, without the loan, the necessary construction defect repairs could not have been completed. By using a portion of existing reserves in combination with the loan, the Board worked to find a balance to ensure the association remained financially solvent moving forward. The Board considered, but decided against a special assessment that would have required a large lump sum from each owner that would have likely caused hardship in the current housing market.

The Construction Release letter will be posted to the Association's website; matthewfrank.org and the web portal for Owners' use and reference. If you have any additional questions or concerns, please feel free to contact me.

Sincerely,

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