

Status of Loan to the Association: The Receiver originally applied to Mutual of Omaha Bank for a loan to the HOA in the amount of \$800,000. After providing extensive documentation, the bank responded that their underwriting criteria changed and they are no longer interested in providing financing for the HOA. The Receiver concurrently was in contact with Alliance Association Bank. However, after initial discussions took place, the bank did not favorably respond. The Receiver has determined that the HOA needs a loan in the amount of approximately \$1,000,000 for the common area repairs that need to be made and bills that need to be paid. The Receiver is currently in discussions with three lenders and is in the process of preparing a formal loan application with one of them.

Roof: The roof is in poor condition and has exceeded its useful life. On June 25, 2018 the Receiver obtained a Roof Inspection Report ("Report") from Van Dijk & Associates, Inc. The purpose of the inspection was to evaluate the type and condition of the roof system installed on the building. Among other things, the Report revealed that the cap sheet is severely weathered on all parts of the roof. Asphalt and gravel was previously used to fill spots in numerous locations, and there appears to be numerous low spots throughout the roofing system. There are open pipes and cracks in the base of the T-tops in numerous locations, and there are open heater vents in numerous locations. In addition, there are missing heater vent caps in several locations and there is a missing T-top cover in one location. There are no rodent screens over the T-top openings and roofer's plastic cement (mastic) was applied at the edge metal-to-roof system connection. There are turbine vents on low curbs and satellite dishes on metal frames bolted to the horizontal roof, roofed-in walls, stucco walls and fascia as well as other numerous items that need to be repaired and/or replaced. The Report concluded that the flat roof on the building is old, deteriorated, and has exceeded its useful life. The cap sheet surface is deteriorated, and the test cuts revealed that the ply sheets are not bonded together to provide a waterproof assembly. Additionally, the roof has slope issues, which creates a lack of proper drainage and areas of ponding water. The asphalt and gravel does not address the sloping issue. One section of the roof has been re-covered with a 2-ply modified bitumen roof system, and Van Dijk & Associates, Inc. did not perform a roof core test cut in the "new" roof system to confirm the actual assembly. Van Dijk & Associates, Inc. recommended that the older portion of the roof be removed and replaced. When a loan or other funds are available, formal bids for the work will be obtained.

Mold: Certain units have reported mold. In addition, the clubhouse has mold. These issues will be addressed upon receipt of loan proceeds.

Boiler: A report from Bateman Water Heating Engineering, Inc. was obtained dated March 30, 2018 ("Boiler Report"). The Boiler Report concluded that numerous repairs and replacements were needed, including hot water boiler repairs, heat exchanger replacement, boiler pipe replacement, and return line upgrades at a total cost of approximately \$40,000.

Special Assessment: The Receiver is in the process of scheduling a Board meeting and preparing the notices required for a one-time special assessment in the amount of five percent (5%). The funds are needed to pay past due and ongoing Association expenses.

Increases and Changes in Regular Monthly HOA Assessments: In order to cover the monthly expenses of the Association, establish proper reserves, and pay the cost of debt service when and if a loan for the Association is obtained, the monthly assessments will have to be adjusted accordingly. The amount of the adjustment has not yet been determined by the Receiver.

Bedbug Inspection: On September 17-18, 2018 a K-9 bedbug inspection of numerous, but not all, units in the building was completed by Isotech Pest Control. The inspection was prompted by two units reporting the existence of bed bugs, which the owners immediately took care of. However, as a precaution and for the protection of the other owners, the Receiver made the decision to conduct the K-9 inspection. Fortunately, the units that were inspected did not show any signs of existing bedbugs.

New Resident and Guest Parking Tags: As a result of continuing confusion, new resident parking and guest parking tags were recently issued to all owners. In addition, due to confusion by some of the owners as to which parking space they actually own, the Receiver recently obtained copies of the vesting deeds for each of the units from First American Title Insurance Company so the actual ownership of the various parking spaces can be verified.

Awnings: At the present time, there are no funds available to repair/replace several awnings. When funds do become available, bids will be obtained for this purpose.

Revised/upgraded Covenants, Conditions, Restrictions, Bylaws and Rules and Regulations: An initial draft of the revised CC&Rs and Bylaws have been received from Loewenthal, Hillshafer & Carter, LLP, the court-approved law firm retained by the Receiver to prepare the revised HOA documents. The Receiver is in the process of reviewing the draft and coordinating with the law firm to finalize the HOA documents as soon as possible. The new HOA documents will be in compliance with Davis-Sterling.

2019 Association Budget: The Receiver is preparing the Association budget for 2019, which will be completed in the near future.

Collection of Delinquencies: The Receiver retained the Judge Law Firm for the purpose of enforcing collection of delinquent past due Association fees. The collection of these delinquencies will be strongly enforced in accordance with the law.

Claims Procedure: The Court recently approved the Receiver's request for a claims procedure. Claim forms will be mailed out to all owners/creditors to allow them to assert any claims they may have against the HOA. This will enable the Receiver to understand the universe of potential claimants and to deal with them accordingly.