



April 7, 2023

Dear 22 Station Owner,

At the April 7, 2023 22 Station Owners Association (22 Station) Board meeting, the Board passed a resolution to levy an Emergency Special Assessment of \$200,000 and a FY2022-2023 regular assessment increase of \$50,000. The actual resolution is included in this correspondence. This Emergency Special Assessment and increase in regular assessments are in response to unforeseen and unanticipated levels of snow removal and insurance expenses, respectively, since the FY2022-2023 budget was established. The statement you will receive shortly will reflect the new assessment amount. The Emergency Special Assessment and increase in regular assessment amounts are included in this correspondence. This Emergency Special Assessment is a one-time assessment.

In May 2022, the Board established the budget for FY2022-2023 which started July 1, 2022 and ends June 30, 2023. At that time, the Board increased assessments by 11%. Since 22 Station is a non-profit organization, each May in planning for the next fiscal year, the Board has authorized expenses to maintain a quality environment, estimated future expenses based on historical trends and available prospective information, and increased assessments annually to breakeven. Historically, 22 Station has ended each fiscal year with a surplus or a small deficit as nature, market forces, and planned and unplanned events coincided to yield total incurred expenses close to the budget estimate. In FY 2021-2022, because of unforeseen and extraordinary increases in electricity and gas expenses, an off-cycle regular assessment increase was necessary to achieve a tolerable deficit at the end of the fiscal year.

This year, the variance between budgeted and actual insurance expense will likely be a roughly \$46,000 deficit in FY 2022-2023. (See graph below.) In May 2022, the Board estimated insurance expense for the coming fiscal year with only the knowledge that current market for P&C insurance in the area had changed. In April 2022, Farmers insurance declined to renew its Property and Casualty (P&C) insurance policy with 22 Station. Farmers decided to withdraw from the insurance markets that represent 22 Station's risk profile. In May 2022, 22 Station did not have a P&C policy with any insurance carrier as many carriers declined to underwrite 22 Station's risk profile -- wildfire, short term rentals, and size of the desired coverage (\$75 million). On June 30, 2022, Starr Insurance offered to underwrite a P&C policy for 22 Station which was accepted.

The near record snowfall has required extensive snow removal. As of March 31, 2023, the variance between budgeted and actual to date snow removal expense is roughly \$196,700. In May 2022, the Board estimated for FY 2022-2023 a snow removal expense of \$30,000. The actual YTD snow removal expense is \$226,700. (See graph below.) Additional snow removal expense in April may be necessary. During the winter season, 22 Station has also experienced the highest electricity and gas utility consumption levels in recent years.

An Emergency Special Assessment is necessary to match revenue with expenses and avoid a possible end of year deficit of the magnitude of \$200,000 - \$250,000 plus. A deficit of this magnitude would have undesirable consequences.

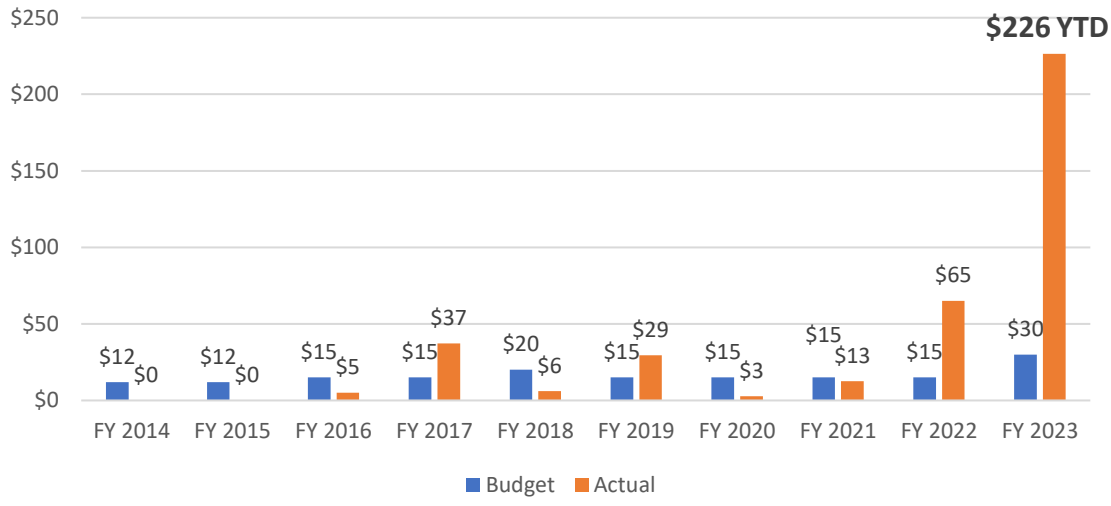
In May, the Board will establish the budget for FY 2023-2024. At that time, 22 Station will notify Owners of the quarterly regular assessments amounts for the coming fiscal year.

Sincerely,

22 Station Owners Association Board of Directors

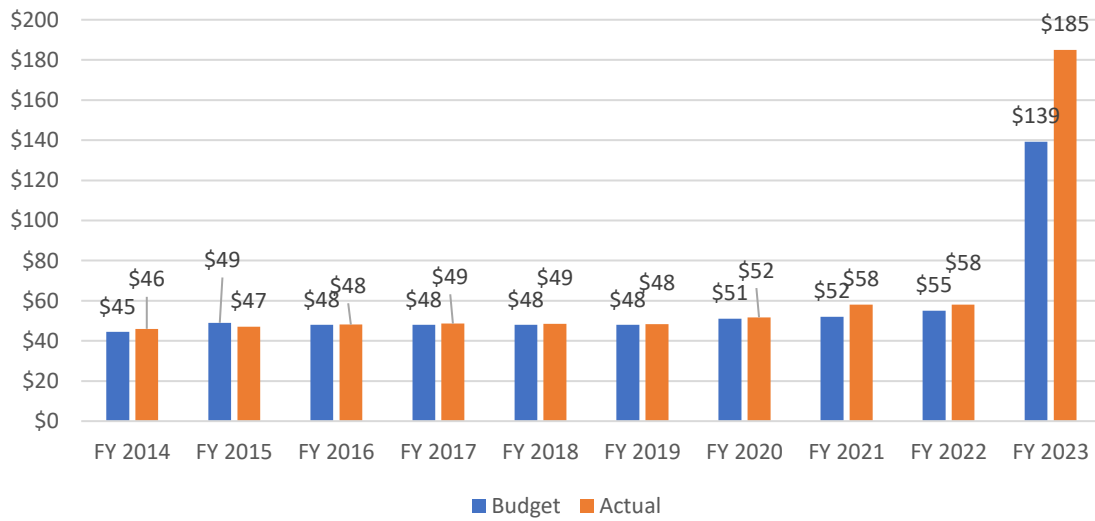
Snow Removal

(Thousands of Dollars)



Insurance

(Dollars in Thousands)



Frequently Asked Questions (FAQ's)

1. Why is the Board levying an Emergency Special Assessment and increased regular assessments?

The Board levied an Emergency Special Assessment and increased regular assessments because of the unforeseen and unanticipated levels of snow removal and insurance expenses, respectively.

2. Why increase assessments now?

When establishing the FY 2022-2023 budget in May 2022 and assessments, the future near record snowfall, related snow removal expense, and the property and casualty insurance policy and carrier were not known. The actual snow removal and insurance expenses greatly exceed the May 2022 budget estimates. Assessments need to increase now to match more closely revenue with expenses and collect cash to pay expenses as incurred.

3. What may happen if 22 Station does not increase assessments?

If expenses greatly exceed assessment inflows, 22 Station will have cash flow difficulties. Cash from assessments will be insufficient to pay the bills.

What is the duration of this Emergency Special Assessment and the increase in regular assessment?

This emergency special assessment is a one-time assessment. Owners will receive one invoice that includes the portion of the Emergency Special Assessment and the increase in regular assessment for FY 2022-2023. The increase in regular assessment will raise the total FY 2022-2023 regular assessment. In May, the budget for FY 2023-2024 will set the total regular assessments for the next fiscal year.

4. Why does 22 Station have snow removal expense?

22 Station is responsible for the Common Areas of Buildings 4 and 5 in the Village at Palisades Tahoe. Excessive accumulation of snow on the roofs, decks, and other areas may cause structural damage, leaks, and hazards to residents and visitors. 22 Station relies on 3rd parties to remove snow.

5. Why has insurance expense increased?

In a letter to 22 Owners dated July 1, 2022, the 22 Station Board disclosed the insurance policies for FY 2022-2023. The letter included FAQ's and is available at www.22station.com/communications/

6. What happens if 22 Station ends FY 2022-2023 in June 2023 with a deficit?

The deficit would be applied to and deplete equity. If a threshold level of equity is not maintained, then 22 Station's contingency fund, aka rainy-day fund, will be depleted. 22 Station current equity is roughly \$250,000.

7. What happens if 22 Station ends FY 2022-2023 in June 2023 with a surplus?

The surplus would be applied to and replenish/increase equity. Equity is 22 Station's rainy-day fund. Equity in the past few years has declined from roughly \$300,000 to \$250,000. Alternatively, 22 Station can issue a dividend.

8. Will FY 2023-2024 regular assessments increase?

Each May, the Board establishes the budget including assessments and expenses for the coming fiscal year. The process has just started and will reflect supplier communications and contracts. Last fall, Liberty Electric published a new tariff schedule with up to 20% increases that will start to impact 22 Station expenses this June. The property management contract has an annual inflation index adjustment. The water and sewer utility are

considering a 5% increase. Some pricing and costs of maintenance contracts have increased. Known unknowns are insurance and legal expenses associated with the lawsuit in which 22 Station is named as a defendant. 22 Station has not yet received an offer to renew the property and casualty insurance policy for another year. Our understanding is the current P&C insurance markets for certain risk profiles is still difficult. The lawsuit has just recently begun as it was filed on January 26, 2023. Consequently, it is as yet unknown whether the Association's insurer will pay attorneys to defend the Association or will indemnify the Association for a judgment or settlement.

BOARD RESOLUTION

Resolved that to meet the unforeseen and unanticipated higher levels of expense obligations in FY 2022-2023, including, but not limited to, snow removal and insurance, the Board levies an Emergency Special Assessment of \$200,000 and an increase in regular assessments of \$50,000.

	Emergency Special Assessment Per Unit	Dues Increase Per Unit	Total Amount
STUDIO	967.02	241.76	1,208.78
1 BR	954.76	238.69	1,193.45
2 BR	1,080.08	270.02	1,350.10
3 BR	1,363.01	340.75	1,703.76
PH	1,677.68	419.42	2,097.10
COMML	729.66	182.41	912.07

Dated: April 7, 2023

By Secretary of the Board of Directors

Arthur Chiang

(sign name)

Arthur Chiang

(print name)