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CONFIDENTIAL COMMUNICATION

MEMBERS OF WALNUT CREEK MUTUAL NO. SIXTY-EIGHT

Re: Update on Status of Geotechnical Inspection

Dear Member:

This firm serves as general counsel to your Mutual, Walnut Creek Mutual No. Sixty-Eight (the "Mutual"). We are writing to you to provide you with a status report on a geotechnical investigation that is currently underway on the Mutual's common area at 3101 and 3103 Grey Eagle Drive. The scope of the investigation also includes land owned by the Golden Rain Foundation of Walnut Creek ("GRF") adjacent to 3101 and 3103 Grey Eagle Drive. The investigation is expected to last an additional six to nine months and updates will be provided as information becomes available.

Background:

In 2006 Eagle Ridge's developer, Shea Homes, Inc., ("Shea") performed soil and foundation repairs to the common area and interior and exterior finishes at 3101 and 3103 Grey Eagle Drive. The repairs consisted of the installation of a buried, tied-back retaining wall in the Mutual's common area adjacent to the two affected Manors. The repairs were performed to address lateral and differential soil movement in the foundation systems of the Manors located at 3101 and 3103 Grey Eagle Drive. The soil movement caused damage to the foundation system and interior and exterior finishes of 3101 and 3103 Grey Eagle Drive. Following the soil repair, both Manors' foundation systems were releveled and interior and exterior damages were cosmetically repaired.

In 2010 the Mutual learned that the 2006 repairs were not performing satisfactorily, and the Mutual initiated litigation against Shea for failure to properly repair the Mutual's common area improvements. This case settled prior to trial, and in 2012 the Mutual retained a geotechnical engineering firm (Engineered Soil Repairs, Inc. or "E.S.R.") to perform additional repairs to the Mutual's common area improvements at 3101 and 3103 Grey Eagle Drive. The

repairs consisted of the installation of numerous deep seated piers and grade beams installed underneath both Manors in the area adversely affected by soil movement. These foundation elements provide direct support to the foundation systems of both Manors, and were designed to penetrate the fill soil underneath both Manors and stabilize the foundations in the bedrock underneath the fill soil. Following the completion of the soil and foundation repairs both Manors were again releveled and interior and exterior damage was cosmetically repaired.

The 2012 repairs are not performing satisfactorily, as lateral and differential soil movement has continued to occur at the common area improvements located at 3101 and 3103 Grey Eagle Drive, with resulting damage to interior and exterior finishes. E.S.R. investigated the damage and found that a small, shallow landslide had formed in the Mutual's common area adjacent to 3101 Grey Eagle Drive. E.S.R. installed four inclinometers (instruments that monitor subsurface soil movement) in the Mutual's common area adjacent to the Manors in order to monitor subsurface soil conditions. The Mutual proposed a special assessment in the amount of \$2,500 per Manor to fund the needed repairs. The Special Assessment was approved by the Mutual's membership in January, 2016.

E.S.R.'s repair was scheduled to proceed in three phases. Phase I repaired the small, shallow landslide and affected portions of the Manor's foundation system and was completed in 2015. However, before the second phase of the repairs could begin, soil movement was observed in one of the four inclinometers installed in the Mutual's common area. The inclinometer, located behind the Manors and above open space land owned by GRF, indicated lateral soil movement at a depth of forty three (43) feet below the ground surface. The inclinometer reading constituted new information that was not accounted for in the design of the Phase II repairs to the Mutual's common area improvements at 3101 and 3103 Grey Eagle Court. The Phase II repairs were postponed and E.S.R. and the Mutual's geotechnical consultant, Cal Engineering & Geology, proposed an additional investigation.

Current Investigation:

The inclinometer reading showing movement forty-three feet below the ground surface may indicate the presence of a deep seated landslide. The absence of movement in three of the four inclinometers suggests that, if a deep seated landslide exists, it exists underneath and downhill from the Mutual's common area improvements at 3101 and 3103 Grey Eagle Drive, and may extend into the adjoining, downslope open space land owned by GRF. The Mutual's geotechnical consultants need more information in order to confirm the existence of a deep seated landslide, and recommended that the Mutual install additional inclinometers and piezometers (instruments that measure the presence and amount of below ground water) in the GRF's adjacent open space property. The Mutual has sought and obtained permission from GRF to install inclinometers and piezometers on GRF's open space land, and the inclinometers and piezometers are now installed.

The inclinometers and piezometers will be read regularly, but it is anticipated that it will take six to nine months before meaningful data will be obtained from them. Once meaningful inclinometer and piezometer data has been analyzed, the Mutual's consultants will be able to advise the Mutual about geologic conditions affecting the Mutual's common area improvements at 3101 and 3103 Grey Eagle Drive. The Mutual's consultants will then be able to provide recommendations to the Mutual regarding the appropriate methodology for repairing or mitigating the soil problems at the Mutual's common area improvements at 3101 and 3103 Grey Eagle Drive. Meanwhile, the Mutual's consultants cannot reliably project an anticipated scope and cost of repair other than to posit that the costs could range from the mid six figures to multiples of seven figures. The Mutual's consultants have also stated that it is possible that the Mutual's common area improvements at 3101 and 3103 Grey Eagle Drive may not be economically repairable. If this possibility proves true, the Mutual will have to evaluate other options to resolve the geotechnical issues, including the possibility of purchasing the Manors from the affected owners.

The Board of Directors is grateful for the patience and understanding shown to the repair and investigation process by the owners of the Manors at 3101 and 3103 Grey Eagle Drive. The Board is aware that the geotechnical problems that have manifested at 3101 and 3103 Grey Eagle Drive have been the subject of rumors or gossip, but it is the Board's intention to base all repair or mitigation decisions solely on objective information obtained from the ongoing investigation. Finally, the Board wishes to reassure the Mutual's Members that the consultants have assured the Board that the current situation does not pose a significant safety hazard to the residents of the Manors at 3101 and 3103 Grey Eagle Drive, other residents of the Mutual, or adjacent landowner(s). The Board will continue to evaluate and diligently pursue all options to ensure that the Mutual's common area improvements at 3101 and 3103 Grey Eagle Drive are properly repaired or mitigated, and that the repairs or mitigation are done in a financially responsible manner.

Periodic updates will be provided to the Mutual's membership in the future as the circumstances warrant.

Very truly yours,
HUGHES GILL COCHRANE, P.C.



Michael J. Cochrane

MJC:dkb
cc: Board of Directors