PART 1: 100% SANITIZED NEXTDOOR POST (ZERO PERSONAL NAMES)

Target Rollout Window: Thursday, October 29, 2026 (7:30 AM – 8:00 AM EDT) | **Link to Include:** `www.thepreservessmithcreek.com`

Headline: The 2025 CPA Audit, Reserve Study & Clubhouse Lease Are Finally Posted—Here Is What the Numbers Actually Show Before Tonight's 6:30 PM Meeting

Neighbors,

Following a formal five-business-day statutory records request under North Carolina law, the **2025 Financial Audit**, the **2024 Engineering Reserve Study (stamped "DRAFT")**, and the **Clubhouse Office Lease** were finally uploaded to the community portal yesterday (located at the bottom of the *Resident Information* folder)—though **the CPA firm's accompanying "Management Letter" regarding internal control recommendations is still being withheld**.

When you compare those official documents side-by-side with the **2027 Budget Spreadsheet**, the numbers tell a very different story from the summary notices sent to the neighborhood regarding the proposed **9.59% dues increase (to $800/year)**:

- **1. The Feb 2024 "DRAFT" Reserve Study Was Withheld for 32 Months (While the Old 2019 Study Was Posted in Aug 2025)—And Shows a $50,000/Yr Reserve Assumption vs. $0.00 Budgeted:** For 32 months, the February 20, 2024 `DRAFT` Reserve Study (`6 MB`) was not shared with homeowners—and on August 14, 2025, the outdated **2019 Reserve Study** (`2 MB`) was uploaded to the portal instead. The 2024 study shows the engineering firm was told the HOA was contributing **$50,000/year** to Reserves, and the engineers recommended increasing Reserve contributions to **$56,243–$59,000/year by 2027** (*Appendix A, Pages 11–13*). Instead, the proposed budget allocates **$0.00** on `Line 43-4300-01 Reserve Contribution` for both 2026 and 2027, skips **$40,019** in scheduled 2026 reserve repairs, and cites the **2025** year-end balance (**$269,661**) as the **2026** benchmark (which is actually **$283,836–$293,040**)!
- **2. Page 4 of the CPA Audit Shows Reserves WERE Funded in 2025—While the Operating Fund Ran a -$35,192 Deficit:** The October 18 community update stated that 2025 reserve funding *"was not conducted due to the legal actions taken by a member."* **Page 4 of the 2025 CPA Audit proves the opposite:** homeowners **DID** fund **$35,612** into Reserves in 2025 ($29,488 in assessments + $4,800 in rent + $1,324 in interest), and Page 5 shows Reserve bank cash increased by **+$22,215**! What Page 4 actually reveals is that the Operating Fund ran a **-$35,192 operating loss** in 2025 after spending **$48,407 on Professional/Legal Fees (41.6% of total operating revenue)**, and Page 1 / Note 6 shows the 2024 beginning balance had to be **restated downward by -$132,675** due to six years of non-compliance with GAAP accounting rules.
- **3. Page 3 of the CPA Audit Disproves the May 2026 Balance Sheet Adjustment ($17,281 / $12,481):** In May 2026, a $17,281.25 "Loan from Reserves" liability was removed from the monthly balance sheet and added directly into Reserve Retained Earnings to report **$180,768** in Reserve equity. However, **Page 3 of the CPA Audit** certifies that **$12,481** of that cash is a liability owed back to the Operating Fund (`Due to operating fund: $12,481`) and that true net Reserves were only **$168,287**—meaning our actual reserve shortfall is **$12,481 worse** than the $87,252 shortfall stated in the budget notice!
- **4. The Clubhouse Commercial Lease ($400/Month with 100% of Utilities, Taxes & Insurance Paid by the HOA):** The Clubhouse lease shows the commercial entity developing the new phase rents the Clubhouse Office, Conference Room, and Closet to market new homes for **$400/month ($4,800/yr)** with **$0 security deposit**, while **Sections 8 & 9 require our HOA to pay 100% of the electricity, gas, water, HVAC, insurance, property taxes, phone, and internet FREE OF CHARGE**. Section 5 also notes that 2023 rent ($4,200) was not agreed to be issued until the contract was signed in August/September 2024. For 2027, homeowner dues are proposed to increase by **9.59% (+$70/yr)**, while the commercial lease rent increases by just **$16.67/month (+4.17%, to $5,000/yr)**!
- **5. Omitted Budget "Total" Rows Hide a $42,067 Surplus & 50+ Annexed Lots Pay Dues on Only 2 Lots ($1,600):** Adding up the columns on the 2027 budget spreadsheet (where the "Total Income" and "Total Expense" rows were left off) reveals an estimated **$42,067.13 operating surplus** in 2026. For 2027, **70.7% of the dues increase on existing homes** goes to double the Legal Expense budget from $10,000 to $20,000, while **50+ newly annexed lots** (which increase the 51% vote threshold required for homeowners to reject the budget) are budgeted to pay 2027 assessments on **only TWO lots ($1,600)**—leaving existing homeowners to pay **99% of the dues ($161,600)**!

I have posted the complete breakdown, a **Printable 2-Page Homeowner Fact Sheet (with 7 Questions for Tonight's Meeting)**, and the source documents at **www.thepreservessmithcreek.com**. Please download and print a copy of the 2-Page Fact Sheet to bring with you to the **Open Board Meeting TONIGHT (Thursday, Oct 29) at 6:30 PM at the Clubhouse** and to next **Thursday's Budget Ratification Meeting (Nov 5 at 6:30 PM)**!

PART 2: THURSDAY 4:00 PM PRE-MEETING LEGAL NOTICE & RECORD SUBMISSION

Send Time: Thursday, October 29, 2026 at 4:00 PM EDT | **Attachments:** (1) 2-Page Handout Flyer PDF + (2) Three Oct 28 5:11–5:13 PM Portal Default Screenshots

SUBJECT: FORMAL NOTICE OF PARTIAL STATUTORY DEFAULT (N.C.G.S. §§ 47F-3-118 & 55A-16-02) & SUBMISSION OF WRITTEN INQUIRIES FOR ATTACHMENT TO THE MINUTES OF THE OCTOBER 29, 2026 OPEN BOARD MEETING

I. Formal Notice of Partial Statutory Default Under N.C.G.S. §§ 47F-3-118 and 55A-16-02 (Withheld BRC CPA Management Letter)

On Wednesday, October 21, 2026, at 3:20 PM EDT, I served a formal five-business-day statutory demand pursuant to **N.C.G.S. §§ 47F-3-118, 55A-16-02, and 55A-16-20**, establishing a mandatory statutory compliance deadline of **Wednesday, October 28, 2026, at 5:00 PM EDT**. Item #1 of that statutory demand explicitly required production of the complete 2025 Financial Audit by Bernard Robinson & Company, LLP (BRC), including **"the accompanying CPA management letter / recommendations for improvements"** referenced by the Board in its October 18 and October 20 notices.

As documented by the three attached timestamped portal screenshots taken between **5:11 PM and 5:13 PM EDT on October 28, 2026**, while management uploaded the 14-page BRC Financial Statements (293 KB), the 2024 Clubhouse Lease (825 KB), and the February 20, 2024 Draft Giles Flythe Reserve Study (6 MB) to the bottom of the *Resident Information* folder, **the Board failed and refused to produce BRC's accompanying CPA Management Letter** regarding internal control deficiencies (referenced on Page 2 of the BRC Audit Report as BRC's communication to governance regarding *"significant audit findings, and certain internal control related matters that we identified during the audit,"* and admitted by the Board on October 18 to be BRC's *"recommendations for improvements"*).

> **Pre-Emptive Notice Regarding Post-Deadline Member Commentary:** Please note that because the Association's statutory five-business-day deadline to produce the accompanying CPA Management Letter expired yesterday, Wednesday, October 28, 2026, at 5:00 PM EDT—prior to any member commentary on the partial records uploaded yesterday—any attempt to cite subsequent member analysis or commentary ahead of the November 5, 2026 budget ratification vote as a post-hoc excuse for continuing to withhold the CPA Management Letter will constitute further evidence of bad-faith non-compliance under **N.C.G.S. §§ 55A-16-02(c) and 55A-16-04(c)**.

Accordingly, the Association is now in **continuing statutory default under N.C.G.S. §§ 47F-3-118 and 55A-16-02**, reserving all rights to seek court-ordered production and mandatory recovery of costs and reasonable attorney's fees pursuant to **N.C.G.S. § 55A-16-04(c)**.

II. Formal Submission of Seven Written Inquiries for the Official Corporate Record and Attachment to the Minutes of the October 29, 2026 Open Board Meeting (N.C.G.S. §§ 55A-16-01 & 47F-3-118)

Pursuant to **N.C.G.S. §§ 55A-16-01 and 47F-3-118**, I formally submit the following **seven (7) written inquiries** (also set forth in the attached 2-page Homeowner Fact Sheet) and demand that this email and its attachments be maintained in the permanent corporate records of the Association, attached as an official exhibit to the minutes of the **October 29, 2026 Open Board Meeting**, and answered on the record tonight:

1. **False Claim Regarding 2025 Reserve Funding vs. -$35,192 Operating Deficit (BRC Audit Pages 1, 4, 5 & 9):** Why did the Board falsely tell homeowners on Oct 18 that 2025 reserve funding "was not conducted due to the legal actions taken by a member" when Pages 4–5 of BRC's Audit prove homeowners funded **$35,612** into the Replacement Fund (+$22,215 cash added & $13,397 interfund loan repaid), while the Operating Fund ran a **-$35,192 deficit** after spending **$48,407 on Professional Fees (41.6% of revenue)** and 2024 required a **-$132,675 GAAP restatement**?
2. **The Unlawful May 2026 Balance Sheet Plug ($17,281.25 / $12,481, BRC Audit Page 3):** Page 3 of BRC's Audited Balance Sheet certifies that **$12,481** of the $180,768 Reserve bank cash is owed back to the Operating Fund (`Due to operating fund: $12,481`), leaving net Reserves of **$168,287**. Why did management delete that loan in May 2026 to inflate Reserve Retained Earnings to $180,768.44, and why did the Board use that falsified CINC balance on Oct 20 to understate our true reserve shortfall by $12,481 ($99,733.59 true shortfall vs. $87,252.59 claimed)?
3. **32-Month Concealment of the Feb 20, 2024 "DRAFT" Giles Study (Giles App. A, pp. 1, 4–5, 11–13):** Why did the Board conceal the Feb 20, 2024 Draft Giles Study (6 MB) for 32 months—uploading the outdated 2019 study (2 MB) on Aug 14, 2025 instead—and why cite this draft study to raise dues by $70 while ignoring its recommendation to contribute $56,243–$59,000 to Reserves in 2027 (budgeting $0.00 on Line 43-4300-01), misreading the 2025 year-end balance ($269,661) as the 2026 benchmark ($283,836–$293,040), and skipping $40,019 in scheduled 2026 reserve repairs?
4. **Continued Concealment of BRC's CPA Management Letter (BRC Audit Page 2):** Why did the Board withhold BRC's Management Letter on internal control deficiencies ("recommendations for improvements") past the Oct 28 statutory deadline in violation of N.C.G.S. §§ 47F-3-118 and 55A-16-02, and will you post that Management Letter tonight?
5. **Omitted Budget Totals, Hidden $42,067.13 Surplus, Doubling Legal Fees to $20,000 & Missing $9,000 Audit Fee:** Why did the Board omit the "Total Income" and "Total Expense" rows from Spreadsheet 2A (hiding a **$42,067.13 operating surplus** in 2026), use 70.7% of our dues hike to double Legal Expense from $10,000 to $20,000 despite a $5,283.94 estimate for 2026, and omit the $9,000.00 BRC audit fee from the 2026 Year-End Estimate?
6. **Unconscionable Garner Road Clubhouse Lease ($400/Mo & 100% Free Utilities):** Why does the 2024 Lease with Garner Road Associates, LLC (notarized in Sept 2024 and admitting 2023 rent wasn't paid until late 2024) grant a Preserve West sales office for $400/mo with $0 deposit while Sections 8–10 force homeowners to pay 100% of utilities, HVAC, internet, insurance, and taxes free of charge—and why propose a 9.59% dues hike on homeowners vs. a 4.17% (+$16.67/mo) rent increase on the Developer?
7. **Preserve West Voting Dilution (50+ Lots Annexed vs. Only 2 Lots Paying Dues):** Why did the Board allow the annexation of 50+ Preserve West lots to inflate the 51% voting threshold required to reject the budget on November 5, while budgeting only $1,600.00 in 2027 assessments from Preserve West (just TWO lots), forcing existing homeowners to pay 99% of the Association's dues ($161,600)?

Respectfully submitted into the official corporate record,
Jeff Johnson, Lot Owner & Member, The Preserve Homeowners Association, Inc.