Information Release from the LCPOA Litigation Committee

Settlement of Prokhorenko v. LCPOA

Mr. Gene Prokhorenko signed an "Offer in Compromise" under the California Code of Civil Procedure Section 998 ("C.C.P. 998"). This provision of the Code of Civil Procedure is designed to encourage settlement by imposing post-settlement offer costs (*e.g.*, the costs of trial) on the party who declines a reasonable settlement and then achieves a worse outcome at trial. On November 2, 2026, the Association received the Satisfaction confirming that the matter had been dismissed effective October 15, 2026. The case is now closed. We have withheld this release pending receipt of this Satisfaction which indicates the case is officially over.

The path to this settlement was as follows:

- Mr. Prokhorenko made an initial settlement demand of $800,000. That amount was rejected by LCPOA.

- Mr. Prokhorenko subsequently reduced his settlement demand to $400,000. That amount was rejected by LCPOA.

- Mr. Prokhorenko further reduced his settlement demand to $250,000, with the proviso that he would drop further to $200,000 if the Board agreed to take a specific action step. That amount was rejected by LCPOA, and Mr. Prokhorenko was told that the requested action was not within the Board's authority under the LCPOA governing documents.

- LCPOA with and through the advice and consent of its liability insurer made an offer to settle any and all claims for $100,000, in exchange for a full release by Mr. Prokhorenko. That offer was rejected by Mr. Prokhorenko.

- LCPOA with and through the advice and consent of its liability insurer increased its settlement offer to $101,000, but this time under the statutory structure of an offer in compromise pursuant to Code of Civil Procedure Section 998. It is important to note that while the amount of the offer was increased negligibly, the use of the statutory structure of the offer shifted the risk of rejection on Prokhorenko that if he should reject the offer and not obtain a better result at trial, Mr. Prokhorenko would be responsible for payment of experts and litigation costs from the date of the offer forward. The use of this statutory procedure makes it harder to simply reject a settlement offer. The statutory structure adds risk of an adverse award of expert fees, litigation costs against Prokhorenko if rejected.

On August 20, 2026, one day before the expiration of the C.C.P. 998 statutory offer, our defense counsel received a notice of acceptance signed by Mr. Prokhorenko's counsel. Apparently, however, Mr. Prokhorenko was unable to get in touch with his legal team, and to avoid the expiration of the settlement offer, he reached out directly to the lawyers representing LCPOA by email. There appeared to be urgency in Mr. Prokhorenko's email as it stated: "I am serving you directly with my signed acceptance to prevent the expiration of the statutory deadline."

We understand there has been some post resolution issues on Mr. Prokhorenko's side as he requested that the settlement check be made payable directly to him and not to his lawyers as is customary in civil litigation. Our defense counsel has since required the parties follow accepted protocol and practice regarding the payment process and we have cleared that hurdle keeping the Association away from further issues arising in the case.

While the Board of Directors did not endorse any payment to Mr. Prokhorenko, the payment ultimately agreed to and made to resolve the case agreed to was significantly less that would have been expended to take the case to a jury verdict. Of the total payment made, LCPOA is responsible for $5,000, representing the Association's insurance deductible.

Any notion that Mr. Prokhorenko was successful in this trial should be dispelled. Mr. Prokhorenko disclosed during settlement discussions with the Court that he had expended significant legal fees and that he had allegedly lost rental income during the nearly two years that the action was pending. He also claimed to have unspecified damages to his property. The sum accepted was a fraction of what was claimed and less than the cost of proceeding to trial.

Throughout this litigation, the Board has recognized its duty to exercise strict public restraint. When legal action involves the Association, public statements by Board members can impact ongoing proceedings, settlement negotiations, insurance coverage, and ultimately the financial interests of all members. While certain vocal critics publicly speculated on the case, predicted an adverse outcome, and claimed the litigation would financially harm the Association, the Board intentionally chose not to engage in public debate or respond to every allegation. This restraint should never be mistaken for a lack of defense or information; rather, it reflects our commitment to safeguarding the Association and allowing the legal process to reach an appropriate resolution.

This settlement brings full and final resolution to this litigation without compromising our Association's long-term financial position. By resolving the dispute on terms so far below Mr. Prokhorenko's demands, and well below his disclosed actual costs and losses, the Board has successfully mitigated further legal expenses for all members. We appreciate the community's patience throughout this process and look forward to focusing our energy and resources on preserving and enhancing our beautiful community.

LCPOA Litigation Committee
David Boyd, Chair