

On April 9, 2019, Community Foundation of Santa Cruz County filed legal action against Encompass, claiming that Encompass CEO Monica Martinez wrote checks transferring funds from the Foundation's bank account to the Encompass bank account without any approval or loan authorization by the Foundation. She did this twice, with the full knowledge the second time, transferring \$850,000, that the Foundation had rejected the Encompass attorney's terms and conditions of a loan for this amount.

How did Monica Martinez have access to the Community Foundation's bank accounts?

Strangely, the Foundation had signed an Administration Services Agreement with Encompass that CEO Monica Martinez signed on June 21, 2018, that the Foundation **would pay Encompass \$30,000/month** to "maintain accurate, complete and separate records" of all income and expenditures regarding the Foundation's accounts, pay their Board-authorized expenditures and manage the Foundation's accounts, business and files. The Foundation was to have "free access to all of Encompasses' books pertaining to the Administrative Services Agreement."

Seemingly, this was an effort by the Foundation to assist Encompass beyond the \$750,000 loan made to them on June 5, 2017, that was due October 1, 2017 but in default.

According to Court records, the trouble began immediately upon Encompass CEO Monica Martinez having access to the Foundation's bank accounts.

On June 29, 2018, CEO Monica Martinez used access to the Foundation's bank accounts to transfer \$150,000 to Encompass bank accounts without any loan documentation or approval of the Foundation. The Foundation learned during the summer of 2018 that Encompass had defaulted on a \$1 Million bank loan.

On August 29, 2018, the Foundation became aware of the unauthorized \$150,000 transfer by CEO Martinez and offered Promissory Notes for the \$150,000 unauthorized transfer amount, and \$850,000 for a loan agreement.

On September 12, 2018, Encompass attorneys offered a different loan Agreement that was significantly different regarding the terms and conditions. The Foundation twice rejected it (Sept. 12 and again on Sept. 13).

On September 17, 2018, **knowing she was not authorized to do so, Encompass CEO Monica Martinez used her access to the Community Foundation bank accounts and transferred \$850,000 to the Encompass bank account, without authorization of the Foundation, and sent the Foundation the version of the loan Agreement that the Foundation had rejected.**

On September 18, 2018, several members of the Community Foundation Board of Directors met with Encompass CEO Monica Martinez. Court records show that CEO Martinez refused to answer any questions and refused to provide the Board with basic information regarding Encompass's dealings with third parties on behalf of the Community Foundation properties. She also refused to provide the Community Foundation with their bank account numbers or statements to which Encompass had access. Court records show that the Foundation's Board had reason to believe that other instances of Encompass using Foundation funds to make unauthorized payments existed.

On April 9, 2019, Community Foundation of Santa Cruz County (CFSC) filed legal action against Encompass for breach of contract (Santa Cruz County Superior Court Case #19CV01084), because CEO Monica Martinez *still* had not handed over the Foundation's financial records and *still* had not repaid any of the two unauthorized money transfers she made, totaling \$1Million, and was *still* in default of the initial \$750,000 loan made in 2017.

On January 7, 2021, after a series of legal actions, which included Encompass filing a complaint against the Community Foundation and asking the Judge to make a judgment without trial and dismiss the case, Judge Timothy Volkmann issued a judgment that the Community Foundation could sue Encompass for

breach of fiduciary duty and breach of Administrative Services Agreement. He agreed with the Foundation that the Administrative Services Agreement with Encompass CEO Monica Martinez had financially benefited Encompass because the Foundation had since hired another entity for less than what Encompass was paid (\$30,000/month) for the same service.

Judge Volkmann was not persuaded by CEO Monica Martinez's claim (made in a sworn Declaration) that "Encompass was in desperate need of the money it took from the Community Foundation of Santa Cruz bank accounts." He also rejected the Encompass argument that "CFSC had a duty to provide direct funding and financial support to Encompass and that it therefore had a valid right and claim to these funds, and cannot have improperly taken funds from or damaged CFSC." (see page 3 of the January 7, 2021 Order After Hearing)

The Court further stated **"A triable issue of material fact exists as to whether Encompass misappropriated these funds."** (see page 4 of the January 7, 2021 Order After Hearing)

All of this happened under direction of Monica Martinez as the CEO of Encompass. Do you think we should trust her as a County Supervisor in the Fifth District?

Please take time to read the initial Complaint filed on April 9, 2019 by the Community Foundation of Santa Cruz (CFSC, INC. vs. ENCOMPASS COMMUNITY SERVICES). Note that the State Attorney General is also shown as an actively retained Counsel involved in the matter. The Order is shown as filed on January 7, 2021.