

June 2008

Dear Briar Cove Resident

You recently received a letter dated May 23, 2008 from the Olthofs addressing various issues associated with the transition of Briar Cove Paired Cottages from the developer board to the elected board. It is believed there are several major items identified in the correspondence that are in need of clarification as well as items that were not mentioned by Olthof , but pertinent to the Olthof letter.

When members of the elected board met to discuss the audit and election on April 18, 2008 with Todd Olthof, we were there identifying charges of \$34,077.04 which were in addition to the \$127,064.74 already accepted by the Olthofs as “misappropriated funds.” It should be noted that the Olthofs and the auditing firm of BKD, LLP generated what were considered misappropriated funds and it included the various names they now claim should not have been considered “misappropriated costs.” The Olthofs now feel they were doing maintenance work in our community. This is not the Olthofs first development. If they knew maintenance had to be done and it was documented, it would not have been in the audit in the first place. These individuals were paid various sums of money with Briar Cove checks, however, these names were considered part of the misappropriated funds found by the auditor because they had no backup invoices which identified what they were doing or even the fact that they were even working at Briar Cove. As you saw in the May 23, 2008 letter, KMC used our money to support other homeowner associations (Aspen, Heather Hills, Oak Manor, etc.). If there is new-found information relative to the audit, it has not been shared with your elected board.

At no time was the audit identified as a “preliminary” audit, as they are now stating. In fact, on April 22, 2008 the Olthofs’ attorney generated an “Agreement to Fund” which specified that Briar Cove Development LLC would pay Briar Cove Paired Cottages an additional sum of \$46,011.00 by December of 2009 if litigation against KMC was unsuccessful. The elected board did not sign off on the Agreement to Fund because the Olthofs would not put the money in escrow or personally secure the promise of funds.

In the Olthofs opinion, they did Briar Cove a service by donating the \$91,553.49. But consider this: First... The Olthofs’ never checked to see if KMC was bonded or insured. At the time the misappropriated funds were discovered, the Olthof organization was supposed to be monitoring how KMC was spending our association funds. If an active review was in place, it should have been noticed that the Association was so far behind in paying our vendors, we were in danger of being without our necessary maintenance services. How could they ask the community to make up the misappropriated funds that they were supposed to be overseeing? Second... The Olthofs had about 50 more homes to sell in Briar Cove and needed to pay our vendors. The \$91k is appreciated, but should only be considered a sound business decision.

It was the Olthofs decision to push the transition to March 11, 2008 to the surprise of the interim board and the transition committee. As such, the election was scheduled for April 29, 2008. The March 11, 2008 date came and went with no documentation supplied by the Olthofs. We finally received the documentation on March 27, 2008. That was the first opportunity for the interim board to see the KMC audit. Our finance committee worked diligently reviewing the audit and reviewing our distribution of expenses since

First American Management was hired and the decision was made to go ahead with the election even though the transition did not take place. The agreement to fund was not resolved and it was becoming ever apparent our financial structure was still suffering from the misappropriated funds that had not been repaid to the Association.

It is amazing that the Olthof organization somehow has gone from making the Association “whole” with an unsecured promise of \$46k in December of 2009, to putting us in the “hole” by another \$11,994.45 less than three weeks before they have to transition the Association per the bylaws, which would be June 23, 2008.

As a side issue, your elected board received by certified mail on May 28, 2008 the resignations of the Olthofs from the Briar Cove Paired Cottage Association, as well as the recognition of your elected Board of Directors as the official board of directors of the Briar Cove Paired Cottage Association. The transition is complete.

Your elected Board is very disheartened by the fact that even though the Olthofs have been in possession of the audit since July 12, 2006, they and their accounting staff have within the last four weeks or so decided to re-analyze the audit and now conveniently indicate that they were over generous with their “donation.” Furthermore, the Olthofs did not even have the courtesy to discuss their new position with your elected board of directors prior to sending their May 23, 2008 letter to the homeowners.

In conclusion, it is apparent that the Olthofs have reneged on their solemn promise to resolve the outstanding balance due and owing Briar Cove Paired Cottage Association from the misappropriation of funds by KMC. It is inconceivable that the Olthofs have attempted to bill the Association for normal and required services and is truly subterfuge to avoid their true responsibility. We, of course, will not entertain the payment to the Olthofs, and, in fact, we feel that litigation could be appropriate to resolve the underlying issues; however, we will only take that action upon a complete discussion in the Association at either a special meeting or the annual meeting. We would respectfully request the input from our homeowners on whether a special meeting should be called.

Finally, due to the support from the community, we do not expect to have any financial difficulty for the Association. This issue needs to be addressed, and will require ongoing review of the audit and legal considerations.

Briar Cove Paired Cottage Association
Board of Directors
Jay Popp
Ralph Flens
Denise Warren
Elaine Sanders
Joe Arias