

Ashburton Manors Homeowners Association, Inc.

Minutes of the Board of Directors Meeting

January 18, 2007

A special meeting of the Board of Directors of the Ashburton Manors Homeowners Association, Inc. (the "HOA") was held on January 18, 2007.

The following members of the Board of Directors were present at the meeting: Tom DeFranco, Peter Fish, Don Howell, Dave Jones, Lou Ward and Rick Willhite.

The meeting was called to order at 7:05 p.m. Tom DeFranco, President of the HOA, presided at the meeting. Peter Fish, Secretary of the HOA, took the minutes.

Tom DeFranco summarized the events of the past several weeks involving the communications received from Koger Management and the HOA's accountants and lawyers regarding "financial irregularities" that had been discovered involving Koger-managed accounts. It was explained that in the course of conducting the audit of the HOA's 2005 financial statements, our accountants had identified three financial issues with the HOA's accounts: (1) a \$606 cash withdrawal that had been identified as a "reserve contribution" but was not deposited into the HOA's reserve account; (2) a \$1000 withdrawal from the HOA's accounts that was returned after a period of three months, and (3) the operating loss created by failing to fund the HOA's reserves at the amount set forth in the prior year's budget.

Mr. DeFranco explained why the first item was of concern. Koger's president had sent the HOA a letter suggesting that the \$606 withdrawal was associated with fees charged for association members paying their dues by credit card but that further investigation was required. The letter also noted that Koger would reimburse the HOA if the charge could not be substantiated. After further investigation and discussions with the HOA's accountants and lawyers, it was determined that Koger's initial explanation did not make sense. Mr. DeFranco indicated that he had a further conversation with Kathy Gately of Koger and she confirmed that the \$606 would be reimbursed to the HOA.

Mr. DeFranco explained that while it appeared that the HOA will not be adversely affected by Koger's financial difficulties, as a result of his discussions with the HOA's accountants and lawyers, there were a number of actions for the Board to discuss and consider implementing.

The Board first considered and discussed the possibility of seeking reimbursement of the additional accounting and legal fees that have been incurred by the HOA as a result of Koger's financial issues. The consensus of the Board members was that we should seek recovery of such fees from Koger if the HOA is entitled to such reimbursement under the terms of our management contract. It was agreed that Mr. DeFranco would obtain a copy of the agreement from Koger.

Mr. DeFranco reported that the HOA's attorneys had indicated that Koger's agreement allowed a client association to terminate the agreement on 90 days notice if the termination is without cause and 30 days if the termination is for cause. The consensus of the Board members was that the HOA should solicit other management companies for bid and evaluate the proposals received before taking any action to terminate our relationship with Koger. It was agreed that Mr. DeFranco would invite other management companies to submit bids to the HOA Board.

The Board also considered and discussed sending a letter to CAB (the bank where the HOA's checking account resides) to obtain duplicate copies of our account statements, to add Board members as signatories on the account and request that account statements be provided directly to the HOA. It was agreed by the Board members that such a letter would be sent to CAB.

The Board also considered and discussed the representation letter that had been provided by the HOA's accounting firm for signature by the HOA. After making certain edits and changes to the letter, the form of the letter was approved and the Board members attending the meeting signed the representation letter. Mr. DeFranco indicated that he would get the signed letter back to our accountants.

The HOA's bank account at BB&T was then considered. After discussion, it was decided that this account should be closed and the funds deposited into the HOA's account at CAB.

The Board also considered and discussed the HOA's reserve funds that are currently held in the HOA's checking account at CAB. Mr. DeFranco indicated that the amount of funds currently in the Certificate of Deposit is larger than what has been reported to us by Koger. The consensus of the Board members was that reserve funds should not be retained in the checking account, but should be invested in some other manner. It was agreed that this matter would be discussed again at a future meeting.

Finally, it was agreed that Mr. DeFranco at his meeting with Kathy Gately that was scheduled for Friday, January 19th would request that Koger provide the HOA Board with a complete copy of the 2006 financial statements. It was also agreed that from now on the HOA Board packets should include copies of the HOA's bank statements.

There being no further business, the meeting was adjourned at 8:20 p.m.