

- 4) *What was the actual amount of proceeds received from the Utility sale? Why has the Board been unwilling to communicate accurate financial information on the Utility sale?*

A4. The actual amount received by the Association to date is \$1,163,589.30. An additional \$50,000 is being held in escrow pending final, unappealable completion of the Ogunquit law suite. Once this legal action is complete, the \$50,000 will be released to the Association. In addition, Aqua will provide the Association a series of payments over 15 years that equal \$76,000 per year if certain numbers of new water and sewer connections are made. Taking all these figures into account, the total proceeds from the sale of the utility company could equal \$2,353,589.30

- 5) *General Legal Fee expenses exceeded \$475,000 for the year 2006. The budgeted amount was \$60,000. There is no discussion or approval in the minutes for exceeding the budget amount by over \$415,000. Who authorized these additional expenses? What subject matters are covered by these legal fees, and who from the Association communicates with the attorneys that submitted these invoices? If this board wants to control legal fees, why does it act in such a secretive manner and make decisions that will only cause additional law suits?*

A5. Comparisons between budgeted and actual expenses were and are discussed during the Treasurer's Report portion of the monthly Board meetings and are reflected in the Board meeting books on file at the Association's office. There is no requirement in Virginia law or the Association's governing documents for specific Board approval of expenses that deviate from the budget. The Association's point of contact for communications with the legal firm is the Board president.

- 6) *Legal fees for Collections expenses exceeded \$83,000 for the year 2006. The budgeted amount was \$50,000. Who authorized these additional expenses? Why do we have such a large amount for legal fees for collections at a time when our accounts receivables (past due amounts) is at an all time? Is it true that legal fees for collections increased so dramatically because the Association changed the law firm handling this matter? If this is the case, were directors informed of the financial consequences of changing the law firm charged with collection issues? Please provide me with a copy of each invoice that was charged to this account for 2006.*

A6. Comparisons between budgeted and actual expenses were and are discussed during the Treasurer's Report portion of the monthly Board meetings and are reflected in the Board meeting books on file at the Association's office. There is no requirement in Virginia law or the Association's governing documents for specific Board approval of expenses that deviate from the budget. Copies of the invoices you requested have been provided.

- 7) *At a time when our accounts receivables are so high, we had a Bad Debt Write off of over \$27,000 for year 2006 against a budget of \$8,000. There is no*