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June 6, 2016

Chuck Brick, Treasurer
Higgins Lake Property Owners Association
P.O. Box 55
Roscommon, MI 48653

Re: Pending litigation assessment

Dear Mr. Brick:

Please allow this correspondence to serve as a response to yours under date of May 16, 2016. The purpose of this correspondence is to provide the auditors of the Higgins Lake Property Owners Association, Robert F. Murray & Co., CPAs, P.C., with an assessment of litigation pending against Higgins Lake Property Owners Association (HLPOA) as of May 25, 2016.

Currently HLPOA is a named defendant in two (2) separate lawsuits. Both lawsuits are pending in the Roscommon County Circuit Court. The first lawsuit is identified as Springstead v HLPOA (CC File No.). The second lawsuit is identified as Bolton v HLPOA (Case No.). With respect to the Springstead matter, HLPOA is alleged by the Plaintiff to have committed two tortious acts against Plaintiff. Plaintiff alleges defamation and intentional infliction of emotional distress. The factual predicate for the tortious claims arise out of a certain lease agreement between Springstead and HLPOA. The lease provided Springstead as the landlord and HLPOA as the tenant. The lease year in question was 2013.

The Plaintiff and Defendant disagreed as to which party bore responsibility for certain costs related to the leasehold interest. Springstead takes a legal position that the costs are expenses and therefore, the responsibility of the tenant. HLPOA takes the position that the costs constituted a capital improvement and are, accordingly, the responsibility of the landlord. At an HLPOA board meeting, the defendant resolved to request Plaintiff reimburse HLPOA for the monies that HLPOA advanced relative to the disputed costs. Plaintiff asserts that the Board action was done with an intention to inflict emotional distress upon the Plaintiff. Further, Plaintiff contends that requesting cost reimbursement was a defamatory statement.

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The case is in the discovery phase at this juncture. Defendant has requested that Plaintiff undergo an independent medical examination for purposes of psychological evaluation. Defendant has served Plaintiff with a number of interrogatories, requests to admit, and a demand for discovery of documents. To date, the discovery requests have not been responded to and a Motion to Compel Discovery is pending against the Plaintiff. The Plaintiff seeks to disqualify HLPOA counsel, William L. Carey, contending that counsel has a conflicted position in the case.

HLPOA has directed counsel to aggressively defend the tort claims made by Springstead. HLPOA seeks a complete dismissal of the lawsuit and recovery of defense costs.

Counsel for HLPOA believes that it is more likely than not that the Court will enter an order of dismissal at the close of discovery. A Motion for Summary Disposition based upon MCR 2.116(C)(10) will be filed at the close of discovery by HLPOA. Recovery of defense costs is questionable inasmuch as the standard for such recovery is exceedingly difficult to meet.

The second lawsuit is, as set forth above, Bolton v HLPOA. Mr. Bolton is a former treasurer of HLPOA. Mr. Bolton contends that certain financial statements he prepared are proper and correct. He contends that a subsequent modification of his financial records constitutes a violation of various corporate business laws. Mr. Bolton seeks to compel HLPOA to reinstate his financial statements. Mr. Bolton seeks recovery of attorney fees under the various statutes he relies upon.

The Bolton lawsuit is in the early stages of discovery. Mr. Bolton has been served with interrogatories, requests to admit, and a demand for production of documents. Discovery was served upon Bolton in the middle of May, 2016. Responses are not due from until mid-June, 2016. A pretrial has not yet been completed on the Bolton matter.

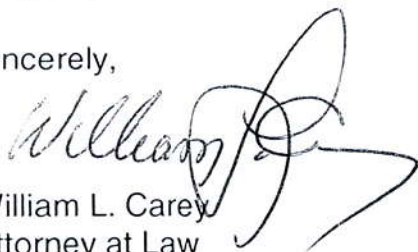
HLPOA has directed legal counsel to vigorously defend the claim. Counsel believes that the Bolton claims are without merit and that the Court will ultimately dismiss the Bolton complaint. Counsel for HLPOA will seek sanctions and recovery of defense costs. The probability of recovery of defense costs in this case is higher than in the Springstead matter. Recovery of defense costs is, however, less than a probability.

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Upon information and belief, the Springstead and Bolton matters are the only claims asserted or unasserted against HLPOA at this time. Counsel is unaware of any additional threatened litigation.

As of December 31, 2015 HLPOA was indebted to legal counsel in the amount of \$768.75.

Sincerely,

A handwritten signature in cursive script, appearing to read "William L. Carey". The signature is written in black ink and is positioned to the right of the typed name.

William L. Carey
Attorney at Law

WLC/st

Cc: Client
File