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To the
Board of Directors of the Waterleaf
Falls Homeowners' Association, Inc.

11911 Burnet Rd.
Austin, TX 78758

September 18, 2009

Dear Members of the Board of Directors,

I like to express my thanks that the board members April Miertschin and Roger Arriaga followed our invitation to attend our meeting on September 15, 2009 to address questions previously submitted to the board.

I write to you as the one who had asked for such meeting in which, as a result, communication between homeowners and its board members would improve. While all the questions were addressed by the directors present, their answers were less factual and more a sales pitch.

To emphasize that the directors are unpaid volunteers is simply not supported by the facts or a gross overstatement since all board members on record are KB Homes employees and have their board meetings during KB Homes business hours.

A statement made that KB Homes has already demonstrated their willingness to ease the pain of rising HOA fees by having spent more than \$ 500,000 (exact quote: more than half a million dollars) to offset any shortfalls does not help to improve the relationship. It is simply not supported by the facts as shown in the financials I received and shared with other homeowners.

First, this is an obligation KB Homes has under the CC&R under Article 4.7 (b)! Second, financial documents provided to me by the management company do not add up to the given amount. Instead they show a steady decline in KB Homes deficit funding over the last 4 years. This may be the reason why homeowner fees steadily went up during the same time!

The explanation that common areas caused homeowner fees to go up every year falls short of being believable. To my knowledge, common areas have not been increased in size. Fact is also that the contract for landscaping in 2009 has been lower by 10% compared to the previous year. This information is based on a conversation with one of the owners of the main landscaping contractor. I admit, it is very difficult to explain, why homeowner fees went up while KB Homes reduced their shortfall obligations year after year and while more homes were sold.

To explain why homeowners can not become board members without demonstrating 'fitness' for the job is, like all the other things I mentioned so far, not really helpful to improve our relationship with the board. And to stress the importance of the ability to read and understand financial statements is an affront. Why? The statements which have been released by the management company do not meet

the generally accepted accounting principles in the US (GAAP) nor do they meet the standards set by the American Institute of Certified Public Accountants (AICPA)! In other words, even a certified accountant would have questions on how to read and understand the spreadsheets I received!

The question I have in this context is why the board instructs the management company to release these work sheets instead of the legally required financial statements? They must exist in order to be able to file the association's Form 990 annually at tax time!

On the issue of Commissions and/or the lack of participation by homeowners: It was stated that the board has called more than once for commissions to be created. Yet homeowners never showed interest. That may be. I don't know. What I know though is that all my attempts to get funds approved for any of the committees I recommended have never been answered to. As a matter of fact, the minutes of board meeting on April 9, 2009 which I attended, should reflect that such a call for a budget was made by me. In the same meeting a homeowner oriented and maintained website was approved and the annual fee of \$ 500 for maintaining such website was approved as well. How do I apply for those approved funds as the one who created, setup and maintains the website?

In our Tuesday meeting it was also complained that there is very little input the board receives from homeowners. I can not speak for others, but I have submitted more than once proposals to improve the relationship as well as making recommendation on how to reduce expenditures. As the official minutes of the April 9, 2009 meeting should reflect, that proposal was received with the remark it will be discussed in a close meeting and I will be notified about the result. I am still waiting 5 months later for a reply.

There is a reason why I distinguish between official board meeting minutes and what the management company releases to us homeowners. Purposely or not, it is the board who decides what is released. What is released is a far cry from what the legal requirements of HOA board meeting minutes demand. Courts have consistently ruled that as a minimum, board meeting minutes need to reflect how board members arrived at their decisions, that any conflict of interest issues are recorded **and** that all financial decisions have to be discussed in detail and reasons need to be given as to why it was decided as it was **and** their decisions have to protect the interest who they represent. In our case us homeowners! Only us homeowners! Here is a link to CAI website describing the minimum requirements of HOA board meetings: <http://www.cai-sd.org/resources/sdut/sdut-q&a-31.html>! To my knowledge Associa is a member of CAI and so is KB Homes!

Last but not least, to have a board member tell us that the lighting is an issue homeowners have to take up with the city is wrong! The board works for us homeowners! I accept that the board may have a conflict of interest in this matter. Than the board should excuse itself and hire an attorney to represent the homeowner's interest in this matter! Namely rectify a situation which has been known to the board for several years.

Fact is that KB Homes is responsible for the installation of sufficient lighting in our neighborhood. To mention that the lighting plan had been approved by the city of Kyle is no explanation nor an excuse why these lights are not put up in the areas mentioned (mailboxes)? Unless KB Homes can show that the city expressively disallowed their installation. This can easily be proven by the documents KB Homes submitted to the City of Kyle when asking for their approval. These lights are either in the approval request or not. If not, KB Homes is responsible to put them up.

Here is your chance to improve on our relationship. And since the HOA board works for us and no one

else, I kindly, in the name of all Waterleaf homeowners, request the following:

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1. Board Members are unpaid volunteers
A simple clarification is sufficed. I suggest you go on our website's 'Forum', select 'Communicating with our Board' and leave a comment. You can do it as an unregistered 'Guest' but it would be better if Roger Arriaga as the PR expert and/or all the other directors registers and can make use of this public forum.
2. Financials and KB Homes offset of shortfalls
I exercise my right as a member of the HOA and request a copy of all financial statements including the Profit & Lost Statements and Balance Sheet for all years where there has been a Form 900 filed. These documents become necessary to corroborate claims made in past meetings and during the meeting on September 15, 2009!
3. Common Area cause of fee increases
I like to see proof showing that the common area has grown in size in the recent years. As a member of the association I exercise my right to also request for the business years 2008 & 2009 readable copies of the
 - text of the landscaping bid or bids should there be different areas/jobs for which different bids were used
 - the name, contact and phone number of the bidding company this bid was sent to
 - the resulting written bids received from all bidders
 - the resulting contract
 - the board meeting minutes reflecting how those bids were discussed and decided upon
4. Board member requirements
If there are any requirements, I like to get a copy of them. If not, please correct this statement by saying so on our website's 'Forum'.
5. To educate ourselves
Please instruct the management company to release actual financial statements (see above) and budgets which are approved by the board. Send copies to me and I will upload them to our website to replace the 'old' ones.
6. Homeowner participation
I submitted recommendations to reduce expenditures and was under the impression, fueled by the preceding written exchange of information, that there will be a discussion on my proposal at the board meeting. That did not happen and it appears it had never been looked at for consideration. At least I have not received an answer I deserve which I herewith officially request. I also ask for the meeting minutes which cover the discussion of said proposal.
7. Lighting issue
This issue has been dragged out for years without any satisfying resolution. It is the board's responsibility to act on those requests. Delegating this to the management company is and has proven to be ineffective. A potential conflict of interest is not an excuse not to resolve this problem.

As a member of the HOA I herewith request that a special meeting is held to which the

appropriate department(s) of the City of Kyle is/are invited to as well as officials for KB Homes.

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If the board members see a potential conflict of interest due to the fact that they are employees of KB Homes, the board should approve funds to hire an attorney to represent the interest of the HOA members. Members will present the board with a list of three attorneys of their choosing from which the board can select the one they approve.

8. HOA Board Meeting Minutes

The Associa website only lists the Annual Meeting Minutes. No meeting minutes for any board meeting! I am in the possession of a document which pretends to be the meeting minutes for the April 9, 2009 HOA Board Meeting I attended. A copy is attached.

It clearly does not meet the standards for a HOA Board Meeting Minutes. None of the essential items which have been discussed in my presence are listed. It does not say how long I was present and what I was allowed or not allowed to say.

If this is an example how the board's meeting minutes are kept it is even more appalling to make such statements in our Tuesday meeting that homeowners have to qualify to become a board member, whereas the board is not keeping correct minutes themselves. I hope that these are not the official minutes and just a quick answer to my numerous requests to get them.

Again, as a member of the HOA, I request that all of the official meetings minutes for the years 2007 and forward are being provided to me so that they can be published on our community website.

I herewith request as a member of the Waterleaf HOA that this letter and the response to this letter are made part of the meeting minutes in which this letter is considered.

I hope that this letter as much as it may upset you, and the action called for in this letter, result in a much better relationship.

This letter as well as your answers will be published on our community website.

I look forward hearing from you within a reasonable timeline which I consider as being within two weeks of the next HOA board meeting.

The requested materials I expect within 2 weeks of receipt of this letter. I am prepared to make any copies myself with the help of some homeowners. You decide what is better for you. We would bring our own equipment to copy/scan any documents.

A detailed list of what items need to be copied as requested in this letter can be provided upon request.

Sincerely

WATERLEAF FALLS HOMEOWNERS ASSOCIATION
Board of Directors Meeting Minutes
April 9, 2009

CALL TO ORDER:

With quorum established, the meeting was called to order at 9:00 a.m.

Location: KB Home offices at 11911 Burnet Road, Austin, Texas

Board members attending: John Zinsmeyer, Roger Arriaga and April Miertschin.

Alliance Association Management employees attending: Karen Hibpshman, and Kim Bigley. The association's legal counsel, George Basham was also in attendance. Axel Niessen from the 521 New Country was also in attendance..

FINANCIAL:

The Board reviewed the February financials and approved as submitted.

NEW BUSINESS:

Alliance is to prepare an ACC summary for the board to be presented monthly.

The payment plan spread sheet is to be expanded on, needs to show the cash flow per month.

The pool will open May 23rd and the board will review additional bids. Axel Neissen proposed different opening times, Karen was instructed to get additional bids and present them at the next board meeting.

The next board meeting is scheduled for May 14, 2009

ADJOURN:

Meeting adjourned at 5:00 p.m.