

Questions from Homestead at Carrollton Homeowners Association
Annual Meeting – March 30, 2009

The following questions have been answered by the full Board of Directors of the Homeowner's association.

Q: What about the horrible shape of some fences in the neighborhood falling and coming down?

A: Our contract with Real Manage has them drive the neighborhood once a month in the winter, twice a month in the summer to enforce our guidelines. We have spoken to them about better enforcement of the fence guidelines and are arranging for a board member to accompany them on their next inspection drive.

Q: When will we receive 2008 Income & Expense Statement?

A: The 2008 Income/Expense statement is distributed at the time of the Q&A. We will be establishing quarterly statements that mail with the bills for the HOA dues.

Q: Why not rent Bldg for Annual Meeting with no restrictions?

A: This is the first time the Annual Meeting ran long enough to bump into the time restriction. Historically we have traded Homestead Elementary access to our pool for the 5th Grade Graduation Pool Party in return for space to hold our Annual Meeting. We feel this arrangement helps us to maintain a good relationship with the school. Attendance is also enhanced because the school is so close. The board has checked into other options, and has been unable to identify a nearby option with no religious affiliation that can accommodate 200+ people with no significant charges. For the next meeting we will inquire about the option of paying for any janitorial overtime charges the school incurs if we go over the time limit.

Q: Do the HOA bylaws specifically prohibit establishing a "victory garden" in the common areas? If they don't could we look into the possibility of establishing one?

A: In a word, no – the concept of a victory garden is not prohibited. We have asked the Carrollton Neighborhood Advisory Commission if they would consider this project eligible for a block grant from the City. We are also seeking the advice of a local landscape contractor who has participated in these programs in other communities. There is much to consider in site selection: flood risk, irrigation, parking, impact on homeowner views, etc. The Board would welcome a volunteer to lead the investigation phase of this project.

Q: Due to the apparent huge increase in expenditures, are you going to raise dues?

Q: Given the situation with the fence, do we foresee our dues increasing?

A: This was answered at the Annual Meeting: there are no current plans for a dues increase.

Q: Are you willing to get rid of Real Manage if they don't enforce the covenants?

A: While there are many complex contractual obligations involved, the Board would consider ending our relationship with Real Manage.

Q: Where is the budget & why isn't it displayed during the meeting?

A: The budget was displayed as a PowerPoint slide at the Annual Meeting. In the future, we will be distributing this as a hardcopy.

Q: What's the easiest way to get an updated copy of the bylaws and CCRs?

A: The CCRs have not changed since you received a copy at your home closing, however there have been amendments to the Bylaws. Both the CCRs and the Bylaws are available at the Homestead website (www.homesteadatcarrollton.com) and the Real Manage web site (www.realmanage.com). If you do not have computer access, you can also call Real Manage at 866-473-2573 for a hardcopy.

Q: What was the cost of the clubhouse repairs vs. insurance paid? What was the final out of pocket?

A: The total cost for the clubhouse repairs was \$82,657. 100% was paid by insurance.

Q: Unpaid or outstanding dues – how are these accounted - As a liability on the balance sheet?

A: Unpaid dues are considered an account receivable and are therefore counted as an asset. A reserve for bad debt is also established for delinquent HO dues. This is a contra asset.

Q: When does the pool open?

A: The pool opened on May 20 this year.

Q: What is the total dollar amount of delinquent HO dues?

A: As of May 31st the amount of delinquent dues is \$17,454.52 with a bad debt reserve of \$2,006.

Q: Are liens automatically levied against delinquent homeowners?

A: No, but we are addressing this with Real Manage.

Q: Has there been consideration of more exterior lighting outside the pool? Lighting is very poor at night.

A: Additional lighting is available at each canopy structure. The lights can be turned on and off with a brown toggle switch that is located on one of the structure's pillars. These lights are on a timer that allows them to remain on until the pool closes at 10PM. If anyone feels that lighting beyond this is required, please contact any Board member and request to have this added as an agenda item at the next Board Meeting and plan to attend to help us get a better understanding of the needs.

Q: Is there any prohibition in the covenants and bylaws that prevents retaining walls being constructed below fences to level yards and thereby increase the height of the fences as measured from the alley side?

A: In a word, yes, however retaining wall acceptability is a function of lot location, lot slope, physical need and the total height of the resulting fence. The best way to determine the acceptability in any specific case is to submit an ACC Request Form to ensure that the proposed retaining wall will meet all Homestead requirements before any construction begins. Additional details on fences and walls can be obtained in the CCRs in Section 3.1.1 and in Article 4.

Q: Is sun screen [solar shades] violate any state law? I was told no HOA can really prevent sun screen. Is this true?

A: Solar shades do not violate any state law. Generally speaking, Homeowners Associations can prevent the installation of items that are restricted by their CCRs. The Homestead Pattern Book requires that window mullions remain visible from the street. We recommend that all desired sunscreen installations be submitted to the ACC in advance to make sure the installation will comply with all neighborhood requirements.

Q: Suggestion – utilize the Homestead Web page to foster communication and needed information/education of important issues. It is not timely updated – and could be a great source of outreach – Additional Q&A’s badly needed.

A: We agree! The current Board is working to open multiple communication channels with homeowners including the Homestead Web page.

Q: I see many lawns that are overgrown and beds with lots of weeds in the neighborhood. I also suspect there may be some who cannot care for their property due to health issues, illness or financial problems. If someone truly needs help, it would be nice to have volunteers on hand to help on a Saturday and get their yard cleaned up. Some may abuse the offer, but if there was a chance to help a neighbor, I would do it.

A: The fact that we have lawns and beds in poor shape really means that the Board, in conjunction with Real Manage, needs to do a better job of enforcing the CCRs. We support the idea of a volunteer crew to help out in hardship cases and welcome a volunteer to step forward to organize and coordinate such a program.

Q: Who voted proxies? What numbers?

A: This question was answered at the Annual Meeting. The HHA President votes any general proxies. Personal proxies can be assigned to any homeowner in the Association. It is the privilege of any homeowner to grant their proxy for an Annual Meeting. We would not publicly disclose who gave or who voted a proxy.

Q: Does the Board have the proper authorization from the CCR & bylaws to spend unlimited funds or is there a limit to the amount to be spent?

A: There are no authorization limits built into the CCRs.

LAWSUIT

The following questions pertain to the fence lawsuit. These answers are being provided by Kathy Vargo and Ron McCraw, the two members of the Board who were not on the Board at the time of the lawsuit. Parties to the lawsuit are restricted from discussing the suit and the settlement.

Q: Was the fence issues settled? If so, when would neighbors be informed?

A: Yes, it was announced at the Annual Meeting that a settlement had been reached.

Q: At what point will we be able to know what the lawsuit has cost us? Do we have an estimate as of today?

Q: What will be the total costs of the lawsuit to the Homeowners Association?

Q: How much \$ did the HOA spend on the fence lawsuit?

Q: How much in attorney's fees and expenses was spend on the fence litigation?

A: This question was answered at the Annual Meeting. The total cost of the lawsuit was \$65,000.

Q: How much did the Homeowner's Association pay to the legal firm(s) for all litigation matters since the HOA was turned over to the home owners?

A: \$65,000

Q: Is arbitration a viable option that can be used instead of a lawsuit?

A: Yes.

Q: What is the difference between the 8 foot fence on Morning Dove that was approved in a monthly meeting in 2007 and the 8 ft fence on Orchard?

A: The Board cannot answer this question. What follows is a 5/31/09 Discuss List posting by Diane Albright:

I am no longer on the Board of the HOA and do not speak for the Board; however since you have specifically addressed me by name, I will speak to your question to the extent of my understanding.

I have some knowledge of both cases you referenced because of my time serving on the board. I will begin by saying that there are quite a few differences - huge ones.

I'll start w/ my recollection of the Morning Dove homeowners:

The homeowners on Morning Dove **did submit an ACC request for their fence**. They back up to Standridge & at that time, there was a lot of construction in Moore Farms. They had concerns for their teenage daughter & when they were in the backyard apparently had issues w/ some of the workers – whistling, etc. The ACC chairperson at the time was having personal issues & their request was never processed. After a period of time (lengthy), they went ahead & built their fence – with **only 1 section** being 8 feet – the Orchard house had **all 8 feet sections**. That ACC Chairperson moved out of Homestead.

A year or so later, the homeowners were cited for having a fence that exceeded 6 feet. They appealed & explained the entire situation. They cooperated with the board and a solution was found. They were allowed to keep their fence **on the condition that when they sell their home, they are required to put in a 6' fence.**

With regard to the Orchard homeowners: (and this occurred before the Morning Dove dispute)

The homeowners submitted ACC requests for a pool & other landscaping, but **not for their fence.** When they were cited for a violation, they appealed. From my perspective, it was obvious that they were aware that they were building a fence in violation & that they deliberately did not submit a request because they knew it was in violation – they basically said as much when we met with them. Their appeal was denied. They asked for additional time to get their fence in compliance, which was granted. Near the end of this time period, **the Board received a letter from their attorney** informing the Board that if we tried to enforce the covenant or tried to fine them – they would sue us.

I rotated off the board about the time this was all occurring. My understanding was that early on – before all the litigation & expenses started to mount up – the Orchard homeowners were offered a compromise of keeping the fence, but were required to replace the fence upon sale of their home (basically, the same offer as the Morning Dove home). Their counter offer: We keep the fence – no agreement to replace fence upon sale, no fines & the HOA pay all attorney fees to date (didn't sound like much of a compromise to me).

One homeowner once stated on the discuss list that the board needs to act reasonable when enforcing the rules. From my experience, that is exactly what is done. Perimeter properties, such as the home on Morning Dove, have a unique concern in that the HOA cannot control what is occurring on the other side of the fence. One homeowner brought pictures of the view from inside their home at what appeared to be a trash heap in the carport of the home behind them – not a Homestead property. The HOA's main responsibility is to protect all of our property values. If that means that one strip of their back fence be allowed to be 8 feet to shield unsightly properties – I believe that should be allowed. The covenants have a reference in them for perimeter properties having some sort of screening. **The Orchard home is not a perimeter property.**

The bottom line is that if homeowners would obtain advance approval, there would never be any problems. The Morning Dove homeowner did all of that and then continued to work with the board to resolve the issue.

Q: In March 2007 annual meeting Dean Ridde stated that due to grading situations some fences may need to be 8 ft in some places – why not the one on Orchard?

A: The association's attorney, Dean Riddle, addressed the members during the 2007 annual meeting on the subject of a proposed architectural clarification involving retaining walls and fences. The question before Dean was whether the sum of a retaining wall height plus the height of a fence had to remain within six feet of the ground or whether the six foot height could be exceeded by the sum of heights of the retaining wall and the fence together. Dean clarified that your fence height could never exceed six feet but it was possible to attain an 8 foot height only by a combination of the fence and the retaining wall height together. Any construction of fences or retaining walls had to be approved in advance by the ACC.

Q: Was it true that the Thompson's never requested permission to build an 8 foot fence?

A: They did not.

Q: Who asked for confidentiality in the lawsuit settlement? How do you find out the terms of the settlement i.e. who paid the attorney's fees?

A: Confidentiality is a very common condition in settlement agreements. All parties to the lawsuit are restricted from discussing the suit and the terms of the settlement are confidential.

Q: Will we ever know the truth on the fence issue – complete transparency?

A: It is the Board's intention to provide as much information as possible and for all of it to be truthful. All parties to the lawsuit are restricted from discussing the suit and the terms of the settlement are confidential. We will honor those boundaries.

Q: For Attorney:

1. Re: Exec Session. Bylaws allow. Do they mandate?
2. Transparency to a point means? Only till you are not comfortable with it?
3. Re: Lawsuit. Who is your client? We pay fees. Are we not your clients? If not, why not?
4. What is your hourly billing rate?
5. Is it your legal opinion that if the Board had chosen not to pursue litigation on [any issue] but instead relied strictly on non-litigious methods, there would have been any breach of fiduciary responsibility or maybe I'm using this wrong estoppels created preventing subsequent enforcement of covenants? If not, why did you allude to that possibility?

A:

1. Section 7.05 of the Association's Bylaws allow the Board of Directors to adjourn and reconvene into executive session upon the request of two or more Board members and with the approval of the majority, in order to discuss and vote upon personnel matters (homeowners), litigation, disciplinary matters (delinquencies, fines, appeals) and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in general session. Due to the sensitivity of these matters, the Board will always handle them in executive session.

2. We intend to provide transparency to the extent that we are allowed. There are confidentiality requirements binding those who were involved in the lawsuit and those will be honored.
3. The Homestead at Carrollton Homeowner's Association is the client.
4. We pay Hayes, Berry, White & Vanzant, L.L.P. \$185/hr for the services of an attorney and between \$100 and \$125 for the services of assistants and paralegals.
5. The legal advice offered to the Board took into account all details of this specific case.