

**BIRNAM WOOD III C.A.I.**  
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To all Homeowners:

This memo is the Board of Directors' response to certain inaccurate and/or misleading information which was circulated at the recent Annual Meeting. One flier claimed that the information set forth therein had been verified by the Association's Attorney, a CPA and/or the Board of Directors. Such verification did not occur. However, the following statements have been verified and approved by the Association's Board of Directors (the "Board") with the guidance and assistance of the Association's attorney/legal counsel and the Association's CPA firm:

The Association's By-Laws provide, in part, that "...The treasurer shall...cause an annual audit of the Association books...." In an effort to save money, the Board previously had "Reviews" [second highest form of accounting (the cost of which is about \$1,700 for each year)] performed for the years 2003 and 2005. The Association's legal counsel delivered a legal opinion advising that the Association should have full audits [highest form of accounting (the cost of which is about \$3,500 for each year)] performed for all years in accordance with the By-Laws. Also, the attorney advised that "*I am not a Certified Public Accountant; therefore, I am unable to provide advice regarding tax questions and/or audit questions.*" The CPA, who performed the recent Audits, advised the Board that his firm generally does not recommend auditing old years unless there is some compelling reason, due to the difficulty in obtaining records and confirmations, the associated high cost, and the probability of a qualified audit opinion. The Board voted to have full audits performed by the CPA for only those years in which Audits/Reviews could be, but had not yet been, performed. The remaining Audits were performed by the CPA and received by the Association on or before 11/04/09. Following the completion of the 2009 Audit next year, the Association will have on file the following Audits/Reviews:

- 2003-Review (audit of balance sheets)
- 2004-Full Audit
- 2005-Review (audit of balance sheets)
- 2006-Full Audit
- 2007-Full Audit
- 2008-Full Audit
- 2009-Full Audit (to be completed in 2010)

Relative to several courtesy loans from the Association's Manager to the Association in 2003 and 2004 (and repayment thereof by the Association), the Board asked the CPA to conduct a thorough review of all applicable documentation. The document examination project performed by the CPA resulted in his conclusion that "*Based upon the documentation examined, further forensic audit procedures do not appear warranted. As recommended in our audit management letter, any contracts or transactions with related parties should be documented in the minutes. Any loans to or from the Association, from or to related parties, should be avoided if possible, otherwise, they should be documented by signed notes payable and appropriate entries in the minutes.*" On April 7, 2009, this

matter was reviewed and accepted by the treasurer, and rendered a closed subject.

Scheduling conflicts in past years has kept the Board as a group from meeting with the Association's attorney in person for legal advice; however, Board members have in the past communicated directly with the attorney by telephone and/or electronic means and also through the office Manager. After the 2008 Annual Meeting, the Board unanimously voted to ask the Association's attorney to attend every future Annual Meeting and to meet with the Board immediately prior thereto.

The Office Manager's contract with the Association expired in April, 2009. No further contract negotiations are scheduled or anticipated.

The Board voted in February 2009 to accept eight sealed bids from people interested in performing lawn maintenance for foreclosed or vacant homes at the Association's direction. A family member of the Manager, who has previously done lawn maintenance for the HOA, submitted one of the sealed bids. The Board voted to give the job to the lowest bidder but the first offer fell through after a short period. The Board then immediately went to the next bid(s) in line which happened to be a tie involving the Manager's family member. The Board voted to divide the job between these two bidders. This is not a conflict of interest issue since the Board does the hiring, not the Manager. To date, the family member and the other bidder have each been paid \$1,660 in 2009 for their work. Further, the same family member exclusively performed the lawn maintenance on all of the foreclosed or vacant homes in 2007 and 2008 and was paid a total of \$7,810 and \$8,420 for these years, respectively.

During the year 2009, the CPA pointed out the need for reporting income taxes for contract labor. This issue has been corrected. Further, the Association has implemented or is in process of implementing all of the recommendations made by the CPA. Any homeowner estimates concerning savings goals or time frames for projects (e.g., seeking and/or obtaining tax exempt status) are merely personal opinions and may not take into account budget constraints, necessary paperwork or steps involved in the process. Rather, the Board, working with the CPA, is in a position to evaluate any such Association goals.

The \$100K loan to finance the activity pool is public record, and it is anticipated that the loan will be paid off on time if not early. In addition to the referenced loan, the Association has spent over \$300K for improvements during the past six years (as outlined in the rough estimates below, which are rounded down to the nearest \$1,000.00 each year):

2009- \$3,000..... A/C units repair and cover, etc.

2008- \$8,000..... Walking trail trash cans/computers/pool upgrades, etc.

2007- \$91,000..... Pool rehab/bathroom building/tot lot playground, etc.

2006- \$36,000..... Clubhouse remodel/tile work/paint supplies & labor, etc.

2005- \$11,000.... Mower/ground supplies, etc.

2004- \$61,000.... Concrete decking/cameras/fencing/hired help, etc.

2003- \$147,000... Activity pool/wood decking/building, etc.

In closing, your Association's Board is constantly striving to serve the Community in a fair, honest, and respectful manner, and the Board appreciates support from an overwhelming majority of homeowners. We are honored and privileged to uphold the fiduciary responsibility with which you have entrusted us in serving this Community.  
Sincerely,

Board of Directors

BIRNAM WOOD III COMMUNITY ASSOCIATION, INC.

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President and Director

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Vice-President and Director

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Acting Treasurer and Director

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Secretary and Director

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Director