



October 18, 2019

Dear WOWSC member,

The Windermere Oaks Water Supply Corporation Board of Directors will hold a special board meeting on October 26 for its consideration of the items listed on the enclosed agenda (a copy of which may also be viewed on our website at <https://www.wowsc.org/>). The board strongly encourages all members to attend this meeting.

The item "Consideration and Vote on Amended and Superseded Agreement" refers to potential changes to and replacement of the 2016 contract between WOWSC and Friendship Homes & Hangars, LLC, in which WOWSC sold approximately 3.86 acres of land to Friendship, including additional related terms.

As many of you are aware, the contract and its original approval were the subject of litigation in 2017-19. As recently as May, 2019, a second lawsuit was filed against the WOWSC as well regarding this transaction. The first case has been decided in favor of the WOWSC in multiple rulings, with acknowledgement that in two instances laws governing the posting of agenda items were not followed, but ordering no additional relief that the plaintiff requested and confirming that the transaction is otherwise valid (view the rulings at www.wowsc.org/rulings). Despite the judgment denying any further relief, the litigant has continued its appeals all the way to the Texas Supreme Court, at the cost of tens of thousands of dollars to the WOWSC. The second case is in its early stages of court proceedings, but may cause WOWSC to incur similar legal expense.

Three different WOWSC boards, following the counsel of three different sets of attorneys since 2017, have authorized spending these sums to protect WOWSC from the litigants. The judgments they have sought from the courts would potentially enmesh the corporation in even more litigation and potential liability. More importantly, the paths they proposed were not, in the opinion of our counsel and in the evaluation of the board, legally viable or beneficial to the corporation.

In the course of the ongoing litigation, authorized representatives of this board have worked to resolve the underlying issues of dispute and concern, so as to put an end to this costly process and to act in the best interests of WOWSC. At the October 26 meeting, the board will review, consider, and vote upon a proposed amended and superseding agreement between WOWSC and Friendship Homes and Hangars, including specific terms that are described in the posted agenda for that meeting. The meeting will set aside time for member comments on that agenda item prior to any action by the board. The meeting will also include comments from WOWSC's attorneys and will provide information about the business decisions of previous boards with respect to the original contract.

We hope to see you at the October 26 meeting of the WOWSC Board of Directors.

Sincerely,
Joe Gimenez
Board President and Public Information Officer

Agenda Item 5

SUMMARY OF TERMS OF A PROPOSED AMENDED AND SUPERSEDING
AGREEMENT BETWEEN WOWSC AND FRIENDSHIP HOMES AND HANGARS, LLC
TO BE SUBJECT TO PUBLIC COMMENT, BOARD DELIBERATION
AND POSSIBLE BOARD ACTION

- Friendship will surrender and terminate its existing “right of first refusal” as to the remaining 7.01 acres +/- tract;
- Stewart Title Guaranty Company shall pay WOWSC the sum of \$20,000, \$2,500 of which shall be payable upon closing of the real property transactions above, and \$17,500 of which is to be held in trust until the dismissal with prejudice or a final judgment in Friendship’s favor of all claims against it and Dana Martin in the currently pending “*Ffrench et al v. Friendship Homes and Hangars LLC et al*” lawsuit (with the first \$2,500 being subject to refund if the litigation is not dismissed as described above within one year); the payment of such sum is additional purchase money for Friendship’s acquisition of the 3.86 acre +/- Piper Lane tract;
- In place of the current easement, a formally recorded 50-foot non-exclusive access easement in favor of WOWSC, providing WOWSC standard easement rights, including the right to maintain, repair, and improve the easement, and the right to enforce against encroachments, in common with Friendship Homes and Hangars, with Friendship Homes to obtain similar easement grant from Hans and Johannes Mair;
- Friendship will impose and record 25 foot setback on the northern boundary of the easement to the extent allowed LCRA and/or the county;
- WOWSC will execute a deeded conveyance to Friendship of a certain .5151 acre +/- portion/tract that was included in the sales contract but not deeded;
- WOWSC will record a restrictive covenant covering the remaining 7.01 acres +/- tract providing that if any or all of the property is sold as airport lots, the owners must become Class A members of the Spicewood Airport Pilots Association;
- Upon dismissal or final judgment as described above, WOWSC, Friendship, and Dana Martin shall be responsible for their own court costs and attorney’s fees;
- WOWSC on one hand and Friendship and Dana Martin on the other shall sign a broad mutual release of the other, conditioned upon dismissal or final judgment as described above in favor of WOWSC, its former directors, Friendship, and Dana Martin as to all claims in the lawsuit; and
- Authorizing two members of the Board to coordinate with legal counsel to finalize and then execute on WOWSC’s behalf the Amended and Superseding Agreement between WOWSC and Friendship Homes and Hangars, LLC, as well as any and all other agreements, contracts, and closing documents necessary to effectuate the terms and transactions described above.