

May 26, 2020

Windermere Oaks Ratepayers
12400 Highway 71 West, #350-203
Austin, Texas 78738

Sheriff Calvin Boyd
Burnet County Sheriff's Department
1601 E. Polk Street
Burnet, Texas 78611

Dear Sheriff Calvin Boyd,

We are writing to you on behalf of dozens of very concerned citizens and members of Windermere Oaks Water Supply Corp. (WOWSC). We all firmly believe that serious crimes have been committed by former and now current directors against the corporation and the ratepayers. We believe this criminal activity is ongoing and has the earmarks of organized criminal activity due to the nature of events along a lengthy timeline and unbelievable anomalies that extend from 2013 to today's date. These crimes include fraud, theft by a fiduciary, and electioneering just to name a few of the illegal acts. We realize these are serious allegations, however WE strongly believe they merit an investigation by law enforcement.

We are attaching what we are calling "Anomalies Regarding the Insider Land Sale of 2016." The insider land deal is a land sale transaction from 2016 where a sitting WOWSC Director and Vice President (Dana Martin) acquired very valuable WOWSC airport land in connection with a lengthy conspiracy, in absolute secrecy, at an incredible discount through multiple violations of Texas law. When an organization called TOMA Integrity filed suit for violations of the Texas Open Meetings Act, the WOWSC insurance carrier refused to defend the WOWSC due to its directors' violations of state law. The Burnet County District Court found that multiple TOMA violations had been committed in connection with the insider land deal.

When the WOWSC nonetheless continued to expend scarce member resources to defend the unlawful acts of its directors, individual members filed suit to require that the WOWSC be made whole or that its errant directors be held accountable for the loss, which is at least \$500,000 - \$1 million dollars for the ratepayers of the WOWSC. That suit is currently pending in Burnet County District Court.

In 2018 a new WOWSC board hired a forensic appraiser to establish the approximate dollar amount that the WOWSC lost on the insider land deal. They estimated the immediate loss at over \$1 million. In January of 2019, after having a WOWSC town hall meeting and having received a legal analysis that highlighted the wrongful conduct and the unfairness of the transaction, that board made demand on Martin. A copy of the demand letter written by the WOWSC's outside counsel is attached hereto.

Although immediate action was warranted based on the conclusions of the WOWSC's independent legal and valuation experts, none was taken. Instead, the annual meeting and election of directors was abruptly and inexplicably moved up by six weeks. Martin, the director that reaped the rewards of this insider land deal, campaigned vigorously for former director Bill Earnest (who was involved in the 2016 insider land deal) and another crony, Joe Gimenez. Earnest stated at the time he had one thing left to accomplish as WOWSC director, then he would be done. It was at this time we found out the WOWSC headquarters was broken into during the ballot collection period but could get no information from the WOWSC board

about what was taken or disturbed. In March, Earnest and Gimenez were elected to the board. Gimenez was appointed President and Earnest was appointed Vice President. Under their leadership, the board did a complete 180. They completely disregarded the forensic appraisal and outside counsel's legal analysis as set forth in the demand letter. They removed director Norm Morse and replaced him with another former director (Dorothy Taylor) with ties to some of the anomalies and who was the original whistle blower to the insider land deal. We still have no answers as to why Morse stopped coming to meetings, another strange coincidence? Later, the former WOWSC president abruptly resigned. His statement said in part he did not like the direction the board was going in.

In August of 2019 a member requested attorney fee bills in a public information request. The WOWSC board asked the Attorney General for a decision. The Attorney general decision was for the WOWSC to make most of the information available. The board caused the WOWSC to file a lawsuit against Attorney General Ken Paxton in an effort to conceal the information.

The Board continued to take no action to recover the members' loss from the 2016 insider land transaction. In September, more than 26% of members signed a petition to remove Gimenez from the Board. The directors spent over \$15,000 of the members' resources to retain Gimenez as the Board President.

In October 2019 the board inexplicably gave away even more valuable WOWSC property (the 0.5151 acre Piper Lane taxiway) for no consideration and left the original insider land deal intact with nominal changes. Martin claimed the additional land was omitted by mistake, but the contemporaneous documentation strongly suggests otherwise. Moreover, in sworn deposition testimony the WOWSC president at the time of the insider land deal stated that Piper Lane was never mentioned as part of the deal. Martin, an experienced and sophisticated real estate professional in charge of every aspect of the 2016 transaction, did not make a "mistake." Now, however, she owns the entire taxiway and the WOWSC has still lost more than \$1 million!

In November Bill Earnest recommended Patricia Gerino, a dear friend, former business partner and airport board director with Martin, into taking David Bertino's position on the Board. The board voted unanimously in favor.

The October "settlement" that purported to solidify the 2016 insider land deal and to give away even more valuable WOWSC property for Martin's benefit must have been Earnest's "one thing left to accomplish," as he submitted his resignation shortly thereafter. Almost immediately, Earnest became the owner of a hangar lot adjacent to the WOWSC property Martin acquired in 2016 and claimed the benefit of a 2015 easement that was never approved by the WOWSC Board. Earnest's handpicked successor on the Board was Rich Schaefer, a good friend of Martin and fellow pilot association director with both Martin and Patricia Gerino.

During 2019, the directors spent a grotesque amount of the members' money (roughly \$210,000) trying to prevent the members from recovering their property or its value and to avoid being held accountable themselves for the loss. The directors have spent nothing to look out for the interests of the members-rate payers.

As a result, the 2020 WOWSC board, now loaded up with Martin's cronies, raised the water and sewer rates an amazing 71%. This increase was purportedly to cover the massive legal fees spent to defend the malfeasance and nonfeasance of current and former directors. This may very well be the largest single rate increase in the history of water supply corporations.

Once again, the members took a stand: they filed a petition, signed by 30 percent of the ratepayers/members, with the Public Utility Commission to appeal the astounding rate increase. It is important to note that WOWSC director Patricia Gerino filed a PUC rate appeal where she resides for a paltry 50% rate increase by Corix. More anomalies! The directors have stated they are prepared to spend another six figures fighting the rate appeal.

The WOWSC Board acknowledged long ago its fiduciary duty to the member/ratepayers to sell the WOWSC's surplus airport property for the highest price obtainable. Had they done so, today the WOWSC would be debt free with money left over. Because the 2016 Board broke the law and disregarded their duties, the member/ratepayers lost more than \$1 million when the insider land deal closed. Later Boards received hard evidence of the wrongful conduct and the financial loss, but those directors did nothing to correct it. To the contrary, they spent WOWSC resources to protect Martin and the directors who caused the loss and to prevent the member/ratepayers from recovering their property or its value. The October 2019 Board had a golden opportunity to make the member/ratepayers whole, but instead those directors gave away even more valuable WOWSC property with absolutely nothing to show for it. All the while, these directors have been defending their wrongful conduct with the member/ratepayers' resources. These actions are illegal, fraudulent, criminal and in derogation of the directors' duties under applicable law. The recent rate increase is just the tip of the very costly and harmful iceberg these directors have created.

We are requesting, in fact begging OUR Sheriff Calvin Boyd, OUR District Attorney Sonny McAfee, the Texas Rangers and the Criminal Investigations Division of the Texas Attorney General to take a long hard serious look into what appears to us to be FRAUD and Organized Crime and the continued victimization of the good people of our little community by a handful of self-serving people that have shown zero regard for the very people they got themselves elected to serve.

Sincerely,

WOWSC Members and Concerned Citizens

Rene Ffrench	Allen Hicks
Dick Dial	Judy Carmichael
Danny Flunker	James Murdoch
Bruce Sorgen	Mark McDonald
Bill Billingsley	Michele Christenson
William Stein	John Otwell

cc: U.S. Congressman, Roger Williams
Texas State Senator, Dr. Dawn Buckingham
Burnet County District Attorney's Office c/o Sonny McAfee
Texas Attorney General - Criminal Investigation Division
Texas -Department of Public Safety - Texas Rangers Public Corruption Unit
KXAN News Erin Cargile
KVUE News - Defenders
Austin American Statesman c/o Andrea Ball

attachment

List of Anomalies Regarding the 2016 Insider Land Deal

2013

- **2013 A dispute arises over a Windermere Oaks Water Supply Corporation (WOWSC) own easement in the Spicewood Airport between a property owner in the airport, Clay Johnson and WOWSC Board after it was discovered Dana Martin sold Mr. Johnson a hangar lot guaranteeing access to this WOWSC easement . Worth noting - Clay Johnson's attorney is now Dana Martins attorney and Bill Earnest now owns Mr. Johnson's airport lot using Dana Martin as the listing real estate agent in 2020.**
- **2013 WOWSC board, through the insistence of Bill Earnest, bought a taxiway easement for \$25,000 to make the insider land more valuable. The easement now benefits Bill Earnest.**

2014

- **2014 WOWSC Board voted to sell all WOWSC property in the airport as one parcel to get most money. Also, said they would list the property and market it. Never happened.**

2015

- **2015 Dana Martin vigorously campaigned for her and Bob Mebane to get on the WOWSC board to save the water supply corp. She was instrumental in having the ratepayers not reelect Dorothy Taylor to the WOWSC board. As soon as the insider land deal was finished Dorothy Taylor was picked to replace Bill Earnest.**
- **WOWSC attorney NOT involved at all in the sale of the land to a sitting director, VP. He never laid his eyes on anything!**
- **2015 WOWSC Board never put getting the Hinton appraisal on agenda, not in the minutes. (violation of Texas law)**
- **Dana Martin signed check for Hinton Appraisal for \$600**
- **Hinton appraisal appraised airport land as farm land, no mention of airport in appraisal.**
- **WOWSC Director Pat Mulligan called out Hinton appraisal as lacking in correct comps and proposed use of land.**
- **12/2015 Sale of airport land to Dana Martin not put on the agenda. (violation of Texas law) Done in secret.**

2016

- **2/22/16 resolution to sell Dana Martin land not on agenda not in minutes. (violation of Texas law)**
- **Dana Martins recent deposition says resolution not done at 2/22/16 meeting however there is a physical resolution from 2/22/16 (fraud?)**
- **A 2006 WOWSC appraisal surfaced showing land value at \$50k an acre in 2006 (that's what Ms. Martin paid for it in 2016).**
- **Dana Martin did not share the 2006 appraisal with 2015 WOWSC board.**
- **Dana Martin did not share any recent airport comps with 2015/2016 WOWSC board or appraiser Hinton.**
- **Dana Martin DID share one large acreage tract as a comp with appraiser Hinton that was NOT located in the airport. BAD COMP!**

- **Bill Earnest resigns right after the insider land deal**

2017

- **2017 WOWSC board hired an attorney with a long criminal history** to fight the Texas Open Meeting Act violations. How did this man come to represent the WOWSC (ask Dorothy Taylor and Jeff Hagar)?

2018

- **May 2018 after losing the WOWSC election Joe Gimenez sends a certified letter to WOWSC attorney Les Romo** scolding Director Norm Morse. Mr. Gimenez points out what he sees as Mr. Morse's conflict of interest. Mr. Gimenez claims he wants to prevent future litigation. <https://integritynow1.net/certified-letter%2Fgimenez>
- **Les Romo was fired in 2018** when his extensive criminal history surfaced and after throwing tantrums in meetings.
- **2018 WOWSC Bolton Appraisal** showed an immediate loss of \$500,000 to WOWSC.
- **2018 WOWSC board**, after having a town hall meeting in January of 2019, voted to have attorneys send a 30-day demand letter to Dana Martin regarding her wrongful conduct.
- **2018 Board** asked for a legal opinion from TRWA as to whether Bill Earnest was eligible to run due to his deed being in a defunct corporation and his name not appearing on it as his WOWSC membership showed. His deed was changed just days before the election.

2019

- **January 2019 Joe Gimenez submits his application to run for the WOWSC board.** His application states the board needs balance and nonconflicted members. This as he ran with Bill Earnest (2016 insider land deal player) then proceeded to load the board with cronies of Dana Martin.
- **February 2019 Days after Mr. Gimenez was elected** he made it his priority to post to Yelp and Google comments defending the former WOWSC attorney.
- **2019 Board did a one-eighty** after Dana Martin got Bill Earnest and Joe Gimenez on the board. The board ignored the WOWSC Bolton appraisal and the 30-day demand letter.
- **Norm Morse was removed** from WOWSC board.
- **Dorothy Taylor installed as replacement for Norm Morse (It was Dorothy Taylor that alerted the members in 2016 to the insider land deal stating something had to be done about it-then did a 180.**

To Note - Piper Lane was NEVER mentioned as part of the original sale until 2019 after Dana Martin was instrumental in canvassing for Bill Earnest and Joe Gimenez to become directors on the WOWSC board.

Shortly after Earnest and Gimenez elected to board, Dana Martin claimed an error in her deed FOUR plus years earlier. **The mercurial drawing of the original contract showing all of the land to be sold to Dana Martin magically disappeared.**

- **David Bertino resigned in late 2019** stating in part that he did not like the direction the board was going in.
- **2019 WOWSC Board Deeded Piper Lane to Dana Martin for no consideration** and ratified the original sale.
- **Bill Earnest** convinced Patricia Gerino, a dear friend, former business partner and fellow airport board director with Dana Martin, into filling the David Bertino's vacant position. **Patricia Gerino was installed.**
- **Joe Gimenez** (without a board vote and a violation of law) had the WOWSC attorneys file a lawsuit against the Texas Attorney General to conceal attorney bills after the Texas Attorney General ruled attorney invoices are not protected under this Public Information Request.
- **11/2019 Former and current WOWSC directors sign IOU's for their defense cost** because WOWSC insurance carrier denied the claim due to violations of law by the 2016 board. David Bertino is the only director that did not sign an IOU.
- **12/2019 A meeting was held to remove the president, Joe Gimenez,** after a petition was received calling for his removal, it was signed by 26% of the members.
- **Joe Gimenez authorized the expenditure of \$15,000** of the members resources to assure he could NOT be removed. A majority of members who voted, voted to remove Mr. Gimenez.
- **12/2019 Rich Schaefer** sent email requesting to be removed from a member mailer that had information about Dana Martins deposition. It was NOT known at that time that he was being groomed to take over for Bill Earnest when he resigned his position.
- **Bill Earnest resigned yet AGAIN** right after ratifying the insider land deal and giving away Piper Lane.
- **2019 WOWSC board let Bill Earnest pick his replacement,** a friend of Dana Martin and fellow pilot association director Rich Schaefer.
- **12/2019 Rich Schaefer installed.**
- **The 2019/2020 board has spent roughly \$210,000 defending current and former directors** when the WOWSC insurance carrier refused to pay due to violations of law.

2020

- **The 2020 WOWSC board votes to raise water and sewer rates for a combine 71% increase to cover legal fees.**
- **2019 Board appointed director Patricia Gerino opts not to submit her application for the February 2020 WOWSC election.** She is reappointed to the board in February 2020 at the annual meeting after no one submits their name to the 2020 WOWSC board election. She is now secured into a position for the next two years, with never being elected by the ratepayers.
- **Vice President, Patricia Gerino files a rate appeal against her community water system, Corix Utilities at the PUC rate while voting to increase WOWSC by 71% as the vice president of the WOWSC.**

Mr. de la Fuente's Direct Line: (512) 322-5849
Email: jdelafuente@lglawfirm.com

January 25, 2019

*Via Email: mollym@abdmmlaw.com
and Via USPS Regular Mail*

Molly Mitchell
ALMANZA, BLACKBURN, DICKIE & MITCHELL, LLP
2301 S. Capital of Texas Highway, Bldg. H
Austin, Texas 78746

Re: Friendship Homes & Hangars, LLC purchase of real property interests
from Windermere Oaks Water Supply Corporation

Dear Molly,

I am writing to you on behalf of my client, the Windermere Oaks Water Supply Corporation ("WOWSC") in connection with real property transactions by Friendship Homes & Hangars, LLC ("Friendship Homes") relating to approximately 10.85 acres of property located on Piper Lane in Spicewood, Texas ("the property"). This letter is sent to you as counsel for Dana Martin and Friendship Homes as a matter of professional courtesy; if you contend that it should be addressed directly to Ms. Martin and/or Friendship Homes, please let me know and we will re-send it as instructed.

As you know, by a contract for sale dated January 19, 2015, closing in early 2016, and continuing until final addendum on February 16, 2017, Friendship Homes purportedly acquired two separate real property interests from WOWSC: 1) title in fee simple to approximately 3.86 acres along the west side of Piper Lane, in Spicewood, Texas, and 2) a "right of first refusal" to purchase an additional approximately 7.01 acres immediately to the west of the purchased property (collectively, "the transactions"). The total price paid by Friendship Homes to WOWSC for both interests was \$203,000.

The circumstances surrounding the transactions are problematic for several reasons.

Self-interested transaction: First and foremost, the managing member of Friendship Homes is Dana Martin. At all times relevant to the transactions, Ms. Martin also was a member of the board of the seller, WOWSC. While she purportedly recused herself from the ultimate vote on a portion of the transaction on December 19, 2015, at all times she remained a member of the board, and by virtue of that office had a fiduciary duty and a duty of loyalty to WOWSC, which requires that there be no conflict between duty and self-interest.

Actions taken in violation of the Texas Open Meetings Act: As a WOWSC Board member, Ms. Martin is charged with knowledge of the requirements of the Texas Open Meetings Act, and knowing that the meeting notice for the December 19, 2015 meeting was legally insufficient, did not speak up or note for the remainder of the Board that the meeting notice did not meet the requisite legal standard. Instead, she allowed her self-interest to be paramount, so that the meeting could go forward and she could enter into a contract for sale of the property. Further, Ms. Martin was surely aware that the purported “right of first refusal” was not mentioned in the meeting notice, and thus could not be considered or acted upon by the WOWSC Board at that meeting without violating the Texas Open Meetings Act. Again, Ms. Martin allowed her self-interest to be paramount, so that the meeting could go forward and she could obtain that right of first refusal, paying no additional consideration for that real property interest. These matters have been litigated, and are the subject of a final judgment in Cause No. 47531, *TOMA Integrity, Inc. v. Windermere Oaks Water Supply Corporation*, in the 33rd District Court of Burnet County, Texas.

Actions regarding improper appraisal: Prior to the transactions, on information and belief, Ms. Martin worked with Jim Hinton to present what was purported to be an objective appraisal of the property to the WOWSC Board (“the Hinton appraisal”) on or about September 1, 2015. This was done so that the WOWSC Board could consider the market value of the property and determine whether to sell the property, and under what price and other terms such transaction should be conducted.

The Hinton appraisal represented that it was intended to comply with all applicable rules and standards, and that its conclusion as to value was to be based on the “Highest and Best Use.” The Hinton appraisal concluded that the present use of the property was “vacant land,” and further concluded that remained the “highest and best use” for the property. The three comparable properties that were analyzed to determine the open market valuation were likewise “vacant land” properties.

Importantly, the property was (and still is) located amidst multiple hangar facilities at a private airport, Spicewood Airport, and had significant frontage on a taxiway for Spicewood Airport. In such circumstances, and considering the factors of legal permissibility, physical possibility, financial feasibility, and maximum

productivity, the actual highest and best use of the property is for division into multiple airport hangar lots, not simply to be used as "vacant land." Notably, the Hinton appraisal did not take into account any comparable sales of hangar lots in the area. Its improper characterization of the highest and best use of the property, and selection of comparable properties consistent with that improper characterization, resulted in a significant under-valuation of the property. Upon information and belief, these defects violate applicable USPAP standards and render the Hinton appraisal fraudulent, and it was presented to fraudulently induce the WOWSC Board into taking action contrary to the best interests of WOWSC.

The WOWSC Board received the Hinton appraisal for the purpose of evaluating and conducting a potential sale of the property. On information and belief, Ms. Martin was aware of this purpose and intended use when the Hinton appraisal was provided to WOWSC. Also on information and belief, Ms. Martin conferred with Mr. Hinton regarding the appraisal before it was submitted to the WOWSC Board, knew that the actual market value of the property was well above the value presented in the Hinton appraisal, and failed to disclose that information to the WOWSC Board. Upon further information and belief, she was aware that the most likely buyer of the property was an enterprise that she had yet to form, Friendship Homes.

The resulting improper and unfair transactions: In reliance on the appraisal, the WOWSC Board elected to sell approximately 3.86 acres of the property for a price of \$203,000 to Ms. Martin's enterprise, Friendship Homes, realizing a value of just over \$52,000 per acre. In reality, based on the proper highest and best use of airport hangar lots, the value of the 3.86 acres of the property sold was \$700,000, yielding a true value of approximately \$181,000 per acre. In addition, in further reliance on the under-valuation of the property contained in the appraisal, the WOWSC Board also transferred a "right of first refusal" to Ms. Martin's enterprise for the remaining 7.01 acres of the property for no additional consideration, with that transaction being completed on February 16, 2017.

Thus, as a result, the WOWSC Board at the very least sold property with a proper market value of \$700,000 for a price of \$203,000, a difference of \$497,000. As a result of the actions related to the Hinton appraisal, material facts as to the transaction were not disclosed to, and upon information and belief, purposefully concealed from, the WOWSC Board. The resulting transaction, being for a price significantly lower than the proper market value at the time, was not fair to WOWSC. The circumstances above would constitute a breach of Ms. Martin's fiduciary duty to WOWSC as a member of the WOWSC Board. Further, to the extent that the actions of Ms. Martin and Friendship Homes relating to the Hinton appraisal were committed in concert with and with the knowledge of Mr. Hinton, they may give rise to an action for civil conspiracy.

January 25, 2019

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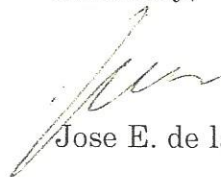
Finally, pursuant to the Unimproved Property Contract and as consideration for the transactions, Friendship Homes agreed to grant a 50-foot easement to run from Piper Lane to the west property line of the 3.86 acres that Friendship Homes acquired in fee simple. An inspection of the Burnet County property records finds no such valid and enforceable easement that has been created or granted to WOWSC, indicating that Friendship Homes has failed to perform this contract obligation. The absence of such easement significantly reduces the value of the remaining property. This works to Friendship Homes' significant advantage; absent an easement, the current market value of the remaining property is quite low, and if WOWSC attempts to sell it for its current reduced market value, Friendship Homes can execute its right of first refusal and acquire that portion of the property for a fraction of its potential value. Friendship Homes can then extend an easement through the property it currently owns, which will dramatically increase the value of the remaining property. Thus, by virtue of actions solely within Ms. Martin's and Friendship Homes' control, they will realize a significant appreciation in value on the property which value properly belongs to WOWSC.

This letter is the WOWSC's Board's notice and demand that you 1) preserve all documents, correspondence, records, and communications (including emails, text messages, and phone records) that you have had with Mr. Hinton or with any past or current member of the WOWSC Board regarding the property, the Hinton appraisal, or the transactions, and 2) to meet and confer promptly with WOWSC through its legal counsel to discuss WOWSC's claims against Ms. Martin and Friendship Homes, and a proper resolution thereof.

Please reply in writing indicating that you understand WOWSC's demands and will preserve all information described above, and will agree to meet and confer with WOWSC through its legal counsel within the next thirty days. In the event that you fail to do so, WOWSC will have no choice but to pursue all available avenues of relief, including pursuing litigation against Ms. Martin and Friendship Homes.

We look forward to your prompt response to this correspondence.

Sincerely,



Jose E. de la Fuente

JEF:cad