



## ShadowGlen Community Status Update May 7<sup>th</sup>, 2009

Dear residents, neighbors and friends,

Please accept this transmittal as a brief update on the recent activity within ShadowGlen. This update has been forthcoming for some time, but the continued tenuous and daily changes to the direction of the community prevented a true vetting of facts until now.

***ShadowGlen HOA is in a Budgetary Shortfall that is likely to require an HOA Special Assessment.***

As you are surely aware, the ShadowGlen HOA is experiencing challenging times due to the economic downturn, not unlike the rest of the Nation. As if dealing with the current economic downturn weren't tough enough, but couple that with a slowdown in construction activity, new sales and resale's being tenuous at best, lending issues etc, the ShadowGlen HOA is starring in the face of a budgetary shortfall.

This budgetary shortfall is due to a couple of factors:

- 1.) The reduction in builder activity (downturn in the economy)
- 2.) Decreased income from dues due to slow/no new home sales (downturn in the economy)
- 3.) Slow pay/no pay of some residents dues (investment housing as an example)
- 4.) ShadowGlen Residential (the Developer) (SGR) was not able to make the current budgetary deficit funding. (If you will recall, the annual operation and maintenance costs for ShadowGlen exceed the incoming dues from residents and builders. In a situation of operational budget shortfall, ShadowGlen Residential would typically make up the shortfall of operating cash, or deficit funding to support the community.)

- 5.) As of May 5<sup>th</sup>, 2009 at approximately 1145hrs, SGRs assets and disposition within the community were foreclosed on by Residential Funding Company (RFC), the lender on SGRs development loan for the community.

Let me please add more information to items 4.) and 5.) above; as to why ShadowGlen Residential could not make its deficit funding and why they were ultimately foreclosed on by their lender (RFC). SGRs inability to fund has two core factors:

- 1.) ShadowGlen Residential was in default of its development loan with RFC. RFC called the note on the development loan due, (The development loan is used pay for the design, engineering, construction and O&M of the master community that we call ShadowGlen, with all streets, water lines, wastewater lines, landscaping, trails, etc.)
- 2.) the reason ShadowGlen Residential was in default with its lender (RFC) and then pressed into a position of subsequent inability to deficit fund is because the development loan cap could not be drawn down/paid down by SGR. The primary reason that the loan could not be drawn down/paid down is because TCMUD2 (the most active MUD within ShadowGlen) would not authorize the TCEQ approved Bond sale for \$2,000,000, back in June of 2008. (The Bond sale within a TCMUD2 was to reimburse ShadowGlen Residential for improvements/infrastructure constructed, approved and accepted by the MUD, all per contractual commitment).

ShadowGlen Residential created comprehensive development proformas which budget for the reimbursement amounts to flow back into the project to support the growth and operation and maintenance of our community. Without this reimbursement funding, from the sales of MUD bonds per proforma, per contract with the MUD, there is a gap in the funding of the community and the development in the community. That gap grew proportionately, coupled with the decrease in home construction and home sales.

The obvious question has been "Why hasn't TCMUD2 sold the bonds to support the growth in the community?" The story behind TCMUD2 and its former Directors insistence to forgo the approval of the \$2,000,000 bond sale is a whole other story, it is long and filled with much debate and intrigue...it would honestly make a great Lifetime story. However the executive summary is that the former TCMUD2 Directors would not sell the bonds despite all professional indicators that warranted such a sale. After much negotiation and pressure from our resident participation of the CAG, the TCMUD2 Directors were replaced with a homeowner controlled Board. You hopefully saw the Dwyer Realty Companies Blog at [www.dwyerrealty.blogspot.com](http://www.dwyerrealty.blogspot.com) with the exciting news about your new TCMUD2 Directors. The first thing your new Directors voted to do was to sell the \$2,000,000 in bonds, with the proceeds of the sale being applied to the community, through commitment made in public record by SGR. This would have allowed for deficit fund coverage.

On April 7<sup>th</sup>, RFC posted Notice of Foreclosure Sale on SGRs assets in ShadowGlen, which includes, but is not limited to the \$2,000,000 bond sale reimbursements. Despite continued negotiations between SGR and RFC, neither side was able to arrive at an amicable conclusion to the disposition of the development loan for ShadowGlen. As stated above, the SGR assets were foreclosed on, on the Travis County Court House steps on May 5<sup>th</sup>.

In the absence of a resolve to the HOA deficit funding needs, directly attributable to the two prime indicators as detailed previously, the ShadowGlen HOA Board has made drastic decisions that affect the HOA Budget and implementation in the community. At the beginning of the year you saw that the landscape maintenance was cut to an as-needed-basis and the landscape irrigation was turned off and operated on a sustaining variant only. As a result the weeds popped their ugly heads and the landscaping was left to the whims of mother nature.. The HOA rebid all landscaping in the community and was able to make an approximate 40% reduction in the landscape budget and hopefully increase the service. Additionally, the HOA has been in lengthy and positive communications with our pool management company to reduce costs and maintain professional, safe and fruitful service to our neighbors.

Despite budget reductions across the board, the HOA still is at a budgetary shortfall of approximately \$80,000 for this year. Without deficit funding by the Developer, there are not funds available to open, operate and maintain the pool in a manner that protects the assets of the HOA and provides a safe and healthy environment. The HOA has instructed Alliance to send out a notice to all homeowners that participate in the semi-annual payment of HOA Dues. The request is that anyone that has not already made their payment, due in July, to pay as soon as possible to provide cash flow to at least shore up the immediate needs to open the pool. In my review of the budget and the ability to send the notices out and receive payments, I still do not think the cash flow will come in time, nor shore up the short fall. I believe that we need to hold an HOA meeting and discuss a Special Assessment to cover the budget shortfall. The Special Assessment would mean that each homeowner would be assessed \$125 to cover the rest of the years expenses.

I realize this is less-than-desirable news, but what I am sharing with you are the facts as I know them. Those of you that know me know that I try to be as forthright and straightforward as possible. There is so much more for us to talk about, such as the fact that coupled with the already present HOA budgetary concerns, Goodwin Management notified the HOA that they would be quitting as of February 28<sup>th</sup>, 2009. Goodwin Management was not willing to work in an economically challenged market with a struggling HOA, with potential issues with funding its budget - so it made a decision to leave. We were saddened to see Goodwin go, but look forward to our new relationship with Alliance Association Management (Alliance). Alliance has recently sent out a Welcome Letter to every resident in the community by mass mailing. If you have any questions, comments concerns etc. please reach out and contact our new management company at:

Alliance Association Management, Inc.  
115 Wild Basin Rd.Suite 308  
Austin, TX 78746  
Phone: (512) 347-2888  
Direct Phone: (512) 347-2886  
Fax: (512) 328-6178  
[www.allianceonline.net](http://www.allianceonline.net)

Our community contact is Tabitha Graves ([tgraves@allianceonline.net](mailto:tgraves@allianceonline.net))  
and her direct phone is 347-2886.

In Tabitha's absence while she is on maternity leave, please contact Brad Sanders  
[bsanders@allianceonline.net](mailto:bsanders@allianceonline.net) and his phone is 310-2300.

You have a voice in the ShadowGlen. By your own By-Laws in the community, the HOA has the right, the ability to form committees and subcommittees to focus on resolution of issues that you and our neighbors see every day. Some of you may already be aware, but for those that are not, towards the end of last year I got together with some of the more active neighbors and formed a Community Advocacy Group (CAG). The intent of the CAG is to be the eyes and ears extension of the community, to work with the HOA, the management company, and at the time ShadowGlen Residential. Along with all of our neighbors to provide a clearer conveyance of information and program creation based upon the needs and desires of the community. The CAG is still in its infancy, but has been instrumentally involved of late in discussion on our transition period between management companies, budget review, revisions to the CCRs, MUD participation, committee participation, creation of a Nominating Committee, Collections Committee etc. I urge you to get involved, and stay informed and help the HOA better serve everyone's needs.

The HOA and the CAG and related committees are here to help you, to help our community. I feel the best way for you and yours to help the community is to remain informed. I have to lead the way in this regard. So, I will endeavor to keep as much information out there as I can, either through the CAG, the management company and/or the HOA. I need to figure out a good way to post information...a blog maybe, Twitter, Facebook!?! It seems that not all of us use the same formats of communication, and this is where I falter. I will work on it. In the immediate the CAG is a great resource. I will be back in touch with you very soon to schedule a meeting of the HOA to discuss the details herein and the go-forward for the community.

To participate in the CAG, please contact the CAG Steering Committee by emailing Jan Alford at [ejanal@aol.com](mailto:ejanal@aol.com).

Thank you and I hope that this update is helpful and informative.

Respectfully,

A handwritten signature in black ink, appearing to read "Danny Burnett". The signature is stylized and cursive, with a long vertical line extending downwards from the end.

Danny Burnett  
ShadowGlen Board of Directors and President  
Development Coordinator  
Dwyer Realty Companies