

Date November 15, 2007

To: Shadowbrook Homeowners

From: Board of Directors
Shadowbrook at Town Center Community Association, Inc.

Dear Fellow Homeowner,

If you attended any of our Board meetings over the last 4 months, you are already aware that the Association is facing some budget challenges in the 2008 fiscal year and beyond. As we wind down this year, we want to take this opportunity to provide you with an overview of where we stand from a budget perspective and discuss our plans moving forward. Since there are so many new residents in the community, it may helpful to start by reviewing some past events to ensure everyone is on the same page.

The Shadowbrook at Town Center Community Association was formally turned over from Bowen Family Homes in November of 2006 at which time the homeowners elected a board of directors to govern the community. The first elected board managed our community until June of 2007, when they resigned en masse. On June 20, 2007, 5 new directors were elected; 4 of whom are still in office. One new director was added in September to replace a vacant position left by a resignation.

During the time that the developer managed the community, and during the subsequent tenure of the first board of directors, there were a number of factors that have directly impacted our present financial situation. Some of these factors include:

- Bowen initially set the dues level far too low to effectively operate and maintain the community. This is not unusual because developers are focused on selling homes and there really isn't any incentive to set realistic dues.
- Before turning over the community to the homeowners, Bowen filed an addendum to the Covenants which mandated that the HOA was responsible for all exterior maintenance of the townhomes.
- Although Bowen must have known the financial obligation of the HOA would increase considerably with the filing of the addendum, they did not notify the homeowners or the new board of the presence of this addendum.
- Bowen turned the community over with a small \$16,000 reserve fund; however, since that time, the money was not properly protected in a separate reserve account, and instead was lumped into the general operations budget.
- Worse, the 2007 budget was not adequate to pay for operations expenses, so the Association is \$27,000 over budget for the year. The result: we have been slowly depleting our cash, which included the \$16,000 that should have been in reserve.
- No new monies have been set aside for reserve. Our reserve balance remains \$0.

- There has not been adequate attention paid to delinquent homeowner accounts. As a result, delinquencies are out of control--over \$25,000 is currently outstanding.

Taken individually, any one of these factors would present a significant budget challenge. But collectively, they have created nothing short of a fiscal crisis: 1) Even if everyone paid their dues we don't have enough income to meet our obligations, 2) We have an unusually high rate of collections debt, 3) We spend more than we have budgeted for, and 4) We have no money saved for the future.

Since taking office in July, the board has been carefully analyzing our financial situation. As illustrated above, our analysis quickly revealed a gap between the costs to operate the association and the funding that we have from the association fees. Some of the actions we have taken so far to remedy the situation:

- Revisiting all of our contracts to see where money can be saved.
- Hiring a new landscaping company resulting in a \$30,000 annual savings on landscaping alone.
- Hiring a new sanitation company resulting in a \$6,000 annual savings.
- Establishing a community collections policy and seeking legal action against longer-term delinquencies.
- Retaining a lawyer to help navigate the legal issues, including the infamous Bowen addendum.
- Commissioning a reserve study to determine how much would be needed to be put into a reserve account to fund future maintenance and repairs.

There is only so much we can do on the operational expenses side; with the vendor changes we have made the board feels that we are running an extremely tight ship. On the delinquencies side, there is evidence that the more aggressive collections policy is having a positive effect on getting debtors to pay. So if we are looking at operational expenses only—what it costs to run the community day-to-day—we could have a balanced budget without raising dues (\$75 for townhomes, \$95 for single-family homes.)

However, this does not address our reserve savings, the most costly side of the equation. Remember, the HOA is responsible for all exterior maintenance of the townhomes, yet as explained above, to date we have \$0 in our reserve fund. Based on the reserve study, and the anticipated capital expenses necessary to maintain the community, the dues need to be increased to \$147 per month for townhomes and \$105 per month for single-family homes. These amounts ensure we have enough reserve funds to maintain the neighborhood at a high-quality level and meet the capital improvement needs of the future.

We realize that this is a very significant increase, especially for townhome owners, but know that \$147 per month actually brings your HOA payment in-line with other similar townhome communities in the area. The \$75 per month payment was artificially low, and clearly not sustainable given that the HOA is responsible for the exterior maintenance. Even so, your board did not take this decision lightly and is aware of the

financial impact this increase will have on many of our neighbors. We regret to have to be the ones to make this difficult decision, but we were given no choice.

The primary roles of an HOA are to first protect the homeowners' investments, and second, try to increase their investments' value. It is in everyone's best interest for Shadowbrook to look its best because our community competes everyday with other nearby communities for home sales. Failure to maintain the neighborhood would certainly have a significant negative impact on our property values.

Please recognize that raising the dues is not easy and remember the board members pay these dues too. Visitors often comment that our community is one of the most unique in the area and we want to do our part to ensure we have an attractive and well maintained community that continues to appreciate in value.

If you have any questions or concerns, please e-mail the board directly anytime at shadowbrookhoa@gmail.com, or call or e-mail Jessica Mooney. Jessica is our property manager at G.W. Associates and she can be reached at (678) 407-6307 or jmooney@gwmgmt.com.

We will have more information about the budget and the plans for next year and beyond at a special budget meeting in the beginning of December. We are still finalizing schedules for this meeting, so stay tuned for the date, time, and place. During that meeting, we will go over the budget in detail with you. The homeowners will have an opportunity to express your concerns, and we will have the board and other experts present to answer your questions.

Sincerely,

Board of Directors,
Shadowbrook at Town Center Community Association, Inc.

**SHADOWBROOK AT TOWN CENTER COMMUNITY ASSOCIATION, INC.
2008 BUDGET**

	<u>COMMON</u>	<u>TOWNHOMES</u>	<u>SINGLE-FAMILY</u>	<u>TOTALS</u>
<u>INCOME</u>				
OPERATING RECEIPTS				
Townhome Homeowners Fees 116 Units	\$ 49,726.49	\$ 155,392.00	\$ -	\$ 205,118.49
Single-Family Homeowners Fee 85 Units	\$ 36,437.51	\$ -	\$ 70,770.00	\$ 107,207.51
TOTAL OPERATING RECEIPTS	\$ 86,164.00	\$ 155,392.00	\$ 70,770.00	\$ 312,326.00
TOTAL INCOME	\$ 86,164.00	\$ 155,392.00	\$ 70,770.00	\$ 312,326.00
 <u>EXPENSE</u>				
OPERATING EXPENSES				
GENERAL & ADMIN EXPENSES				
Administrative Expense	\$ 1,500.00	\$ -	\$ -	\$ 1,500.00
Postage	\$ 1,500.00	\$ -	\$ -	\$ 1,500.00
Legal	\$ 5,000.00	\$ -	\$ -	\$ 5,000.00
Accounting	\$ 300.00	\$ -	\$ -	\$ 300.00
Insurance	\$ 1,700.00	\$ -	\$ -	\$ 1,700.00
Common Area Taxes	\$ 150.00	\$ -	\$ -	\$ 150.00
Management	\$ 25,029.00	\$ -	\$ -	\$ 25,029.00
Association Events	\$ 500.00	\$ -	\$ -	\$ 500.00
Website Maintenance	\$ -	\$ -	\$ -	\$ -
TOTAL GENERAL & ADMIN EXPENSES	\$ 35,679.00	\$ -	\$ -	\$ 35,679.00
 LAND MAINTENANCE EXPENSES				
Electricity	\$ 3,255.00	\$ -	\$ -	\$ 3,255.00
Up Lights	\$ 6,500.00	\$ -	\$ -	\$ 6,500.00
Water	\$ 7,200.00	\$ -	\$ -	\$ 7,200.00
Landscaping Contract	\$ 6,000.00	\$ 30,000.00	\$ 40,500.00	\$ 76,500.00
Seasonal Flowers	\$ 2,880.00	\$ -	\$ -	\$ 2,880.00
Pinestraw	\$ 2,750.00	\$ 6,600.00	\$ 16,500.00	\$ 25,850.00
Grounds Maintenance & Improvements	\$ 1,200.00	\$ -	\$ -	\$ 1,200.00
Irrigation Repair & Maintenance	\$ 2,700.00	\$ -	\$ -	\$ 2,700.00
TOTAL LAND MAINTENANCE EXPENSES	\$ 32,485.00	\$ 36,600.00	\$ 57,000.00	\$ 126,085.00
 DWELLING EXPENSES				
Sanitation	\$ -	\$ 18,792.00	\$ 13,770.00	\$ 32,562.00
Termite Bond	\$ -	\$ 10,000.00	\$ -	\$ 10,000.00
TOTAL DWELLING EXPENSES	\$ -	\$ 28,792.00	\$ 13,770.00	\$ 42,562.00
TOTAL OPERATING EXPENSES	\$ 68,164.00	\$ 65,392.00	\$ 70,770.00	\$ 204,326.00
 RESERVE FUNDING				
Reserve Funding	\$ 18,000.00	\$ 90,000.00	\$ -	\$ 108,000.00
TOTAL RESERVE FUNDING	\$ 18,000.00	\$ 90,000.00	\$ -	\$ 108,000.00
TOTAL EXPENSE	\$ 86,164.00	\$ 155,392.00	\$ 70,770.00	\$ 312,326.00

Townhome Fee Per Month	116 Units	\$ 35.72	\$ 111.63	\$ -	\$ 147.36
Single-Family Fee Per Month	85 Units	\$ 35.72	\$ -	\$ 69.38	\$ 105.11