



Garden Oaks
Maintenance Organization -
Bankruptcy Plan

Neighborhood Town Hall
October 1, 2018

Define the problem(s)

- Improper formation of GOMO
- High level of transfer fee relative to low level of services
- Inability to easily amend the high transfer fee
 - (avg. \$1,200 in 2001, now potentially >\$10,000 in 2018)
- Lack of organizational clarity and types of services provided re. GOMO vs Civic Club

Define the problem(s)

- Difficult to recruit volunteers for 2 elected bodies
- GOMO = **negative** deed restriction violations
- Civic Club = *positive* neighborhood events/outcomes
- Confusing pass through of funds from GOMO to Civic Club
- Outdated deed restrictions cause dissatisfaction and may not be enforceable

Perspective Bias?? Ask the neighborhood!

2 Phase Bankruptcy Plan

Bankruptcy and Post-Bankruptcy

Bankruptcy is a vehicle to take us to a better place



Bankruptcy



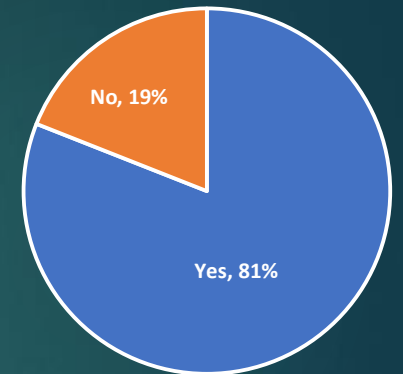
Our Plan: Bankruptcy

- Vision for the new HOA
- Structure of HOA
- Legal and Financial liabilities
- People
- Disbursements of Funds (\$)

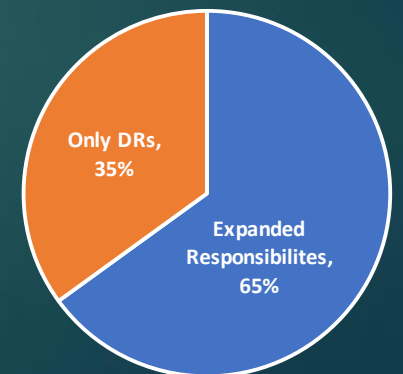
Our Plan

- Fix Improper Formation issue
- Amend Bylaws to cap Transfer Fee (\$3500)
- Combine old GOMO and Civic Club into a single newly formed HOA
- Create Mission/Vision/Values Statement

Do You Want a New HOA?



Scope of HOA Responsibilities



Garden Oaks HOA Mission Statement & Values

Mission

To represent the interests of all current and **future** homeowners and to enhance the quality of life in our neighborhood through support of initiatives that strengthen community bonds.

Vision

We envision a community working together in voluntary association to achieve a higher quality of life and which is considered to be a desirable place to live.

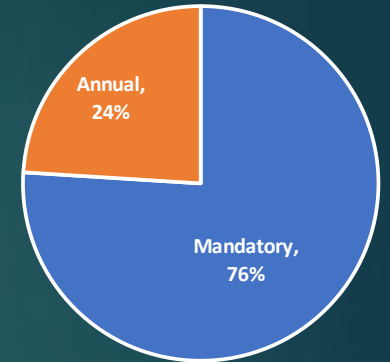
Values

In fulfilling our mission and achieving our vision, we value **honesty, fairness, firmness, equity, common sense, respect, cooperation, frugality, and neighborliness** in all our actions.

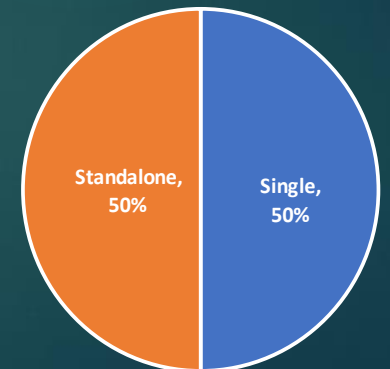
Our Plan

- Newly formed Garden Oaks HOA will emerge from bankruptcy with no residual liabilities or encumbrances
- Hold election for new Garden Oaks HOA
- (Anyone from GOMO last 6 years asked to not run for 1st election)
- Old GOMO attorney will not be retained

Type of Funding Mechanism?



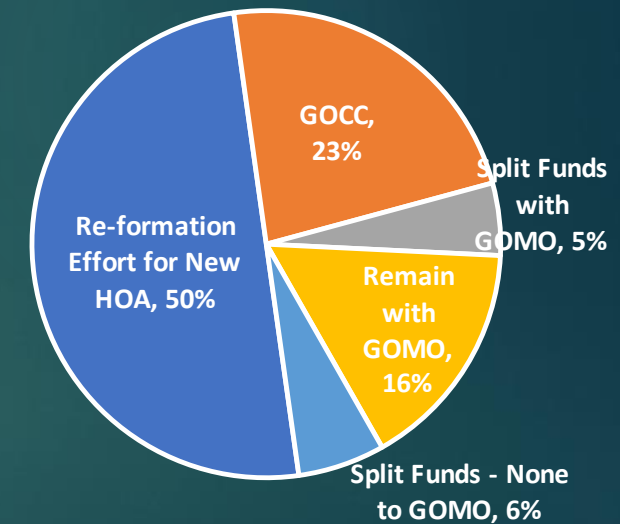
Combine HOA and GOCC?



Disbursements of Funds (\$)

- Per Texas law, statute of limitations for request of transfer fees based on improper formation has passed
- No eligible creditors exist who would receive repayment of transfer fees
- Survey: 79% respondents desire that money be directed either to a new HOA or the Garden Oaks Civic Club

GOMO's Remaining Funds?



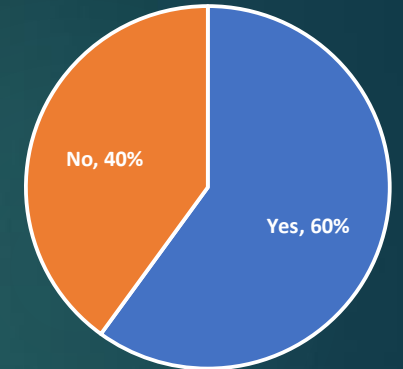
Disbursements of Funds (\$)

Update Deed Restrictions:	12.3% (up to \$75K)
GO-Zoned School PTOs (GOMM, Durham, FBMS, Waltrip, B.T.W.)	28.2%
Garden Oaks HOA Security Committee:	27.7%
Garden Oaks HOA Beautification Committee:	9.0%
Garden Oaks HOA:	7.0% (up to \$50K)
Endowment:	9.0%
Other:	6.8%

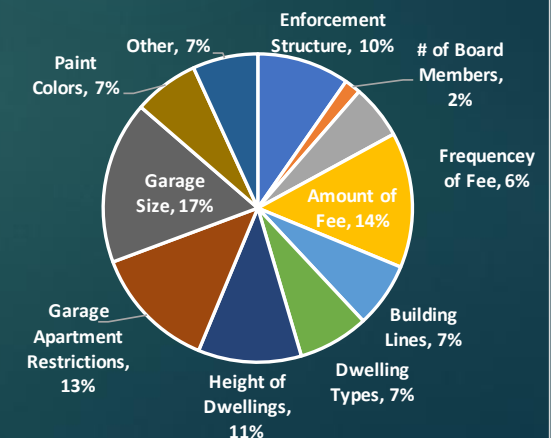
Our Plan: Post Bankruptcy

- New Garden Oaks HOA Board of Directors will hire an HOA attorney to assist in updating/creating deed restrictions for Garden Oaks
- New Garden Oaks HOA will hold town halls to receive input from the neighborhood
- Petition to amend the deed restrictions will be created and voted upon by homeowners

Are the DRs Outdated?



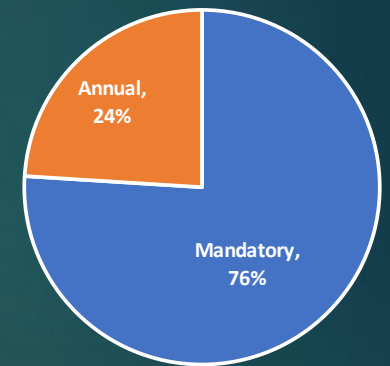
Which DRs Are Outdated?



Our Plan: Post Bankruptcy

- Reference to racial restrictions will be removed
- Transfer/Mandatory Fee will be amended
- Easier mechanism to amend future fees will be created so that the level of the fee is always commensurate with standards of the time and services provided
- Additional Section 4 vote to establish whether they wish to directly benefit from new deed restrictions and allow Garden Oaks HOA enforcement on their behalf, similar to Sections 1,2,3, and 5

Type of Funding Mechanism?



What if this Doesn't Work?

- ▶ No Bankruptcy: **Petition to form new HOA**
- ▶ Creditor Committee Plan: **Petition to form new HOA**
- ▶ Bankruptcy Judge "tear this neighborhood apart": **Petition to form new HOA**
- ▶ Bankruptcy Judge decides this plan cannot work: **Petition to form new HOA**
- ▶ Issue challenged in subsequent litigation and wins: **Petition to form new HOA**

▶ 2019 2020 2021 2022

▶ **Or fix in bankruptcy court, receive legitimacy through approved vote and a definitive answer in 2018/early 2019**

Concerns with Our Plan



- System of amending bylaws to effectively lower net transfer fee is functional, but may cause confusion and frustration for homeowners unaware they will receive a refund of fee in excess of cap
- Petition to amend outdated 1930's era Deed Restrictions post-bankruptcy may fail

Concerns with Our Plan

- Dissolution of Civic Club means loss of 1 of 3 constable patrols; new system of funding may still require voluntary contributions
- More clarity needed to establish membership rights of Section 4
- Requires more discussion/methodology to set level of transfer fee cap in bylaws

Concerns with Our Plan

- No money going to the Creditors
- Requires direction/feedback from neighborhood on path to fix improper formation issue in bankruptcy before all other issues in plan can be considered
- Lack of complete “heart and minds” buy-in from all neighbors; negative, divisive discourse may continue in absence of a full petition to form a new HOA

Alternative Paths

- Petition effort to create new HOA; complete re-do
- Separate petition effort may be required to amend/create new deed restrictions
- No guarantee of passage of petitions
 - (>60% threshold of voting homeowners must affirm)
- If petition fails, must wait 5 years before creating new petition

Alternative Paths

- Considering logistical challenges of 5 sections requiring affirmation in 1 year, suggest serial petitions focusing only on 1 section at a time
- Total process will take years; outcome not known for years
- Some Sections could vote Yes, others No
 - (ex. Sections 1 and 3 Yes, Sections 2,4, and 5 No)

Questions for the Neighborhood

- If possible, do you approve of fixing the formation issues through bankruptcy, even if this means no new formation petition and no money paid out to creditors (with the understanding that under no circumstance does GOMO keep the funds and go forward as if none of this ever happened)?
- Do you prefer that the current HOA be dissolved and a new petition committee formed, even if that runs the risk of having no organized DR enforcement until a petition is passed?
- Do you prefer that we fix the formation issues in bankruptcy and then have a new petition, in addition to the petition to change DRs?
- What is your opinion of combining the HOA and the Civic Club?