

573 Echo Ridge Ct.
Reno, NV 89511
January 14, 2015

Board of Directors
ArrowCreek Homeowners' Association
c/o Associa Sierra North
Attn: Jeanne Tarantino
10509 Professional Circle, Suite 200
Reno, Nevada 89521

Re: Illegal Voting Procedures for Golf Course Vote

Dear Ms. Tarantino:

As voting members in ArrowCreek, we write this letter to notify the Board of Directors of the ArrowCreek Homeowners Association ("ACHOA Board") that it will engage in illegal voting procedures if it proceeds with the vote on the purchase of the two golf courses in the manner stated in the "ArrowCreek Homeowners Update From the ACHOA Board; Due Diligence" dated December 2014 . This document states:

- Ballots will be accumulated in a secure area and ballots will not be opened or counted until a ***minimum of 650 to 700 Ballots*** have been received. The actual ballot validation number has not been determined by the ACHOA Board of Directors but will be in the next few weeks subject to legal counsel review.
- The Board will determine the threshold for number of ballots received. This threshold number needs to be determined since there will be negative and positive votes for the resolutions and we ***need to reach 50% plus one to decide the issue either way***. (Emphasis added).

1. The Requirement of 50% Plus One Negative Votes Is Illegal.

By stating that 50% plus one votes are needed "to decide the issue either way," the ACHOA Board suggests that more than a majority of votes is required to *defeat* the golf course proposal. Such a requirement would violate Nevada law and the ACHOA governing documents.

- NRS 116.2117(1) states that unless otherwise stated in the Declaration of CC&RS, at least a majority of votes is required to amend the CC&Rs.
- Article XIII, Section 4 of the CC&Rs requires at least a majority of votes to amend them.
- Article V, Section 5.04 of the Bylaws requires a majority of votes to amend them.
- Article IX of the Articles of Incorporation requires a *two thirds* vote to amend them.
- NRS 116.3112(1) requires at least a majority of votes to encumber common areas as security repayment of a loan.

No provisions in the NRS or the governing documents require a majority of votes to maintain the *status quo*. In other words, a majority of votes is *not* required to *reject* a proposal to amend the CC&Rs, Bylaws, Articles of Incorporation or to obtain a loan encumbering common areas. For the ACHOA Board to proceed otherwise violates Nevada law and the governing documents.

2. The Minimum Number of Votes Required is a Quorum of 20% of Eligible Voters.

The vote on the golf course proposal is considered a special meeting of unit owners under NRS 116.3108. For the meeting of owners to be valid, there must be a quorum, that is, the minimum number of unit owners present or voting by proxy or absentee ballot. The ACHOA Board's statement that it must wait to count the votes until receiving a "*minimum of 650 to 700 Ballots*" exceeds a quorum and would violate both Nevada law and the ACHOA governing documents.

- Article II, Section 9 of the CC&Rs states that quorums at meetings of members shall be as specified in NRS 116.3109.
- NRS 116.3109 states that a quorum of a meeting of unit owners is 20% of the votes in the association.
- The 20% threshold requirement under NRS 116.3109 is modeled after Section 3-109 of the Uniform Common Interest Community Act. The comments in the Uniform Act state, "mandatory quorum requirements lower than 50 percent for meetings of the association are often justified because of the common difficulty of inducing unit owners to attend meetings."

Because the CC&Rs and NRS 116.3109 define a quorum to be only 20%, the minimum threshold required to before counting the votes is well below 650 to 700 ballots. Assuming that there are 1056 eligible lot owners in ArrowCreek, the quorum necessary to hold the meeting and count the votes would be 212 ballots. If on the date of the meeting there are more than 212 ballots received, then exists the necessary quorum to validate the meeting. Under such circumstances, the ACHOA Board must count the ballots. The Board cannot adjourn the meeting to ask for more ballots in order to obtain more support for the proposal when a quorum already exists. For the ACHOA Board to ignore the 20% quorum threshold and instead claim that a minimum of 650 to 700 ballots are required before counting them violates Nevada law and the governing documents.

3. The Minimum Number of Votes to Approve the Purchase is Two Thirds.


Although only a majority (50% plus one) of votes is required to amend the CC&Rs, Bylaws and to approve a loan encumbering common areas, the Articles of Incorporation can only be amended by a *two thirds* vote of eligible homeowners. Because the ACHOA has acknowledged that all three governing documents need to be amended to purchase the golf courses, only approval by two thirds of the eligible voting members will accomplish this goal.

Please accept this letter as a complaint regarding violations of the governing documents and a request to place the issue of voting procedures on the next regularly scheduled meeting of the ACHOA Board pursuant to NRS 116.31087. In particular, the specific issues for the Board to consider are:

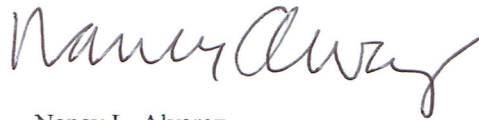
1. Whether a majority of votes is required to *reject* the proposal? The answer should be no.
2. Whether a quorum of 20% of the ballots cast by eligible voters is the minimum number required before they can be opened for a vote? The answer should be yes.
3. Whether approval by two thirds of the eligible voters is required to purchase the golf courses? The answer should be yes.

Thank you for transmitting this letter to the ACHOA Board.

Sincerely,

A handwritten signature in dark ink, appearing to read "Rick R. Hsu". The signature is fluid and cursive, with the first name "Rick" being more prominent.

Rick R. Hsu

A handwritten signature in dark ink, appearing to read "Nancy Alvarez". The signature is fluid and cursive, with the first name "Nancy" being more prominent.

Nancy L. Alvarez