

ACHOA FREQUENTLY ASKED QUESTIONS

As of: February 25, 2015

The following is the **second edition** of the growing list of frequently asked questions from members of the ArrowCreek Homeowners Association concerning the “Club at ArrowCreek”, the potential purchase of the 544.6 acres, and the Club at ArrowCreek potential Joint Venture.

We may not have answers to all questions at the time we receive them. Regardless, the questions will be posted on this FAQ and a note to that effect. Once we have accurate information with which to answer any unanswered question, it will be immediately posted with the question.

Please note that the ACHOA Advisory Committee called ArrowCreek Golf Club Committee changed names in August 2014 and became the ArrowCreek Community Club Committee (ACCC). There may be confusion in several referenced source documents but the committee is the same. The name changed as did the charter during the year. The FAQ’s will reflect ACCC activity.

The frequently asked questions have been organized by category and sub-category. To navigate to questions that pertain to the category of your choice merely click the respective button. There is a link at the bottom of each page that will bring you back to this page. To go back to a previous page(s) press Ctrl + Left Arrow on your keyboard.

ACHOA

**The Board &
The Process**

Joint Venture

FOA / Club at ArrowCreek

ACHOA

BOARD OF DIRECTORS & THE PROCESS

1. Will the portion of the HOA monthly fee for the golf club be capped? If not why not?
2. If the portion of the HOA for the golf club is not capped, will the contract with the Arnold Palmer Golf Management company include stipulations that limit HOA capital investment in the case that sufficient levels of membership revenue are not attained?
3. Research supports that house values beyond 100 feet of a golf course are not affected and that a golf course can be a significant financial liability that may negatively affect home values. What evidence does the HOA have that says differently that led the board to recommend this plan of action?
4. What guaranty will the HOA Board give to the ArrowCreek homeowners that after this initial grace period of 3 – 5 years waived or deferred management company fees and other “good deals” to get us to buy into this plan that we won’t see skyrocketing HOA monthly assessments and unlimited special assessments like most other HOAs throughout the country have experienced when they’ve done what the HOA board wants us to do?

Why won't the HOA board come up with other options rather than only doing what the FOA wants them to do? Everyone is wondering why when there are clearly other options that do include buying the property. Many who are against going into the golf club business feel it may be the right thing to at least own the property. Again, that does not mean they want to buy into the operation of the club.

5. Why is the ACHOA Spending our money on a property valuation study? Is it the intent of the ACHOA to 'justify' their decision to pursue a joint venture? What other explanation is there given the body of research already published/posted on ArrowCreed411.wordpress.com.
6. Why is ACHOA spending our money on a 'demographic economic' study of our CIC? Peoples' finances are not the business of the ACHOA. When people speak out and say they can't 'afford' a \$100 increase in dues you should take their word for it, not question the people who compose your constituency.

Again is this a misguided attempt to 'influence' the outcome of the due diligence efforts, underway within the ACHOA committees?

7. Having reviewed the documents you forwarded, there appears to be a significant difference between the ACHOA Boards cover letter and Paragraph four of the document summary. Not that anyone would purposely try and deceive anybody, but the cover letter states an aggregate monthly dues increase of \$17.00 per lot per month for 2015. However, the study specifically states that the number is \$23.02 per month per lot, for the entirety of 2015. My calculations, based on a potential June 2015 start, suggest the actual number is closer to \$46.00 per lot per month for 2015.

Can you tell me how the board got to \$17.00 per month per lot for 2015? and why they did not use the number furnished by the paid firm?

8. I was wondering if any consideration has been given to paying cash for the facility to avoid a long term debt and interest. How about paying cash and leasing the golf facility “triple Net” to APG?
9. I am concerned that members of the Golf Club and members of the FOA are former litigants who involved the previous Golf Club owner Terrabrook in multiple lawsuits. The repeated litigation was at least in part responsible for Club Corp, now by and large Arnold Palmer Management, to cease negotiations regarding the purchase of the Golf Club about 7 years ago. I am concerned that those same individuals will find reason to sue the Joint Venture for any aspect of the contractual agreement or decision the JV makes that they do not like or agree with. I am concerned that in such a law suit I, as a part owner in the Joint Venture, will be sued.

How does the HOA Board and Arnold Palmer plan to protect the HOA and each AC resident from such litigation should we vote for the JV?

10. The Articles of Incorporation for the ArrowCreek Homeowner Association, Inc. states that the ACHOA will need to have a “Two Thirds” majority vote to alter or amend the Articles of Incorporation. Why does the ACHOA Board believe that the ACHOA Governing Documents can be amended to allow for the acquisition and operation of “The Club at ArrowCreek” with a fifty percent (50%) plus one (1) of the Owners with voting power?

11. [The Articles of Incorporation for the ArrowCreek Homeowner Association, Inc. states that the ACHOA will need to have a “Two Thirds” majority vote to alter or amend the Articles of Incorporation.](#)

Why does the ACHOA Board believe that the ACHOA Governing Documents can be amended to allow for the acquisition and operation of “The Club at ArrowCreek” with a fifty percent (50%) plus one (1) of the Owners with voting power?

12. [The ACHOA Board has heard statements or assertions from fellow ACHOA members that the ArrowCreek Homeowners Association, Inc. currently has one of the highest monthly assessments \(ACHOA fees\) in the Reno area. Is this a true statement?](#)

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- 1. Will the portion of the HOA monthly fee for the golf club be capped? If not why not?**

The ACHOA Board and ACCC are negotiating a cap. The normal ACHOA Operating and Reserve Fund monthly assessments will be reviewed at each annual budget period. At this time the Board is not planning to cap these costs because of inflationary costs and unanticipated costs that may require funding. More information will be provided when the due diligence has been completed.

- 2. If the portion of the HOA for the golf club is not capped, will the contract with the Arnold Palmer Golf Management (APGM) company include stipulations that limit HOA capital investment in the case that sufficient levels of membership revenue are not attained?**

Please see #1 above. In addition, the ACHOA Board and the ACCC will be negotiating with APGM and intends to include stipulations that will limit “Capital Calls” of HOA Capital Investments, The exact details are still pending and will be provided when the due diligence has been completed.

- 3. Research supports that house values beyond 100 feet of a golf course are not affected and that a golf course can be a significant financial liability that may negatively affect home values. What evidence does the HOA have that says differently that led the board to recommend this plan of action?**

At this time the ACHOA Board has started an independent review of the literature concerning the valuation of golf course community homes. This is being conducted by the University of Nevada Reno Economic Department under Dr. Pingle. The report will be published when received.

The ACHOA Board is also considering a second study that would evaluate the effects of a dead golf course on specific home values for owners closer or further from the golf links. The ACHOA Board will be considering vendors that specialize in statistical valuation studies that evaluate diminution-in-value for ACHOA homes and the scope of work may include a comparison with other or similar communities including a review of HOA dues. This is still pending.

- 4. What guaranty will the HOA Board give to the ArrowCreek homeowners that after this initial grace period of 3 – 5 years waived or deferred management company fees and other “good deals” to get us to buy into this plan that we won’t see skyrocketing HOA monthly assessments and unlimited special**

assessments like most other HOAs throughout the country have experienced when they've done what the HOA board wants us to do?

See # 1 Above. The ACHOA Board cannot guaranty that ACHOA Monthly Assessments for operations and reserve will not increase over time. The ACHOA Board has instituted a process for full disclosure and review of any monthly assessment increases. This process will not change.

If the ACHOA members vote to purchase and operate the golf course properties and there is a strong prospect that much higher operating cost may arise in the future, the ACHOA Board at that time will have considerable freedom to make costs reductions or other operating changes in the best interests of the ArrowCreek Community.

- 5. Why won't the HOA board come up with other options rather than only doing what the FOA wants them to do? Everyone is wondering why when there are clearly other options that do include buying the property. Many who are against going into the golf club business feel it may be the right thing to at least own the property. Again, that does not mean they want to buy into the operation of the club.**

If the ACHOA membership approves the acquisition of the 544.6 acres, the operational considerations then become paramount. If the purchase does not occur, the operational question becomes moot.

In conjunction with the ACHOA community approving the acquisition, the ACHOA Board and ACCC are considering numerous operating options including, but not limited to:

- a. Ownership of "The Club at ArrowCreek" with a lease of the golf course to the FOA/APG enterprise. The lease payments would equal as a minimum the Golf Acquisition Reserve assessment for the ACHOA members. The loan costs for purchase will still be paid by the ACHOA members within their monthly assessments. The ACHOA Community members could join the club as golf or social members with no fees assessed by the ACHOA.
- b. Ownership of "The Club at ArrowCreek" with a lease of the golf course and residents center to the FOA/APG enterprise. The lease payments would equal as a minimum the Golf Acquisition Reserve assessment for the ACHOA members. The loan costs for purchase will still be paid by the ACHOA members with their monthly assessment. The ACHOA Community members would pay an

additional fee for social and recreation services provided by “the Club at ArrowCreek” and this would be added to the monthly assessments at an agreed upon fixed amount with no operating loss parameters to consider. The ACHOA Community members could join the club as golf member with no fees assessed by the ACHOA.

- c. Ownership of “The Club at ArrowCreek” with a lease of the golf course and residents center to the proposed ACHOA/APG Joint Venture enterprise. The lease payments would equal as a minimum the Golf Acquisition Reserve assessment for the ACHOA members. The loan costs for purchase will still be paid by the ACHOA members with their monthly assessment. The ACHOA Community members would pay an additional fee for reduced golf access, social and recreation services provided by “the Club at ArrowCreek” and this would be added to the monthly assessments at an agreed upon monthly rate.
- d. All of the above options will include the analysis of golf course operation being either 18 Holes of Golf, 27 Holes of Golf, 36 Holes of Golf.
- e. The ownership and operation of “The Club at ArrowCreek” as other than a golf course with brown walking areas, green walking areas, common community center without golf, and other ideas provided by the community will be re-considered during the due diligence and vetting process.

6. Why is the ACHOA Spending our money on a property valuation study? Is it the intent of the ACHOA to 'justify' their decision to pursue a joint venture? What other explanation is there given the body of research already published/posted on ArrowCreek411.wordpress.com.

All approved expenditures by the ACHOA Board are within the approved framework of the ACHOA 2015 Budget as per NRS 3115 and 3102. Please review at the ACHOA website.

The Phase One Property Valuation study is the result of numerous ACHOA members voicing their concerns that the information provided in the August 24, 2014 ACCC presentation was inaccurate and incorrectly reflected the current literature concerning golf course communities. There are other ACHOA members who believe the information provided was accurate and disagreed with the contrarians.

It was decided by the Board that an independent study for all ACHOA members to review should be provided. The Board felt that an independent study that collected

all of the literature on the subject of golf course communities with a bibliography and summary opinions provided by an independent economist was in the best interest of the community. The studies intent is to provide to the community a transparent factual document that could be reviewed by the ACHOA members as they consider the issue that they may face concerning – “How does a golf community impact my property values.”

- 7. Why is ACHOA spending our money on a 'demographic economic' study of our CIC? People's finances are not the business of the ACHOA. When people speak out and say they can't 'afford' a \$100 increase in dues you should take their word for it, not question the people who compose your constituency. Again is this a misguided attempt to 'influence' the outcome of the due diligence efforts, underway within the ACHOA committees?**

The demographic or census survey is a direct response of the Candidate Night meeting concerning comments that the ACHOA Board failed to listen and consider community member input at Board meetings and failure to implement changes viewed as necessary within a NRS common interest community (CIC). These were general comments that did not have much substance which triggered the need for the Community Survey by the ACHOA Board.

The survey is designed to develop the common interests within the community, interests in specific amenities and programming, changes to communication systems, understand demographics of the community, facility improvement plans, and other topics that the ACHOA members would like to share with the Communications Committee and the ACHOA Board of Directors.

The survey is not designed to influence any ACHOA members. It is solely designed to collect information that will assist this and future Boards when asked to add specific amenities and programming within the current budget process. It will also assist in giving the ACHOA Board and ACCC during its due diligence evaluation of any social or recreational benefits form the proposed joint venture proposition.

The Communications Committee, an Advisory Committee of the ACHOA Board, has been tasked to provide accurate, factual and nonbiased communications both pro and con to the ACHOA members. Most of the recent information provided to the ACHOA web site and to ArrowCreek411 by the Committee has been an effort to respond to ACHOA member questions. Factual verifiable information for ACHOA members to refer to and evaluate is the only goal of the Communications Committee.

8. **There appears to be a significant difference between the ACHOA Boards cover letter and Paragraph four of the document summary. The cover letter states an aggregate monthly dues increase of \$17.00 per lot per month for 2015.**

However, the study specifically states that the number is \$23.02 per month per lot, for the entirety of 2015. My calculations, based on a potential June 2015 start, suggest the actual number is closer to \$46.00 per lot per month for 2015. Can you tell me how the board got to \$17.00 per month per lot for 2015? and why they did not use the number furnished by the paid firm?

The Reserve Study identified all of the replacement assets that the ACHOA would be responsible for if the ACHOA members voted to acquire the 544.6 acres of land and its improvements. The Browning Reserve Study is an excellent independent analysis of potential related costs and funding requirements as per NRS 116.

The ACHOA Board, ACCC, Reserve Committee and Budget and Finance Committee reviewed this document to determine what the funding requirements would be for the next five to six years. Historically, a complete Reserve Study is completed every five (5) years for assets of the ACHOA as per NRS 116. It has been the practice of the Reserve Committee after receiving the Draft Reserve Study to determine a monthly funding cash flow that is flat or consistent for the next five years. As you know the current Reserve Fund five year funding level has been and remains at \$80.00 per month until the 2017 Five Year Reserve Study will be completed.

The Reserve Committee recommended to the ACHOA Board, Budget and Finance Committee and ACCC that a flat consistent five year cash flow funding should apply to this study as well. Using the 30 Year Reserve Funding Cash Flow Method on page 17 of the report, the Reserve Committee analyzed whether to use years 2015, 2016, 2017, 2018, and 2019 or to use 2016, 2017, 2018, 2019, and 2020.

The reason for the multiple year analysis was because the Reserve Committee recognized the fact that capital expenditures for "The Club at ArrowCreek" will occur during 2015 at the direction of the FOA. They recognized that those FOA capital expenditures will be part of the purchase price and will not need to be paid out of the Reserve account in 2015. For example, the FOA have already committed to a \$75,000 expenditure to upgrade the irrigation controllers to be FCC compliant. In addition, the Reserve Committee recognized that if the ACHOA members approved the purchase of the 544.6 acres with improvements, the closing of the purchase

transaction would be well into the third quarter at the earliest and the 2015 numbers then are suspect at best.

Therefore, the Reserve Committee recommended that the flat consistent monthly fee be calculated using the Browning numbers for 2016, 2017, 2018, 2019, and 2020 funding years: (1) 2016 - \$210,000; (2) 2017 - \$214,200; (3) 2018 - \$218,200; (4) 2019 - \$222,854; and (5) 2020 - \$227,311. The Grand Total Reserve Contribution would be \$1,092,849 divided by 1,086 lots divided by 60 months which equals a monthly assessment of \$16.77. The Reserve Committee rounded up for a portion of 2015 and felt that \$17.00 per month was a reasonable and defensible assessment number for the next five years.

The ACHOA Board, Budget and Finance Committee, Reserve Committee and the ACCC felt comfortable in setting the annual funding level at (\$17.00 per month times 1,086 lots, times 12 months) \$221,544 for the negotiations with Arnold Palmer Golf (APG). It was agreed that the \$221,544 annual expense should be paid by the Joint Venture under the Lease Agreement with the ACHOA with a direct deposit into the ACHOA Reserve Fund. This plan is consistent with the due diligence and vetting process that is ongoing with both the FOA and APG.

9. I was wondering if any consideration has been given to paying cash for the facility to avoid a long term debt and interest. How about paying cash and leasing the golf facility “triple Net” to APG?

The ACHOA Board and ACCC are examining numerous options to fund the acquisition as part of the business deal. One of the key issues is whether current homeowners should pay 100% of the acquisition costs or should homeowners pay the acquisition costs over 15 - 20 years. Therefore, these questions are very timely and appropriate.

The ACHOA Board and ACCC have been reviewing the Nevada Revised Statutes and the ArrowCreek Declarations of Covenants, Conditions and Restrictions, Section III – Assessments – Section 5 Special Assessments with Board legal counsel. The question being pursued is whether a “Special Assessment” approved by the ACHOA members for the acquisition of “The Club at ArrowCreek” would be allowed. If we estimate that the purchase price is between \$1.6M to \$2M that would require a one-time assessment per lot owner of \$1,473 to \$1,842 [1,086 ACHOA lot owners]. In addition, there is still the need to fund the past due water bill of almost \$900,000 and that would increase the special assessment by \$829. Therefore, should current members pay a special assessment now of \$2,671 (\$1,842 + \$829)

versus current and future homeowners paying the acquisition cost over time requires additional due diligence.

In comparing a financial decision to mortgage the acquisition cost for the golf property over time, numerous components must be evaluated. An estimated loan amount of \$2.5 million that includes the \$900 thousand water bill stretches out the principal and interest payments and it can be absorbed within the ACHOA monthly assessments to ACHOA members. The \$2.5 million loan amount at this time is speculative and being used as a talking point with lending institutions. There are many variables in determining the loan terms including the following:

- Actual Purchase Price Range
- Period of repayment 15 to 20 years
- Interest Rate 5% to 6%
- Adjustment periods if any
- Loan fees

The best financial deal for the ACHOA members will be recommended by the ACHOA Board and the ACCC concerning the acquisition if approved by the ACHOA members' ballot initiative. Additionally, the leasing of the acquired property and Residents center to an operating enterprise is being considered and preliminary terms and conditions are being discussed.

- 10. I am concerned that members of the Golf Club and members of the FOA are former litigants who involved the previous Golf Club owner Terrabrook in multiple lawsuits. The repeated litigation was at least in part responsible for Club Corp, now by and large Arnold Palmer Management, to cease negotiations regarding the purchase of the Golf Club about 7 years ago.**

I am concerned that those same individuals will find reason to sue the Joint Venture for any aspect of the contractual agreement or decision the JV makes that they do not like or agree with. I am concerned that in such a law suit I, as a part owner in the Joint Venture, will be sued.

How does the HOA Board and Arnold Palmer plan to protect the HOA and each AC resident from such litigation should we vote for the JV?

The ACHOA Board understands that all equity ownership agreements that were part of the multiple lawsuits against Terrabrook were cancelled by the bankruptcy court and that "The Club at ArrowCreek" has a clean slate. As such, the ACHOA Board

understands that all current members and past members are equal in their status. If the ACHOA community members agree in the ballot proposition to own the golf course and the FOA agrees to the purchase agreement, the ownership issue for past equity members is further removed.

Any proposed entity will have a separate robust insurance program that will respond first in any potential litigation. The ACHOA's insurance program will recognize the relationship with the proposed entity and the ACHOA will have its own robust primary and excess liability insurance program that protects the ACHOA and the ACHOA members. As the business deal further develops, any other areas of potential liability will be analyzed and become part of the joint venture or lease agreements planned.

11. **The Articles of Incorporation for the ArrowCreek Homeowner Association, Inc. states that the ACHOA will need to have a "Two Thirds" majority vote to alter or amend the Articles of Incorporation.**

Why does the ACHOA Board believe that the ACHOA Governing Documents can be amended to allow for the acquisition and operation of "The Club at ArrowCreek" with a fifty percent (50%) plus one (1) of the Owners with voting power?

The ACHOA Board and ACCC have been advised by board counsel that 50% plus one votes are needed to amend the ACHOA CC&Rs. Board counsel also states that the ACHOA Bylaws require a majority of votes to be amended. NRS 116.3112(1) provides that at least a majority of Members vote in favor to encumber common areas. There is nothing that would suggest that a majority of votes is necessary to defeat any proposal but a majority of votes will be needed to approve changes for the ACHOA CC&Rs and the ACHOA Bylaws and any loan or encumbrance against the ACHOA common area assets. Therefore, a "two thirds" vote is not required for the following governing documents – CC&Rs and Bylaws. A "two thirds" membership vote is not required to encumber common areas.

It is not clear at this juncture whether the Articles of Incorporation will need to be amended. The ACHOA Board and ACCC have been working diligently with its accountant to determine whether any tax filing status will change if the proposed operational enterprise is approved by the ACHOA membership. Under Nevada law as explained by legal counsel, a not-for-profit (NFP) like the ACHOA can be a member of a for-profit (FP) enterprise. NRS 82.131(7) specifically governs NFP corporations like the ACHOA and it states that the entity may ". . . [c]arry on

business for profit and apply any profit that results from the business to any activity in which it may lawfully engage.” It is being confirmed by tax authorities that if the operating enterprise profits are incorporated into the ACHOA’s operating and reserve budgets to offset monthly assessments and fund capital projects for the ACHOA that the NFP status remains and there is no change to the Articles of Incorporation.

The ACHOA Board and ACCC understand that nothing in the Nevada law would prohibit the Articles of Incorporation from being fully amended as per NRS 82.356, NRS 82.351, and NRS 82.131. The ACHOA Board and ACCC have been advised that Chapter 116 of the Nevada Revised Statutes does prevail if there is a conflict with Chapter 82 of the NRS. NRS 116.3101 unequivocally provides that an association may be organized as either for-profit (FP) or not-for-profit (NFP). The ACHOA Board and ACCC have been advised that NRS Chapters 82 and 116 allow a common interest community to be organized to carry on business for profit. The ACHOA Board and ACCC agree that if the Articles of Incorporation as per Section IX are to be amended that an approval vote from the ACHOA membership would require two-thirds of the members approving the changes in the Articles of Incorporation only. At this time, it is unclear that the Articles of Incorporation will need to be amended as described above. As further information is developed, the ACHOA Board will timely provide the information to the ACHOA membership. The above new information corrects statements made in previous FAQs and those FAQs will be corrected to reflect this new information.

Additional information was provided to the ACHOA Board and the ACCC specifically to the FOA Letter of Intent and potential ACHOA member approval of the purchase of “The Club at ArrowCreek” concerning Article IX of the Articles of Incorporation for the ACHOA which states “. . . permit the net earnings of the corporation to insure the direct financial benefit of any officer, director, member of the corporation, or the Declarant.” In response to this inquiry, the ACHOA Board and ACCC respond as follows:

- a. No member of the ACHOA Board and ACCC are investors in the FOA LLC. There will be no direct financial benefit to any officer, directors or ACHOA member of the corporation.
- b. The mere interest of the FOA purchasing out of bankruptcy the ArrowCreek Golf Course owned by Aspen Sierra does not create any direct financial benefit subject to Article IX.

- c. If the ACHOA Membership approves the purchase of “The Club at ArrowCreek” from the FOA, the financial benefit to the FOA above and beyond costs of operation, holding and borrowing regarding the golf course assets will inure to the FOA, LLC and not members of the ACHOA corporation (ACHOA homeowners).
- d. Please note that the FOA, LLC is not a member of the ACHOA Corporation and as such the potential 12% per annum interest will accrue to the LLC only.

12. We have heard statements or assertions from fellow ACHOA members that the ArrowCreek Homeowners Association, Inc. currently has one of the highest monthly assessments (ACHOA fees) in the Reno area. Is this a true statement?

No. The ACHOA Board asked local realtors to provide an answer to this question. The consensus from the realtors is that ArrowCreek Homeowners Association monthly assessment of \$218.00 remains one of the lowest monthly assessments when evaluating “like” amenities provided to its community members.

Currently, Montreux is \$250.00 per month and an HOA member gets snow plowed streets, common area maintenance, and manned security 24/7. There is no access to pool, exercise or dining unless the HOA member has enrolled in the Golf Club as a Social Member.

Currently Lakeridge HOA has a manned gate. The Lakeridge HOA members have no other amenities other than snow removal. Their current monthly assessment is \$250.00.

St. James Village has both a manned gate and unmanned gates. They provide snow removal services for their members as well. There is no pool, no exercise facility, no dining, and no common area maintenance. St James Village members currently pay a 224.00 per month assessment.

Scotch Pine Estates HOA has unmanned gates and snow removal. The Scotch Pine Estates HOA members have no pool, no exercise facility, no dining, and no common area maintenance. The HOA members are currently paying \$175.00 per month fee.

Boulder Glen HOA has an unmanned gate and snow removal. The Boulder Glen HOA has no pool, no exercise facility, and no common area maintenance. The HOA members currently pay \$240.00 per month for their assessment.

Saddlehorn HOA and most of Somerset HOA are not gated and are a different kind of HOA community and it becomes very difficult to compare.

The ACHOA currently provides to community members within the \$218.00 monthly assessment the following: snow plowed streets, common area maintenance, manned 24/7 security, manned gates, unmanned gates in other areas, swimming pools, hot tub, showers, tennis courts, parks, walking paths, picnic and barbecue areas, basketball hoops, exercise facilities, resident center for rental for parties, playgrounds, and some social activities for children and adults. Currently, there is no dining at the resident's center and if an ACHOA member wants in community dining they must become a Social Member of "The Club at ArrowCreek."

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ACHOA

JOINT VENTURE

1. If the HOA votes to approve the purchase of the golf course and going into a joint venture with the Arnold Palmer company, what will be the role of the FOA in the joint venture? Will they have a say in the decisions of the joint venture and how will they be paid for their role?
2. Rich Kenny said that the partnership in this Joint Venture will be a 50 / 50 proposition. Does that mean that Arnold Palmer Management will be investing 50% of the required up front capital and assuming 50% of all risk and liability just like the HOA?
3. If the joint venture with the HOA and Palmer group is 50-50, in a disagreement about direction or policy nothing can be accomplished. Someone needs to be the final word. Isn't it in the best interests of the association that the HOA has a 51% interest because the homeowners have more to lose? Is this being addressed in the negotiations?

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- 1. If the HOA votes to approve the purchase of the golf course and going into a joint venture with the Arnold Palmer company, what will be the role of the FOA in the joint venture? Will they have a say in the decisions of the joint venture and how will they be paid for their role?**

At this time, the ACHOA Board and the ACCC do not foresee a continuing role for the FOA after closing escrow on the purchase. The ACHOA Board and ACCC do not see any role in the decisions concerning the joint venture since that will be between the joint venture parties – ACHOA and APG.

With that said, the ACHOA Board and ACCC are not using the word never since all business deals have their own dynamics and unique twists that must be examined. As the due diligence and vetting process goes forward, the role of FOA in the future will be examined carefully and thoughtfully.

- 2. Rich Kenny said that the partnership in this Joint Venture will be a 50 / 50 proposition. Does that mean that Arnold Palmer Management will be investing 50% of the required up front capital and assuming 50% of all risk and liability just like the HOA?**

At this time, the terms of the business deal have not been fully negotiated. Rough terms have been agreed upon but additional due diligence and vetting is still required. The ACHOA Board and ACCC proposal concerning capital investments, capital calls, loss sharing, profit sharing, lease agreements, reserve allocation funding, etc. are still pending. Details will be forwarded to the community once they have been firmed and written in to a document framework.

- 3. If the joint venture with the HOA and Palmer group is 50-50, in a disagreement about direction or policy nothing can be accomplished. Someone needs to be the final word. Isn't it in the best interests of the association that the HOA has a 51% interest because the homeowners have more to lose? Is this being addressed in the negotiations?**

If the ACHOA community approves the purchase of the 545 acres and it becomes part of the ACHOA's Common Area, the operational structures will be carefully reviewed. The Joint Venture is one of the several options that will be vetted. The ACHOA Board and the ACCC will be negotiating with APGM concerning all Joint Venture governance issues and they will be included in a detailed management agreement. Tentative negotiations now include a mediation process for the tied vote scenario in a 50/50 deal. A 51/49 deal is being discussed but at this time it is

premature to speculate on the results of the negotiation. The exact details of the Joint Venture management agreement are still pending and will be provided when the due diligence has been completed.

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FOA / CLUB AT AC

THE FRIENDS OF ARROWCREEK

The answers to the following questions have been provided by managing partners of the FOA. All references to “we” refer to the FOA.

1. [Why won't the Friends of ArrowCreek disclose who their members are?](#)
2. [I've been told that some time back the club was going to be sold to another company but because some of the club members were suing the owner of the golf club at that time, the company backed away from the sale.](#)
 - a. Are any of the FOA investors some of these members who were involved in that lawsuit?
 - b. Is this why the FOA wants to keep a lid on them?
 - c. Also, if so, since the community was apparently not of no interest to those individuals at that time, why should ArrowCreek homeowners believe that they are now really concerned with the rest of the community since they essentially intentionally ruined it for us all back then?
3. [Why are the Friends of AC proposing an interest rate of 12% to us, the homeowner, for their investment? The Current 30-year fixed mortgage rate as of 11/19/14 was 4.125%?](#)
4. [Why are the Friends of ArrowCreek only considering one option for selling the Golf Course, i.e. the HOA?](#)
5. [Why can't the Friends of ArrowCreek list the asset on the open market for other potential buyers rather than forcing the AC homeowners to purchase it?](#)
6. [Why can't we do what Somerset is doing, buy the property and assets and lease it back to the Friends of ArrowCreek or another party, using the income to pay off the purchase loan?](#)
7. [If the Golf Club is certain to produce revenue under Arnold Palmer MG, why doesn't the FOA want to keep it?](#)

8. We are told that they want to keep one golf course private, but if we are trying to make the club financially stable, why would be keep one course Private?
9. Golf's popularity is declining and more golf courses have closed than opened in the U.S. for the eighth straight year. Why is it a good idea for the ACHOA members to buy into this business?
10. If the HOA goes through with this proposal, as the cost of running the club spirals upwards and there are increases in HOA monthly assessments, special assessments, and the cost of being a social member goes up, will golf club members fees go up at the same percentage rate and will they also have golf member special assessments like other golf courses expect of their golf playing members?
11. At the HOA evening to meet the candidates for the board, Gary Pestello and his supporters insinuated that the candidates who had expressed concern rather than support about the HOA proposal to support the FOA in all it wants homeowners to do, were only interested in running for the board because of this issue. He even sardonically asked the candidates what committees they would serve on if they were elected to the board.
 - a. **What years did Mr. Pestello or Mr. Gurney serve on the board?**
 - b. **What committees have they served on other than the recent Community Club Committee and when?**
 - c. **What contributions have them made to this community in the years they've lived here?**

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1. Why won't the Friends of ArrowCreek who their members are?

We have disclosed the 5 managing members of the FOA as required in our filing documents. It is up to the 36 individual investors to decide whether they want their investment disclosed or not. The FOA has no problem if any of its investors want to disclose their investments

2. I've been told that some time back the club was going to be sold to another company but because some of the club members were suing the owner of the golf club at that time, the company backed away from the sale.

a. Are any of the FOA investors some of these members who were involved in that lawsuit?

Yes

b. Is this why the FOA wants to keep a lid on them?

No...and the FOA is not "keeping a lid on them". If the FOA investors want to disclose their investment they are free to do so

c. Also, if so, since the community was apparently of no interest to those individuals at that time, why should ArrowCreek homeowners believe that they are now really concerned with the rest of the community since they essentially intentionally ruined it for us all back then?

There are many interpretations of why the Club Corp transaction failed in 2008 and who was responsible. In the end potential buyers were alarmed by the number of different membership contracts outstanding and the potential liability of unraveling those contracts. The ultimate buyer in 2008, Aspen Sierra Leasing, was eventually forced to file for bankruptcy to cancel the membership contracts. With a clean legal slate the FOA saw an opportunity to acquire the property out of bankruptcy proceedings and to change club management to create a long term viable community club.

3. Why are the Friends of AC proposing an interest rate of 12% to us, the homeowner, for their investment? The Current 30-year fixed mortgage rate as of 11/19/14 was 4.125%?

An investment in the FOA carries substantial risk to the investors.

- First, the FOA has no track record: it was established during the bankruptcy process in 2014.
- Second, there are no guarantees or assurances that the club may be sold to the ACHOA or any other buyer.
- Third, the FOA is now running the club with the help of Arnold Palmer Golf. At the close of escrow The Club at ArrowCreek had fewer than 140 paying golf members. In the next 6 months the club (and the FOA) will incur substantial operating losses as we implement an aggressive membership campaign
- Finally, investors have many choices ranging from 4.125% fixed rate mortgages with very little risk to 20% junk bonds with substantial risk. We raised \$2.6 million from 36 investors by offering a 12% return if a transfer to the ACHOA takes place and a variable higher risk higher reward if a transfer to the ACHOA does not take place.

4. Why are the Friends of ArrowCreek only considering one option for selling the Golf Course, i.e. the HOA?

We are currently considering just the ACHOA Option because it is a unique opportunity for the residents of ArrowCreek to control this property forever at a very attractive price, Despite what some people have alleged, the FOA investors are community-minded and they will sacrifice the upside of turning the club around and reselling it in order to improve the ArrowCreek community.

If the ACHOA option does not pan out, the FOA will continue to operate the club with Arnold Palmer Golf continuing to manage the club under contract.

5. Why can't the Friends of ArrowCreek list the asset on the open market for other potential buyers rather than forcing the AC homeowners to purchase it?

The FOA is not "forcing" the AC homeowners to do anything. Residents will vote on whether the ACHOA will buy the club or not.

6. Why can't we do what Somerset is doing, buy the property and assets and lease it back to the Friends of ArrowCreek or another party, using the income to pay off the purchase loan?

ACHOA could buy the property and lease it out to the FOA, APG, or other operator and this is being considered as an option. The ACHOA board believes

that the JV structure will provide better financial results for the ACHOA than the arm's length lease option

7. If the Golf Club is certain to produce revenue under Arnold Palmer MG, why doesn't the FOA want to keep it?

The FOA does want to keep it, but the FOA also recognizes the unique advantages of pursuing the ACHOA option. The FOA investors are also ArrowCreek residents... they want the best possible community going forward.

8. We are told that they want to keep one golf course private, but if we are trying to make the club financially stable, why would they keep one course Private?

The FOA wants to keep both courses private but to make memberships much more accessible to the Reno golfing community. The previous owners clearly demonstrated that the public course model did not work at ArrowCreek.

9. Golf's popularity is declining and more golf courses have closed than opened in the U.S. for the eighth straight year. Why is it a good idea for the ACHOA members to buy into this business?

It is true that golf courses have closed, most notably in Northern Nevada, It is not an easy business. The FOA and the Club at ArrowCreek members believe the club experience can be markedly improved from what is was before the FOA bought the property. Substantial improvements have already been made in the three months since it was purchased. In short, we believe we can buck the trend with a good product, financial discipline, and an aggressive membership campaign.

10. If the ACHOA members go through with this proposal, as the cost of running the club spirals upwards and there are increases in HOA monthly assessments, special assessments, and the cost of being a social member goes up, will golf club members fees go up at the same percentage rate and will they also have golf member special assessments like other golf courses expect of their golf playing members?

We will not let the cost of running the club "spiral upwards". If the ACHOA acquires the club and for any reason deems it necessary to assess residents or club members or both, the ACHOA will have the power to do so at its discretion subject to CC&R restrictions.

11. At the AHOA evening to meet the candidates for the board, Gary Pestello and his supporters insinuated that the candidates who had expressed concern rather than support about the HOA proposal to support the FOA in all it wants homeowners to do, were only interested in running for the board because of this issue. He even sardonically asked the candidates what committees they would serve on if they were not elected to the board.

a. What years did Mr. Pestello or Mr. Gurney serve on the board?

Gary: none, Tom: none

b. What committees have they served on other than the recent Community Club Committee and when?

Gary: none other than ACCC Tom: none other than ACCC

c. What contributions have them made to this community in the years they've lived here?

Gary: Numerous Golf Club committees only
Tom: founded FOA, executed club acquisition

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