as of May 15, 2015

CHRONOLOGY/STATUS OF COMMUNITY CLUB CONCEPT

JANUARY 21, 2014	Aspen Sierra/ArrowCreek Country Club enters bankruptcy.
FEBRUARY 2014	ArrowCreek Homeowner Association (ACHOA) restructures ArrowCreek Community Club Committee (ACCC). Discussions begin with Arnold Palmer Golf (APG) – Joint Venture proposed and pursued.
FEB-JUNE 2014	ACCC analyzes Brown, Green, Golf alternatives; recommends Golf to BOD as strongest financial option. ACCC unanimously supports Friends of ArrowCreek (FOA) to secure the property as a bridge, pending ACHOA voting approval. ACCC explored other golf entities as possible partners. Discussions held with tax and legal advisors. ACHOA approval will require 50% + 1 votes to approve CCRs and By-law updates and/or to encumber (take out a loan, lend money, lease property) the ACHOA.
AUGUST 6, 2014	FOA LLC (FOA) formally formed to secure Golf property from bankruptcy as interim bridge until ACHOA could effect a vote to purchase the property.
AUGUST 26, 2014	ACHOA Board of Directors (BOD) approves support for FOA to purchase Golf property from bankruptcy as a bridge with a commitment of the BOD to work towards having the ACHOA purchase the property from FOA within a year subject to a minimum 50%+1 home/lot-owner vote. At this time, the ACCC, FOA and the BOD considered the Joint Venture proposal with APG the recommended business option for the ACHOA.
SEPT. 24, 2014	Bankruptcy court awards Golf property to FOA.
OCTOBER 2014	FOA assumes ownership; hires APG. to manage courses. Valid financial information unavailable. Unknown maintenance needed, costs unknown. Includes 544.6 acres of which 150 acres are for 36 holes of golf, and Club house and maintenance facilities. FOA changes the name of ArrowCreek Country Club to The Club at ArrowCreek (The Club).
DECEMBER 2014	ACHOA enters into Letter of Intent (LOI) on 12/3/14 to purchase The Club from FOA. LOI expiration date is May 31, 2015. ArrowCreek Reserve Committee has Browning perform an independent study on golf property – published on web Jan. 8, 2015.
JAN. 28, 2015	APG informs BOD that The Club will take the course private and offer a new membership program accompanied by a strong membership drive. APG informs BOD that they will wait to see the success of the drive and obtain firmer financials from FOA before proposing viable business option(s) to the ACHOA.

as of May 15, 2015

Q1 2015	FOA held meetings with realtors to keep them updated. ACHOA BOD reformed Communications Committee and tasked it with creating FAQ's, email blasts and other necessary communication tools. Homeowner concerns are voiced about capped losses, sharing of pool and tennis courts, supporting golf, homeowner dues increase, non-profit status challenges.
MARCH 2015	ACCC begins exploring leaseback option with APG and FOA. Independent market survey on housing prices conducted and published.
APRIL 2015	Demographics survey completed – results to be presented May 19, 2015. Input pending from legal tax expert on non-profit status given different scenarios. (Issue of 2/3 vote should Articles need to be amended.) BOD tasks Governing Documents committee to address updates (prepared by legal in 2014) to CCR's and By-laws to remove references to the Arrow Creek developer and update to current NV and Federal law. 50%+1 vote by homeowners will be required to approve recommended changes.
MAY 2015	Meeting with FOA and APG on May 1, 2015 discusses options. APG to follow up with proposed financials. FOA to follow up with proposed purchase price(s) depending on when the purchase might happen. Governing documents committee review of CCR's and By –Laws ongoing.

May 1, 2015

Dear Mr. Duncan:

The ACHOA Board is in receipt of your email request for additional information. The following information is provided in response to your specific questions.

1. The current property tax for "The Club At ArrowCreek" as disclosed by FOA to the ACHOA Board and the ACCC is $39,700.

2. The current fees charged to the ACHOA by FOA for the use of "The Club at ArrowCreek" depends upon the event.

   a. The fee for the ACHOA Christmas Party at the Club was included in the food charges which was not specifically disclosed. The Christmas Party charges paid by the ACHOA were $8,165 with additional expense offset for services provided by the ACHOA to "The Club At ArrowCreek". The offsets vary and can include snow removal of club parking lot and security services. These offsets can vary from year to year.

   b. The fee for the Easter Egg Hunt and access to the Easter Brunch for ACHOA members was not specifically disclosed but was part of the costs paid by the ACHOA. The ACHOA paid $1,000.00 for this event.

   c. The ACHOA Board Meeting Expenses as of February 28, 2015 totals $1, 833 which includes the charges for printing and other materials for the meetings.

   d. "The Club At ArrowCreek" has not charged the ACHOA for use of their facilities for meetings because ACHOA members that are club members have reserved the space for the ACHOA's use. Any ACHOA member that is also a Club member, like all members of the Club get the benefit of having meetings and company parties with no room charge. This has benefited the ACHOA Administration Budget by not increasing meeting expenses,

3. "Control our Own Destiny" is a phrase coined by the ACHOA Board and ACCC to explain their concerns and thoughts about the impact of the 545 acres within the ACHOA community. The ACHOA Board and ACCC believe that the ACHOA community should not suffer the negative impacts to real estate property values now occurring at D'Andrea concerning a property development program as indicated in a recent Reno Gazette Journal articles. If the 545 acres are owned by the ACHOA as common area, the land use falls within the control of the ACHOA Board and the ACHOA Members. As Jack Welch has stated many times as the CEO of General Electric – "Control your own destiny or someone else will."

Thank you for your questions and commentary. The ACHOA Board works hard to make decisions that are in the best interest of the entire ACHOA community.

ACHOA Board,

Following the ACHOA Board meeting of 14 April a few questions have arisen;

1.) What is the current Property Tax burden on the ArrowCreek Golf facility? (This should be a matter of public record and does not require FOA to respond).

2.) What exactly, is the current 'fee' that FOA charges for use of their facility to conduct our ACHOA Bi-Monthly meetings? (If the answer is zero/none, do you consider this an 'ethical' dilemma? as the ACHOA is trying to work with them on some sort of acquisition.)

3.) What exactly, is meant by the phrase "Control our own Destiny?" This phrase seems to crop up at every ACHOA Board meeting but to date there isn't a succinct definition.

Thank you for your time and effort,

Ron Duncan

April 7, 2015

Dear Mr. Duncan:

The ACHOA Board is prepared and will answer questions relating to ArrowCreek and specifically any agreement that the ACHOA may become involved. The ACHOA Board is not in the position or able to provide insights on business activities that are not those of the ACHOA. As best as possible the following responses are provided to your three questions through the assistance of data provided by FOA.

1) Has anyone been able to identify a profitable golf club in a residential community that survives without ever-increasing community subsidies?

There are several long-operating public and private golf course operations in Northern Nevada and California. They all appear to be profitable operations but detailed financial information from these operators have not been provided. Most of these golf operations are within residential or resort living communities.

Brookside Golf Course, Coyote Moon Golf Course, Dayton Valley Golf and Country Club, Edgewood Tahoe Golf Course, Genoa Lakes Golf Club, Grizzly Ranch Golf Club, Hidden Valley Country Club, Incline Village, LakeRidge Golf Course, Montreux Golf and Country Club, Nakoma Golf Resort, Old Greenwood, Plumas Pines Golf Resort, The Resort at Red Hawk, Rosewood Lakes Golf Course, Sierra Sage Golf Course, Schafer Mill Golf and Lake Club, Silver Oak Golf and Event Center, Somersett Country Club, Tahoe Donner Golf Course, Washoe County Golf Club, Whitehawk Ranch Golf Club, Wildcreek Golf Course, and Wolf Run Golf Club

2.) What model/s are the advocates for purchasing the golf course using to demonstrate the potential for success?

The answer is still pending.

The first issue still remains should the community purchase the 545 acres and make it part of the ACHOA common area. This has not been determined.

The potential operational models after ownership are still being vetted.

3.) **Has the ACHOA Board's due diligence taken into account the loss of revenue, provided by the for profit golf course, to the ACHOA? It didn't appear in the chart package last November.**

The ACHOA Board is not sure what you are asking. Both Aspen Sierra and FOA have paid the ACHOA Road access charges during 2014. $15,696 was received in 2014 and the 2015 Approved Budget reflects $15,696. The current monthly bills are being paid by FOA.

February 2, 2015

Dear Mr. Robert Kirtley:

The ACHOA Board appreciates the receipt of your email and the numerous questions you have posed. The following response is to each of the questions in your email. If we have not completely answered all of your questions, please let us know and we will comply with your request. Please note that the recent events at “The Club At ArrowCreek” have delayed some of the due diligence and vetting work planned by the ACHOA Board and the ACCC. Therefore, we may not be able to completely answer all of your questions at this time.

1. Who has done the due diligence on the viability of continuing golf operations?

The due diligence and vetting of the proposition to continue golf operations if the ACHOA owns the golf course property and improvements has not been completed. The ACHOA Board and the ACCC will be conducting the due diligence and vetting of financials for “The Club at ArrrowCreek”. It may be necessary during the vetting and due diligence process that the ACHOA Board and ACCC consult with Board Counsel and Board Accounting firm to gather additional information. At this time this the due diligence and vetting process is pending.

The ACHOA Board and ACCC do not disagree that the ArrowCreek Golf course under previous owners including the developer was never self- supporting. The ACHOA Board and ACCC agree that all financial information concerning the operation of “The Club At ArrowCreek” currently being operated by the FOA and APG should be open to scrutiny by the ACHOA members. The five year pro forma and current results will be presented to the ACHOA members for their review and assessment of the operational viability of the golf course.

Unfortunately, those documents have not been shared with the ACHOA Board and ACCC because of the current Membership Strategy being pursued by the FOA and APG. The FOA and APG want to make sure that membership growth is trending in a manner that will financially support a Joint Venture Proposal to the ACHOA members. When the due diligence and vetting of the released financial documents has been completed by the ACHOA Board and ACCC, those documents will be provided to the ACHOA members for review.

2. My second question is why were the greenbelt and brown belt options dismissed?

Before the ACHOA Board and ACCC answers this question, we need to address the most significant question or proposition that the ACHOA members must agree upon. Should the ACHOA purchase the 544.6 acres of land in the middle of the ACHOA? Should the ACHOA take out a loan or special assess the ACHOA members to purchase the golf property land and improvements?

If the members do not approve the purchase of the golf property land and improvements, the greenbelt and brown belt and golf operation questions and debates are moot. How the golf course will be run, sold, allowed to turn brown, green, or rezoned for other uses will be completely out of the control and influence of the ACHOA members. The decision to control the destiny of this land falls to each ACHOA member.

Assuming that the ACHOA membership votes to purchase the golf property land and improvements and approves a loan to cover the purchase, only then do the numerous options concerning operation of the asset get a complete and through vetting. The green belt and brown belt options are not off the table and they will be revisited along with other options. All of the costs for operating the brown belt and green belt will be revisited and these will include costs for the Reserve Fund assessments, water costs, maintenance costs, fuels management costs, additional personnel costs, additional equipment costs, operational building costs, property tax impacts, etc. In addition, the ACHOA Board and ACCC will review the viability of 18 holes of golf, 27 holes of golf, and 36 holes of golf operational costs and related revenue streams for operation.

Thank you for your questions. The ACHOA Board and ACCC will be posting additional FAQs with responses in the near future. In addition, the ACHOA Board will be sending out update email blasts to keep the community members informed about the due diligence and vetting process.

ACHOA Board

Associa Community Websites
Contact
Member Company: Associa Sierra North
Association: ArrowCreek
Name: Robert Kirtley

Message:

With respect the potential transaction with FOA, I have 2 questions: the first is who has done the due diligence on the viability of continuing golf operations? The Asset Replacement study was "nice" but not relevant to the viewing of the actual operations of the golf course. (replacement of fixed assets vs. operating cost) In your response to the FAQS, you stated that operating a golf course was not highly speculative. This is a patently false statement. "Only 14 new courses were built in the U.S. last year, while almost 160 shut down, the National Golf Foundation said. Last year marked the eighth straight year that more courses closed than opened."per Bloomberg wire services reports. The projections of the FOA and running the golf course have not been made available. Given the fact that the golf operations have never been close to self supporting, the information on how the FOA/Palmer is going to turn this around should be open to scrutiny. The homeowners should be able to make their own assessment of the project viability. My second question is why were the greenbelt and brownbelt options dismissed? The background supporting the costs of these options should be made available. My strong suspicion is the cost is much lower than assessing all the homeowners for a failing golf operation Best regards, Bob Kirtley

January 31, 2015

Ronald Duncan
3363 Nambe Drive
Reno, Nevada 89511-4300

Dear Mr. Duncan:

I received your letter in opposition to the HOA purchase of the Club at Arrowcreek. While you are certainly entitled to oppose this deal, you really need to get the facts straight to have any credibility in your argument. If the HOA buys the Club; the HOA and through it, our members will own the Club. Title will transfer for whatever price is negotiated.

Further as one of the FOA, I can tell you that we did not buy the Club out of bankruptcy as an investment. There were certainly other places we could have put our money to perhaps gain a better return. We bought the Club because it was in the interest of our entire community. As someone who has worked in real estate, one way or another for 35 years, I know that people are paying $50 - $100 more per square foot to live in Arrowcreek because of our views, community amenities, the gate and The Club. Allowing the Club to go to seed would have impacted property values for everyone that lives in Arrowcreek, including you.

While my wife and I are not golfers and we are only Social Members of the Club, we do live on the 9th Tee of the upper course. Homes on the golf course, particularly with views, set the price for all homes in Arrowcreek, since they typically will have the highest values. That is just the way real estate works. So if you care about the value of your home and the equity you have in it, you should be concerned about anything that threatens that value. Turning the Club into a community amenity, with family attractions, making all HOA members Social Members of the Club, without a food requirement, controlled by the HOA, is the best way to protect overall property values.

Further, as someone who has lived through raging fires across the street from our canyon home in California, I know that the golf course is the best fuel modification zone we could have in Arrowcreek. If the golf course was ever allowed to go to seed, it would bring the fire right to our backyards, which would be terrible for everyone. And, to be clear, if the golf course was ever allowed to go to seed, the fire authority would require the HOA, as perhaps the only legal entity left, to maintain it as a fuel modification zone, which without any income, is the least desirable option from a cost perspective. In addition, just so you know, since our home in California is adjacent to natural terrain, we can't even get any insurance company to quote on home insurance. As such, we must remain with our current insurer, State Farm, at very inflated rates, since they will not cancel current policy holders because we can't otherwise get insurance on our home. If the golf course was ever allowed to go to seed, anyone living within 300 feet of it would face the same issues, including very high home insurance rates.

My point is that there is a bigger picture to all of this than just the monthly increase in dues that may be necessary if the HOA buys the Club. In forming your opinion and or in trying to influence others, you do a great disservice to our community by ignoring all the facts, particularly if you misstate them.

Sincerely,

Joseph Morabito
5885 Flowering Sage Court
Reno, Nevada 89511

GOLF ACQUISITION RESERVE FAQS

January 26, 2015

Dear Mr. Duncan:

The ACHOA Board appreciates your re-statement of the questions posted on ArrowCreek411 by an unnamed renter residing in the ACHOA. The ACHOA Board and the Reserve Committee will respond to your questions individually. The ACHOA Board is pleased that you are expressing an interest in the reserve practices that have been implemented by both the Reserve Committee and the ACHOA Board of Directors. The ACHOA Board looks forward to receiving your future inquiries.

The ACHOA Board and the Reserve Committee recognize and are familiar with the requirements that every HOA in Nevada must follow for their Reserve Studies and the requirements are fully defined in the Nevada Revised Statues (*NRS* 116.31152). The two key drivers for ACHOA Board and Reserve Committee decisions concerning the community's Reserves are: (1) a full analysis of HOA assets must be completed by an independent, licensed expert every five (5) years and HOA assets, interest rates and inflation rate are updated by the Board every year for the study and, (2) the Reserve Fund must provide adequate funding for the required reserves.

The ArrowCreek HOA established a Reserve Fund Committee in April 2008 to develop expertise in the legal and financial requirements of *NRS* 116.31152 and to provide guidance to the ACHOA Board in meeting the requirements of the law. Since its establishment, the Reserve Fund Committee has conducted an annual Reserve analysis to determine the future expenses the ACHOA can most likely expect to maintain all of the community assets, and the ACHOA Board has published this analysis for homeowner review and approval.

Over time, the Reserve Fund Committee has identified the key elements influencing the ACHOA's Reserves and established several policies to guide future Reserve Committee actions. It is known that no entity or individual can predict the future and as such the annual update and review are critical components of the ACHOA Reserve Process. The ACHOA Board and Reserve Committee can only establish a reserve plan that is based on the best available data and the plan must be re-evaluated every year to ensure that the ACHOA Board and Reserve Committee is using the most realistic parameters.

The ACHOA Board and Reserve Committee policies and protocols support the above procedure.

1. The Reserve Committee recommends and the ACHOA Board agrees that the ACHOA use the combined weighted average of all current Reserve Fund deposits to determine the interest rate to be used for the Reserve Study. The current interest rate in the study is 2.25%

2. The Reserve Committee recommends and the ACHOA Board agrees that the ACHOA use the then current inflation rate as published by the U.S. Government.

3. The Reserve Committee recommends and the ACHOA board agrees that the ACHOA use current-year road repair costs as the base cost for future repairs (note: road and walkway maintenance make up more than 90% of all Reserve expenses).

The ACHOA Board and the Reserve Committee believe that an annual update of the independent reserve analysis protects the ACHOA from long-term economic changes that will impact ACHOA Reserve Fund requirements. The above procedures, policies and protocols were used by the ACHOA Board, ACCC, Reserve Committee, and Browning Reserve Group to develop the recently published Golf Course Acquisition Reserve Study.

Question: When will ALL of the components be completely Defined? and By Whom? Is this study really complete?

All components to be included in the Golf Course Acquisition Reserve Study have already been included. The complete list of included items is in Section VI of the Study, starting on page 30 compiled by Browning after conducting a field audit.

Regarding the question on “Client input will <u>further define this component</u>,” all components may change over the 30 year time span of the study. Carpet could change to tile or vice-versa; or, a desk computer could be replaced by a different technology. One example that we see every day is our main gate access system. The current Quick Pass system replaced the previous “large gate – Security Guard” access for residents. All of these Client-defined changes have been and will be directed by the ACHOA Board.

The Golf Course Acquisition Reserve Study is complete and no other revisions will be requested from Browning at this time.

Question: Who initiated the changes and what is their relevant background with respect to Golf Course operations? What are Browning Reserve Company's opinion of the changes? Why weren't they included in the study?

Several components that would normally be included in a Reserve Study (carpet, POS system, computers, dishes, microwave oven) were eliminated from this analysis. In addition, the planned maintenance costs for several included components were reduced by 50%. These adjustments were recommended by the Chairman of the Reserve Fund Committee, the Chairman of the Budget and Finance Committee and the full ACC Committee with consensus from the ACHOA Board and Browning Reserve Company.

These changes were made to accommodate current management control required by "The Club At ArrowCreek" commercial operation for ongoing maintenance required during annual operations. This management control would also exist should the ACHOA homeowners approve a Joint Venture to operate "The Club At ArrowCreek." The analysis by the ACCC and the Reserve Committee with concurrence by Browning, determined that control of and maintenance of these consumable assets should align with operations management and that the maintenance cost of these assets should be an operating expense for the Joint venture and not the ACHOA Reserve Fund. This is a business judgment call.

The estimated cost for parking lot repair in 2015 and Remove & Replace in 2020 were provided by the ACHOA consulting road engineer based on 2014 actual replacement costs. In addition, all references to "Operating Budget" in the Golf Club Acquisition Reserve Study are referring to the operating budget of the proposed Joint Venture and not the ACHOA operating budget.

Questions: Possible? What does "possible" mean in this context?
What effect does Possible have on the component lifetime?

As stated in the Reserve Study: "It is possible that sub-components of this system can be replaced or rebuilt to extend its life." Replacing subcomponents when possible is always the best approach to extend the life of a major asset. If you decided to junk your car because the battery went dead, rather than replace the battery, it would not be a good decision.

The annual update review of the Reserve Study by the Reserve Committee always includes this analysis of replacing components versus complete replacement. The Residents Center exercise facility is an area where existing equipment is analyzed by

an independent vendor to determine if renovation and partial component replacement will extend the life of the equipment or should the entire unit be replaced.

Question: What are these additional Operating Budget items? The impact of the acquisition on the future Operating Budgets should be disclosed (or at least estimated).

All references to “Operating Budget” in the Golf Club Acquisition Reserve Study are referring to the operating budget of the proposed Joint Venture and not the ACHOA operating budget. The Joint Venture Operating Budget has not been finalized and is still in a dynamic state of flux. The Joint Venture Operating budget will include the current asset replacement and reserve components and its impact will be determined in the future. It is anticipated that if the ACHOA membership approves the acquisition and operation of a joint venture enterprise that the lease agreement with the joint venture will include an amount to be paid directly into the ACHOA Reserve Fund for the Golf Acquisition Reserve Components.

The joint venture operating budget has no impact on the “Acquisition Price” of the 544.6 acres that comprise “The Club At ArrowCreek’ and its assets. This will be an expenditure expense of the ACHOA Operating Budget if the ACHOA membership approves the acquisition of the asset.

Question: What interest rate did ACHOA specify for the study? Was it agreed to by Browning Reserve Group?

The Reserve Committee recommends and the ACHOA Board agrees that the ACHOA use the combined weighted average of all current Reserve Fund deposits to determine the interest rate to be used for the Reserve Study. Browning also agrees with this methodology in setting the interest rate for the ACHOA Reserve Study. The interest rate applied was 2.25% that was used in the 2015 ACHOA Annual Update Reserve. The ACHOA Investment Policy compliant with the NRS 116 allows for conservative low risk investments limiting the ACHOA’s ability to achieve higher interest rates. The ACHOA Board is currently using a 2.25% interest rate based upon the ACHOA investment ladder.

Question: Is this study considered to be a 'Best Case Analysis?' If so, What does the most likely case look like in comparison?

The Golf Course Acquisition Reserve Study is complete. The Golf Course Acquisition Reserve Study was conducted using the same methodology that was used when

evaluating other HOA reserve assets and this is not a best case scenario. The study was conducted by the same reserve company (Brown) which evaluates other HOA reserve assets. However, this study still needs to be added to the current ACHOA Reserve Study to determine the aggregate impact to currently owned assets and proposed assets using the reserve methodology in the two independent reserve studies. It is not anticipated that the combination of the two reserve studies will increase the monthly assessments in the two studies - $80.00 and $17.00 per month. The combined study will be released in the future.

ACHOA Board of Directors

From: Ron Duncan [mailto:ron_duncan2001@yahoo.com]
Sent: Sunday, January 18, 2015 2:01 PM
To: Jeanne Tarantino
Cc: Wayne Krachun; Forrest Patin; Rick Hsu; Don Smaltz; Patricia Raysik; Margaret McConnell; Mike Marty; John Lambert; Steve & Stephani Jones; Suuusieq
Subject: Additional Questions Regarding the Browning Golf Course Reserve Study

Jeanne,

1. With respect to Component Definition:

a. "Client input will further define this component."

b. "Client input regarding on-going maintenance, if not paid thru operating, will further define this component."

c. "Client provided information regarding cost and frequency of replacement will further define this component."

Comment: It is a concern that the Reserve Study has so many ill-defined components. Since yearly "Transfer to Reserves" numbers are incorporated in current and future Operating Budgets, ill-defined components could have a significant effect on the Reserve Study, future Operating Budgets and future Assessments.

Question: When will ALL of the components be completely Defined? and By Whom? Is this study really complete?

2. Client initiated cost reductions:

a. "2014 - Cost reduced 50%, $nn,nnn to $n,nnn, per client 11/28/14 email**.**

b. "2014- $nn,nnn anticipated parking lot repair in 2015 per client 11/17/2014 email."

c. "2014- Remove and replace in 2020 per client. Cost per unit decreased from $3.5 to 2.15."

Comment: Although client(ACHOA)-suggested changes to the Reserve Study are not that unusual, the following information needs to be disclosed:

Questions: Who initiated the changes and what is their relevant background with respect to Golf Course operations? What are Browning Reserve Company's opinion of the changes? Why weren't they included in the study?

3. Component Lifetime:

a. "It is possible that sub-components of this system can be replaced or rebuilt to extend its life."

Questions: Possible? What does "possible" mean in this context? What effect does Possible have on the component lifetime?

4. Operation Budget:

a. "This is for miscellaneous xxxxx. As xxxxx is typically replaced as needed, most replacements will be from operating."

b. "Painting is completed through operating."

Comment: There are a number of components that will be maintained through current and future Operating Budget. This will increase the future Operating Budgets by unknown amounts.

Questions: What are these additional Operating Budget items? The impact of the acquisition on the future Operating Budgets should be disclosed (or at least estimated).

5. Inflation and Interest:

a. Inflation cost = 2.5%; Interest cost = ???

Comment: Based upon available projections, 2.5% for 2015 appears reasonable. However, when applied over the long term this is not a rational assumption. Something on the order of 3 to 5% would appear to be a more rational figure. Inflation and Interest values can have a significant impact of the reserve numbers. There isn't any mention of the Interest %. Since Interest % has an impact on the FFB, it should be disclosed.

Question: What interest rate did ACHOA specify for the study? Was it agreed to by Browning Reserve Group?

Question: Is this study considered to be a 'Best Case Analysis?' If so, What does the most likely case look like in comparison?

January 27, 2015

Sent via U.S. Mail and e-mail

Nancy L. Alvarez
Rick R. Hsu
573 Echo Ridge Ct.
Reno, NY 89511

Re: Response to January 14, 2015 Letter Alleging Violations of Voting Procedures for Golf Course Vote

Dear Homeowners:

Please be advised that we represent ArrowCreek Homeowners Association ("ACHOA"). This letter shall serve as a formal response to your letter of January 14, 2015, which was received by the Association on January 20, 2015.

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

You have first characterized the voting procedure as requiring a majority to defeat the golf course proposal. It is our belief that you have misunderstood the requirements. We submit that 50% plus one votes are needed to amend the CC&Rs. We further submit that the Bylaws require a majority of votes to be amended. NRS 116.3112(1) provides that at least a majority of Members must vote in favor to encumber common areas. There is nothing that would suggest that a majority of votes is necessary to **defeat** any proposal. Accordingly, we believe that you have misinterpreted the statement that 50% plus one votes are needed to move forward with the golf course proposal. There is certainly no requirement that any number of votes are required to defeat the proposal.

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

You have next made an assertion that the Association **must** count ballots if 20% of votes of cast. We disagree. Under this proposition, no common-interest community in the State of Nevada would ever be able to amend its declaration. The only time limits prescribed for obtaining a vote in a common-interest community are contained in NRS 116.31088(1) governing the ratification of a the filing of a civil action. NRS 116.2117 governs the amendment of declarations and does not prescribe any time limit for the same. Indeed, NRS 116.21175, which provides a procedure under which an association can seek confirmation from district court to amend a declaration if not enough votes are cast in favor of the amendment requires an association to specify both "the actions that have been taken to obtain the number of votes required to approve the amendment . . ." and "the amount of time that has been allowed for the units' owner to vote upon the

amendment." These very words intimate that an association may make numerous attempts and allow sufficient time to obtain the votes to amend a declaration. Although a quorum is at times required for certain actions to be taken, the plain language of NRS 116.3109 regarding quorums in no way requires that ballots must be counted simply because a quorum of votes have been cast or because of quorum of members attend a meeting. NRS 116.3109 Itself provides "[t]he provisions of this subsection **do not change** the actual number of votes that are required under the governing documents for taking action on any particular matter." *See also* enclosed Nevada Real Estate Division FAQ Response, at 2.

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

In your earlier statement, you acknowledge that a simple majority is required to amend the CC&Rs and the Bylaws as well as to encumber common areas. You then submit that two-thirds of all Member must vote in favor to approve any purchase. Your argument is belied by your own admission. That is, we again submit that 50% plus one votes are needed to amend the CC&Rs. We again submit that the Bylaws require a majority of votes to be amended. Finally, as iterated above, NRS 116.3112(1) provides that at least a majority of Members must vote in favor to encumber common areas. Accordingly, the plain language of statues and governing documents detail and define what is required under each for its own amendment. There is no overarching or general "two-thirds of votes" required because several amendments are being proposed and may be approved in counterparts. It is also not clear at this juncture whether the Articles of Incorporation will be amended and it is our understanding that the accountant for ACHOA will address this issue.

Thank you for your timely attention to this matter.

Sincerely,

MADDOX, SEGERBLOM, AND CANEPA, LLP

Eva G. Segerblom

Enc: as stated

cc: Board of Directors, ArrowCreek Homeowners Association (via e-mail)

PLEASE DO NOT RESPOND TO THIS E-MAIL ADDRESS. IF YOU WOULD LIKE TO BE REMOVED FROM THE LIST, PLEASE SEND AN E-MAIL TO OMBCLASSES@RED.STATE.NV.US OR CALL 702.486.5038.
PLEASE SHARE THIS E-MAIL WITH OTHERS IN YOUR COMMUNITY.
NOTHING IN THIS E-MAIL SHOULD BE CONSIDERED A LEGAL OPINION OR LEGAL ADVICE.

CICCH Program Q&A Forum

Cancelling a management contract/Voting procedures/Continuing violations

April 18, 2014

Q. Our management contract includes a charge for early termination. Is that allowed under NRS 116?

A. NAC 116A.325 describes the required contents of a management agreement. Subsection (5)(j) requires the grounds and procedures for termination be included in the agreement. It does not specifically mention early termination fees; however, such fees are common and may be a point for negotiation prior to signing the contract. Regardless of any provision in the contract, it may be terminated without penalty upon 30 days' notice if the manager violates NRS 116, 116A, or NAC 116 or 116A. Please see below.

NAC 116A.325 Management agreement; evidence of insurance. (NRS 116A.200, 116A.400)

1. A management agreement must:

(a) Be in writing and signed by all parties;

(b) Be entered into between the client and the community manager or the employer of the community manager if the community manager is acting on behalf of a corporation, partnership, limited partnership, limited-liability company or other entity;

(c) State the term of the management agreement;

(d) State the basic consideration for the services to be provided and the payment schedule;

(e) Include a complete schedule of all fees, costs, expenses and charges to be imposed by the community manager, whether direct or indirect, including, without limitation:

(1) The costs for any new association or start-up costs;

(2) The fees for special or nonroutine services such as the mailing of collection letters, the recording of liens and foreclosing of property;

(3) Reimbursable expenses;

(4) The fees for the sale or resale of a unit or for setting up the account of a new member; and

(5) The portion of fees that are to be retained by the client and the portion to be retained by the community manager;

(f) State the identity and the legal status of the contracting parties;

(g) State any limitations on the liability of each contracting party, including any provisions for indemnification of the community manager;

(h) Include a statement of the scope of work of the community manager;

(i) State the spending limits of the community manager;

(j) Include provisions relating to the grounds and procedure for termination of the community manager;

(k) Identify the types and amounts of insurance coverage to be carried by each contracting party, including:

(1) Whether the community manager will maintain errors and omissions or professional liability insurance;

(2) Which contracting party will maintain fidelity bond coverage;

(3) Whether the association will maintain directors and officers liability coverage for the executive board; and

(4) Whether either contracting party must be named as an additional insured under any required insurance;

(l) Include provisions for dispute resolution;

(m) Acknowledge that all records and books of the client are the property of the client, with the exception of any proprietary information and software belonging to the community manager;

(n) State the physical location, including the street address, of the records of the client, which must be within 60 miles from the physical location of the common-interest community;

(o) State the frequency and extent of regular inspections of the common-interest community; and

(p) State the extent, if any, of the authority of the community manager to sign checks on behalf of the client in an operating account.

2. A management agreement may:

(a) Provide for mandatory binding arbitration;

(b) Provide for indemnification of the community manager in accordance with and subject to the appropriate provisions of title 7 of NRS; and

(c) Allow the provisions of the management agreement to apply month to month following the end of the term of the management agreement but the management agreement may not contain an automatic renewal of the management agreement.

3. Not later than 10 days after the effective date of a management agreement, the community manager shall provide each member of the executive board evidence of the existence of the required insurance which must include:

(a) The names and addresses of all insurance companies;

(b) The total amount of coverage; and

(c) The amount of any deductible.

4. After signing a management agreement, the community manager shall provide a copy of the management agreement to each member of the executive board. Within 30 days after an election or appointment of a new member to the executive board, the community manager shall provide the new member with a copy of the management agreement.

5. Any changes to a management agreement must be initialed by the contracting parties. If there are any changes after the execution of a management agreement, those changes must be in writing and signed by the contracting parties.

6. Except as otherwise provided in a management agreement, upon the termination or assignment of a management agreement, the community manager shall, within 30 days after such termination or assignment, transfer possession of all books, records and other papers of the client to the succeeding community manager, or to the client if there is no succeeding community manager, regardless of any unpaid fees or charges to the community manager or management company.

7. Notwithstanding any provision in a management agreement to the contrary, a management agreement may be terminated by the client without penalty upon 30 days' notice following a violation by the community manager of any provision of this chapter or chapter 116 of NRS.

(Added to NAC by Comm'n for Common-Interest Communities by R129-04, eff. 4-14-2005)—(Substituted in revision for NAC 116.305)

Q. Our board recently proposed a change in the declaration. A ballot was sent to all homeowners, however, the response was disappointing to say the least. Can the board keep the voting open until they get an answer?

A. Yes. Under NRS 116.311(9), the board can continue to solicit ballots until they have an answer – yes or no – as long as they comply with the statute.

NRS 116.311 Voting by units' owners; use of absentee ballots and proxies; voting by lessees of leased units; association prohibited from voting as owner of unit; voting without a meeting.

...

9. Unless prohibited or limited by the declaration or bylaws, an association may conduct a vote without a meeting. Except as otherwise provided in NRS 116.31034 and116.31036, if an association conducts a vote without a meeting, the following requirements apply:

(a) The association shall notify the units'owners that the vote will be taken by ballot.

(b) The association shall deliver a paper or electronic ballot to every unit's owner entitled to vote on the matter.

(c) The ballot must set forth each proposed action and provide an opportunity to vote for or against the action.

(d) When the association delivers the ballots, it shall also:

(1) Indicate the number of responses needed to meet the quorum requirements;

(2) State the percentage of votes necessary to approve each matter other than election of directors;

(3) Specify the time and date by which a ballot must be delivered to the association to be counted, which time and date may not be fewer than 3 days after the date the association delivers the ballot; and

(4) Describe the time, date and manner by which units' owners wishing to deliver information to all units' owners regarding the subject of the vote may do so.

(e) Except as otherwise provided in the declaration or bylaws, a ballot is not revoked after delivery to the association by death or disability of or attempted revocation by the person who cast that vote.

(f) Approval by ballot pursuant to this subsection is valid only if the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action.

Q. After I moved into my new home, the HOA sent me a bill for a continuing violation charged to the previous owner. Am I required to pay those charges?

A. No. Any and all outstanding charges must be detailed in the demand statement provided by the HOA in accordance with NRS 116.4109, subsection 7, copied below. Any charges not included in the statement cannot later be charged to the new owner. If the violation has not been cured, the association should start the process over from the beginning. See NRS 116.31031 for a description of the procedures the association must follow.

NRS 116.4109 Resales of units.

...

7. A unit's owner, the authorized agent of the unit's owner or the holder of a security interest on the unit may request a statement of demand from the association. Not later than 10 days after receipt of a written request from the unit's owner, the authorized agent of the unit's owner or the holder of a security interest on the unit for a statement of demand, the association shall furnish a statement of demand to the person who requested the statement. The association may charge a fee of not more than $150 to prepare and furnish a statement of demand pursuant to this subsection and an additional fee of not more than $100 to furnish a statement of demand within 3 days after receipt of a written request for a statement of demand. The statement of demand:

(a) Must set forth the amount of the monthly assessment for common expenses and any unpaid obligation of any kind, including, without limitation, management fees, transfer fees, fines, penalties, interest, collection costs, foreclosure fees and attorney's fees currently due from the selling unit's owner; and

(b) Remains effective for the period specified in the statement of demand, which must not be less than 15 business days after the date of delivery by the association to the unit's owner, the authorized agent of the unit's owner or the holder of a security interest on the unit, whichever is applicable.

8. If the association becomes aware of an error in a statement of demand furnished pursuant to subsection 7 during the period in which the statement of demand is effective but before the consummation of a resale for which a resale package was furnished pursuant to subsection 1, the association must deliver a replacement statement of demand to the person who requested the statement of demand. Unless the person who requested the statement of demand receives a replacement statement of demand, the person may rely upon the accuracy of the information set forth in the statement of demand provided by the association for the resale. Payment of the amount set forth in the statement of demand constitutes full payment of the amount due from the selling unit's owner.

(Added to NRS by 1991, 575; A 1993, 2376; 1997, 3124; 2001, 2494; 2003, 2247; 2005, 2614; 2009, 1102, 1617, 2810, 2819; 2011, 2047, 2455, 3542; 2013, 3792)

ACHOA MEMBER LETTER: From Mr. Brady 1/13/15; Response from HOA 1/20/15

Dear Mr. Brady:

The ACHOA Board thanks you for your question. The ACHOA Board and the ArrowCreek Community Club Committee (ACCC) are conducting their due diligence and vetting of the potential acquisition of "The Club At ArrowCreek". The ACHOA Board and ACCC are examining numerous options to fund the acquisition as part of the business deal that the ACHOA members will be able to vote upon in the future. Your 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 $1,600,000 to $2,000,000, that would require a one-time assessment per lot owner of $1,473.30 to $1,841.62. [1,086 ACHOA lot owners] However, there is still the need to fund the past due water bill of almost $900,000 and that would increase the special assessment by $828.73. With these types of numbers, there may be a need for some type of a payment plan and a need for short term capital to make such a purchase.

In addition, the ACHOA Board believes that it is unfair that current ACHOA members pay 100% when future ACHOA members will receive the benefit without participating in the funding. The ACHOA Board is more inclined to spread the payments over time so that all current and future ACHOA members pay the loan costs out of the ACHOA operating monthly assessments.

An estimated loan amount of $2.5 million 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 with banks preferring 15 years
- Interest Rate 5% to 6%
- Adjustment periods if any
- Loan fees

The best deal for the ACHOA members will be negotiated by the ACHOA Board and the ACCC concerning the acquisition if approved by the ACHOA members ballot initiative.

The ACHOA Board and ACCC agree if the ACHOA members agree that the ACHOA acquire the 544.6 acres of land with improvements and to operate "The Club At ArrowCreek" that the ACHOA lease the golf property and the residents center to the Joint Venture that would operate both properties. The terms of the lease have not been negotiated at this time but your thought of a "Triple Net Lease" have been discussed. This sounds like a very solid business decision to protect the assets of the ACHOA if the members approve the purchase and operation of the golf course.

If you have any further questions, please let the ACHOA Board know and we will be glad to respond as quickly as possible. As more information develops during the due diligence process, it will be forwarded for your review.

ACHOA Board of Directors.

From: Brady
Sent: Tuesday, January 13, 2015 6:05 PM
To: AMI acservice
Subject: Re: ArrowCreek HOA FAQs about the HOA Purchase of the Club at ArrowCreek

What is the format for asking a question?

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?

ACHOA MEMBER LETTER: From Norm Ziomek 1/14/15 & Response from HOA 1/20/15

The ACHOA Board of Directors appreciates the time and thoughtfulness of your questions. We are anxious to answer all of your questions. Indeed, we are asking ourselves many of the same questions you pose. However, some of your questions cannot be completely answered at this time because the ACHOA Board and ArrowCreek Community Club Committee (ACCC) have not completed their negotiations and due diligence. The ACHOA Board and ACCC want to provide to all ACHOA members complete information for the ballot proposition concerning the proposed acquisition and operation of "The Club At ArrowCreek".

1. **Why does the Board believe 2 golf courses can be profitable at ArrowCreek? Why was closing one course not an option?**

   The ACHOA Board and ACCC as part of their fiduciary due diligence are examining the optimum operational size for the golf courses. The cost to operate 18 Hole, 27 Hole and 36 Hole Community Club course are being examined at this time. Numerous Pro Forma Budgets are being developed for each of these scenarios. Included in this analysis is the potential impact of certain golf course areas being returned to native areas (brown or green) and/or allowed to be dormant for subsequent refurbishing and use. Included in that analysis is the impact to home values created by such closures or dormancy. Please note that the most expensive proposition is the 36 Hole scenario but anything less may create a larger potential liability for the community since several ACHOA members lots may no longer have a view of the golf course and their home value may be impacted. These ACHOA members will want a strong say in what goes dormant or brown and if not allowed to participate in that decision, lawsuits could occur.

   Remember that all ACHOA members purchased homes in a golf community and they expect to sell their homes in the future with the golf course still in existence. That is a dilemma the community must face. Does the ACHOA community want to control the destiny and decisions concerning the use of the 544.6 acres or does the ACHOA community want others to control the community's destiny.

2. **What research was done to show 2 courses will be profitable?**

   Research is ongoing at this time. Actual costs for running Community Club operations are being developed from other operating 18 Hole, 27 Hole and 36 Hole Golf courses in the United States. This information is coming from Arnold Palmer Golf Management and other Golf service providers that manage golf courses. The key driving elements for profitability of any golf course operation have been the Member Dues (Golf and Social), the non-membership play, cart fees, driving range, merchandise sales, and banquets. That is being analyzed at this time.

   The ACHOA Board has also been contacting other Arnold Palmer run Community Clubs to complete its due diligence. The ACHOA Board has contacted the President at Skyline Country Club in Tucson, Arizona and Prescott Lakes in Prescott, Arizona to determine current community results. Both organizations have provided positive feedback about the relationship with Arnold Palmer Golf and discussed their profitability status. Further due diligence will be conducted.

3. **Assuming 2 courses are purchased, what will be the liability and cost to homeowners, if 3 to 5 years from now, one of the courses has to be closed?**

   This is a very good question. The ACHOA Board and ACCC are examining the multiple scenarios that could occur over a five year period of time. The ACHOA Board and ACCC believe that a five year window of time should provide an excellent window to determine profitability of such an operation.

The closing or dormancy of one golf course will still carry with it operating expenses. The sprinklers system maintenance, cart path maintenance, weed and grass control, water costs, employment costs, and Reserve Fund assessments must be evaluated and those related costs assessed in the ACHOA Member Monthly Assessments. This is just not a simple closure process.

The ACHOA members along the course that is closed or dormant may have significant issues concerning the impact on their home values. A very precise voting and approval process will need to be established within the operating agreements and governing documents of the ACHOA to address this issue of dormancy and closure.

The ACHOA Board and ACCC are developing contingency plans to deal with the varying operating profit and loss scenarios facing the Community Club operation. These contingency plans will be presented to the community before any ballot initiative will occur.

4. **Prior owners never made a profit with 2 courses in 15 years. Golf is a declining activity. More golf courses are closing than opening in the US. Younger generations do not have time for or interest in golf because it takes too much time away from their lifestyles.**

The ACHOA and ACCC are very familiar with your statements and similar statements concerning a golf course operation. The ACHOA and ACCC however, are examining the possibility of creating a Community Club that operates and provides multiple experiences within the community. If other, less financed golf courses in the Reno area should close, as you r comment about decline in U.S. golf activities implies, that would make the surviving “Club At ArrowCreek” a more attractive golf property and ACHOA members home values would increase.

The ACHOA Board and ACCC are examining other communities that have made the conversion to a Community Club operations that included golf as one of the activities. The collection of this information has not been completed and will be an important element of the due diligence reports provided to the ACHOA members for their consideration.

The ACHOA members will need to decide who should control the destiny of the 544.6 acres in the middle of the ACHOA community. Do the ACHOA members want to make the decisions on how to operate and control the use of the land or do we want to let other entities to control the community’s destiny. That will be an individual decision for each ACHOA lot owner.

5. **The golf courses purchase effort by FOA and ACHOA has focused on a narrow, very limited solution considering only the present dilemma. It seems to be an effort to draw in all AC homeowners now to spread the liability for potential problems later.**

The ACHOA and ACCC appreciate your comments concerning a broader vision of the impact of 544.6 acres sitting in the middle of the ACHOA community. The ACHOA Board and ACCC are examining numerous expansions of services and associated costs if the Residents Center becomes a component of the Community Club Concept. The ACHOA and ACCC are examining the best methods of providing access to the 544.6 acres with recreational trails, snow shoe areas, cross country ski areas, sled areas, picnic areas, food service at residents center, potential cover for swimming pool area, etc. The ACHOA and ACCC hope that the independent survey that will be soon conducted within the community will shed further light on the broader approach for a Community Club.

The effort is not to spread the debts and operating losses of the Golf Course operation among the ACHOA members. The effort by the ACHOA Board and the ACCC is to determine the viability of enhancing the ACHOA Community Experience while maintaining or improving homeowner values. In addition, the ACHOA Board and ACCC believes it is better that current and future ACHOA members pay for the acquisition over time through a loan in lieu of a one-time special assessment paid by current ACHOA members.

6. **Longer term risks and possible costs of ownership should be considered and explained fully to the homeowners. Play the "What if" game; what if 2 courses are not profitable?**

The ACHOA and ACCC agree 100% with your comments. This group of volunteers is examining many possibilities and probabilities of the business risk associated with owning and operating "The Club At ArrowCreek." The ACHOA Board and ACCC knows that all of that information will need to be provided to the ACHOA members prior to receiving their ballot on this important vision of the ACHOA.
Many ACHOA members agree that if two courses are not profitable, it is better for the ACHOA to own the 544.6 acres and control its destiny. At that time, the ACHOA members can determine what should be done with the un-profitable courses which reverts back to the brown and green options previously discussed by the ACCC.

7. **What if a fire sweeps over facilities? What if an earthquake causes substantial damage to a course?**

The ACHOA Board and ACCC do not disagree that catastrophic perils can impact "The Club At ArrowCreek." The catastrophic perils above will be transferred to an insurance company through the purchase of golf course insurance procured by the operating entity. The insurance will be an operating expense of the operating entity and it will be primary and seek no contribution from the ACHOA insurance program. The ACHOA insurance would only be excess coverage at best.

The fuels mitigation program planned for ACHOA common areas will extend to the golf courses as well to limit the threat of wildfire sweeping though ACHOA. The ongoing maintenance of the fuels mitigation will be an ongoing expense of the operating entity.

8. **What if water costs skyrocket?**

The ACHOA Board of Directors and ACCC understand your concern over water usage. However, please remember that the ACHOA common landscape areas and "The Club At ArrowCreek" golf course areas are connected to a separate watering system. They are connected to grey water pumped up from the Washoe County Waste Treatment facility. There is an entirely different billing system and water system then the water that ACHOA members have connected to their homes.

The ACHOA Board and ACCC have plans to re-negotiate the water billing system with the county since the ACHOA and golf club are approximately 80% of the billing for this water. This negotiation will include long term grey water access contracts if possible.

9. **What if Arnold Palmer Golf (APG) bails out or demands renegotiation?**

The ACHOA Board and ACCC recognize this possibility and are addressing these issues in current negotiations. The terms and conditions of the operating agreement and joint venture agreement have not be finalized but termination and renegotiation clauses will be included in these documents like any business deal would include.

However, APG is willing to sign long term contracts with the operating entity and with the ACHOA in the joint venture arrangement. Currently 20 to 30 years are being discussed as the term or the relationship.

10. **Best solution today while avoiding risk to the homeowners is to let FOA own and operate 2 courses for 3 to 5 years and see how things play out. If all goes as FOA says, everyone will be happy. If not, in 3 to 5 years, AC homeowners will have a great deal more information on which to base actions.**

The ACHOA Board and the ACCC appreciate and understand your recommendation. The ACHOA Board under its fiduciary duty cannot do nothing as you suggest, The ACHOA Board and ACCC are obligated to conduct a full due diligence analysis and vetting of the business deal and present the results to the ACHOA members for their determination. Failing in this fiduciary duty can create significant liability for the ACHOA Board and the ACHOA Community.

The ACHOA Board and the ACCC has a duty to act and provide information to the ACHOA members on matters that impact the home values in the community and operational costs that impact monthly assessments. The ACHOA members purchased their homes in a gated golf course community with an expectation that their home values would remain stable or increase over time. The ACHOA members also expect that when they sell their homes a gated golf course community will still exist and it will improve their selling price.

It is not riskless to wait 3 to 5 years and see how “things play out”, as your question implies. However, additional considerations must be presented to the ACHOA members if the community choses to not purchase the 544.6 acres. (1) Years from now, the cost of purchasing a thriving “Club at ArrowCreek” could be much higher. (2) The cost of financing future golf course purchase may be higher than today’s low loan rates. (3) If “The Club At ArrowCreek” failed to thrive, a land speculator might buy the golf course form the FOA investors in the expectation that the developer would be allowed to build hundreds of additional homes in and around our existing homes.

Lastly, the ACHOA Board and ACCC, from preliminary due diligence investigations, believe that the ACHOA community is better served to own the 544.6 acres within the center of the community. The ACHOA Board and ACCC believe that the acquisition and operation are the best option to examine at this time in lieu of waiting for a potential repeat of the 2014 Aspen Sierra bankruptcy.

From: Norm Ziomek ; **Sent:** Wednesday, January 14, 2015 9:23 AM
To: AMI acservice; **Cc:** Janice Ziomek
Subject: Re: ArrowCreek HOA FAQs about the HOA Purchase of the Club at ArrowCreek

ACHOA board:

I have questions and cons to be added to the FAQs.

Why does the Board believe 2 golf courses can be profitable at ArrowCreek? What research was done to show 2 courses will be profitable? Why was closing one course not an option? Assuming 2 courses are purchased, what will be the liability and cost to homeowners, if 3 to 5 years from now, one of the courses has to be closed? Prior owners never made a profit with 2 courses in 15 years. Golf is a declining activity. More golf courses are closing than opening in the US. Younger generations do not have time for or interest in golf because it takes too much time away from their lifestyles.

The golf courses purchase effort by FOA and ACHOA has focused on a narrow, very limited solution considering only the present dilemma. It seems to be an effort to draw in all AC homeowners now to spread the liability for potential problems later.

Longer term risks and possible costs of ownership should be considered and explained fully to the homeowners. Play the "What if" game; what if 2 courses are not profitable? What if a fire sweeps over facilities? What if an earthquake causes substantial damage to a course? What if water costs skyrocket? What if Arnold Palmer bails out or demands renegotiation?

Best solution today while avoiding risk to the homeowners is to let FOA own and operate 2 courses for 3 to 5 years and see how things play out. If all goes as FOA says, everyone will be happy. If not, in 3 to 5 years, AC homeowners will have a great deal more information on which to base actions.

Norm Ziomek - 531 Echo Ridge

ACHOA MEMBER LETTER: From Ron Duncan 1/10/15; Response from HOA 1/13/15

Dear Mr. Duncan:

Thank you for your questions sent in your email dated January 10, 2014. The Board appreciates your time in formulating your questions and we will respond to each question asked.

1. The ACHOA Bylaws state that "All assessments shall be collected by the Association. Association funds shall be paid out or distributed as authorized or directed by the Board." The NRS requires that all common expenses (operating budget), including the reserves, must be assessed. [NRS 116.3115] The ACHOA Board must adopt budgets for revenue and expenditures and reserves and collect assessments for common expenses. The ACHOA Board can make contract and incur liabilities on behalf of the ACHOA as outlined in NRS 116.3102. The 2014 Budget and 2015 Budget were approved by the ACHOA Board members and ratified by the ACHOA members. The ACHOA Budget allows the Board at their discretion to incur expenses or liabilities that fulfill their fiduciary responsibility to the ACHOA membership. AS such. All approved expenditures by the ACHOA Board are within the approved framework of the ACHOA 2015 Budget. Please review at the ACHOA website.

2. 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."

3. The demographic or census survey is a direct result of the Candidate Night meeting that you (Mr. Duncan) participated in concerning the ACHOA Board's failure to understand the ACHOA community needs and wants. This demographic or census survey is designed to develop the common interests within the community, interests in specific amenities and programming, changes to communication systems, capture demographics on the community that have never been accomplished in the past, 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.

4. 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 ArrowCreeek411 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. There are no nefarious hidden agendas for the Communications Committee.

We look forward to receiving your future questions and we thank you for your concerns.
ACHOA Board of Directors.

From: Ron Duncan; **Sent:** Saturday, January 10, 2015 8:03 PM
Subject: ACHOA Expenditures for Justifying the Joint Venture Decision?

Questions from the Concerned Neighbors of ArrowCreek (CNA);

1.) 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.

2.) 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?

Looking forward to your responses, either e-mail or posting to ArrowCreek411.wordpress.com.

Ron Duncan for CAN

ACHOA MEMBER LETTER FROM: Malcom & Elizabeth Heaven, December 31, 2014

To the Pros and the Cons of the HOA potential purchase of The Club at ArrowCreek and the HOA,

I love ArrowCreek and I will probably vote yes on the proposition, at least that's my thought right now. My problem is that I hate to see all the animosity and anger that is beginning to brew in ArrowCreek. It is getting worse instead of better. I think ArrowCreek has the potential to be **the** prime residential area in Reno. The people here are awesome. I love the folks I meet at the gym, walking the circle and surrounding streets, the golf club, all the social activities that I am involved in, etc.

Charlie (former owner of ArrowCreek) has run the golf club into the ground over the past 7 years. He went into bankruptcy in Jan. 2014 and several (apparently 36) friends and neighbors formed the Friends of ArrowCreek (FOA) by investing money. I know several of these folks, some have a lot of money and some do not. I do not have a list of these folks nor do I want one. I feel that it is none of my business where people invest their money as long as it's legal. I don't want people to know where I invest my money either (I am not an FOA investor). Some of the FOA have talked about the concern of how hostile the negative folks are and don't want to be known for fear of retaliation. Several months ago the FOA proposed that the HOA buy the course, but the HOA does not move that fast and that is part of the reason that the FOA was formed and fought Charlie in court to win the club. A very comprehensive study was done earlier this year and I saw the presentation at an HOA meeting, it showed that the country club was important to our neighborhood, whoever owned it was irrelevant. The FOA never intended to run a golf club on a long term basis. This was a stop-gap or bridge loan to help save the club and preserve the value of our neighborhood until the HOA could/would purchase it (that was their hope). They have partnered with Arnold Palmer Golf Management to run the club. This would be a joint venture with the HOA. The Arnold Palmer group has been successful with similar ventures and the potential for profit is probable.

During the past few years as the club became less and less desirable, people left. They canceled their memberships, events had fewer attendees, and the place was beginning to get run down. I remember a realtor telling me that she didn't want to show ArrowCreek properties to new clients because of the state of the club and the unknown as to whether or not it would stick around. Mind you I am sure they never turned anyone away that wanted to see ArrowCreek. ArrowCreek is marketed as a gated golf course community and should remain as such.

Both sides are using scare tactics and getting way too emotional. I understand being passionate about a subject but can't we all be adults and respect each other's opinions? Opinions are meant to be shared but not necessarily accepted. You will never get all the people on one side, it just isn't possible. But what is really right for ArrowCreek? We don't really know. We can only research, gather facts and make that decision on our own, not because someone brow beat us. Let's share the same **FACTS**. Not myths. Not numbers that have been skewed by statistics, you can make a number anything you want it to be if you use the right formula. There is no house in Reno that has gone up 43% (per info from meeting at the residents club and on the website arrowcreek411.wordpress.com). I know there was an asterisk next to the 43% but no one looks at that. There was also talk about your home would become collateral if the HOA bought the course, well, you home already is collateral if you belong to the HOA, nothing changes there. Let's not try to fool each other. Let's come together and let the people of ArrowCreek decide what is best. Again, based on facts. The people here in ArrowCreek want their voices heard but they also want us to do this as adults as opposed to bickering politicians that slant everything to one side. I have heard from several on both sides of the fence about how ugly this fight is getting

and it is pulling ArrowCreek apart. That is not what we want. Whatever vote prevails should not drive us to be divided as residents.

There was talk at one meeting about the Kool-Aid, don't drink the Kool-Aid. I have a better idea; let's not make the Kool-Aid to begin with!

Is there room for negotiation? Yes. The increase of dues by $99 is big. We have a lot of young families and $99 can really impact their budget. What are they getting for the increase? Since the club has been turned over to the FOA there seems to be a renewed excitement. Old members that left under Charlie's regime have come back. Events are better attended, often to capacity. Maybe that increased dues number can be lowered to something more tolerable. Maybe offer more amenities to the residents for their increase. Maybe they get some limited golf rounds or reduced cost of play on both the Legend and the Challenge. Maybe if this club is successful enough we can get our HOA dues reduced. I don't know the answer but let's work together on it.

Could ArrowCreek really turn brown? Maybe. Charlie had the course on the market for 3-1/2 years and didn't get any bites. The FOA and many residents are concerned that if the club does not become profitable soon then it may turn brown. Many of the investors are not prepared to put up any more money. If the FOA winds up bankrupt and had to walk away, then yes, the course will probably go brown. Will all of us do what we can to prevent that, I hope so. But it is a possibility and should not be presented as a threat or a myth, just a fact. The FOA are not interested in running the club without the HOA buy in. Without Arnold Palmer, the FOA is not experienced at running a club and if they are unable to sell in a reasonable amount of time, then it would be bad news for the courses. There are a lot of possibilities.

What happens to the club house? Will it sit empty? Broken windows, graffiti? Kids hanging out, drugs, drinking? Possible. Not a threat or a myth, but possible. We are a gated community but we are not as secure as some might think. You can drive in the back road, although you are not supposed to. We have approximately 20% renters in ArrowCreek. Many are here because they want to be in the school system. That means kids and kids with friends. Are most of them responsible, yes, I like to believe that. All of them? Probably not. That could mean anything, but no guarantees. We have had problems with graffiti and vandalism in the past. There have been break ins. Our community is not immune to the problems in society. The good news is we are out of the way so it helps to secure us just by location. If we are united we can minimize the troubles, but divided makes the risk that much higher. Keep on mind, in this scenario the HOA won't own this property so it will not be patrolled or secured by our security.

ArrowCreek is the best place to live. Let's not turn this into a civil war. This really is small stuff in the grand scheme of life, so let's not sweat it. Let's come together as the great community that we are and share our thoughts, concerns and facts. Let us all make the right decision for ourselves and for ArrowCreek based on the same facts not myths and scare tactics. Why do we have two camps? Why are we so divided? We should be one regardless of how we feel or wish to vote. There should be one shared web site. There should be unbiased meetings. How about a mediator? Unbiased mediator to run all organized meetings? Just my thoughts and concerns, but I don't believe I am alone in these views.

Thank you,
Malcom & Elizabeth Heaven, December 31, 2014

ACHOA MEMBER LETTER: From Alex Doubinin 12/27/14; Response from HOA 1/5/15

January 5, 2015

To: Mr. Alex Doubin
3498 Painted Vista Dr.
Reno NV 89511

Subject: Requested Response to Comments and Questions

The ArrowCreek Communications Committee has been tasked to respond to your questions and comments in the letter forwarded to the ACHOA Board of Directors on December 27, 2014. Your letter forwarded in an email follows the responses provided. The responses provided are from both the ACHOA Board of Directors and the ArrowCreek Community Club Committee (ACCC).

Each member of the ACHOA Board and the ACCC received copies of your letter.

The ACHOA Board appreciates the time you committed to developing and communicating your concerns about the potential Ballot concerning the acquisition and potential operation of "The Club At ArrowCreek." As we all know, the potential acquisition and operation cannot occur unless the ACHOA members vote for the proposition.

1. "100% of all eligible voters to approve or not approve the purchase of the Golf Course, to avoid the risk of multiple lawsuits. If the HOA is sued, each homeowner is being sued."

The ACHOA Board are fiduciaries and shall act on an informed basis, in good faith and in the honest belief that their actions are in the best interest of the association, The ACHOA Board members are required to exercise the ordinary and reasonable care of directors of a corporation subject to the business judgment rule. [Nevada Revised Statute 116.3103] Taking the legal advice of "fifty percent (50%) plus one (1) of the Owners" from Board legal counsel does avoid liability for the ACHOA Board.

In addition, the ACHOA Board of Directors are required to purchase Insurance Policies as per NRS 116.3113 to 116.31138. Such policies have been annually purchased and the cost of defense and any legal obligated to pay judgments are paid by the insurance policies. The ACHOA members are insureds under these policies. Therefore, all ACHOA member Homeowner policies with their HOA assessment coverage are excess above the insurance policies procured by the ACHOA.

If an ACHOA member(s) pursue a lawsuit against the ACHOA, the ACHOA Board and the ACHOA members for voting for or against the Ballot proposition, such lawsuit will be basically suing ourselves. The purchased ACHOA insurance policies will respond and provide the necessary defense for the ACHOA, the ACHOA Board and any named ACHOA members in the law suit. However, as long as all NRS policies and procedures are followed by the ACHOA Board in providing oversight to the Ballot process, the probability of a law suit is reduced.

2. You cannot force any single resident of ArrowCreek to own or engage in a Joint Venture without his/her consent (vote).

The ACHOA Board and ACCC agrees that no resident can be forced to acquire or own “The Club At ArrowCreek” or engage in the operation of “the Club At ArrowCreek” without a proper secret Ballot of the ACHOA membership. This is a requirement of the NRS and the ACHOA Board will follow the statues and regulations that apply to Ballot questions proposed to the ACHOA membership.

3. The Ballot should state specific or disclose certain informational items. Without such a disclaimer any voting should be forbidden as six month later there is going to be chaos: people will stop paying HOA fees (most likely the ones who vote “NO”) and challenge everything in court over and over again.

The ACHOA Board and the ACCC agrees that all Ballot information provided with the Ballot should provide full disclosure of positive and negative information concerning the acquisition and operation of “The Club At ArrowCreek”. Legal counsel advice will be provided to determine all appropriate disclosures for a proper secret ballot. The ACHOA Board and ACCC believe that several of your statements may be included in the disclosure. It is too early to determine which if any of the statements will be included.

The Joint Venture, not the ACHOA, will be responsible for all debts, expenses, and liabilities created by the operation of “The Club At ArrowCreek”. The Joint Venture will procure separate and proper insurance policies with the ACHOA as an additional insured on the Joint Venture’s policies to avoid any liability transferring to the ACHOA and its members. The Joint Venture will provide a five year pro forma for all ACHOA members to review and future annual budgets will be subject to approval by the ACHOA Board of Directors. This will be the basis for evaluating ACHOA monthly assessments in a transparent open process currently followed by the ACHOA Board of Directors. It is planned that the negotiated Joint Venture operating agreement will address any and all operating losses and any caps on capital calls. This is still pending in the negotiations.

The social and recreational aspects of the Joint Venture are still being negotiated. Access to those negotiated services will be provide to the ACHOA members and may include certain golf privileges. This is still pending.

The Board has a collection policy in place that dictates a fair and equitable procedure to be followed for the collection of delinquent monthly assessments. The collection policy is on the ACHOA website for your review.

As for potential challenges in court concerning an affirmative or negative vote of the membership, at best this is speculative since all disclosures will be transparent and any information requested by the ACHOA members will be provided. The ACHOA Board of Directors have procured the necessary insurance coverages to provide defense for such actions. These are normal business expenses anticipated within the ACHOA budget process. Please see the 2015 approved budget on the ACHOA website.

4. I will not be surprised if members of the HOA Board of Directors get sued for bringing this disaster to a very nice community. Each lawsuit against the board is a lawsuit for which all homeowners as members are liable. When the assets of the HOA are exceeded by such litigation, the members have to make up the difference.

The ACHOA Board of Directors are required to purchase Insurance Policies as per NRS 116.3113 to 116.31138. Such policies have been annually purchased and the cost of defense and any legal obligated

to pay judgments are paid by the insurance policies. The ACHOA members are insureds under these policies.

If judgments exceed the procured limits of coverage, the NRS requires that the ACHOA Board of Directors assess the membership for the shortfall. At this point in time, all ACHOA member Homeowner policies with their HOA assessment coverage will be triggered and the ACHOA member will be reimbursed to the limits of insurance purchased in their homeowner's policy. Many ACHOA members are procuring $25,000 to $50,000 limits to cover this contingency for both catastrophic property and casualty losses in their home owner's insurance policy.

5. **There is a very good (important) reason why a HOA is a non-profit organization and we want to keep this way.**

The ACHOA Board of Directors understand your commitment to keeping the ACHOA as a not-for-profit entity. Unfortunately, if the ACHOA members vote for the acquisition and operation of "the Club At ArrowCreek", the Board of Directors and ACCC have been told by tax experts and legal counsel that the ACHOA will need to become a "For-Profit" entity as allowed under the NRS. This will be a consideration in the vote by the membership.

ACHOA Board of Directors

To: Board of Directors, ArrowCreek HOA
Re: Purchasing Golf Course

Date: 12-27-2014

Dear Sam Fox,
Please make sure that each Board Member get copy of this email.
Also I would like to request an official response which acknowledge receipt of this email and signed by the Board.

Here is my opinion on the subject:

50%+1 or even a Super Majority vote is not satisfactory for this fundamental change of our home owners' association – in my opinion this requires 100% of all eligible voters to approve or not approve the purchase of the Golf Course.

The reason is very simple: to avoid the risk of multiple lawsuits. If the HOA is sued, each homeowner is being sued.

You cannot force any single resident of ArrowCreek to own or engage in a Joint Venture without his/her consent (vote).

Also:

<u>The voting ballot should state the following</u>:

- I understand that HOA proposes the purchase of a “bottomless money pit”: the Golf Course
- **I understand that my fee can be increased by the HOA Board without any vote by the home owners to cover the costs of the Golf Course**
- I understand that I, as part owner, will be responsible for any and all costs necessary to maintain the Golf Course and the Club House
- I understand that, as part owner, I will be liable for any debt accrued by Golf Course
- I understand that the increase of the HOA fee does allow me to eat at the Club House and participate in social events, but does not include the right to play golf
- I understand that Golf Course Joint Venture most likely will be losing money because the Golf Course has never been profitable
- I understand that any lawsuit against the Golf Course and the HOA will directly affect my lifestyle, because all legal fees will be paid by all ArrowCreek residents in some way
- I understand that I, as part owner, will be paying salaries for all people working at Golf Course and I will be liable for any workers’ comp suits and disputes
- I understand that I , as part owner, will be liable for any injury of any person on the Golf Course property, for any theft or damage of property on the Golf Course property
- I understand that high, uncapped HOA dues may make it difficult to sell my house.

Without such a disclaimer any voting should be forbidden as six month later there is going to be chaos: people will stop paying HOA fees (most likely the ones who vote “NO”) and challenge everything in court over and over again. I will not be surprised if members of the HOA Board of Directors get sued for bringing this disaster to a very nice community. Each lawsuit against the board is a lawsuit for which all homeowners as members are liable. When the assets of the HOA are exceeded by such litigation, the members have to make up the difference.

<u>There is a very good (important) reason why a HOA is a non-profit organization and we want to keep this way.</u>

Best regards,
Alex Doubinin
3498 Painted Vista Dr.
Reno NV 89511