

27 February 2015

Subject: Concerned Neighbors of ArrowCreek Rebuttal to FAQ Released on 26 February 2015

ACHOA Board responses to the FAQ are riddled with a slanted perspective to 'buy The Club' and contain factual misstatements and errors of logic on the part of the ACHOA Board and Communications Committee. The following rebuttal is intended to rectify these errors.

Question 1.) **Will the portion of the HOA monthly fee for the golf club be capped? If not why not?** **RESPONSE:** During the opening remarks of the ACHOA Board meeting of 24 February, Sam Fox said that there is currently **NO plan** to acquire the golf courses or club house. He further stated that there currently is **no plan** for a Joint Venture. So, if this statement is true, there cannot be a discussion of 'capped Fees' with anyone other than ourselves. No community input has been solicited.

Question 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?** **RESPONSE: Please see #1 above.**

Question 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?** **RESPONSE:** Concerned Neighbors of ArrowCreek do not have an issue with this response.

Question 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?** **RESPONSE:** The 'out-of-board' process identified in the ACHOA By-laws means that the Board can increase fees at any point between scheduled meetings with a ratification at the next scheduled meeting. There presently does not exist a process or procedure to have the ACHOA Board request an increase from owners. If the purchase is approved, the Board has the discretionary power to increase fees and special assessments as needed. This is the premise under which a financial institution will provide a loan.

Question 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. RESPONSE:** Apparently Mr. Kenney, Chairperson of the ACCC, was not consulted about this response. At the Board meeting of 24 February, he stated, that the ACCC is looking into the option of just purchasing the land: Jeff Anderson, operations manager, is investigating what the financial impact would be of the "brown" and "green" options. Other options being explored are operating a 18/27/or 36 hole golf club.

Question 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. RESPONSE:** The PRIMARY mission of the ACHOA Board is to maintain and improve property values. As a result, the Board was unaware of the research indicating that a golf course has a negligible impact on view lot property values. As a consequence, the study will assist the Board in fulfilling its primary mission.

Question 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? RESPONSE:** This question is not about what 'activities' are of interest to the community, it's about who resides in the community. The study should focus on census like data and communications media preferences, not whether we want to learn golf, or archery. Spending money wisely and understanding what the ArrowCreek Community consists of would definitely assist in prioritizing spending priorities for the future.

Question 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? RESPONSE: Although the ACHOA Boards logic certainly is presented, it is false. The ' Reserve

Study' identifies the need/requirement in year 1 (2015) to build a reserve fund from zero dollars for the purpose of maintaining the club/golf courses. This would drive an additional \$24.00 per month dues increase for the reserve fund only.

Statements by the ACHOA Board regarding a 'Joint Venture (which apparently is no longer being considered per the minutes of the Board meeting 24 Feb 2015)' funding the ACHOA reserves is merely a slight of hand. The ACCC presentation in November 2014 stated we would be funding the Joint Venture to the tune of \$1.2 Million per year. So, they'd merely be giving us back money we'd already provided.

Question 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?** **RESPONSE:** The ACHOA Boards premise is incorrect. Everyone will pay for this purchase as long as they own property in ArrowCreek. Purchasing this facility with today's cheap money is better than incurring a long term debt. At best, dues increases will be capped and the 'destiny' of the land will be ours to determine, through the courts for sure.

Question 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? **RESPONSE:** Concerned Neighbors of ArrowCreek (CNA) have no issues with the ACHOA Board response.

Question 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? **RESPONSE:** CNA is pleased to see the ACHOA Board has recognized the difference between changing the CC&Rs and By-Laws versus changing our Corporate status. However, as explained at the 24 February Board meeting, NRS 82.131 states

unequivocally that it **applies only if** “*subject to such limitations, if any, as may be contained in its articles...*” Such limitations do exist in our Articles of Incorporation. As a consequence of this provision in Law, the ACHOA Corporation may not engage in for-profit business. This is not a subject of interpretation, it’s simply plain English.

Additionally, the ACHOA Board response is disingenuous. Since we will own a for profit entity, the golf course, placing it into a joint venture doesn’t change the nature of the asset, it’s still for-profit. How the profits are distributed is of no consequence. Furthermore, the ACHOA Articles of Incorporation prohibit any member of the ACHOA Corporation from making a profit from changes to the governing documents. Since the FOA has at least 32 members identified as members of the ACHOA, they are prohibited from making a profit, should we decide to purchase the Golf Club. This is a direct result of the FOA being an LLC which distributes all income directly to its members. Arguments to the contrary, are merely smoke screens.

Question 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?** **RESPONSE:** CNA appreciates the ACHOA Boards due diligence on this matter.

In regard to Joint Venture Questions, since this is NOT currently in the planning space they do not need to be addressed.

In regard to questions for the Friends of ArrowCreek LLC, this is a private and independent corporation and with the exception of the potential to violate Article IX of the ACHOA Articles of Incorporation, should not be of concern. Concerned Neighbors of ArrowCreek wish them a prosperous future.