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ARROWCREEK HOMEOWNERS UPDATE FROM THE ACHOA BOARD; DUE DILIGENCE

There has been considerable discussion within the ArrowCreek community lately about the HOA's proposal to acquire the golf club and run it as a joint venture with Arnold Palmer Golf. Since many of you have not been able to attend the Board meetings I felt it appropriate to recap for you what has taken place to date and what you may expect. I would also like to emphasize that the HOA is not and cannot be committed to this kind of acquisition unless we receive an affirmative vote from the homeowners, which is presently planned for April of 2015. Between now and then the HOA Board is firmly committed to developing and communicating all the details and implications, both good and bad, for your consideration.

We live in a unique premier community that only has a few comparative HOA's in Northern Nevada. We are one of the few communities that own their own roads, operate our own community security team, own and operate security gates, own all walkways, operate a resident center with many services, operate a swimming pool, provide tennis courts, provide park areas, provide playground areas, and have 544.6 acres within the community that has been dedicated to golf operations currently being operated as "The Club at ArrowCreek." We have a strong financial statement, adequately funded reserve account, and a Board that has worked hard to maintain monthly assessments at \$218 per month to support the above services for several years. We have been very successful in operating this enterprise called the ArrowCreek Homeowners Association (ACHOA)

The Friends of ArrowCreek (FOA), a group of 36 residents, were successful in acquiring the Club out of bankruptcy. They have offered the HOA the unique opportunity of purchasing the club for an estimated \$2.5 million. The financial viability of the club has an important influence on the property values and quality of life within our community. Given this factor and the relatively inexpensive price (less than \$5,000 per acre) the Board determined that we should give serious consideration to the offer. Therefore, the ACHOA Board has agreed on November 17, 2014 to enter in to a non-binding "Letter of Intent to Purchase Subject to ACHOA Homeowner Approval" with the FOA. This Letter

of Intent once signed will allow the ACHOA Board and the ArrowCreek Community Club Committee (ACCC) to conduct a complete due diligence of this opportunity.

The information from this due diligence will be forwarded to all ACHOA members for their review, comment and questions. The Board's primary goal in this due diligence process is to provide the ACHOA members with the most complete and accurate information about the business deal to purchase the 544.6 acres and the business deal concerning the operation of the purchased asset.

The following activities have been initiated by the ACHOA Board and ACCC to develop the necessary information for the ACHOA members to make a fully informed decision. All of the information will be communicated through the ACHOA Communications Committee and it will be presented through email blasts, FAQs, website posting, mailings, town hall meetings and other forums in manner that is consistent with the State's Open Meeting requirements. The Board and all ACHOA advisory committees involved will be transparent and provide both pros and cons for any proposals concerning the proposition to purchase "The Club At ArrowCreek" and what the plans are for the operation of the asset if purchased.

- The Final Nonbinding Letter of Intent with FOA is being negotiated and will be signed by December 12, 2014 to start the due diligence. The Letter of Intent will be shared with the ACHOA members and the end date for the option to purchase will be May 31, 2015.
- The Final Nonbinding Letter Of Intent with Century Golf/Arnold Palmer Golf Management is being negotiated. The Board plans to have the letter signed by December 19, 2014 and it will be shared with ACHOA members. Once signed, the HOA can carry out its due diligence with regard to the Joint Venture partnership with Century Golf/Arnold Palmer Golf Management and the joint operation of the "Club at ArrowCreek".
- The due diligence will explore revenues, costs, losses, profits, liabilities, and benefits concerning a potential Community Club arrangement and other variations of the operational costs. Risk and worst case scenarios will be explored and game planned, the results of which will be brought to the attention of all property owners.
- Legal opinion will be pursued to determine the potential change of the PUD and Zoning restrictions for recreational only for the 544.6 acres of land if owned by other entities other than the ACHOA. ACHOA Legal Counsel has been tasked and the opinion results will be disseminated to the ACHOA members.

- ACHOA demographics or census of ACHOA community wants and desires will be developed by an outside firm through RFP. The census may be conducted through multiple processes – face to face survey, email process, webs site process, online monkey surveys – designed to secure information about all the issues concerning a common interest community. Results will be provided to the community to digest priorities.
- Draft of the ACHOA CC&R changes, ACHOA Articles, ACHOA Bylaws that maybe required if the vote is for the purchase and subsequent operation. Meetings with legal counsel and tax advisors has been started concerning impacts to governing documents. Preliminary changes to the CC&R's are being identified to update the CC&R's and include information concerning the potential ownership and operation of the asset. Information will be shared with the community.
- ACHOA independent study of the impact to home values to provide to the membership. This expands upon the ACCC initial study. The ACCC has contacted two UNR economists to determine if they can provide such a study. Action is pending and final report will be provided to the community.
- Draft NRS Compliant Reserve Report of the costs and impact of “The Club at ArrowCreek” has been started. Independent vendor Browning is currently working on this request. Action is pending and final report will be provided to the community.
- Draft loan terms, interest rates, collateral pledges, loan limitations, etc. for the purchase of the “Club at ArrowCreek” are being explored. Initial contacts made with several banks. Action continues and is pending and results will be provided to the community.
- During the loan process a solid purchase price number from FOA will be developed to determine the size of the loan. The impact of the loan on monthly ACHOA member’s assessments will be completed. This information will be provided to the community.
- Operational Plans and related costs will be evaluated and a report provided to the Community – Brown, Green, Lease Course to Operator and Operate Course in a Joint Venture. Pro-formas for consideration based upon hard numbers a will be develop based upon hard facts developed during the due diligence.
- ACCC and Board will explain after negotiations are completed how the Joint Venture management mechanisms would operate to provide the management and financial control of the Community Club operation. The

presentation will address potential capital call questions and limit or cap the cumulative losses of the Joint Venture after which the ACHOA would no longer contribute capital.

- A draft ACHOA Budget is being developed to determine the impact to the aggregate monthly assessment for ACHOA members. Due diligence analysis has started and will expand with the signed Letter of Intent. Information will be shared with the community.
- The ACCC will determine the need for an outside vendor to conduct an analysis of the impact of higher ACHOA Monthly Assessments on the property values within the community. Will ACHOA home values go down or up because of proposed higher monthly assessments. The analysis will include a comparison of similar configured HOA's in northern Nevada.
- The ACHOA will provide preliminary draft Joint Venture agreements, any leases, Purchase Agreements, and any other legal documents that the community wants to review before the vote. If the final vote approves the propositions, then these documents will be finalized. If the final vote disapproves the propositions, there will be no further legal expense.
- The ACCC will develop the draft Resolutions for ACHOA vote and approval by the Board of Directors.
- Develop and draft a proposal for Board of Directors Approval concerning the Ballot Procedures that will be followed as per NRS.
 - Independent Ballot counting by McClintock.
 - Ballots forwarded by Associa Sierra North as the Community Manager to each lot owner.
 - Ballots will be accumulated in a secure area and ballots will not be opened or counted until a minimum of 650 to 700 Ballots have been received. The actual ballot validation number has not been determined by the ACHOA Board of Directors but will be in the next few weeks subject to legal counsel review.
 - The Board will determine the threshold for number of ballots received .This threshold number needs to be determined since there will be negative and positive votes for the resolutions and we need to reach 50% plus one to decide the issue either way.

- Until the Ballot threshold is reached, the ACHOA community can receive a report of lots that have not voted and the community can solicit those lot owners to vote. Once the threshold is reached all electioneering activities cease and the votes are counted.

Please Note that nothing will be done behind closed doors. The Communications Committee will release information as received to keep the ACHOA members informed. A comprehensive report and presentation will be developed as the facts are gathered. The plan at this time is to have a comprehensive report available by early February 2015. This information will be presented to homeowners in an open forum and will be written so that intelligent decisions can be made and hopefully rule out misinformation, fear, emotion or damaging rumors.

The ACHOA Community Members will have time, and be able to attend presentations to digest all of the provided information. Please remember that your neighbor volunteers are working very hard on your part in conducting this due diligence. Several elements of this process will take time and I only ask that you be patient and allow the process to unfold.

The Board of Directors
ArrowCreek Homeowners Association, Inc.