

LAST MINUTE UPDATE

As of September 3, 2008, according to a brief note from the ArrowCreek Advisory Board, there is a potential sale of the ArrowCreek Golf Club assets to Golden Gate Golf. According to the note, there is "considerable" work to be done to finalize this sale.

Thus, as with any such complex transaction, there is the potential of it not going through. While we hope for a successful end result for the sake of the community, we believe that the enclosed proposal still has merit and warrants your attention, particularly in light of the fact that after extensive diligence and effort by all parties, the prior sale to Club Corp fell apart.

Therefore, we believe the plan for the HOA to ready itself to purchase the golf club if the current transaction should fail, or if the Club should be placed into bankruptcy as was previously announced, is a prudent and responsible path for the homeowners association.

We therefore request your review of the enclosed material, and your support and response on the form provided.

Thank you.

ATTENTION!

ARROWCREEK HOMEOWNER

URGENT MATERIAL FOR YOUR REVIEW AND RESPONSE

Enclosed please find the following material.

Cover letter suggesting that the ArrowCreek homeowners make every effort to gain control of all assets within the community, behind the gate.

A vision statement for the future of ArrowCreek.

Information about the potential bankruptcy of the ArrowCreek Country Club, which currently is affecting home sales and property values and could get worse.

A potential solution requesting your response and support.

Preliminary financial information and suggested member privilege outline.

September 5, 2008

Open letter to: All ArrowCreek home/lot owners, HOA Directors, Equity Members, Developer

Regarding: Most Recent news of potential bankruptcy of the ArrowCreek Country Club and the future of ArrowCreek.

Dear ArrowCreek homeowner,

Having been encouraged by numerous ArrowCreek residents, we are writing to share with you a concept for moving ArrowCreek forward in a positive direction, and seeing if the HOA can gain control of everything within our gated community. As we know, the homeowners association has been challenged with many issues as the community moved toward sell out. The Country Club also faces serious current challenges. We think even the developer would agree they would have done things differently knowing what they now know. The HOA directors have been the convenient target of a community in disarray, as a result of developer oversights/mistakes.

The issues facing all of us "behind the gate" are serious and impact each home and lot owner. Rather than focusing on the past, placing blame, protecting past positions/decisions, and fueling the fires of discontent, we suggest we all work together in an effort to set our community on a path for the future which will protect and enhance property values, make our community and golf club a family friendly, quality experience, and assure financial stability for both the HOA and the golf club.

The information on the following pages discusses our concerns and suggestions in general terms, which can be adjusted to reach agreement among the parties (HOA, Equity Members, Developer).

We seek to support and encourage the HOA directors, the golf equity members and the developer in coming together to seriously review our suggested option that the HOA purchase the golf club, securing homeowner ownership and control of everything behind the gate. Or, if the club goes into bankruptcy, to have the HOA prepare a bid to buy it there, pending homeowner approval.

What each home/lot owner must ask themselves is whether the cost of curing the problem (estimated to be under \$6,000 each, plus around \$150 per month ongoing) is worth it to protect our property values, provide more benefits to all homeowners, and establish a financially stable future for everything behind the gate. We think it is! If we don't act now, we may regret not doing so in the future.

Even if you are selling your home and have no long term interest in ArrowCreek, we believe a solution to the Golf Club will help in the sale of your property, and improve its value.

Should you have any questions on the concept, or would like to speak with us about the issues, please feel free to contact:

Paul Grady at pdg@winternet.com

Sincerely,

Paul Grady, Jesse Adams, Jeff Foster, Lex Adams, Jeff Hartman
ArrowCreek Homeowners

ArrowCreek Vision For The Future

Everything within the community owned/controlled by the ArrowCreek Homeowners/HOA.

Financially stable operations for the HOA and Golf Club.

First class operation.

Excellent management!

Best place to live/own in Reno.

Most family friendly community in Northern Nevada.

They take care of their owners and members!

Management looks for ways to say "yes" to the owners, and makes every owner/member feel important!

Current Challenge

Facts (according to recent communications from the Equity Members Advisory Board of the ArrowCreek Country Club) **& Concerns.**

1. The ArrowCreek Country Club may be put into bankruptcy if no agreement is reached with the Equity Members to assume operations very soon, placing tremendous pressure on the Equity Members to assume future operating losses never contemplated. *(We understand the golf club is debt free, but has substantial annual operating losses)*
2. Losses for the club operations are reported to be as high as \$2,000,000 a year, due to less than needed membership.
3. **If the club goes into bankruptcy, we believe everyone's property values would be negatively affected into the foreseeable future. Even if you are not interested in golf or the golf course or are selling your home, this could affect your property value and ability to sell. We did not ask for this problem as homeowners, but the problem is here, now, and as ArrowCreek homeowners we might have an opportunity to prevent a further loss in home values. The stigma of bankruptcy can affect a community for many years, and what happens behind our gate affects every homeowner.**
4. Based on the existing annual losses of the club, you can make your own assumptions on how saleable the club is to a third party, a solution currently being reconsidered by the Advisory Board.
5. Also, as was discussed in the last attempt to sell to a third party (Club Corp), an outside buyer would likely be interested in trying to open more community resources such as the exercise room, tennis courts, and pools to the public in some manner.
6. **Bankruptcy brings great uncertainty as to who the buyer may be, how they will run the operation and places every Equity Member's investment in jeopardy and negatively impacts every homeowner's property values and the ability to sell.**

Possible Opportunity/Solution

1. With the vote of the required majority of homeowners, we believe the association could amend its CC&Rs to allow the HOA to obtain ownership of the golf club (pending legal, tax review) and hire professional management to run it.
2. **For what preliminarily looks to be a one time social initiation fee of under \$6,000 for acquisition costs to pay off the current equity members/ developer, (suggested to be payable over 36 months with no interest) and an added \$140 to \$160 per month for the operations deficit, the club could be owned and controlled by all ArrowCreek homeowners, and be mostly private.** An acquisition loan, or one time assessment are alternate options. (Numbers are estimates only and could be higher, but do show the concept can stabilize the club financially and provide greater benefits to all homeowners.)
3. All homeowners would be club social members, being afforded restaurant/lounge use, and limited golf privileges. Golf membership would offer a higher level of golf privileges. See the attached information for more details.
4. No third party owner/operator would be asking for additional "outside the gate" membership to burden the association's current recreational facilities and amenities, and there would be no 10-40 year leases of HOA facilities.
5. **We believe that this plan for the HOA to purchase the golf club with homeowner buy-in from AGH/Terrabrook, or through bankruptcy court proceedings, would add substantially more value to every home and lot in ArrowCreek than the initial cost. And, the owners would gain control of their future!**

Summary

Acquiring the club may or may not be possible, but we believe it is worth aggressively investigating, preparing a package of information for owner review and vote, and seeing if the requisite number of homeowners would support acquisition of the golf club. It would take the cooperation of the Equity Members, Terrabrook, and the HOA. If enough owners support this idea, it might be possible. If you think this idea is worth pursuing, please **sign the return form and mail it in the self-addressed stamped envelope** included with this letter **before September 15th**. Once tabulated, all responses will be sent to the HOA Board of Directors. Also, please follow up with ArrowCreek friends, neighbors, and the HOA to ensure that this issue is investigated with proper care and expediency.

ArrowCreek Suggested Privileges Outline and Rough Financial Estimates

	Golf Members	Social Members		
Membership Privileges				
Courses	Both	Legend		
Club Locker	Yes	No		
Cart Fee	None	Included with fee		
Green Fees	None	\$65		
Rounds of play	unlimited	unlimited		
Advance Reservation Window	60 Days	10 days		
Driving Range	Free	\$10 per session		
Discount F&B & Shop	10%	5%		
Initiation Fee	\$17,500	\$5,400		
Dining/social Privileges	Yes	Yes		
Massage Therapy	Yes, first priority	Yes, second priority		
Monthly Member Fee	\$450	\$150		
Minimum Annual F&B	\$600	\$600		
Charging Privilege	Yes	Yes		
Financial Model	Number	Monthly Fee/rate	Total Monthly Revenue	Total Annual Revenue
Revenue Sources				
Golf Membership fees	390	\$450	\$175,500	\$2,106,000
Social Membership fees	960	\$150	\$144,000	\$1,728,000
Social Member Rounds	8500	\$65	\$46,042	\$552,500
Tournament Rounds	4750	\$95	\$37,604	\$451,250
Pro Shop				\$375,000
F&B				\$975,000
Total Revenue				\$6,187,750

Golf Operating Expense				\$2,650,000
F&B Operating Expense				\$950,000
Pro Shop Operating Expenses				\$325,000
G&A				\$500,000
Clubhouse/Management/other				\$965,000
Taxes				\$350,000
Total Expenses				\$5,740,000
Net Income Before Reserves				\$447,750
Reserves for Club/golf facilities				\$402,975
Net Income before Taxes				\$44,775

Settlement with existing Equity Members

Estimated payment to Equity Members & Terrabrook		\$8,500,000		
200 members choosing to remain as golf members at new initiation fee	200 \$17,500	\$3,500,000		
One time social member initiation fee	960 \$5,400	\$5,184,000		
Excess cash for Club reserves		\$184,000		

Allow the social membership initiation fee to be paid over 36 months, and the repayment to Equity Members & Terrabrook over the same period, if possible. Total monthly cost per homeowner, \$300 per month for 36 months and \$150 per month thereafter, plus any annual cost increases, based on estimated numbers.

Numbers are rough estimates only based on partial information and general discussions. They would need to be verified and formulated on a line by line basis in an accurate budget forecast.

Estimates reflect 390 golf members, of which 200 are current equity members assumed to convert to Owner golf memberships. The other 190 are assumed to continue paying monthly golf membership fees.

Social Membership becomes a basic homeowner privilege and responsibility for all ArrowCreek homeowners.

ArrowCreek HOA Suggested Terms and Ownership/membership structure

1. Everything behind the gate, other than private homes, would be owned and controlled by the HOA.
2. The Golf facilities would be overseen by a separate board of directors, comprised of three Golf members and two social members, all required to be homeowners in Arrow Creek. Reporting and subject to the overall HOA board of directors.
3. Professional management would be retained to manage the Golf and Club facilities and the HOA. HOA and Golf boards should explore hiring one firm that can manage both, as that will result in cost efficiencies, higher caliber of on-site management, and better service to all homeowners and golf members.
4. Assessments and revenues for all facilities would be structured to work within tax guidelines for the HOA. This could result in a lease arrangement with professional management to protect the HOA's non profit tax filing, if this is best for the HOA. Lease terms are suggested to be for 5 year terms, with owner vote required for termination, and reasonable performance standards included. Certain revenue areas may need to be assigned/leased to professional management to secure the quality of management desired.
5. Golf facilities would be deeded to the HOA free and clear of all monetary liens.
6. All Arrow Creek home/lot owners would be social members in the club. Golf memberships would be optional for all residents, but not required.
7. The attached model outlines the suggested levels of privileges for Golf and Social members.
8. If the estimate numbers prove to be close to actual, the facilities could be acquired with no special assessment, and no acquisition loan necessary. Equity members would be repaid out of one time social member initiation fees and golf member fees as noted.
9. It is suggested that the social initiation fees per home be payable to the Equity members and Terrabrook over 36 months, with no interest.
10. The model assumes that 200 existing golf members, or other homeowners, will elect to become golf members for the new \$17,500 initiation fee.
11. If there were variances in these assumptions, the HOA could seek to obtain an acquisition loan as an alternate approach.
12. Club facilities would be available to all owners for their use and enjoyment, both personal and for family and business banquet events, weddings and the like, as well as to outside banquet functions and golf tournament activities, to assist in the financial success of the club.
13. We would suggest policies that make all owners comfortable in the Club. Casual or golf attire would be welcome in all facilities, unless an event required otherwise. In other words, "cowboy boots and appropriate jeans welcome!"
14. Existing golf members not owners in ArrowCreek would be encouraged to maintain their golf memberships. However, no additional "outside the gate" memberships, and no general public play would be allowed. Any change in this in the future should require a vote of the homeowners. Thus, ArrowCreek would be a much more private community, and the golf/club facilities would be for owners and members only, except for tournament/event golf and certain banquet activity. Opening the restaurant or golf course to the public would be subject to a vote of the homeowners, if ever considered in the future.

ArrowCreek Concerned Residents Response Form

TO: ArrowCreek HOA Board of Directors

RE: ArrowCreek HOA Investigating Option of the HOA Acquiring the ArrowCreek Golf Club

FROM:

Michael & Carolyn Dragics
10400 Pine Needle Trl
Strongsville, OH 44149

I/we support your immediately having discussions with the Equity Members & Advisory Board and Terrabrook about the possibility of the HOA acquiring the golf club facilities (with investigation including legal review by the Association's counsel.) If this is possible, please prepare a complete package of information for the owners to review, so that all owners can vote on this matter. If the club is placed into bankruptcy, prepare a package for owner review, with the information needed to vote on directing the HOA board to bid to purchase the club through the bankruptcy court proceedings. We understand no official action on any possible acquisition can be taken without an owner vote of approval.

Signatures:

Optional email address:

Phone contact number:

Please return this page in the enclosed envelope.

Or, you may fax your response to: 775-852-9415

All responses will be tabulated and forwarded to both the ArrowCreek HOA board of directors and the Equity Advisory Group by **September 19th, 2008**. *Responses received after that date may also be forwarded as received.*