



## Arroyo Roble Resort 2025 Special Assessment - FAQ

*Before you begin reviewing the questions, please note that this FAQ was created to give clear, concise answers by combining and refining the many inquiries we received from owners.*

### **About This FAQ**

***Over the past several weeks, we have received more than 200 questions from owners regarding the 2025 Special Assessment. Many of these were duplicates or unrelated to the assessment itself. To provide the clearest and most useful information, we consolidated these inquiries and focused on the most relevant topics. This FAQ directly addresses the key concerns raised by owners, eliminates repetition, and ensures that everyone has straightforward answers to the most important questions.***

#### **1. Why is there a 2025 Special Assessment?**

Cash flow projections indicated that without an infusion of cash the resort would not have the funds to continue operations by early September 2025. Included in the special assessment were funds to pay for renovation costs, \$200K in urgent infrastructure projects, and \$350K to replenish reserves. The 2025 Special Assessment funds these needs.

#### **2. How much is the assessment and when is it due?**

The original assessment was for \$1,500 per interval and it is due August 22, 2025. The Board will be presenting an updated and lower amount at the Special Board Meeting on 8/18 as well as a short-term installment plan.

#### **3. What happens if I don't pay the assessment?**

If the assessment is not paid by the due date and the account becomes delinquent, any reservations will be cancelled. ARR will then follow the legal foreclosure process required under Arizona law for delinquent accounts. More broadly speaking, if the funds are not received from the vast majority of the owners, the resort will be forced to close down.

#### **4. Why can't the assessment be spread over several years?**

Due to the immediate cash flow shortage, ARR requires funds now and cannot defer collection over multiple years.

#### **5. Was the notice only in the newsletter?**

No. The notice was sent by mail, email, and included in the newsletter.

## 6. Is the resort at risk of insolvency?

Yes. Without the assessment funds, ARR could face closure.

## 7. How was the amount of \$1,500 decided?

The \$1,500 per interval was based on a projected \$3.9M shortfall in 2025. This covers operations, contracted renovations, capital projects, and reserve replenishment. As mentioned, the board has looked at the amount in depth and more detailed and updated information will be presented during the 8/18 board meeting

## 8. What happened to funds from the prior \$975 special assessment?

Funds from the \$975 assessment were applied to both renovations and operating shortfalls. No funds remain.

## 9. Why weren't financial problems identified sooner?

Previous management continually provided financial statements and budgets that, while tight, did not indicate a liquidity issue. In fact, there has been a long history of using future-year revenues to meet current expenses. A private loan in 2023 was repaid using 2024 fees. The new GM identified the full financial crisis after taking office in 2025.

## 10. Was a loan considered instead of this assessment?

Yes. ARR explored a traditional bank loan, but collateral and costs prevented approval.

## 11. What renovations are being made and why not stop them?

Phase one includes 29 villas and is nearly completion. To stop these renovations would not have materially changed the cash position and would have exposed the resort to incomplete units, liens and liabilities that would make the situation worse. The board is recommending that the final phase of 32 villas be put on pause while we determine the future of the resort.

## 12. Did owners vote on renovations?

No. The Board has responsibility and authority under the governing documents. Renovations were presented at the 2024 Annual Owner Meeting.

## 13. Who is doing the renovations?

Big Kahuna Construction, owned by a Board member's family, was contracted after other companies declined to bid. Conflict of interest procedures were followed, including disclosure and recusal from voting.

## 14. Are permits required for renovations?

No. Work is like-for-like cosmetic, without structural, electrical, plumbing, or HVAC changes.

## 15. Why are Big Kahuna employees staying in villas?

They only stay in units under renovation, which cannot be rented. This reduces renovation costs.

## 16. What role does Best Western play financially?

Best Western and the Arroyo Roble Resort was built at the same time by the Evans Family. They retained 7 villas as fee simple ownership which is part of their hotel room inventory. Within

certain limitations, their guests are allowed to use the common areas of the ARR. The BW is responsible for all their own costs related to the interior of their units and only pay for common area and general expenses, which has historically been set at 49% of annual maintenance fees. They do not participate in the funding of the renovations since they are responsible for their own renovation, although did pay a portion of the special assessment since that also covered establishing a reserve for future replacements as well as extraordinary common area expenses incurred in the two prior years.

#### 17. How many intervals are currently owned by ARR?

ARR owns about 238 intervals, with about 80 more in foreclosure, totaling over 300.

#### 18. How many intervals are delinquent?

Approximately 295 intervals are delinquent. ARR pursues foreclosure under Arizona law when accounts remain unpaid. Deed-backs are not accepted.

#### 19. How does ARR handle unpaid intervals?

Delinquencies trigger late notices, calls, and eventually foreclosure (required by Arizona law). ARR does not currently accept deed-backs.

#### 20. Is rental income helping?

Yes. ARR rents foreclosed intervals through Vacatia and third-party sites. Rental proceeds are applied as regular income to offset unpaid fees. This income is currently ahead of budget and a critical future source of income.

#### 21. Why are rental rates higher on Expedia than Redweek?

ARR sets rates with Vacatia, which markets on Expedia/Booking. ARR has no control over Redweek owner listings.

#### 22. Will paying owners be reimbursed if defaults increase?

No. Owners collectively share responsibility for operating expenses.

#### 23. Will there be more special assessments?

It is impossible to ensure that there will never be another special assessment, but the current special assessment, along with proposed policy changes in how annual fees are assessed should eliminate future special assessments except for extraordinary occurrences.

#### 24. How will maintenance fees change going forward?

The board is recommending that in the future annual assessments be made up of three parts:

A – Annual operating expenses or “maintenance fees” set to cover operations

B – An amount to be determined to establish and maintain a reserve fund for future capital costs or major repairs

C – An amount to be determined to establish and maintain a reserve fund for future renovations to the interior of the units (usually needed on a 7–10-year cycle)

## 25. Why were reserves not adequate?

The resort has never collected a reserve fund. They have only charged what was anticipated on a yearly basis for operations. This is the fundamental error the resort has made since inception.

## 26. How many villas have been renovated so far?

- 4 villas were completed in 2024 to assure that we understood the scope and cost.
- 12 villas have been completed and are “back on-line.
- 11 more will be completed by the end of August.
- 9 more are on schedule to be completed by the end of September.
- The remaining 32 villas were originally scheduled to be completed by the end of June 2026.

## 27. Why not prioritize basic maintenance over renovations?

The Board did not prioritize one over the other. The renovations are essential for keeping villas usable on our 40-year-old property.

## 28. What financial information is available to owners?

All current financials, budgets, and reserve studies are posted on the ARR website under Owner Info → Financial Info.

## 29. Does the Board have authority to levy assessments?

Yes. Governing documents authorizes the Board to levy assessments for operations, reserves, and capital projects without an owner vote

## 30. Has professional management been considered?

Yes. The board has already brought on Vacatia to handle the rental of our owned inventory which they have done successfully. We recently expanded their services to bring on their property management software platform to replace the ageing system currently in use. The board is prepared to sign a multi-year management agreement as a final step, but that is predicted on the owners fully participating in the special assessment or there would be no resort to manage.

## 31. What is Ensemble Real Estate Solutions?

Ensemble is real estate investment firm that purchased the Arroyo Roble Hotel and Creekside Villas in 2019 and manages them. They hold approximately 10% of the voting rights through their ownership of 7 villas.

## 32. What protections exist against further mismanagement?

If the special assessment is funded by the owners, the Board is finalizing a management services agreement with Vacatia, a professional management group specializing in Time Share properties. We will retain Jolene Moya as the on-site GM, the election of new board members in November at the annual meeting, and an emphasis on transparency. The board sees this as an opportunity to “re-set for the future” on all fronts.

We appreciate the time and thought owners put into submitting questions. Your continued engagement helps guide the Board in making informed decisions.