



August 1, 2025

Dear Arroyo Roble Owners,

We continue to receive emails from owners regarding the 2025 Special Assessment. You have all continued to ask various questions about the Special Assessment and the circumstances that led to it. We have attached a list of these questions and are working on responses to these to share at the upcoming Zoom Meeting that we are attempting to schedule soon. After reviewing these questions, please let us know if you have additional questions. You can email additional questions you would like added to this FAQ by sending an email to questions@arroyoroble.com, this is only to submit questions as we will not be sending replies. We will continue to work hard to address your questions and concerns.

David C. Brown, President
Arroyo Roble Resort Board of Directors

ARROYO ROBLE RESORT 2025 Special Assessment FAQ

1. Was this 2025 special assessment notice only put in the Newsletter?
2. Why can't we find information on the website?
3. Is ARR facing insolvency?
4. How did the BOD and management not see this financial crisis coming sooner?
5. When and why did ARR receive a private loan?
6. How did ARR pay this private loan back?
7. What were the first special assessment funds used for?
8. Does the Hotel (BW) pay maintenance fees?
9. Does the Hotel (BW) pay annual assessments?
10. How does the Hotel (BW) reimburse the Arroyo Roble Resort for any shared services?
11. What is the Hotel (BW) responsibility for overall landscaping, parking lot use, amenity building maintenance, utilities, etc.?
12. Why are the Hotel (BW) guests that stay in the hotel (*not their villas*) permitted to use the resort amenities?
13. Will there be another special assessment?
14. Was there an RFP and were bids received for the renovations?

15. Why aren't the renovations being suspended?
16. Why didn't the renovations require a vote from the owners?
17. Will ARR be giving the owners another week "free of charge" if we pay this new 2025 special assessment?
18. Why do we have to subsidize for the non-paying owners while the resort potentially profits from renting their unused weeks?
19. How is the "rental" income accounted for?
20. How many Waypoint intervals were foreclosed on?
21. How many intervals does ARR currently own?
22. Is ARR accepting intervals back in lieu of foreclosure?
23. Why isn't ARR marketing the available intervals?
24. How was the amount of the 2025 special assessment amount determined?
25. Does the BOD have legal rights to levy assessments?
26. Does the resort have a multi-year financial plan that demonstrates the resort's ability to continue operating and is this made available to the owners?
27. Does the resort have a recent reserve study and is this made available to the owners?
28. Does the resort have a thorough analysis of the 2023 special assessment receipts and disbursements and is the made available to the owners?
29. Does the resort have cash flow statements and are they made available to the owners?
30. Does the resort have all the renovation financials and are they made available to the owners?
31. Does the resort have all the ownership data and changes within the past five years and are they made available to the owners?
32. How much is the resort staff being paid?
33. How many villa renovations are completed?
34. How many villas are in the process of renovations?
35. How many villas are scheduled to be renovated in phase two?
36. Why is this assessment being done as a large, single short notice payment, when the other current special assessment is being spread over 3 years?
37. Owners who have already used their 2025 intervals weren't subject to the special assessment at the time of their use. Why is ARR prohibiting other owners from using their 2025 intervals without paying the new assessment just because they hadn't used them before its payment deadline is scheduled to go into effect? That seems randomly unfair.
38. If the \$1,500 special assessment is collected from all active owner interval accounts (which we understand to be approximately 3,000 -- or roughly 90% of the total of 3,315 intervals), it would generate @ \$4.5M in immediate revenue (3,000 x \$1,500). That's significantly more than the 2025 total budgeted annual revenue from regular maintenance fees (@ \$3.7M per the budget). Why would ARR need to do that, given that regular maintenance fees themselves are supposed to fund operating expenses and there's already the \$975 special assessment in place to fund the unit improvements?
39. How much was the original estimate of the total renovation costs for all 65 units? Was the \$975 special assessment supposed to fully fund the costs from that?
40. Without funds from the new special assessment, when is it forecast that ARR will start experiencing a cash flow shortfall?
41. It's not clear to us when the special assessment was actually approved by the Board. Per the minutes of the June 25 Zoom call meeting, it was discussed there. The email sent to owners notifying them of the new assessment is dated July 17, but the notice attached to that email is dated July 9. The minutes of the June 25 Board meeting have blank signature lines for you and Mr. Canepak. Can you please provide us with something showing when the special assessment was in fact approved by the Board?

42. It's not clear to us from the Summer 2025 Owner Newsletter whether the 179 Intervals reclaimed from Waypoint are included in the 300 ARR owned intervals mentioned there. Can you please confirm how many intervals are already in default of (i) their regular annual maintenance fee, (ii) the current \$975 special assessment and (iii) both? How many of those that are in default of their annual maintenance fee first happened when the first of the 3 installments of the \$975 special assessment came due?
43. What efforts have been made to collect unpaid amounts so far? Has there been any different approach depending on whether these relate to the \$975 special assessment or just regular annual maintenance fees?
44. As noted in the June 25 Board minutes, how much regular annual maintenance fee revenue is forecast to be lost from additional defaults as a result of the new \$1,500 special assessment?
45. Since the resort has said that it will no longer accept defaulted intervals back, doesn't this mean it will now have to pursue these through court foreclosure? If that's the case, what's the reason? Won't that add time and expense to reclaiming these before they can be used to generate any positive cash flow? Is that because in addition to foreclosure, ARR is also now considering or planning to sue these defaulting owners for past due amounts?
46. If any new defaults on regular maintenance fees are attributable to this special assessment, then the owners who do pay it will be bearing even more of the total expenses. Are there any plans to reimburse them sometime in the future for having to further bear the brunt now? What assurance can owners who do pay this special assessment get that they won't just be further burdened in the future with additional special assessments if defaults on annual maintenance fees continue to decline as a result?
47. Would you please provide a brief summary of the Waypoint agreement, including (i) when it was entered into and terminated, (ii) whether title to those intervals was originally transferred to Waypoint or if they just had the contractual right to market them and (iii) how long and how much did it take for ARR to reclaim them?
48. Are all of the funds from the prior \$975 special assessment still being used only for villa improvements or is any of it being used to fund regular ongoing operating expenses?
49. As mentioned in the June 2025 Board meeting minutes, there was already awareness of a cash flow shortfall back in 2024 that was apparently being funded by the proceeds of a private loan. That loan was being repaid in part by early payments of 2025 maintenance fees. Given that these fees were being used in part to pay off the loan and therefore would not be available for 2025 general expenses, what was the plan to manage the cash flow shortfall from that? Were any attempts made to extend the repayment terms of that loan?
50. The April 16 Board meeting minutes mention discussions with Foothills Bank regarding a \$1,000,000 loan, but the June 25 minutes make no further mention of it. What's the status of that?
51. The June 25 Board meeting minutes refer to a possible similar arrangement with Vacatia. What's the status of that? Those minutes mention that there were concerns that the annual costs for an arrangement with them would be well over \$100,000. Would those additional costs have eliminated any already existing operating costs, and if so how much would that have been and was that taken into account in a decision whether to proceed with them?
52. We understand that the planned/ongoing unit renovations are a significant part of the marketing plan for ARR owned intervals, but given that the past marketing plan employed for that hasn't been very successful, what will it be going forward and who will be responsible for it?
53. If the plan is for ARR to aggressively market these, won't that make it even more difficult for owners who stay current on their payments to sell their intervals if they wish? What's the justification for that given these owners will be the ones continuing to fund operations and improvements in the meantime?
54. What's the process for renting units through sites like Expedia or Booking.com? Do they (i) take any risk by paying in advance for those intervals or (ii) only pay when they're successful in renting it and ARR then gets a percentage of the rental amount?
55. How long before check-in date can units be obtained from ARR by these booking sites? Do these third parties set all the rental amounts or does ARR have a say in that? Why are those rates so much higher than what's being asked for through personal rental websites like Redweek? Does ARR have any data on the successful rental rates from these third party sites and the amounts of their nightly and weekly stays?
56. Is the Board aware of any inaccurate information in the ARR financial statements that have been posted to the website? Why have the audited 2024 statements not been posted yet?

57. The budgeted amount for regular annual maintenance fees shown on the 2024 P&L appears to assume 100% collection, even though it was already known that wasn't the case. There are also rental proceeds shown there. Since ARR was generating rental income from intervals that were already owned or controlled by it, why would 100% of possible owner-paid maintenance fees also be budgeted for?
58. How many Board members are there and how many owners are members? Do the owner directors have the same voting rights as the other directors? What's the Council of Co-owners and what voting rights do they have?
59. Information regarding discussions the Board may have had about re-purposing the resort of more lucrative use, like condos. Have you had such discussions?