

Spokane RV Resort Owners Association
Questions and Answers
Association (HOA) Sale of Amenities and Restructure

Question 1: Why am I receiving this package?

We have received an offer from G7 to purchase our HOA common assets (Amenities) for **\$1,270,000** and to remove themselves from our HOA.

You are receiving this package because, as per our Declaration CC&Rs, a vote is required to sell HOA common assets (Amenities) and Restructure the number of lots in the HOA.

An affirmative vote by 80% of HOA lot owners is required to sell our common Amenities.

An affirmative vote by 67% of HOA lot owners is required to restructure the HOA.

Question 2: What am I voting on?

You are being asked to vote to approve the sale of our common HOA Amenities to G7. The pavilion, pool, spa, laundry/rest room building, office, roads, underground utilities, and other HOA property consisting of drainage easements, and boundary areas would be sold to G7. The Dog Park area at the northeast corner of Park B will remain in the HOA.

Additionally, your affirmative vote will restructure the HOA from 127 RV lots (including Park A rental lots) to only the 66 privately owned lots in Park B.

Question 3: If we can't attend the meeting on December 4, how do we vote?

In the packet of information you have received, there is a **Proxy**. Please identify your preference and return the **Proxy** in the self-addressed envelope by November 20.

Question 4: Why is this being done?

As you know, Grapevine 7 (G7) purchased the majority of our Association (HOA) lots in June of this year. G7 owns and operates 9 RV rental resorts and has no other HOA involvement in the other RV resorts they own. Inclusion in our non-profit HOA is in direct conflict with G7's business objectives, which are driven by for-profit performance.

Additionally, G7 also manages all of the HOA property today under an administrative agreement with the HOA, which in essence, is an agreement with themselves as they currently own 60% of HOA lots. This is, by definition, a significant conflict of interest in managing both the services they provide under the agreement, and also being the recipient of those services, as well and being paid for by other private lot HOA members.

These conflicts of interest are both a legal and administrative problem for G7 today and they would desire to eliminate these conflicts through purchase of the HOA Amenities and remove the Rental "Park A" 61 lots from the HOA. This will enable G7 to manage the Deer Park RV Resort using the same business systems and business practices used in their other resorts.

Question 5: When I purchased my lot in the HOA, included in my purchase price was some value for my share of Association assets. How am I reimbursed if the Association sells those assets to G7?

If the Sale and Restructure is approved, each lot owner as of the date of the sale, and after taxes and closing costs, will receive a check for 1/127 of the Amenities sale price. Given the \$1,000,000 appraisal recently received on HOA amenities, G7 has offered the HOA a generous cash offer of **\$1,270,000** for our amenities. This results in a cash pay out to each lot owner of **\$10,000** per lot.

Question 6: Are there tax implications to me as an individual lot owner?

State Excise taxes on the real property assets (buildings and land) will be paid at the HOA level. Sales taxes on the Personal Property (tools and machines) will be paid by G7. Federal Capital Gains, if any, will also be paid at the HOA level.

Question 7: Wow, I just sold my interest in most of our Amenities. Do I still get to use them?

Absolutely. All members of the HOA and their guests will have full access to the same Amenities we have today under the Amenity Usage Agreement.

Question 8: I pay the HOA \$140 per month today. What happens after sale and restructure?

Each owner will be assessed a usage or rental fee for access to all Amenities (pavilion, pool, spa, laundry/rest rooms, etc.) of \$100 per month effective, January 1, 2020. After Restructure, ongoing HOA expenses may require a minimal additional assessment of \$5-10 per month. This results in a savings of over \$400 per year of Association dues for each lot owner.

The restructured HOA will be the 66 private lots in Park B and the corner dog park area. The HOA will have limited expenses after restructure as the requirements to pay for maintenance and upkeep of the Amenities with transfer to G7.

Question 9: What happens after sale and restructure? How am I protected from G7 unreasonably raising the amenity usage fees?

As part of the terms of the sale agreement, G7 will have the Amenity Usage Fee contract for services rendered to HOA lot owners. The contract has strict price increase terms and any significant fee changes must be agreed to by the HOA before they can happen.

Also, there are detailed requirements for G7 regarding the maintenance and upkeep of the Amenities and common utility services in the Usage Fee contract. The Agreement will also be recorded against the properties being sold, meaning it will continue in force even if G7 sells their interest in the RV Resort.

Question 10: Why did G7 buy the RV Resort knowing they would become part of a non-profit HOA?

G7 knew there was an HOA and thought they could work with that relationship over time.

Shortly after their purchase from the Alwine Family LLC, it became apparent to G7 that the business practices followed by the LLC in managing the HOA could not be continued between G7 and the HOA. The purchase of HOA Amenities and the Restructure of the HOA resolves this issue.

Question 11: Have all these documents and writings been reviewed by an outside attorney?

Yes. All documents included in your mailing and on the HOA website have been prepared by a local attorney who specializes in homeowner and condominium association law. The HOA has also reviewed the sales transaction with a tax attorney specialist to ensure all tax and reporting requirements are followed.

Question 12: How will our HOA be managed and administered after the Sale and Restructure?

After the Restructure is finalized, the HOA will need to elect new officers to the Board of Directors. The restructured HOA will oversee dues collections and payments to G7 for owner Usage Fees.

Since the burden of managing over \$1 million dollars of Amenity assets, labor costs, utility bills, etc. will be transferred to G7, the HOA will have minimal reporting and financial requirements.

Question 13: After the Restructure, can a private lot owner still rent out their lot?

Yes. In the future, and per the terms of the Usage Fee Agreement, G7 will endeavor to rent out their lots in Park B for a minimum of 30 days. Other private lot owners may also rent their lots under the same terms and conditions specified in the HOA Declaration CC&Rs.

Authorized renters will have the same access to Amenities as private owners.

Question 14: What if the HOA approval votes do not pass?

A failing approval could result in any number of different outcomes. These include, raising the HOA dues assessments to pay for deferred maintenance, restructuring or elimination of the current administrative agreement with the HOA, and other outcomes.

To ensure the future of our HOA as a first class, private owner RV park, it is the recommendation of your Board of Directors to **approve** the sale of HOA Amenities and the Restructure of the HOA.

Question 15: I'd like to talk to someone about all of this before I vote. Who is available?

Mike Greenberg mngpao@aol.com (509-465-5959)	Joe Wheat jayhawk1971bs@gmail.com (206-851-6192)	Spencer Freedman spencer@grapevine7.com (208-939-8881)	Kris Freedman kris@grapevine7.com (208-939-8881)
--	---	--	---