



December 12, 2011

Dear Spanish Peaks Club Owners,

On December 1, your Board of Directors of SPC Condominium Association, Inc. (the "Association") met to: 1) elect a new President of the Association, 2) discuss the need for a new Board Director/Officer of the Association and 3) discuss the financial affairs of the Association. With regard to item 1) above, Brad Fretz was elected to replace Ernie Filice as President. I speak for the other Board members with confidence of Brad's leadership and innovation for the years to come. As to item 2), with Ernie's departure, there will be a need to fill an empty Board seat and the Board's view is that an individual with engineering/technical background that is willing to allocate the necessary time on SPC projects would be preferred. The open Board seat will be voted on at the **Thursday, March 15, 2012 Annual Owners' meeting (9:00 a.m.)—please mark your calendars accordingly**. If you have an interest in this active leadership role, please contact Brad Fretz. Lastly, for your information and review, the attached 2012 budget was approved by the Board of Directors with a total budget of \$340,000, unchanged from 2011 (see **Schedule 1** attached). As most of you know from prior communications, absent unforeseen events, the Board's focus is to maintain the budget at this monetary level and, thereby, hold individual owner assessments constant. The following review explains the major variances and other points of interest:

- 1) **Administrative** section: Insurance expense category has been reduced by approximately \$8,000. This forecasted reduction was due to a combination of factors with a major contributing point being no material water leaks over the last three years due to ice dams. As in the past, the insurance coverage will be discussed at the Annual Owners' meeting in more detail. Among other improvements in coverage, the new coverage will cover guaranteed replacement cost for property damage and earthquake as opposed to static dollar limits. All owners should remember that personal property coverage is an optional, owner responsibility, whereas pursuant to the terms of the Association's Declaration, each owner must maintain at least \$300,000 in liability coverage.
- 2) **Maintenance** section: Electric – Buildings/Ice Melt costs have increased by \$8,000 (to total \$65,000) due to the forecasted power requirements of the ice melt system. Through the assistance of Hammond Property Management, SPC is attempting to control these costs by monitoring snow conditions and the corresponding adjustment in operation of the system—keeping in mind that the system does have operational limitations. On a related point, Roof Shoveling costs have also been increased by approximately \$4,000 to assist in the mitigation of potential ice damming through steaming. These cost increases are precautionary based on history and have a direct correlation to the amount of snowfall. Both of the

aforementioned increases have been offset by a reduction in Improvements. Anticipated Improvements will include the complex-wide radon fan installation and certain irrigation upgrades. The radon fan installation project follows successful testing of the fans in Buildings 3, 4 and 6 which concluded in October. An updated project list will be reviewed at the March 2012 Owners' meeting with more specificity.

- 3) **Recreation & Clubhouse** section: Repairs/Maintenance has increased by \$31,000 in connection with the renovation of the Clubhouse to include a new fitness center. The Board made this decision to optimize usage of the Clubhouse and better "leverage" the investment all Owners have in both the Clubhouse and the SPC Complex. This addition will continue the Board's strategic goal of continued differentiation of the Complex from other condominium developments in Big Sky. The Board believes that prudent expenditures/upgrades at the Complex serve to separate SPC from its competition and provide incremental long-term value to each owner.
- 4) **Reserves** section: Total cost has been reduced by approximately \$17,000 principally due to completion of the downspout work throughout the Complex. The Board has approved reallocation of incremental reserve build-up to the Roof Reserve (\$7,000 increase) for the future while reducing the Betterment/Replacement reserve build-up by nearly \$28,000 due principally to the completion of the downspout project. Painting/Staining outlays remain essentially unchanged at \$25,000. Buildings 8 and 9 will be stained in 2012.

In summary, for 2012, the average annual dues per unit are expected to be \$6,181, unchanged from 2011. As noted in previous years, compared to other complexes in Big Sky with similar amenities that the Complex offers, SPC's owner assessment remains in the lower cost quartile. Our challenge, for 2012 and beyond, is to prudently grow SPC's reserves and continue to improve the Complex without increasing assessments. As you may know, the Board takes collection of assessments very seriously and manages SPC's precious cash as optimally as possible. In considering the interests of all paying owners, virtually all owners have met this responsibility and I thank you for honoring your payment commitment. With these previous points in mind and in recognition of the current economic challenges, please rest assured that the Board and Hammond Property Management remain committed to "stretching" your assessment dollars.

I hope to see you on Thursday, March 15 (9:00 a.m.) at the annual meeting. In the interim, the Board wishes you and your family a happy holiday season and a prosperous 2012!

Jim Hammelman