



December 12, 2012

Dear Spanish Peaks Club Owners,

For your information and review, the attached 2013 budget was approved by the Board of Directors with a total budget of \$340,000, unchanged from 2012 (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. From our previous conversations, 2013 is a year of transition whereby SPC is reserving more dollars for future, long-term capital expenditures and offsetting such increased reserve deposits with reductions in material improvements at the Complex. We will prudently continue to improve the Complex as necessary with smaller expenditures than in the past. The following review explains the major points:

- 1) **Administrative** section: The subject costs are **unchanged** for 2013 (total \$53,515). As in the past, insurance cost and the associated insurance coverage will be discussed at the Annual Owners' meeting in more detail. SPC's coverage continues to cover guaranteed replacement cost for property damage and earthquake. On a related point, 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: The subject costs have been **reduced** by over **\$18,000**. Electric – Buildings/Ice Melt costs have decreased by \$7,000 (to total \$58,000) 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. Anticipated Improvements have been reduced materially (down \$12,560) to allow SPC to set aside reserves for future, long-term capital maintenance (i.e., roof and potential siding replacement). An updated project list will be reviewed at the March 2013 Owners' meeting with more specificity.
- 3) **Recreation & Clubhouse** section: The subject costs have been **reduced** by **\$29,000**. Repairs/Maintenance have decreased by \$25,000 in connection with the completion of the new fitness center in the Clubhouse. Additionally, Propane costs have been reduced by \$4,000 as SPC has adequate storage of propane used for heating the Clubhouse and the pool.
- 4) **Reserves** section: Total deposits have been **increased** by approximately **\$47,000** principally due to the reserving of dollars for future roof replacement projected to

start in 2020. Painting/Staining outlays are expected to be reduced to about \$20,000. **Buildings 7 and 10** will be re-stained in 2013.

In summary, for 2013, the average annual dues per unit are once again expected to be \$6,181, unchanged from 2012. 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 2013 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 **Friday, March 15 at 9:00 a.m. (Mountain Time)** at the annual meeting at the Big Sky Water & Sewer Building in Big Sky, MT. In the interim, the Board wishes you and your family a happy holiday season and a prosperous 2013!

Jim Hammelman  
Treasurer