

July 2016

Hideaway Homeowners

Dear Neighbors,

As fellow homeowners, the members of the Hideaway Board share your frustrations during the past year with the repeated delays in completing the roofing project and with the service breakdowns that occurred during the transition, first, from Mountain Managers to Hammersmith and, subsequently, from Hammersmith to Summit Resort Group. With the selection of Summit Resort Group as the Hideaway's management company we believe we are in good hands, and we are confident that many of the service problems we have encountered until recently will be a thing of the past.

Over the past several months, Board members have spent considerable time and effort to gain a thorough understanding of the Association's short-term and longer term financial condition in light of planned maintenance and capital improvement projects, as well as unforeseen maintenance work that may become necessary. The two areas that have been considered in particular to ensure that the Association can continue to operate on a sound financial basis while meeting the requirements of planned initiatives are ...

- Tight control of expenditures either by limiting or eliminating certain types of expenditures or by delaying major maintenance or improvement projects; and
- Early repayment of the FirstBank loan which was obtained as part of the financing package for the roofing project.

Of these options, early repayment of the FirstBank loan promises to yield the greatest financial benefits in the shortest amount of time; however, doing so will require special annual assessments.

As you may recall, several companies were invited to bid on the roofing project, and following review by the Board of the bids received, the project was awarded to The Roofing Company (TRC) of Granby whose bid came in at \$920,000 (including a contingency reserve). Financing for the roofing project was obtained from the following sources:

- \$255,000.00 from existing reserves, which was applied directly to overall project costs.
- A special assessment of \$2,500.00 per unit for a total of \$195,000.00, also applied directly to overall project costs.
- A \$470,000.00 loan from FirstBank with a term of 10 years and an annual interest rate of 5.5%, starting October 1, 2015. The monthly payment based on these terms amounts to \$5,119.75. Additional terms for this loan include a requirement that the Association maintain a reserve balance of \$50,000.00 with FirstBank during the life of the loan; and
- A \$50.00 per month increase in the monthly Association fee per unit (from \$330.00 to \$380.00 per month per unit), designated to be used for the repayment of the FirstBank loan.

Key Assumptions Underlying Early Loan Repayment

The financial benefits associated with early loan repayment critically depend on the following key assumptions:

- Regular monthly loan payments of \$5,119.75 will continue as scheduled until loan is repaid in full.
- Special Assessments will be \$1,000.00 per unit per year in 2017, 2018, 2019, and 2020, respectively. Homeowners will have until March 15 of the year for which the assessment is intended to submit their Special Assessment payment to Summit Resort Group.
- Funds raised through Special Assessments will be paid in annual lump sum payments to FirstBank on April 1, 2017, 2018, 2019 and 2020 and applied directly to principal. The payment scheduled for April 1, 2020 represents the final payment on the loan.
- FirstBank's loan agreement stipulates that if partial payments applied directly to principal exceed 1/3 of the principal balance outstanding at the end of the previous year, such payments are subject to a penalty of 1% of the excess amount. In 2019 it is more advantageous to apply the full Special Assessment amount to principal and absorb the 1% penalty. For the final payment in 2020, only a portion of the Special Assessment amount will be needed to repay the loan in full; the remainder will be used to rebuild reserves or for other HOA maintenance or improvement projects.

Key Financial Benefits Resulting from Early Repayment of FirstBank Loan

Meeting the above assumptions and repaying the loan early as proposed will result in the following financial benefits compared to repaying the loan over the contractual term of 10 years, as currently scheduled:

- Interest expense will be significantly reduced from the \$144,369.35 under the current loan agreement to \$69,018.93 under the early repayment plan, for a savings of \$75,350.42.
- The final repayment date of the loan will be moved up by 5-1/2 years, from October 1, 2025 to April 1, 2020. Upon repayment of the loan the \$50,000.00 loan reserve required by FirstBank will be released and will be available to replenish reserves or for other HOA initiatives.
- The excess of Special Assessment amounts over what is needed to make the final loan payment in April 2020 will add approximately \$49,300.00 to reserves.
- Depending on the Association's financial condition in early 2020, the \$50.00 monthly increase in the Association Fee could be revisited and either reversed or used to replenish reserves to fund future HOA projects.

In light of these clear financial advantages, the members of the Hideaway Board have decided to pursue early repayment of the FirstBank loan as outlined above and set special annual assessments of \$1,000.00 per unit per year for the next four years. We ask for your support in this endeavor for the long-term benefit of our Association. Please direct any comments concerning this decision to Kevin Lovett (klovett@srgsummit.com), Summit Resort Group.

Hideaway Townhomes, Board of Directors