

June 11,2009

Dear Fellow Homeowners,

As we look forward to our meeting in July, it seemed appropriate to write a letter chronicling the steps that have been taken over the past three years to insure that the problem with the ground retention system is fixed permanently within an acceptable time period and on budget. When we started to explore solutions for the failing system in 2006, the goal was to build condos to generate cash flow to be used to replace the existing ground retention system, upgrade the roadway and upgrade the existing facilities' exteriors. Little did we know what we would discover about the complexities of our existing retaining wall and the challenges to overcome to fix it. None of us knew back in 2006, we would be facing the greatest economic crisis since the Great Depression. Nevertheless, much progress has been made and a culmination of that information will give us the ability to make a decision and move forward.

We have a valuable asset. The Town has granted us the right to build additional condos which can bring the HOA revenue which may offset a portion of our expected assessments.[1]

The problem was temporarily fixed in the early 80's and needs to be fixed permanently. There is no reason to throw good money after bad. The impending demise of the wall is not going away.

Steps required to complete this project:

- A. HOA approve scope of work/project
- B. Amend Snowmass Village Town approval
- C. Gain bank financing for the project
- D. Complete Construction Drawings for project
- E. Establish a Guaranteed Maximum Price and contract terms with contractor
- F. Obtain Builder's Risk Insurance (in a WRAP policy)
- G. Begin the Project

The beginning:

In 2006, Caudill Gustafson and Associate Architects (CGA) were engaged to work on a design to address the retention system and new condos to maximize the number of marketable square feet. This would maximize the cash available to offset the cost to repair the failing system and upgrade the exteriors. January 2007 CGA made a presentation to owners and received an enthusiastic, positive response. CGA has practiced in Aspen since 1952 and completed more than 600 projects. At the time, CGA had completed 12 condo renovation projects within the past 5 years in the Aspen/Snowmass area.

All the while, the economy was booming and so was construction in Snowmass Village.

Conceptual plans were presented at the HOA meeting in March 2007. Everyone was pleased with the presentation. Therefore we continued our work on the project.

After an RFP process in August 2007, the Board interviewed three construction firms to serve as a preconstruction consultant and value engineer along with the architect. The Neenan Company was chosen based on their ability to provide construction expertise and knowledge on how to complete projects on time with sensitivity to the budget. Neenan with over 40 years in the business has experience building complex projects. The pre-construction agreement with Neenan Company was to evaluate design, engineer cost savings, target overall project schedule and align around Owner Conditions of Satisfaction.

In September 2007, the Town of Snowmass Village received our minor PUD request. The Planning and Zoning Department asked for changes to our submission such as deed-restricted employee housing units, easement for the trail, additional fire systems, bus turnaround, snow storage space or snowmelt, and water drainage plans. Once the Planning and Zoning Department approved the application we started the process of getting on the Town Council Agenda.

The final reading at the Town Council was on June 2, 2008. The approval dated June 16, 2008 for Snowmass Mountain Condominiums provided the following:

37 additional parking spaces

6 new free market units

2 deed restricted employee units (total of 3 bedrooms)

70 foot turnaround for public transportation

Snowmelt or Snow Storage area

Landscape

Trail Easement

While working on a solution to our retention system, we discovered that our By Laws and Condominium Declarations were out dated. Further, we discovered that the original legal title to the property needed clearing up. We needed to clear up our legal title while continuing to work on the project.

With the help of our legal Counselor, we were able to complete and approve updated By Laws and Declarations for the HOA and remove deed restrictions from the property. Cleaning up our legal documents is necessary to gain financing for the HOA.

As we continued to work with CGA and Neenan, it became clear that one of the most complex parts of dealing with the railroad ties and replacing the road is maintaining the integrity of the existing units. At the same time, construction costs soared due to material costs and limited supply of companies who can perform the shoring.

At this point (August 2008), the cost estimates reached a point that the Board realized that what we all envisioned could not be a reality. CGA was asked to stop designing. Neenan was asked to consider a scaled back solution.

As Neenan diligently explored options for how to handle the excavation and replacement, they gathered anecdotal information on the retention system repair done in the late 70's/early 80's. (The companies that performed this work are no longer in business.) This discovery was

significant. Digging without this information would have had a huge impact on our buildings not to mention the cost of the project.

Additional professionals hired to guide us through this complex project are:

Civil Engineer: Colorado Civil

Structural Engineer: Redwine Engineers

Shoring Engineer: Hayward Baker

Soil Engineer: CTL Thompson

Mechanical: Bighorn Consulting Engineers

Surveying Services: Tuttle Surveying Services and Lines and Spaces

Today We have a project approved by the town. We need to amend the approval. The amendment would be to create a smaller garage and not build out the condominiums in building A.

CTL Thompson reported in February 2009 the following: "Observation of the existing retaining walls by us and others indicate that the retaining walls are in poor to failed condition. Additional lateral movement of the existing walls is likely if they are not replaced. The lateral movement is likely translating to the parking lot and resulting in damage. Lateral translation to the buildings west of the parking lot is possible and may damage structures.

During the HOA meeting on May 2, we walked the property and observed the existing wall movement. John Mechling, P.E. described the condition and explained how when a section of the wall fails, soil will shift and the water pipes will be under pressure. This pressure could cause the water pipes to break which then creates a mud slide. All buildings will be at risk.

The options to be considered are:

- Retaining wall replacement with snowmelted deck, landscaping, walkway to access lower buildings and fire alarm system upgrade (if necessary)
- Retaining wall replacement with snowmelted deck, approximately 18 parking space garage, foundation for future condominiums, landscaping, walkway to access lower buildings and fire alarm system upgrade
- Retaining wall replacement with snowmelted deck, approximately 18 parking space garage, foundation for building M and 4 condominiums, landscaping, walkway to access lower buildings and fire alarm system upgrade
- Year 1: Retaining wall replacement with snowmelted deck, approximately 18 parking space garage, foundation for future condominiums, landscaping, walkway to access lower buildings and fire alarm system upgrade Year 2 or 3: Building M condominiums

Additional options:

- Exterior renovation of existing units with Hardie siding with stone veneer accents and chimney cap replacement
- Stairwell access to existing units with concrete treads and landings with sound dampening connection to stringers.
- Ornamental handrail to lower buildings from the road.

We expect to be able to send you the cost estimates for the options during the week of June 22, 2009.

Questions:

What has Neenan done?

See attached copy of May 29, 2009 e-mail from Ray Pigg.

Why should we preserve the right to build new condominiums?

Because they can generate a lot of revenue to offset the expected large assessments.

Having the right to build at least 4 new condominiums is valuable to the HOA.

When do we have to build the new condominiums if we preserve the right to build them?

This is a question that we need to explore further with the Town but we believe it may be possible to extend it for several years.

What have we gotten for the money spent?

- Updated Declarations

- Detailed architectural drawings of 2008 project

- Approved project by the Town of Snowmass

- The right to build revenue generating condos

- Detailed engineering studies of wall and ground retention system

What are the costs involved in the project?

- Architectural/engineering plans and detailed drawings

- Construction costs

- Financing costs: fees and interest

- Legal fees

- Insurance: builder's risk and director's liability

- Town fees: application, building permits

- Inspection fees

Why do we have to provide a 70 foot turnaround for the bus?

Snowmass Mountain owns the road. Historically the bus has had trouble turning around in the tight space. During the winter the problem is exacerbated by snow, ice and cars parked illegally. The Town has asked Snowmass Mountain to remedy the problem. Since we own the road, Snowmass Village is not required to provide bus service to us.

Remember we will be sending a notice of a July, probably late July, meeting with cost estimates in a couple of weeks.

Sincerely,

Snowmass Mountain Board of Directors

George Falk, President