We write today to present our proposed changes to the Spyglass governing documents. These proposed changes will need to be voted upon by the current Spyglass owners*.* This letter and the attached documents will provide the background and explanations for the proposed changes along with the exact proposed new wording.

We started this journey at the annual meetings in June of 2019 when we outlined the challenges presented by the current documents which are “state of the art” for the 1980s and 1990s. We identified three substantial issues that are costing owners money and limiting options to move boldly forward into the 2020s.

The first issue identified was the mandate to conduct all financial accounting at the “Unit” as opposed to the association level. This creates costly accounting burdens and unfair results for owners as those unlucky enough to share units with nonpayers are forced to pay more for necessary maintenance. This became evident for St. Andrews owners in 2020 with the uneven special assessments for the furniture and flooring replacement projects.

The second issue was the rigidity in the documents that does not allow intervals to be further subdivided. This prevents MLDC from creating smooth downsizing and exit options for owners and it stymies efforts to repurpose and resell inventory. As expressed in the annual meeting, these non-standard provisions were thwarting efforts by then MLDC President Gil Lynch to get the increasing pile of delinquent inventory productive. Over time, this hurts owners and fewer payers for fixed costs means higher dues.

The third issue identified related to gaining control of severely delinquent inventory: the cases where dues have long stopped being paid and owners are out of communication. The current judicial foreclosure process is prohibitively expensive. MLDC does not want to pass these costs onto current owners. As such, this remains a festering mess.

At the June 2019 meetings, I outlined the goals of owners of any document refresh project as follows:

1. Create the legal structure that will allow MLDC to create more flexible ownership, downsizing and exit options.

2. Create an infrastructure to allow MLDC to gain control of and repurpose severely delinquent inventory to maintain sustainable maintenance fees.

3. Our ultimate grand purpose: Update the legal structure to allow for a thriving resort that will continue to create fabulous vacation experiences and remain owners' “Gateway to Good Times in the Flathead Valley.”

We got right to work on the project, with Molly Lynch and me reading stacks of resort governing documents, from the few in Montana to the big players such as Disney. We polled owners and confirmed that exit flexibility is in fact the main concern. We communicated through newsletters and our web site, making the current documents easily available and encouraging owners to read them. We engaged Montana legal counsel to ensure that all activities conformed to both current law and best practices.

Attached, you will find:

1. A detailing of each proposed change with the current language, if applicable

2. An explanation of the problems this language creates for you as an owner

3. The proposed language change, and how it specifically benefits you as an owner.

 In addition, we have included these changes in marked-up legal documents so you can read them in the entirety of the document facilitating a more comprehensive study and greater understanding of the proposed changes.

Please consider the balance of this letter the most general explanation of the changes.

As we discussed at the June 2019 meeting and in subsequent communication, the first set of changes addresses the issue of fairness in the operation of the resort. These changes address the Unit level accounting and clarify the voting status of non-dues paying owners. These are surgical changes to the documents that will put all Spyglass owners in the same financial boat. It will allow for an association-level pooling of reserves. Specifically, these changes are found in Sections 10, 11 and 23. It also clarifies that only those owners paying their bills have the right to vote on the resort’s operation and destiny. These changes are in sections 1, 9 and 15.

The second set of changes deals directly with that for which owners are clamoring: more flexibility in ownership and the ability to downsize and exit gracefully. As we expressed numerous times in numerous places, our documents prevent innovation and even adherence to current industry best practices by not allowing Intervals rotational packages to be further subdivided. Without this ability, MLDC cannot create new ownership packages. This restriction is changed in sections 4 and 6.

An additional hindrance to providing owners with more exit options is that MLDC is required to pay maintenance fees on all the ownerships it reacquires. Many units do not fully support themselves in rental, therefore MLDC cannot financially justify maintaining open deed back programs. By lifting MLDC's obligation to pay standard maintenance fees for all units awaiting resale, MLDC will be more financially able to take deeds back and many more owners can enjoy the benefit of deeding back their ownership rather than having to go through resale.

Severely delinquent owners foist costs onto current owners and limit the ability to resell weeks to new owners by not controlling a clean title. When the current owners are non-responsive, MLDC’s options for getting these units productive again are limited. The current documents require a judicial foreclosure proceeding to retake control, a process that is expensive and impractical in addition to MLDC having to absorb all future maintenance payments which in turn limit new ownership options and limit the flexibility.

To cure this defect, we propose granting MLDC a limited power of attorney to take back the deed in lieu. This will allow MLDC to work on the owners’ behalf to get this inventory productive and dues paying. This can be found in Sections 10, 15 and 28.

Related to this is the predatory practice of so-called timeshare exit companies. As a rule, these companies charge owners fees to get them out of the obligations of ownership and then fraudulently transfer the deed to entities that are insolvent and do not pay the fees. The result is that the owner has paid fees, believes that they no-longer own their unit, but in fact still do while the HOA dues continue to pile up. No one benefits: neither the owner, their fellow owners nor the resort. We propose a change that allows MLDC to monitor these transactions and verify the legitimacy of all ownership transactions. This will keep this inventory productive and reduce costs for current owners. The language can be found in section 6.

Renting inventory will be an important piece in the puzzle for keeping your resort financially healthy and bringing forward the next generation of owners. In between pure rental and traditional ownership will likely be hybrid, time-limited right-to-use packages that provide predictable revenue for owner dues while introducing vacation ownership in attractive ways to the next generation of families. As such, it is important for the resort to create a uniform rental experience that is both safe, convenient and financially sound for owners and that also provides touch points for MLDC to create opportunities with renters to expand future relationships and new owners. To this end, we propose the documents are amended to channel rental through MLDC approved platforms. This benefits owners by standardizing experiences, potentially limiting owner liability, and reducing transaction costs due scale. This change can be found in section 7.

This change does not affect an owner’s ability to allow family and guests to use their vacation home. This is guaranteed in Section 18, which remains unaltered.

Two additional changes will enhance owner value and experience. First, currently owners recreational usage fee covers golf privileges. This is now included to cover all the recreational facilities on and off site operated by MLDC. This is how it was working prior but the brings the documents up to date with the current practice.

We also propose amending the documents to allow MLDC to adopt a more liberal policy for access for non-impacted times. You will find this language in paragraph 12 (2). We also propose amending paragraph 18 with language that will allow MLDC to create prudent policies permitting owners and guests to vacation with their dogs. This will only occur in units in which all owners vote to allow pets.

I will conclude this letter with an observation. This has been quite a journey. In looking back, I am pleased that the point at which we ultimately ended is dead on with the expectations that I had at the outset and communicated in June of 2019. We are proposing a limited, well thought-out and easily understood set of changes to fundamentally sound legal documents that will provide multiple benefits to Spyglass owners.

We need your vote to help move your resort forward. Click on the link attached to the email to vote electronically. In order, for these critical changes to take place, we need a majority approval. We look forward to writing the next chapter in the Meadow Lake story together.

Sincerely,

Mike Lynch