

Dear Fellow Hakone owner,

Attached you will find the first invoice for 2012 for services to Hakone. This year we are presenting a budget that includes all categories of expenses for services delivered to Hakone as managed by SNHA and the total assessed obligation for your home will be invoiced in 4 installments. For more details on how these services are delivered and charged, read the attached description of the arrangement and agreement we have with SNHA, "Restructuring SNHA to Meet Your Needs", included with this message.

Also with this communication, you will find the following documents attached in a single PDF file/Report:

Hakone - Financial review of 2011 and 2012 Budget_r2.PDF

Page 1. Hakone Balance Report 12-31-2011

Page 2-3. Hakone Income and Expense for 2011

Page 4. Hakone Budget 2012

Page 5. Hakone Budgets – Projections – 10 Year

Pages 6-7 Hakone Projects – Reference for Page 5 Projections

You will notice that we have significantly improved our accounts receivable position from last fall, which benefits all of our owners. We anticipate continued improvements during the next few months. The Hakone 2012 Budget on page 4 lists Hakone expenses and assessments with a breakout by home size. Page 5 takes the projections out 10 years based on the estimates found on the Projects Summary on pages 6-7.

Please look over this information carefully and let us know if you have suggestions for adding projects or adjusting the timeline in some way. We are currently looking at repairs needed to our fence or even the possibility that it could need to be replaced. We are also very interested in "modernizing" our entryways to make them brighter and present a more up to date look and first impression for our guests

If you have any questions about any of the details in this material, please send your questions to Joe Ingram joe@snha.net or 802 644 5865 and he will forward along to us.

We will also send this email with all information by 1st class mail to you. If you do not need paper copies of this information, please reply to joe@snha.net and we will save the postage and a few trees.

Hakone Directors

Florrie Paige, H 13
Claire Franklin, H 8
Mike Sinz, H 7

Hakone House
Balance Sheet
As of December 31, 2011

3:20 PM
02/03/2012
Accrual Basis
Dec 31, 11

ASSETS

Current Assets

Checking/Savings

Union Bank - Hakone #744735

56,822.15

Total Checking/Savings

56,822.15

Accounts Receivable

Accounts Receivable

20,684.33

Total Accounts Receivable

20,684.33

Total Current Assets

77,506.48

TOTAL ASSETS

77,506.48

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Accounts Payable

Current Projects Payable

2,790.00

L.P. Gas Service Payable

977.16

Total Accounts Payable

3,767.16

Other Current Liabilities

SNHA Special Assessment

2,400.00

Total Other Current Liabilities

2,400.00

Total Current Liabilities

6,167.16

Total Liabilities

6,167.16

Equity

Prior Year End

55,590.97

Retained Earnings

97.72

Net Income

15,650.63

Total Equity-Reserve

71,339.32

TOTAL LIABILITIES & EQUITY

77,506.48

Hakone House
Income and Expense
 January through December 2011

3:20 PM

02/03/2012

Accrual Basis

Jan - Dec 11

Ordinary Income/Expense

Income

Insurance	7,607.00
Interest Income	38.44
Late Charges	1,076.88
Lien Processing Fee	40.00
Bldg & Reserve Assessments	64,686.00
Total Income	73,448.32

Gross Profit

73,448.32

Expense

Administration

Teleconference	29.61
SNHA Fees	0.00
Printing and Reproduction	23.00
Total Administration	52.61

Insurance Expense

Claims	920.00
Insurance Expense - Other	7,607.00
Total Insurance Expense	8,527.00

Financial

Bank Service Charges	14.36
Total Financial	14.36

Professional Fees

Accounting	75.00
Consulting	999.00
Filing Fees	50.00
Legal Fees	147.00
Total Professional Fees	1,271.00

Maintenance

SnowRemoval	7,666.25
Hallways	360.00
Common Area Property Management	25,200.00
Painting - Annual	
Entry areas	82.75
Painting - Annual - Other	690.00
Total Painting - Annual	772.75

Repairs

Gutters	429.31
Stairs	1,042.69
Repairs - Other	37.00

	<u>Jan - Dec 11</u>
Total Repairs	1,509.00
Spring & Fall Maintenance	692.00
Total Maintenance	<u>36,200.00</u>
Reserve Funded Projects	
Roof Repair	68.59
Replacements	
Fence	650.44
Total Replacements	<u>650.44</u>
Total Reserve Funded Projects	719.03
Utilities Expense	
LP Gas Admin	616.40
LP Gas Fuel	10,397.29
Total Utilities Expense	<u>11,013.69</u>
Total Expense	<u>57,797.69</u>
Net Ordinary Income	<u>15,650.63</u>
Net Income	<u><u>15,650.63</u></u>

Hakone - Budget Projections
Summary - Updated 02-07-2012
Joe Ingram

2012	
Number of homes	24
LP Gas homes	24
Reserve Balance - Beginning Year	71,339
Income	
1st Qtr	23,865
2nd Qtr	23,865
3rd Qtr	23,865
4th Qtr	23,865
Total Income	<u>95,459</u>
Available from Reserves	<u>71,339</u>
Total Funds available for Target Year	166,798

		Allocations to Homes	
		0.0266	0.0565
		Studio	2 Bedroom
Regime Expenses			
SNHA Regime Basic Service Fee	8,400	350	350
Planning ***	950	25	55
Accounting	1,200	50	50
Insurance (Annual Increase 2%) ***	7,600	202	429
Regime Property Services Contract (SNMCO) ***	26,735	711	1,511
Improvements	0	-	-
Routine Common Property Maintenance ***	6,078	162	343
Projects-Target Year from Reserves	32,945		
Snow removal roofs ***	8,000	213	452
SNHA Project Management ***	5,643	150	319
LP Gas Service (rate of Increase 2%) ***	11,853	315	670
Reserve Fund Contribution ***	<u>19,000</u>	505	1,074
Total Expense	<u>128,404</u>	2,684	5,252
Projected Year End Fund Balance	38,394		

Note:
The 2012 budget above represents expenses for all categories of services provided for Hakone as managed by SNHA. It does not include charges by Smugglers' Resort and any rental income earned and found on your Smugglers' Homeowner account statement.

Allocations for categories marked with *** above are averaged. Your home's allocation will be calculated according to the actual % of undivided ownership as set by the Hakone Declaration as listed below.

Hakone % of Undivided Interest in Ownership

H 01	0.0575
H 02	0.0261
H 03	0.0261
H 04	0.0556
H 05	0.0575
H 06	0.0261
H 07	0.0261
H 08	0.0556
H 09	0.0584
H 10	0.0272
H 11	0.0272
H 12	0.0565
H 13	0.0556
H 14	0.0261
H 15	0.0261
H 16	0.0575
H 17	0.0557
H 18	0.0261
H 19	0.0261
H 20	0.0575
H 21	0.0565
H 22	0.0272
H 23	0.0272
H 24	0.0585

**Hakone - Budget Projections - 10 Year
Summary - Updated 02-07-2012 - Based on listed Projects
Joe Ingram**

Target Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Number of homes	24	24	24	24	24	24	24	24	24	24	24	24
LP Gas homes	24	24	24	24	24	24	24	24	24	24	24	24
Reserve Balance - Beginning Year	71,339	38,394	51,964	48,378	61,417	82,802	82,460	43,479	57,551	53,503	47,278	52,783
Income												
1st Qtr	23,865	23,508	24,502	24,494	24,747	25,913	27,600	26,549	27,646	28,278	28,507	30,016
2nd Qtr	23,865	23,508	24,502	24,494	24,747	25,913	27,600	26,549	27,646	28,278	28,507	30,016
3rd Qtr	23,865	23,508	24,502	24,494	24,747	25,913	27,600	26,549	27,646	28,278	28,507	30,016
4th Qtr	23,865	23,508	24,502	24,494	24,747	25,913	27,600	26,549	27,646	28,278	28,507	30,016
Total Income	95,459	94,030	98,007	97,976	98,986	103,654	110,400	106,195	110,583	113,112	114,027	120,063
Available from Reserves	71,339	38,394	51,964	48,378	61,417	82,802	82,460	43,479	57,551	53,503	47,278	52,783
Total Funds available for Target Year	166,798	132,424	149,971	146,355	160,403	186,455	192,860	149,674	168,133	166,614	161,305	172,845
Regime Expenses												
SNHA Regime Basic Service Fee	8,400	8,484	8,569	8,655	8,741	8,828	8,917	9,006	9,096	9,187	9,279	9,372
Planning	950	960	969	979	989	998	1,008	1,019	1,029	1,039	1,049	1,060
Accounting	1,200	1,212	1,224	1,236	1,249	1,261	1,274	1,287	1,299	1,312	1,326	1,339
Insurance (Annual Increase 2%)	7,600	7,752	7,907	8,065	8,226	8,391	8,559	8,730	8,905	9,083	9,264	9,450
Regime Property Services Contract (SNMCO)	26,735	27,002	27,272	27,545	27,821	28,099	28,380	28,664	28,950	29,240	29,532	29,827
Improvements	0	-	-	-	-	-	-	-	-	-	-	-
Routine Common Property Maintenance	6,078	6,260	6,448	6,642	6,841	7,046	7,257	7,475	7,699	7,930	8,168	8,413
Projects-Target Year from Reserves	32,945	6,000	23,743	7,723	-	22,368	61,668	9,296	28,117	31,016	20,030	51,263
Snow removal roofs	8,000	8,240	8,487	8,742	9,004	9,274	9,552	9,839	10,134	10,438	10,751	11,074
SNHA Project Management	5,643	2,460	4,641	2,773	1,901	4,643	9,417	3,193	5,514	5,926	4,674	8,490
LP Gas Service (rate of Increase 2%)	11,853	12,090	12,332	12,578	12,830	13,087	13,348	13,615	13,888	14,165	14,449	14,738
Reserve Fund Contribution	19,000	19,570	20,157	20,762	21,385	22,026	22,687	23,368	24,069	24,791	25,534	26,300
Total Expense	128,404	100,030	121,750	105,699	98,986	126,021	172,068	115,491	138,699	144,127	134,056	171,326
Projected Year End Fund Balance	38,394	51,964	48,378	61,417	82,802	82,460	43,479	57,551	53,503	47,278	52,783	27,820
Fees payable to SNHA included in above calculations												
SNHA Basic Service Fee/Home	350	354	357	361	364	368	372	375	379	383	387	390
LP Gas Service Fee/Home	35	35	36	36	36	37	37	38	38	38	39	39
Planning Fee/Regime	950	960	969	979	989	998	1,008	1,019	1,029	1,039	1,049	1,060
Accounting Fee/Home	50	51	51	52	52	53	53	54	54	55	55	56
Anticipated Rate of Increase 1% on above SNHA fees												
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Approx Annual Assessments by Home Type												
Studio	2,622	2,586	2,691	2,692	2,720	2,843	3,020	2,912	3,028	3,095	3,121	3,280
2 Bedroom	5,356	5,272	5,500	5,497	5,553	5,820	6,207	5,964	6,214	6,358	6,410	6,755
% of Undivided Interest in Ownership - Hakone Declaration&Bylaws												
Studio	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261	0.0261
2 Bedroom	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575	0.0575

Hakone Project Summary									
2/7/2012									
Joe Ingram - SNHA									
Target Year for Projects	Life	2012	2013	2014	2015	2016	2017	2018	
Improvements - None listed at this time									
Update entry areas in hallways - to be determined									
Maintenance Common Areas (3% annual increase)									
Mechanical Inspection and Maintenance	1	162	167	172	177	182	188	193	
Routine Spring and Fall Maintenance & Painting	1	5,100	5,253	5,411	5,573	5,740	5,912	6,090	
Washer and Dryer Inspection and clean	1	188	194	199	205	212	218	224	
Inspect common hot water heaters	1	32	33	34	35	36	37	38	
Door hardware - replace/repair as needed	1	158	163	168	173	178	183	189	
Gutter inspection and cleaning	1	438	451	465	479	493	508	523	
Reserve Funded Projects (3% annual increase)									
Attic areas - insulation - venting - roof support		6,000							
Chimney towers - inspect and repair	10								
Decks - restrain complete	3			5,346			5,827		
Door hardware - install panic bars/repair as needed	7								
Doors - Replace interior doors at stairs	20						10,834		
Doors - Replace interior hallway	22								
Doors - Replace trash closet doors	20								
Exterior Siding Repairs	3	7,085			7,723			8,418	
Fire Alarm - Central Building Panel and system upgrade	20								
Fence along roadside - repair & paint	5	3,000					3,450		
Gutters - replace	8		6,000						
Hallway Carpet	6	9,500							11,210
Handrails - interior stairs	25								
Linen Closet Door - replace	10	1,560							
Restrain exterior siding	6			18,000					
Roof Shingles - replace	20								37,440
Sign - Building ID	7								
Stair Treads - replace	12			397			457		
Structural Repairs	20								
Washer-Dryer #1	10								4600
Washer-Dryers #2	10	4,000							
Wireless Internet	5	1,800					1,800		
Regime Property Services-Paid to Smugglers'		26,735	27,002	27,272	27,545	27,821	28,099	28,380	
Improvements		-	-	-	-	-	-	-	
Maintenance Total		6,078	6,260	6,448	6,642	6,841	7,046	7,257	
Reserve Total		32,945	6,000	23,743	7,723	-	22,368	61,668	
Snow Removal (5 Year Average)		8,000	8,240	8,487	8,742	9,004	9,274	9,552	
Total		39,023	12,260	30,191	14,365	6,841	29,414	68,926	

Hakone Project Summary							
2/7/2012							
Joe Ingram - SNHA							
Target Year for Projects	Life	2019	2020	2021	2022	2023	
Improvements - None listed at this time							
Update entry areas in hallways - to be determined							
Maintenance Common Areas (3% annual increase)							
Mechanical Inspection and Maintenance	1	199	205	211	218	224	
Routine Spring and Fall Maintenance & Painting	1	6,272	6,461	6,654	6,854	7,060	
Washer and Dryer Inspection and clean	1	231	238	245	253	260	
Inspect common hot water heaters	1	39	41	42	43	44	
Door hardware - replace/repair as needed	1	194	200	206	212	219	
Gutter inspection and cleaning	1	539	555	571	589	606	
Reserve Funded Projects (3% annual increase)							
Attic areas - insulation - venting - roof support							
Chimney towers - inspect and repair	10	1,560					
Decks - restrain complete	3		6,352				6,923
Door hardware - install panic bars/repair as needed	7	5,436					
Doors - Replace interior doors at stairs	20						
Doors - Replace interior hallway	22						11,736
Doors - Replace trash closet doors	20				4,480		
Exterior Siding Repairs	3			9,176			
Fire Alarm - Central Building Panel and system upgrade	20						32,000
Fence along roadside - repair & paint	5				3,968		
Gutters - replace	8			7,440			
Hallway Carpet	6						
Handrails - interior stairs	25				3,062		
Linen Closet Door - replace	10				1,920		
Restrain exterior siding	6		21,240				
Roof Shingles - replace	20						
Sign - Building ID	7	2,300					
Stair Treads - replace	12		525				604
Structural Repairs	20			14,400			
Washer-Dryer #1	10						
Washer-Dryers #2	10				4,800		
Wireless Internet	5				1,800		
Regime Property Services-Paid to Smugglers'		28,664	28,950	29,240	29,532	29,827	
Improvements		-	-	-	-	-	
Maintenance Total		7,475	7,699	7,930	8,168	8,413	
Reserve Total		9,296	28,117	31,016	20,030	51,263	
Snow Removal (5 Year Average)		9,839	10,134	10,438	10,751	11,074	
Total		16,771	35,816	38,946	28,198	59,676	