

MINUTES OF SPECIAL BOARD MEETING

Association: Lulu City Owner's Association

Date: Thursday, January 14, 2010

Location: Full Circle HOA Management
560 Mountain Village Blvd., 102A
Mountain Village, CO 81435
and via conference call

Directors Present: Michael McAllister, Jan Davy, Dave Murphy, Mike Rich, Steve Turoff

Others Present: Diane Wolfson (Full Circle), Neal Elinoff (owner), Sandy Mahnke (owner)

Meeting called to order at 4:05 p.m. MT.

Roll call. Proof of Notice.

Determination of quorum: (yes, 5 of 7 directors)

Motion by Jan Davy, second by Dave Murphy, to approve the minutes of board meetings held November 24, 2009, and December 5, 2009. *Motion passed by a unanimous vote.*

Hearing on notice of foreclosure of association's lien: Neal Elinoff Unit 6H

- Neal Elinoff was present via conference call
- Diane Wolfson, counsel for the association, was present
- Elinoff requested that the board wait until at least May to foreclose because he believed he would have sufficient cash at that time to pay in full

Hearing on Foreclosure of association's lien: Joel and Sandy Mahnke, Unit 6L

- Sandy Mahnke was present via conference call
- Diane Wolfson, counsel for the association was present
- Mahnke stated that she and her husband were filing for bankruptcy
- The association concluded the hearing

There was a 5-minute break while Wolfson contacted Greg Larsen, the bankruptcy attorney for the Mahnkes.

Hearing on Foreclosure of Association Lien: Erik C. Sanchez and Maria Vargas, Unit 6E

- No one appeared on behalf of Sanchez or Vargas

At approximately 5:00 p.m. the board entered executive session to discuss the pending foreclosures. At approximately 5:30 p.m., the board came out of executive session.

Motion by Mike Rich, second by Jan Davy, that since 1) Neal Elinoff stated an intention to pay past due amounts by May 2010, and has the apparent possibility of paying by that date, and 2) there is equity in the property that is sufficient to pay the HOA's non-super priority lien, the Board will give Elinoff until June 1, to pay in full all amounts past due as of the date hereof. The intention is that the amount past due does not exceed the HOA's super-priority lien amount of \$6,400.20. Elinoff must pay in full when due all assessments that become due after the date hereof, including late charges, collection charges, and attorneys fees. If any payment after the date hereof is more than ten days past due, or Elinoff fails to pay in full the past due amounts by June 1, 2010, then the Board will immediately proceed with its foreclosure of Elinoff's unit. *Motion passed by a unanimous vote.*

The Board directed Wolfson to provide a written explanation of the process for foreclosure in the event of a bankruptcy proceeding and the HOA's option with respect to the Mahnke's unit. The matter will be considered again at the Board's February meeting.

The Board directed Wolfson to provide a written explanation of the options with respect to the Sanchez/Vargas unit. The matter will be considered again at the Board's February meeting.

Motion by Michael McAllister, second by Jan Davy, to approve as a resolution of the board the January 4, 2010 proposed board consent in lieu of meeting concerning clarification of association loan assessments. *Motion passed by a unanimous vote.* The resolution will be attached to these minutes and filed in the association's corporate records.

Michael McAllister left the meeting at approximately 5:40 p.m.

Motion by David Murphy, second by Steve Turoff, to approve sending the proposed First Amendment to the First Amended and Restated Declaration to the owners for a vote with an accompanying letter of explanation. *Motion passed by a unanimous vote.*

Motion by Mike Rich, second by Steve Turoff, to amend the collection policy to provide that the association may contact any mortgagee of a delinquent owner that is 90 days past due. *Motion passed by a unanimous vote.*

The next regular board meeting was scheduled for Wednesday, February 17, 2010 at 4:00 p.m. pending confirmation of availability with the absent directors.

Meeting adjourned without objection at approximately 5:55 p.m. MST.

THE FOREGOING MINUTES WERE APPROVED BY THE BOARD OF DIRECTORS AT ITS MEETING HELD FEBRUARY 17, 2010.

Signed: /s/Michelle Aplin, Manager
February 18, 2010

RESOLUTION
BOARD OF DIRECTORS OF THE LULU CITY CONDOMINIUM ASSOCIATION, INC.
January 14, 2010

The following Resolution was adopted by the unanimous vote of the Board of Directors ("Board") of The Lulu City Condominium Association, Inc., a Colorado nonprofit corporation ("Association"), present at its meeting held January 14, 2010, and does hereby constitute the act of the Board.

WHEREAS, in 2007, the Association performed a major remodel of the Lulu City Condominiums and assessed the owners a total of \$2.5 million, which was due and payable on September 19, 2007 ("Remodel Assessment"). Certain owners did not pay the Remodel Assessment in full (collectively, "Nonpaying Owners"), and the Association obtained a permanent loan from Alpine Bank to pay the Remodel Assessment on behalf of those Nonpaying Owners ("Alpine Loan"). The original principal amount the Alpine Loan is \$686,557.00. The Nonpaying Owners, and their respective Units and Share of the Alpine Loan Principal are as follows:

<u>Unit</u>	<u>Nonpaying Owner</u>	<u>Share of the Alpine Loan Principal</u>
6N	Andrew and Barbara Kondracki	\$69,506.00
5C	Thomas J. Anderson	\$51,745.00
6H	Neal Elinoff	\$69,397.00
3C	Alfred Klinke	\$73,367.00
6I	Daniel L. Peterson and Mary L. Peterson	\$69,514.00
4E	Michael and Bonita Rich	\$66,671.00
6E	Erik Sanchez	\$76,781.00
4D	Dudley S. Taft	\$73,747.00
5F	Michael J. Zutler and David M. Zutler	\$56,594.00
3A	Jade Adventures, LLC	\$27,299.00
5A	McGinty Holdings, LLC	\$51,936.00

WHEREAS, in 2007, the Association entered into certain Agreements for Association Financing with the Nonpaying Owners pursuant to which the Nonpaying Owners agreed to pay the Association a regular assessment equal to the Alpine Loan payments, and a lump sum assessment ten (10) years later equal to the lump sum payment due under the Alpine Loan.

WHEREAS, Lulu City Condominiums is a condominium community originally created by the following instruments recorded in the Office of the Clerk and Recorder of San Miguel County, Colorado: instrument titled "Condominium Declarations for Lulu City Condominium

(A Condominium)" recorded on February 6, 1981, in Book 391, at Pages 546-564 ("Original Declaration"), and map recorded on February 6, 1981, in Plat Book 1, at Pages 314-624.

WHEREAS, the Original Declaration was amended and restated by the instrument titled First Amended and Restated Declaration for Lulu City Condominium Association, which was recorded on October 16, 2006, at Reception No. 387603 ("First Amended Declaration"). The Original Declaration, as same has been, or may be, amended, supplemented and restated, is hereafter referred to as the "Declaration").

Page 1 of 3

WHEREAS, pursuant to the First Amended Declaration, the Declaration is "binding upon all present and future Owners. The act of merely acquiring an interest in a Unit constitutes acceptance of, and ratification of, the Governing Documents," which by definition, includes the Declaration.

WHEREAS, pursuant to Section 13(H) of the First Amended Declaration, "any Common Expense, or portion thereof, that benefits only one Unit or fewer than all Units, may be assessed solely to the Unit or Units so benefitted as determined by the Board of Directors."

WHEREAS, the purpose of this resolution is to clarify the nature of assessments under the Association Financing Agreement.

WHEREAS, all capitalized terms herein have the same definition as in Declaration unless stated otherwise.

NOW THEREFORE, the Board resolves as follows.

1. Pursuant to Section 13(H) of the First Amended Declaration, the Board of Directors has determined that principal and interest payments by the Association on account of the Alpine Loan are a Common Expense that benefits fewer than all the Units, specifically, the Units owned by the Nonpaying Owners, and the principal and interest that the Association pays on account of the Alpine Loan shall be assessed to each Nonpaying Owner as a Common Expense as set forth herein.
2. Starting on September 1, 2008, the Association has assessed, and shall continue to assess on the first day of the month thereafter through and including June 1, 2017, each Nonpaying Owner a regular monthly assessment calculated by taking that Nonpaying Owner's Share of the Alpine Loan Principal and amortizing it over thirty (30) years, plus interest at a variable rate equal to JP Morgan Chase Prime N.A., NY, NY, plus ½ % adjusting daily, computed on a 365/360 day simple interest basis with a floor rate of 6.00%, which such principal and interest shall be equal to the regular monthly payment made by the Association on account of the Alpine Loan ("Monthly Assessments").
3. The Association will assess each Nonpaying Owner a lump sum equal to the

outstanding balance of that Nonpaying Owner's Share of the Alpine Loan Principal, plus all accrued interest thereon, which will be due and payable on July 1, 2017 ("Lump Sum Assessments").

4. The Nonpaying Owner's Share of the Alpine Loan Principal may be paid in advance to the Association at any time without penalty. There shall be a \$200 processing fee payable to the Association for each prepayment.
5. All Monthly Assessments and the Lump Sum Assessments hereunder are regular Common Expense assessments under the Declaration, are included in the Association's super lien priority pursuant to C.R.S. § 38-33.3-316(2)(b), and are a joint and several obligation of all Nonpaying Owners and their respective successors-in-interest to (future owners of) their respective Units.
6. The Association's Collection Policies shall apply to all assessments hereunder and all other fees, interest, and charges arising out of such assessments. In addition, if any assessment hereunder is more than ninety (90) days past due, then in addition to all other remedies it

Page 2 of 3

has at law and at equity, the Association shall have the right (but not the obligation) to assess the delinquent Nonpaying Owner the full amount outstanding of the Nonpaying Owner's Share of the Alpine Loan Principal upon ten (10) day's written notice to that delinquent Nonpaying Owner.

