

ELKSTONE HOMEOWNERS ASSOCIATION
Minutes of
Annual Membership and Budget Meeting
Via Conference Call
November 8, 2012 4:00 p.m.

The annual membership and budget meeting of the members of the Elkstone Homeowners Association was held via Conference call on November 8, 2012.

- 1. Roll Call, Determination of Quorum and Call to Order.** Nicole Pieterse, legal counsel for the Elkstone Homeowner's association called the meeting to order.

Present in Person or on Teleconference: Lee Hooper, Vice President represents Sterling Capital, LLC – Owner of Units 8 – 21 for Elkstone 21, Dan Dockray, Real Estate Broker and on site manager for Sterling Capital, LLC, President of Elkstone HOA, Nick Ball (Townhome Unit 1), Secretary/Treasurer, Laurie and Greg Harrison, (Townhome Unit 4); Nicole Pieterse, Elkstone Homeowners Association Attorney, Doug Tueller and Daniel Ryan council for Elkstone 21 LLC.

Present: Judi Balkind, Homeowner Association Manager.

Nicole Pieterse announced a quorum was present.

- 2. Proof of notice of meeting.** The notice of the meeting was mailed on October 29th 2012 to all owners – a certificate of mailing is available for review.

3. Reading and Approval of the Minutes from the September 8, 2011 Special Membership and Budget Meeting. It was noted attorney, Ryan Moussel name was incorrectly noted in the first paragraph. Lee Hooper approved the minutes to the September 8, 2011 meeting with the noted correction. Dan Dockray seconded the motion and motion passed.

4. Introduction of new owners – Sterling Capital, LLC and Nicole Pieterse, attorney for the association.

- Lee Hooper was introduced as Vice President of Sterling Capital, LLC. It was noted the Sterling Capital purchased the note from the lender and obtained the Title through a bankruptcy and foreclosure. There is no debt on the note it was purchased by cash.
- Nicole Pieterse has been retained at the Elkstone Homeowners Association's attorney.

5. Election of Board by Members.

It was noted the current board consists of 3 board members. Nick Ball (Townhome Unit 1- representing the Townhome Units), Lee Hooper – Units 8 -21 and Dan Dockray. One board member will be selected by the townhome owners and two board members selected by Elkstone 21 owners.

- Lee Hooper nominated Dan Dockray and Lee Hooper as board members to represent Elkstone 21 owners. Laurie Harrison nominated Nick Ball as a board member to represent the Townhome owners. Lee Hooper voted for Dan Dockray and Lee Hooper as board members – majority voted and passed. Laurie Harrison and Nick Ball voted for Nick Ball as a board member – majority voted and passed.

6. Reports of officers including Annual Report and 2011/2012 Financials. Judi Balkind noted to the members the Profit and Loss Statements, Balance Sheet, Accounts Receivable and Accounts payable reports for the Elkstone Townhome and Elkstone General Common Elements for Fiscal year ending 2011 and year to date 2012 were sent to all of the owners. The description of the variances associated to the expenses for both budgets were reported on the profit and loss forms. The members were asked if they had any questions with regard to the HOA – No questions asked.

7. Reports of Activities (maintenance issues) to members. The members were asked if they wished to discuss any maintenance issues with the property.

- Laurie Harrison – Townhome Unit #4 noted David Eckman – Eckman consulting had identified drainage issues and settling around her townhome. The driveway and landscaping in front of her unit is beginning to become depressed and sinking eventually leading to maintenance issues. Dan Dockray and Judi Balkind have met David Eckman on the property and identified the problem area. Dan Dockray talked about installing a curb on the other side of the roadway leading to the Elkstone Townhome units. There was also discussion regarding the installation of a French drain. Dan Dockray will meet with David Eckman and determine possible solutions and report to the board.

It was noted to the members the members meeting was adjourned and the Board meeting was called to order.

1. Election of Officers by new Board (President, Secretary and Treasurer). Nicole noted to the members most of the time officers are directors. Discussion ensued. Lee Hooper nominated Lee Hooper as President, Dan Dockray as Vice-President, Lyssa Fagan (Sterling Trust, Controller) as Treasurer and Nick Ball as Secretary. Dan Dockray made a motion to appoint the officers as nominated by Lee Hooper. Nick Ball seconded the motion and motion passed.

2. Discussion and Consideration of Maintenance Issues:

a. Discussion on staining of decks of Townhome units: Nicole Pieterse noted the balconies and decks are Townhome Unit LCEs (Dec 2.1 (aa)(i) and (iv). The Declarations (9.2) says Unit owners are supposed to keep the LCEs assigned to their Units in good order and repair. Nevertheless, the Association can step in and do the repairs if the owner doesn't. She recommended that the Association handle these repairs, rather than the owners doing so individually, for several reasons: (1) the Association technically owns the LCE improvements as part of the common element and therefore needs to oversee the work and ensure it's paid for; (2) the work should be uniform; and (3) there are greater efficiencies associated with doing it all at once. The expense of the deck repairs/staining would be allocated, pro rata, to each Townhome unit having its LCE deck worked on. Prior to commencing work, the Association should obtain approval of the Townhome Units (majority vote) (see First Am. Decl §5.2 (a)(ii)(b), page 5). Discussion ensued. The Board is receptive to address it as a LCE expense and has suggested contacting David Eckman to prepare a list of specs for a bid proposal for staining of all the Townhome decks. The bids should be broken down by Townhouse, so the units can be assessed according to their size.

b. Cleaning of windows: The Townhome Units' exterior windows and cobwebs removed 3 times per year. However, one of the Townhome owners feels this is not enough and the cobwebs return quickly to the buildings.

c. Cobweb removal: A pest control company – Golden Eagle Pest control was hired to spray the Townhome units to try to kill the spiders. The spraying occurred in July with limited success. Discussion ensued regarding additional spraying. It was suggested the Units should be sprayed earlier in the season possibly June and then again late August or early September. This will be scheduled and hopefully help with the cobwebs.

d. Landscaping: additional cost of Repair: This was addressed in a previous section 7 noted above.

e. Agreement from HOA's for maintaining the roadway entrance off of Mountain Village Blvd. It was noted a cost sharing agreement is in place for a 50/50 sharing in the maintenance of the roadway between Trails Edge HOA- Tract 7A and Elkstone HOA. Trails Edge has been notified of the agreement and will be invoiced for reimbursement of snow removal costs from 2003 to present.

f. Possible solutions to Odor Problem. Sterling Capital, LLC purchased Elkstone 21 in early May. They immediately began taking steps to cure the problem based on recommendations made by the local environmental engineer, Chris Hazen, The Terra Firm, who had been working on the issue. Chris Hazen was hired to finish it out as designed by the original plans. It was noted these steps just might cure the problem in an expedient manner. Chris Hazen implanted the steps approximately 3 months ago, however the odor is still present. In early October, Sterling Capital, LLC retained the Denver office of a nationally recognized environmental firm to take the lead. It is Sterling Capital's objective to solve this problem and develop a plan and work with the Town of Mountain Village to get this problem fixed.

3. Consideration of Fidelity Bond (Bylaws §6.11). Discussion ensued regarding the need to obtain a Fidelity Bond. The board does not think the bond is needed at this point in time.

4. Review of insurance policy. It was noted there are different types of product regarding the buildings and some companies are able to underwrite and provide better coverage. Lee Hooper's concern is regarding the overlapping of coverage on the common elements. Susan Schmidt – Neil Garing Insurance broker was contacted for clarification on the policies. Susan indicated the insurance policies do not have overlapping coverage, because there are two separate policies for the buildings. Each policy is designated for the given properties. Insurance premiums are not generated by the general common elements but are generated by the number of units and the given replacement costs of the given properties. Lee Hooper asked if there is anything that is not covered by the two policies. Susan Schmidt assured Lee Hooper that everything is covered by the two policies. Nicole Pieterse suggested the Insurance Company put it in writing.

5. Review and approval of Budget and Dues Assessments by Board. The proposed 2013 budget was presented to the board. Discussion ensued and the board requested additional information before approval and ratification of the budget.

6. Update on status of Declarant document turnover. Nicole Pieterse –Elkstone HOA's attorney will follow up with Stephanie Fanos, Elk Lake Properties attorney and update the board on the status of the declarant turnover.

7. Authorization for Sterling Capital to pay general assessments levied against units it sell this year through the end of 2012. Sterling has been paying all of the expenses for the Elkstone 21 – they want to continue doing this through the end of this year. Sterling has sent copies of all invoices paid by them for the Elkstone 21 property to Judi. Judi went through every invoice sent by Sterling and assigned the expenses such as telephone, electric, etc. to the Elkstone 21 HOA expenses. Lee Hooper doesn't want the new owners to pay anything related to the repairs to the building and advised Judi to assign only the expenses that are recurring expenses to determine the actual expenses incurred by the Elkstone 21 HOA for 2012. Lee Hooper made a motion approve Sterling to pay for all of the expenses of Elkstone 21

through the end of 2012. The payments will reflect a credit against Sterling's dues. Dan Dockray seconded the motion. Motion passed.

8. Determination as to whether/when to undertake a reserve study (Rules and §Regs. 9). Discussion ensued regarding the need to establish a reserve fund. Judi Balkind stated a general rule of thumb is to allocate a reserve fund is 10% of the annual operating dues. She noted Mortgage Companies are requiring that Homeowners Association allocate at least 10% of the operating dues. Doug Tueller mentioned stated there are philosophical approaches to the reserve. The reserve fund is intended to replace large items and the question becomes do you want higher dues and fund your reserve or do you want to keep dues low and get hit with special assessments with a large amount. Buyers are attuned to this right now. Lee Hooper suggested looking at your major systems such as a roof and with the help of David Eckman to obtain bids for replacement and incorporate into a schedule.

9. Determination of treatment of excess funds, at year-end, if any. (Rules and §Regs. 11). There are no excess funds to discuss.

10. Easement matters. There are a number of easements issues with the neighboring properties owners. Nicole stated they are working through some unauthorized usage, and she is working with Doug Tueller hoping for a global resolution. They are working on agreements to reflect the current conditions including a need for an additional snowmelt system in the road as well as a need for expansion of the units.

11. Discussions on vacant lot at the end of the Cul-De-Sac. The vacant portion of the land is owned by the Elk Lake properties and has the right to expand to four additional units. Dan noted that Chris Hawkins, Town of Mountain Village is concerned about the hillside is sliding down and they want to pursue the previous owner to remediate the hill. Doug noted that all of the property is owned as general common elements and owned by the association Lee Hooper wants to go on record to expand the ski easement to include these additional four units Lee Hooper has a parking space that can be sold but Elk Lake properties has a right to claim the space if they develop within a certain time frame. It was noted that the boiler may not have enough power to snow melt the existing area where the units could be built.

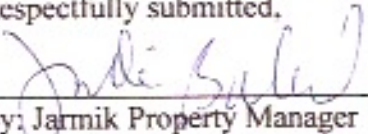
Adjourn Board meeting, reopen/continue member meeting

a. Ratification/veto of budget by members (First Am. Decl. 7.3(a)).

Lee Hooper made a motion to continue the budget meeting to Wednesday, November 14th at 4:00 pm. Dan Dockray seconded the motion. Motion passed.

Adjourn. Lee Hooper made a motion to adjourn. Dan Dockray seconded and meeting was adjourned.

Respectfully submitted,

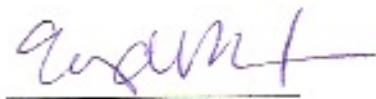


By: Jarmik Property Manager

Judi Balkind, Elkstone HOA Manager

The foregoing minutes of the November 8, 2012 Elkstone Owners' Association Board meeting minutes were APPROVED THE 14th DAY OF August, 2013.

ATTEST:

A handwritten signature in blue ink, appearing to read "Elizabeth Barth", is written over a horizontal line.

Elizabeth Barth, Secretary