



MINUTES OF THE TELLURIDE MOUNTAIN VILLAGE OWNERS ASSOCIATION

SPECIAL BOARD OF DIRECTORS MEETING

SEPTEMBER 8, 2015

BOARD MEMBERS PRESENT:	Jon Dwight, Jeff Proteau, Chuck Horning, Jeffrey Badger with Proxy for Pete Mitchell
BOARD MEMBERS ABSENT:	Pete Mitchell
STAFF PRESENT:	Anton Benitez and Garrett Brafford
STAFF ABSENT:	Heidi Stenhammer
OTHERS PRESENT:	Stephanie Fanos (TMVOA legal counsel), Ron Allred, Dan Jansen, Bob Delves, Brian Eaton, Brian Kanaga, Diego Vietia, and Jim Royer

1. Executive Session pursuant to CRS Section CRS 38-33.3-308 (3) & (4)

The Board convened into Executive Session at 2:05 p.m. MST pursuant to a **MOTION** by Chairman Dwight, seconded by Director Proteau. On a **MOTION** by Chairman Dwight, seconded by Director Proteau, the Board adjourned the Executive Session at 2:25 p.m. MST.

2. Call to Order and Determination of Quorum

Chairman Dwight called the meeting to order at 2:30 p.m. MST. Chairman Dwight introduced the Board and stated that Director Badger holds a Proxy for Director Mitchell, and announced that a quorum had been established.

3. Consideration of Acquisition of Property

Chairman Dwight gave a brief introduction regarding TMVOA's consideration of the acquisition of lot 161C-R and stated that this is the most exciting project for Telluride Mountain Village in decades and will determine whether or not Mountain Village stagnates or becomes a vibrant economy where merchants, homeowners and the resort can be successful. Lot 161 C-R is a lot that has been slated for a high-end hotel since Mr. Allred first envisioned Mountain Village. Chairman Dwight expressed excitement to bring this to TMVOA members as this has been an effort that has been underway for many years. However, approximately 14 months ago it became a daily activity and pursuit. TMVOA is becoming a steward to find a developer to come in and develop the site in accordance with the comprehensive plan for Mountain Village with densities that are critical for Mountain Village. Chairman Dwight introduced legal counsel, Stephanie Fanos to explain the next steps.

The TMVOA Board consulted with Ms. Fanos to analyze two scenarios. Ms. Fanos explained that the first item to address is conflicts of interest. The first scenario is that Chairman Dwight has been operating as the real estate broker and his company will be paid a commission by TMVOA in connection with this transaction. As a result of that financial arrangement, Chairman Dwight must be recused from voting on this subject in connection with the TMVOA conflict of interest policy. The other potential conflict is whether or not there exists a conflict of interest with the Board Members appointed by TSG, the Mountain Special Member. TSG owns properties adjacent to Lot 161C-R. The ownership of adjacent property under the TMVOA conflict of interest policy does not present a conflict so the Board Members appointed by TSG, Director Horning and Director Proteau, are not recused from the vote.

Ms. Fanos continued to explain that the purpose of this meeting is to consider for approval the acquisition of Lot 161 C-R. During discussions with the seller of Lot 161C-R it was determined that the quickest and most efficient way to bring this transaction to a close was to have TMVOA acquire the two entities that own Lot 161 C-R and Ridge Lots 3 and 11. The acquisition of Ridge Lots 3 and 11 are a condition and requirement of the purchase of lots 161 C-R by the seller. Under

consideration for today's meeting is the acquisition of the two entities that hold title to Lot 161C-R and Ridge Lots 3 and 11 and their associated density. The two entities are CO Lot 161 C-R Mountain Village LLC., which owns Lot 161 C-R and the associated 36.125 condominium units of density held in the density bank and the other entity is CO Ridge Lots 3 & 11 Mountain Village LLC.

Ms. Fanos stated that TMVOA has been assessing Lot 161C-R since 2007 when it recognized the need for master planning for Mountain Village and continuing up to the adoption of the comprehensive plan by the Town of Mountain Village in 2011. TMV identified Lot 161 C-R as a critical parcel in connection with the comprehensive plan. In 2013 and 2014, TMVOA formerly recognized the critical nature of acquiring Lot 161 C-R to ensure that it is developed in accordance with the goals and tenants of the comprehensive plan to enhance the economic viability and sustainability of Mountain Village and ensure that Lot 161C-R is developed as a high-end, resort hot-bed project.

Ms. Fanos continued to explain that TMVOA has been in discussion with the seller for several months and is now at the point where it has been able to finalize negotiations with the seller for the acquisition of Lot 161C-R. TMVOA has spent several months doing due diligence and analyzing the financial capability of TMVOA to acquire the property as well as continuing to meet its current financial obligations for the gondola and other programs and operations. It was decided that given the nature of TMVOA's investments in the marketable securities that it would be more advantageous for TMVOA to obtain an unsecured line of credit to purchase the property which gives it the ability to maintain a high rate of return on the marketable securities and borrow the money at a very low and favorable rate. Another action today will be to approve this line of credit.

Chairman Dwight requested comments from the Board and Public.

Mr. Allred gave a brief history of the vision for Lot 161C-R. When the Mountain Village core was initially being designed one of the key items was where the gondola would be located in the core. One of the biggest considerations was skier access to the gondola platform which limited the options. Secondly, it was a goal to have this be the site of the grand hotel. Mountain Village currently has a couple major hotels and several smaller ones and so this site was selected for the Grant Hotel. There have been two different attempts to develop the property, one was not done well and was denied by the DRB, the other one was done very well but the developer was unable to raise the necessary funds.

Mr. Royer complimented the board on taking the initiative to proceed with this project and TMVOA taking ownership of the property. He continued in saying that it is a great step forward so that the property can be developed in a way to enhance the value of Mountain Village and the next phase of how that management is conducted will be critical. TMVOA is up to the task and we look forward to TMVOA bringing value to the entire Mountain Village through the ownership of 161 C-R.

Chairman Dwight added that TMVOA is a very different buyer than a private developer. A private developer could come in and acquire this land but they may have investors with different preferences and would do it as quickly as possible to suit their long term goals. They may also become frustrated with the development process in Mountain Village. TMVOA has patience and the right team and by controlling this piece of land, the ability to determine the developer, get the critical pieces in place and ensure a high-quality project which will ensure the long-term future of Mountain Village. It's the most important long-term acquisition in Mountain Village.

Mr. Delves stated that this is the single most important property to get right in Mountain Village and TMVOA is in a place to make that happen. Mr. Eaton stated that he believes this is a great step for Mountain Village and will increase property values. He believes this type of development should be in the core. Director Badger commented that this is a victory for this parcel in Mountain Village as there were other developers that were ready to step in and this could have ended up being condos which is not what is needed. He commended the Board for taking this step.

Mr. Jansen commented that this is the first public discussion that he was aware of and the Town will be very supportive and will work with TMVOA to support the comprehensive plan. Someone could come in and develop 40 condos in that area without needing any waivers, however the future developer will need to go through the appropriate process. As a TMVOA member, Mr. Jansen stated that TMVOA is adding debt to the membership, destination resort hotel developments are speculative by their very nature and this needs to be opened up to the public process so that everyone understands what is happening in relation to finances and the future of the gondola.

Mr. Dwight commented that because there was litigation surrounding this transaction the Board was required to be under confidentiality agreements in connection with the negotiations. The Board would have liked to have several public meetings in advance but it didn't have a choice. The Board plans to work with the Members and the Town will be brought on board as well.

There are a lot of pieces to this issue and many things that need to be cleaned up. There are parking issues as we represent the Ridge as well.

Mr. Vietia noted that the amount of debt is insignificant compared to the asset and this process is a way of getting things done right. Mr. Dwight noted that this is a short term investment however the board will be patient in the process of getting everything cleaned up before selecting the right developer.

On MOTION by Director Proteau to approve the acquisition of Lot 161 C-R with 36.125 condominium units of density and Ridge Lots 3 and 11 through the acquisition of CO Lot 161 C-R Mountain Village LLC and CO Ridge Lot 3 & 11 Mountain Village LLC for the purchase price of \$8.1M with a closing to occur not later than September 15, 2015. The MOTION was seconded by Director Badger and carried unanimously (4-0). Chairman Dwight was recused from the vote.

On MOTION by Director Badger to approve a line of credit in the principal amount of \$7.5M from Wells Fargo Bank to use for the acquisition of Lot 161 C-R entities, seconded by Director Proteau and carried unanimously (4-0). Chairman Dwight was recused from the vote.

On MOTION by Director Proteau to approve the payment of a real estate commission of \$100,000 to Jon Dwight's Telluride Real Estate Corporation if the acquisition closes. Director Badger seconded the motion which carried unanimously (4-0). Chairman Dwight was recused from the vote.

Chairman Dwight thanked everyone for their help in this process.

4. New Business/Other Business

Nothing to report.

5. Adjournment

On a MOTION by Chairman Dwight, seconded by Director Proteau, the meeting adjourned at 3:00 pm MST.

Chairman Jensen informed Board that he provided an update to TMV council on the previous parking agreement between TSG and the Town. He stated that he and the Mayor has discussed the possibility of exploring 3-way cost sharing (TMV, TMVOA, TSG) of overhead expenses for the Gondola Parking Garage (GPG) up to a total of \$100,000 per year to bank funds toward future expanding of the parking structure. A condition of such funding would be allowing for free daytime parking in the GPG, which would benefit businesses and the guest experience. He asked the board to think about this as an option should the Town want to further explore this idea.

6. Next Meeting Date

The next regularly scheduled Board of Directors meeting will be held on November 16th at 4:00 pm MDT.

7. Adjournment

On a **MOTION** by Director Royer to adjourn the meeting at 6:30 p.m. MDT, the **MOTION** was seconded by Director Badger and carried unanimously (7-0).

**UNANIMOUS WRITTEN CONSENT RESOLUTION
OF THE BOARD OF DIRECTORS OF
TELLURIDE MOUNTAIN VILLAGE OWNERS ASSOCIATION**

This Unanimous Written Consent Resolution of the Board of Directors ("**Board**") of Telluride Mountain Village Owners Association, a Colorado non-profit corporation ("**Association**") is hereby approved and adopted to be effective as of the 30th day of August, 2015 ("**Effective Date**"), in accordance with the provisions of the Colorado Nonprofit Corporation Code and the Bylaws of the Association.

WHEREAS, the Association was formed to perform certain functions and to hold and manage certain property for the common benefit of the Association and its members; to undertake and perform all tasks and functions deemed necessary to foster and preserve the health, safety and welfare of persons in the Telluride Mountain Village; preserve property, property rights and property values; and to maintain the Telluride Mountain Village as a pleasant and desirable environment for all persons residing, visiting or doing business therein;

WHEREAS, the Town of Mountain Village adopted the Mountain Village Comprehensive Plan dated June 1, 2011 ("**Comprehensive Plan**") after five (5) years of analysis, investigation, evaluation and study with the assistance and guidance of professional architects, land planners, lodging and hospitality consultants, economic and financial advisers and municipal law experts;

WHEREAS, the Comprehensive Plan is a community-based plan with a long-term, strategic view to direct future land uses and development to create a more sustainable, more vibrant, more connected and more beautiful community;

WHEREAS, the Comprehensive Plan recognizes that economic prosperity is dependent upon more people visiting Mountain Village more often, staying longer, and returning more often and lays out a set of policies that create a roadmap for achieving this desired level of community prosperity and vibrancy;

WHEREAS, the foundation of the Comprehensive Plan includes: (i) maintaining retail and restaurant space in Mountain Village Center at roughly the same levels as today while allowing for the potential development of 1,500 to 2,000 total visitor accommodation units (aka hotel or hotbed) in the Mountain Village Center and Town Hall Center Subareas; (ii) improving the shopping, dining and lodging experience of residents and visitors; (iii) improving the recreational, educational, community, and cultural amenities; and (iv) protecting the existing residential and recreational experience;

WHEREAS, the Comprehensive Plan identifies Lot 161-CR as a critical parcel (in combination and coordination with adjacent parcels) that must be developed in a manner that maximizes the number of hotbed units, attracts a significant flagship hotel operator and provides enhanced retail, restaurant, open space and recreational amenities for the community at large;

WHEREAS, the Community Development Code, adopted by the Town of Mountain Village after adoption of the Comprehensive Plan, allows Lot 161-CR to be developed in

accordance with a “use by right” development plan as a thirty-three (33) unit condominium project, rather than in accordance with the goals and visions of the Comprehensive Plan as a resort hotbed project;

WHEREAS, the loss of Lot 161C-R as a critical resort hotbed project would have a detrimental impact on the already vulnerable economic condition of the Mountain Village and would undermine the foundations of the Comprehensive Plan;

WHEREAS, in 2013 and 2014, the Board identified several initiatives and programs that were essential for the Association to undertake in order to foster and ensure the short term and long term economic viability and sustainability of the Mountain Village in concert with the Comprehensive Plan (“**Economic Sustainability Program**”);

WHEREAS, the Economic Sustainability Program identified Lot 161C-R as the most critical development site to the Mountain Village;

WHEREAS, the Board directed and authorized Board President, Jon Dwight to engage in discussions with the owner of Lot 161C-R to explore the acquisition of Lot 161C-R by the Association in order to preserve this critical parcel and ensure that it is developed in accordance with the goals and visions of the Comprehensive Plan and the Economic Sustainability Program;

WHEREAS, after several months of discussions and negotiations with the owner of Lot 161C-R and the completion of a successful bidding process to purchase Lot 161C-R, the owner of Lot 161C-R informed Mr. Dwight that, contrary to their representations and assurances to the Association, they had decided to sell Lot 161C-R to a third party due to litigation encumbering Lot 161C-R related to certain agreements pertaining to parking (“**Litigation**”);

WHEREAS, after consultation with Board members, staff and legal counsel, Mr. Dwight engaged in further discussions with the owner of Lot 161C-R and the owner agreed to sell Lot 161C-R to the Association within a very short time frame and only through: (i) the acquisition by the Association of 100% of the membership interests in the limited liability company that is the fee title owner of Lot 161C-R; (ii) acquisition by the Association of 100% of the membership interests in the limited liability company that is the fee title owner of Lots 3 and 11 within the Ridge at Telluride development; and (iii) the Association’s agreement to complete the acquisition of the limited liability companies with full knowledge of the outstanding Litigation, for the combined and total purchase price of \$8,100,000, with a closing date of no later than September 15, 2015;

WHEREAS, CO Lot 161C-R, LLC, a Delaware limited liability company, is a single purpose limited liability company formed for the sole purpose to hold fee title ownership of Lot 161C-R and ownership of 36.125 condominium units (108.375 persons) of density, which are held of record in the Town of Mountain Village Density Bank (the “**Density Bank Units**”);

WHEREAS, CO Ridge Lots 3 and 11 Mountain Village, LLC, a Delaware limited liability company, is a single purpose limited liability company formed for the sole purpose to hold fee title ownership to Ridge at Telluride Lots 3 and 11;

WHEREAS, Lunar Land Company, LLC, a Delaware limited liability company, owns 100% of the membership interests in both CO Lot 161C-R, LLC, a Delaware limited liability company and CO Ridge lots 3 and 11 Mountain Village, LLC, a Delaware limited liability company (collectively, the “**Entities**”);

WHEREAS, the Board met at a duly called and noticed meeting on August 30, 2015, at 9:00 a.m. (“**Meeting**”) to consider, in Executive Session, the acquisition of Lot 161C-R, Ridge at Telluride Lots 3 and 11 and the Density Bank Units through the acquisition of 100% of the membership interests of the Entities;

WHEREAS, the Board discussed the successful acquisition by the Association of Lots 50A, B and C and Lot 51 in the early 2000’s to ensure that those lots were developed to provide hotbeds and various community benefits and amenities that resulted in the Madeline Hotel;

WHEREAS, the Board determined that the acquisition of Lot 161C-R to preserve and facilitate the optimal development on Lot 161C-R for the benefit of the community is as critical in 2015 as the acquisition and control of Lots 50/51 was in the early 2000’s, and that the loss of Lot 161C-R as a resort hotbed project would result in irreversible harm to the long term economic sustainability of the Mountain Village;

WHEREAS, the Board determined that the acquisition of the Lot 161C-R through the acquisition of 100% of the membership interests of the Entities is in the best interests of the Association and its members for the purpose of ensuring that Lot 161 C-R is developed as a world class resort hotbed development to provide for the long term economic vitality, viability and sustainability of the Mountain Village in accordance with the goals and purposes of the Comprehensive Plan;

WHEREAS, the Board reviewed and discussed a proposed Purchase and Sale Agreement (the “**PSA**”) with Lunar Land Company, LLC for the acquisition by the Association of 100% membership interests of the Entities for the purchase price of \$8,100,000;

WHEREAS, the Board discussed the substantial due diligence review, study and analysis related to Lot 161C-R, Ridge at Telluride Lots 3 and 11, the Density Bank Units and the Entities that had been undertaken and completed over the past 11 months by the Association’s staff, Board members, legal counsel, financial advisors, appraisers and consultants;

WHEREAS, the Board discussed the Litigation in detail with legal counsel for the Association and the potential risks and costs presented by the Litigation and concluded that the risk of losing the opportunity to preserve and protect Lot 161C-R for the benefit of the community outweighed the risks and costs of the Litigation;

WHEREAS, the Board discussed and analyzed the Association’s financial ability to complete the acquisition without detrimentally impairing the Association’s financial condition and concluded that the Association has sufficient reserves and investments to complete the acquisition for cash, but determined that it was more prudent to obtain a portion of the purchase

price for the acquisition through a line of credit (“**LOC**”) issued by Wells Fargo Bank in the total principal amount of \$7,500,000 at the rate of 1.30% over the Daily One Month LIBOR rate with a term of three years, in order to maintain the investment of reserves in investment vehicles that are achieving a higher rate of return than the interest to be paid under the LOC;

WHEREAS, after thorough discussion, study and analysis of the acquisition, the PSA and the Litigation, the undersigned Directors unanimously direct and approve the finalization and execution of the PSA by the Association’s President, Executive Director and legal counsel in substantially the same form and content as the PSA discussed at the Meeting;

WHEREAS, the Board consulted legal counsel for the Association regarding the Association’s Policies and Procedures Regarding Board Member Conflicts of Interest with an effective date of June 19, 2013 (“**Policy**”) that requires Directors to abstain from voting on a matter if they have a “Conflict of Interest” in the matter as defined in the Policy;

WHEREAS, the Policy provides that a “Conflict of Interest” can exist if Directors have a direct or indirect "Financial Interest" or in the event of a “Conflicting Interest Transaction”;

WHEREAS, a “Financial Interest” exists when a Director has, directly or indirectly through business, investment or family:

1. An ownership or investment interest in any entity with which the Association has a transaction or arrangement, or
- ii. A compensation arrangement with any entity or individual with which the Association has a transaction or arrangement, or
- iii. A potential ownership or investment interest, or compensation arrangement with any entity or individual with which the Association is negotiating a transaction or arrangement.

WHEREAS, a “Conflicting Interest Transaction” means any contract, transaction or other financial relationship between the Association and a Director, or between the Association and a party related to a Director, or between a Director and an entity in which a Director is a director or officer or has a financial interest;

WHEREAS, Director Dwight disclosed that he will receive a brokerage commission from the Association in the amount of \$100,000 if the Association closes on the PSA;

WHEREAS, Directors Horning and Proteau disclosed that TSG Ski & Golf, LLC, an entity in which they have a financial interest or employment interest, owns parcels of real property that are adjacent to Lot 161C-R;

WHEREAS, Directors Dwight, Horning and Proteau confirmed that other than the disclosures set forth herein these Directors do not have a compensation arrangement or any existing or potential ownership or investment interest with the seller under the PSA;

WHEREAS, the Board determined after consulting with legal counsel that ownership of adjacent real property does not constitute a “Financial Interest” or a “Conflicting Interest Transaction” and therefore Directors Horning and Proteau do not have a Conflict of Interest in connection with the PSA as defined under the Policy; and

WHEREAS, the Board determined after consulting with legal counsel that the payment of a brokerage commission by the Association to Director Dwight for his brokerage services in connection with the PSA does result in direct financial compensation to Director Dwight arising out of the PSA and therefore Director Dwight should not participate in the vote on the PSA.

NOW, THEREFORE, the undersigned Directors hereby unanimously confirm and approve the following acts and resolutions:

BE IT RESOLVED, that the Association’s President, Executive Director and legal counsel are hereby directed and authorized to finalize the PSA with a purchase price of \$8,100,000 in substantially the same form and content as the proposed PSA discussed at the Meeting;

BE IT FURTHER RESOLVED, that the Executive Director shall be authorized to execute the PSA as the “Authorized Signatory” of the Association upon finalization of the PSA;

BE IT FURTHER RESOLVED, that the Association shall pay the sum of \$100,000 to Director Dwight and Telluride Real Estate Corp. for real estate brokerage services in connection with this transaction, but only if the transaction closes;

BE IT FURTHER RESOLVED, that Association’s Executive Director and legal counsel are directed to proceed to finalize the LOC with Wells Fargo Bank in the amount of \$7,500,000 in accordance with the attached Preliminary Term Sheet to provide funds for the acquisition of the Entities under the PSA, with the remainder of the purchase price and closing costs to be paid from the cash accounts of the Association; and

BE IT FURTHER RESOLVED, that the Board and the Association’s staff, agents, attorneys, consultants and advisors are hereby directed to maintain this transaction in the strictest of confidence until and if the Board approves noticing of an open Board meeting to present the potential acquisition to the Association members, at which meeting the Board will consider proceeding with the acquisition, and which meeting shall take place prior to the expiration of the due diligence period set forth in the PSA.

This Resolution may be executed by the individual Board members in multiple counterparts or by legible facsimile copy or electronic signature, each of which shall constitute an original, but all of which, taken together, shall constitute one and the same instrument.

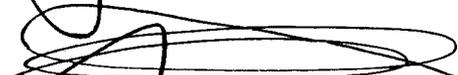
Executed by the undersigned Board of Directors of the Association to be effective as of the Effective Date.



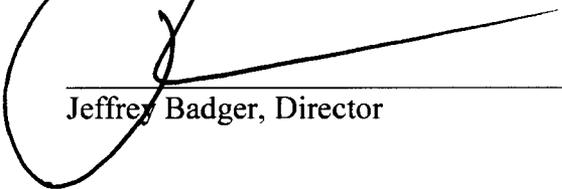
Jeff Proteau, Vice Chairman



Peter Michalen, Secretary/Treasurer



Chuck Horning, Director



Jeffrey Badger, Director