

October 14, 2006

CLW II Homeowners:

On September 7, 2006 John Osthus, Mike Page, Richard Duff and Mary Fitzpatrick filed a lawsuit on behalf of all CLWII homeowners asking for a declaratory judgement against the Directors and Trustees of CLW II. Here's a brief background (more can be found on the CLW II web site).

Their stated intent in filing this lawsuit is to have the current Directors and Trustees removed, place themselves in office as Trustees and Directors of CLWII, declare the 2005 indenture amendment invalid, and declare the corporate bylaws invalid. They have demanded the transfer of all records, contracts and bank accounts to their control. They are also asking for a restraining order prohibiting the Directors and Trustees from conducting business for CLWII. Further, they seek reimbursement from CLWII for their legal expenses, including the cost of this lawsuit.

These four people, with the addition of Miles Whitener, took it upon themselves, in violation of our corporate bylaws, to change our corporate filings with the Secretary of State by declaring themselves directors and changing our business address to Richard Duff's residence. They did this without telling the homeowners. And they did it without having the authority to do so. They did this based on a special meeting election they held in January of 2006. We contend this was not a proper election since the new directors-elect did not conform to the bylaw requirement of first being elected as a Trustee.

A person must first be elected a Trustee to be eligible for the position of Director, yet none of these people claiming to be directors-elect have been elected as a Trustee.

Within the subdivision we have two separate and distinct entities that govern us. They are:

- Our Indentures and its elected board of Trustees and
- Our Corporation and its Board of Directors.

The Indentures/Trustees cover approximately 85% of the subdivision's day to day activities and business.

In 2003, on the advice of legal counsel, we incorporated the subdivision for the protection of all homeowners in the event of a liability in excess of our insurance coverage. The corporation bylaws establish among other things, requirements for an annual meeting, quorums for voting on corporate matters, corporate voting procedures, fiscal controls and the criteria of who is eligible to be a Director.

In 2005, 176 homeowners gave written approval of an amendment to the indentures (166 is required). Included in that amendment are provisions for future funding of our subdivision expenses. It includes an annual budget, a maximum annual increase of only \$25 to a cap of \$500. The proposed budget is mailed to all and those who attend the budget meeting vote.

We have dealt with countless emails, letters, and phone calls in a effort to find areas of resolution. In March 2006, in an effort to provide an amicable resolution to their issues, we provided this group, at subdivision expense, a two hour long consultation with the subdivision legal counsel. Of the five people, three attended the meeting. It is evident by the filing of this lawsuit that the legal opinions and explanations provided by the attorney, who represents each of us as a homeowner, were not satisfactory to this group. To date, CLW II has spent over \$12,700 addressing the issues of these five residents

The common grounds, swimming pools, and tennis courts have never looked better. We have sound financial practices and business controls in place.

The Trustees (Eric Ruegg, Mike Ritchie, Carol Weber, Ted Sundhausen, Cris Finnegan) believe that throughout our time as your Trustees we have acted 1) fairly, 2) in good faith, 3) on the basis of legal counsel, and 4) for the benefit of all homeowners of the subdivision.

Thank you for your continued support
Eric, Mike, Carol, Ted, and Cris

For interesting reading and a timeline of events explaining this situation in more depth please visit www.countrylanewoodsii.com or leave a message at 636-225-0930 and we will be happy to mail you a copy.