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## RECORD OF PROCEEDINGS

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### Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2 January 23, 2017

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan Districts Nos. 1 & 2, Montrose and Ouray Counties, Colorado, was held at 10:00 a.m. Monday, January 23, 2017 at the Ache Residence, 929 Courthouse Peak Lane, Montrose, Montrose County, Colorado, in accordance with the applicable statutes of the State of Colorado.

<b>Attendance</b>	<p>The following Directors were present and acting:</p> <ul style="list-style-type: none"><li>▪ Warren Ache - District No. 1 and No. 2</li><li>▪ Bill Fugazzi - District No. 1 and No. 2 (via phone)</li><li>▪ Marijo Ache - District No. 1 and No. 2</li><li>▪ Pam Fugazzi - District No. 1 and No. 2 (via phone)</li><li>▪ David Coker - District No. 1 and No. 2</li></ul>
	<p>Also in attendance were:</p> <ul style="list-style-type: none"><li>▪ Clint Waldron, White Bear Ankele Tanaka &amp; Waldron (via phone)</li><li>▪ Eric Weaver, Marchetti &amp; Weaver, LLC (via phone)</li><li>▪ Rick Gonzales, Marchetti &amp; Weaver, LLC (via phone)</li></ul>
<b>Call to Order</b>	<p>The Joint Special Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 &amp; 2 was called to order by Director Ache on January 23, 2017 at 10:00 a.m. noting a quorum was present.</p>
<b>Combined Meetings</b>	<p>The Boards of Directors of the Districts have determined to hold joint meetings of the Districts and to prepare joint minutes of action taken by the Districts in such meetings. Unless otherwise noted herein, all official action reflected in these minutes shall be deemed to be the action of both Districts. Where necessary, action taken by an individual District will be so reflected in these minutes.</p>
<b>Disclosure Matters</b>	<p>The Directors reviewed the agenda for the meeting, following which each Director confirmed the contents of any written disclosure previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Each director also confirmed that nothing appeared on the agenda for which disclosure certificates had not been filed. The Boards noted, for the record, that these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts. Additionally, the Boards determined that the participation of the Directors present was necessary to obtain a quorum or otherwise enable the Boards to act.</p>
<b>Public Comment</b>	<p>No public comment was offered.</p>

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### CORNERTSTONE METROPOLITAN DISTRICT NOS. 1 & 2

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- Agenda** No changes were made to the agenda.
- Minutes** Upon motion duly made and seconded it was unanimously  
  
**RESOLVED**, to approve the minutes for the meeting held December 5, 2016 as submitted.
- Legal Matters**
- Executive Session** Upon motion duly made and seconded, it was unanimously  
  
**RESOLVED**, to enter into Executive Session pursuant to C.R.S. §24-6-402(4)(a), for the purposes of discussing the purchase and sale agreement for real property and C.R.S. § 24-6-402(4)(e)(I), for the purpose of determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators regarding the same.
- The Board then returned from executive session.
- The Board then discussed the proposed Independent Contractor Agreement (“ICA”) with DB Waterworks, LLC for water and sewer services. Discussion included the basis for pricing and options should the water system convert back to a potable water system. Following discussion and upon motion duly made and seconded it was unanimously,  
  
**RESOLVED**, to approve the Independent Contractor Agreement with DB Waterworks, LLC as presented.
- Consideration of the Lease Purchase Agreement for Donated Properties was deferred while attorneys continue to work on the agreement.
- Mr. Waldron then informed the Board of the potential reduction in the residential assessment rate for property taxes from 7.96%. A reduction would impact 2017 taxes to be collected in 2018. Mr. Waldron also informed the Board that the District has the ability to adjust the mill levy rate to compensate for the lost revenue that would result from the drop in assessment rate.

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**Operations** Director Ache informed the board that there are still issues with the front gate. Seaborn has put the gate back on its pins and welded the operator arm back on. Director Fugazzi said that England Fence will fix the gate.

The Board then discussed the need for communication to members to inform them that because of the unexpected tax revenue collected in 2016 and the sale expected to close at the end of the first quarter of the year no operations fee for 2017 is anticipated and the mill levy is unchanged. The Board instructed Mr. Weaver to draft a letter from the Board for their review and approval.

**Financial** Mr. Weaver then presented The Preliminary Financial Statements for the Period Ended December 31, 2016 and upon motion duly made and seconded it was unanimously

**RESOLVED** to accept the Preliminary Financial Statements for the Period Ended December 31, 2016 as presented.

Mr. Weaver then presented the Accounts Receivable Report. There was brief discussion but no action was taken by the Board.

Mr. Weaver then presented the Accounts Payable Report and upon motion duly made and seconded it was unanimously,

**RESOLVED**, to approve the Accounts Payable Report as presented.

Mr. Weaver then proposed a delay in the annual audit for a number of reasons including the potential end of quarter sale. After some discussion the Board agreed that the audit could be delayed and authorized Mr. Weaver to do so.

Mr. Weaver then asked the Board to consider moving funds from CSAFE to COLOTRUST for various reasons including to take advantage of higher earnings rates. Following discussion and upon motion duly made and seconded it was unanimously,

**RESOLVED**, to open Colotrust Plus accounts for each District with Directors Bill Fugazzi and Warren Ache as signers and Rick Gonzales and Eric Weaver as inquiry only status on the accounts.

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Mr. Weaver then asked the Board to consider direct deposit of Director's Fees. After a brief discussion the Board agreed to have Director Fee payments direct deposited and will furnish Mr. Gonzales with the information necessary.

**Next Meeting**      The next meeting of the Boards of Directors is scheduled for 10:00 a.m. Monday February 27, 2017 at 929 Courthouse Peak Lane, Montrose, CO 81403, the Ache residence.

**Adjournment**      There being no further business to come before the Boards and upon motion duly made and seconded it was unanimously

**RESOLVED**, to adjourn the meeting.

Respectfully Submitted

Rick Gonzales  
Secretary to the meeting