
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan Districts Nos. 1 & 2 February 22, 2016

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan District Nos. 1 & 2, Montrose and Ouray Counties, Colorado, was held 10:00 a.m. Monday, February 22, 2016 at the Ache Residence, 929 Courthouse Peak Lane, Montrose, Montrose County, Colorado, in accordance with the applicable statutes of the State of Colorado.

Attendance

The following Directors were present and acting:

- Warren Ache- District No. 1 and No. 2
- Bill Fugazzi- District No. 1 and No. 2
- Marijo Ache- District No. 1 and No. 2
- Pam Fugazzi- District No. 1 and No. 2 (via phone)
- David Coker- District No. 1 and No. 2

Also in attendance were:

- Jamie Cotter, Spencer Fane Britt and Browne (via phone)
- Clint Waldron, White Bear Ankele Tanaka & Waldron (via phone)
- Eric Weaver, Marchetti & Weaver, LLC (via phone)
- Rick Gonzales, Marchetti & Weaver, LLC (via phone)

Call to Order

The Joint Special Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Chairman Fugazzi on February 22, 2016 at 10:00 a.m. noting a quorum was present.

Combined Meetings

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.

Disclosure Matters

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.

RECORD OF PROCEEDINGS

CORNERSTONE METROPOLITAN DISTRICT NOS. 1 & 2 February 22, 2016 Meeting Minutes

Public Comment No public comment was offered.

Agenda No changes were made to the agenda.

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)(b), Conferences with an attorney for the board of directors for the purposes of receiving legal advice on specific legal questions regarding foreclosure of certain Cornerstone properties and the potential sale to a new developer and C.R.S. § 24-6-402(4)(e), for the purpose of determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators regarding the potential sale to a new developer.

Legal Matters After returning to public session and after discussion, upon motion duly made and seconded it was unanimously

RESOLVED, to appoint Bill Fugazzi as the board's representative to disseminate factual information regarding the project and acquire a Letter Of Intent ("LOI") to purchase the Cornerstone properties for sale from a potential buyer. Said representative does not have the authority to negotiate on behalf of the board and is to keep the board informed.

Following discussion of prior developer loans from Cornerstone Montrose LLC to District No. 1 and upon motion duly made and seconded it was unanimously

RESOLVED, to authorize Mr. Waldron to begin dialogue with Cornerstone Montrose LLC on behalf of the board regarding the elimination of prior Advance and Reimbursement Agreements.

Following discussion of action taken at a prior meeting regarding foreclosure of delinquent accounts and upon motion duly made and seconded it was unanimously

RESOLVED, to delay foreclosure proceedings authorized at the December 21, 2015 board meeting until further information is known regarding the sale to a new developer. However, Mr.

RECORD OF PROCEEDINGS

CORNERSTONE METROPOLITAN DISTRICT NOS. 1 & 2 February 22, 2016 Meeting Minutes

Weaver and Mr. Waldron are to update information on the properties to be foreclosed and then forward that information to Ms. Cotter who will do the minimal work necessary in preparation for foreclosure proceedings but not file foreclosures until instructed by the board to do so.

Mr. Waldron then informed the board that he had spoken with Tri-County Water regarding their demand that the District install a backflow preventer on the District's water system within 30 days from Tri-County's first notice. Tri-County understands that installation of the preventer under current weather conditions is not practical and will work with the District as long as the District is making a good faith effort to eventually install the preventer within a reasonable time.

The board then asked Mr. Waldron to speak with Tri-County on behalf of the District regarding new chlorine regulations.

Discussion regarding the disposal of personal property owned by the District was started but ended before completion because of the length of time of the meeting.

Adjournment

Due to the length of the meeting to this point and upon motion duly made and seconded it was unanimously

RESOLVED, to adjourn the meeting and continue discussion regarding the disposition of personal property and consider the remaining agenda items at the next scheduled meeting.

Respectfully Submitted

Rick Gonzales
Secretary to the meeting

RECORD OF PROCEEDINGS

CORNERSTONE METROPOLITAN DISTRICT NOS. 1 & 2
February 22, 2016 Meeting Minutes

Attorney Statement

REGARDING PRIVILEGED ATTORNEY-CLIENT COMMUNICATION

Pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as special counsel to Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2, I attended the executive session meeting convened on February 22, 2016, held pursuant to §24-6-402(4)(b) and (e), C.R.S., conference with an attorney for the purpose of receiving legal advice related to specific legal questions and to develop negotiating positions, strategy, and instruct negotiators, regarding foreclosure proceedings related to the Districts' liens against individual owners and the potential impact of foreclosures on the sale to a new developer. I further attest it is my opinion that all of the executive session discussion constituted a privileged attorney-client communication and, based on that opinion, no further record, written or electronic, was kept or required to be kept, and no further record, written or electronic was kept or required to be kept pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S.

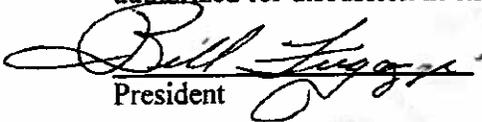
Signature

Name and Title

Date

Jamie Cotter
Jamie Cotter, Esq
3/29/16

As President of the Board of Directors of Cornerstone Metropolitan Districts No. 1 and No. 2, I attest that the portion of the executive session that was not recorded was confined to the topic(s) authorized for discussion in executive session pursuant to Section 24-6-402 (4), C.R.S.


President