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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 March 28, 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, March 28, 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
- David Coker - District No. 1 and No. 2

Also in attendance were:

- Brad Simons, TZA Water Enterprises
- 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 March 28, 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.

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**Public Comment** No public comment was offered.

**Agenda** Mr. Fugazzi requested an Executive Session under the Legal Matters section and the request was approved by the Board.

**Legal Matters** Mr. Waldron introduced Brad Simons from TZA Water Engineers who gave an update to the Board regarding Proposed New State Minimum Chlorine Levels. The Board then posed questions to Mr. Simons and discussed the proposed regulations and services TZA Water Engineers can provide to the District. After discussion and upon motion duly made and seconded it was unanimously

**RESOLVED**, to engage TZA Water Engineers as an independent contractor for professional services described in TZA's proposal letter and to have TZA draft a letter to the Colorado Department of Public Health and Environment's Water Quality Control Division proposing a delay in the implementation of the new regulations.

Mr. Simons then thanked the board and left the meeting.

**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 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.

The Board then returned to public session.

Mr. Waldron then presented the Proposed Modifications of Potable Water Service Agreement to the Board. After discussion and upon motion duly made and seconded it was unanimously,

**RESOLVED**, to approve the Proposed Modifications of Potable Water Service Agreement.

Tim Harrell will coordinate the modifications to the water service system.

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The Board then discussed the proposed Tax Lien Financing Term Sheet presented by the Cornerstone Owners Association. After discussion and motion duly made and seconded Directors Warren and Marijo Ache and David Coker took the following action:

**WHEREAS**, it is in the best interest of the members of the District that property subject to conveyance per Treasurer's Deeds for unpaid property taxes remain under ownership of the Cornerstone Owners Association in order to avoid a potential substantial loss to the District and best facilitate a sale to a new developer,

**WHEREAS**, it is necessary for the District to agree to waive fees on property used as security to facilitate the loan of money to the Cornerstone Owners Association pursuant to Section 5 of the Tax Lien Financing Term Sheet so that the Association can pay tax liens to prevent the conveyance of certain property to owners other than the Cornerstone Owners Association,

**THEREFORE**, it is **RESOLVED**, to waive District Fees pursuant to Section 5 of the Tax Lien Financing Term Sheet.

Directors Bill and Pam Fugazzi abstained from the vote due to a conflict of interest.

Mr. Weaver then reported that the scheduled May 3, 2016 election was cancelled because there were an equal number of self-nomination forms submitted as there were vacancies. No write-in candidacies were received. Oaths of Office will be administered at the May 23, 2016 board meeting.

### **Operational Matters**

The board members commented that substantial cracks in the road have developed in the areas that were repaired last year. Mr. Fugazzi will contact the contractor that did the repair work to assess the current cracking and whether or not these issues are related to the repair work done last year.

### **Financial Matters**

Mr. Weaver presented the preliminary December 31, 2015 financial statements. Mr. Weaver explained the audit has started but finalization and publication of the year-end audit report may be postponed because of the potential sale to a new developer. Upon motion duly made and seconded it was unanimously

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**RESOLVED**, to approve the preliminary December 31, 2015 financial statements as presented.

Mr. Weaver then presented the Accounts Receivable and Accounts Payable reports. Following discussion and upon motion duly made and seconded it was unanimously

**RESOLVED**, to approve the Accounts Receivable and Accounts Payable reports as presented.

Mr. Weaver then advised the status of implementation of Bill.com as an accounts payable and accounts receivable web based service. The Board instructed Mr. Weaver to continue moving forward to implement Bill.com.

In an effort to minimize future expenses for accounting services, Mr. Weaver proposed to the board that financial statements be prepared on a quarterly basis instead of monthly and that the first quarterly statement for the quarter ended March 31, 2016 would be presented at the April meeting. The board approved implementation of a quarterly schedule for financial statements as long as they were kept up to date regarding actual cash balances.

**Next Meeting** The next regularly scheduled meeting of the Board of Directors is 10:00 a.m. Monday, April 25, 2016.

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

**RESOLVED**, to adjourn the meeting.

Respectfully Submitted

Rick Gonzales  
Secretary to the meeting

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## 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 general counsel to Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2, I attended the executive session meeting convened on March 28, 2016, held 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 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.

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 \_\_\_\_\_

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.

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President