
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2 July 25, 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, July 25, 2016 at the Fugazzi Residence, 896 Birdsong Lane, Montrose, Ouray 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 (via phone)
- Bill Fugazzi - District No. 1 and No. 2
- Marijo Ache - District No. 1 and No. 2 (via phone)
- Pam Fugazzi - District No. 1 and No. 2
- David Coker - District No. 1 and No. 2

Also in attendance were:

- George Rowley, Esq., 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 July 25, 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.

Public Comment

No public comment was offered.

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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 May 23, 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)(b), Conferences with an attorney for the Boards 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 same.
- The Board then returned from executive session.
- Operational Matters** Director Ache informed the Boards that the backflow preventer for the water system has been installed and the District is awaiting official acceptance from Tri-County Water.
- Director Ache informed the Boards that Dan Bartashius has started training with Tim Harrell and Robert Lamm to assume responsibilities for management of the water and sewer systems. Director Ache also informed the Boards that when the water system is converted back to a potable system, managing the water and sewer systems may require a full-time person. Possible alternatives were discussed but no formal action was taken by the Boards.
- The Boards then discussed the status of pump #3 and the services required for repair. It was noted that when the golf course is reactivated water requirements will likely mean running pumps nearly non-stop throughout a significant portion of the year.
- Director Ache informed the Board he has been contacted by an engineer requesting access to reports related to possible geothermal wells at

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Cornerstone that he may use as part of a geothermal engineering study. After discussion by the Boards no action was taken.

The Boards then briefly discussed plans to secure the Flowers Cabin and Gatehouse but no action was taken.

Financial

Mr. Weaver gave a brief summary of the 2015 Audit Reports. The auditor has raised a potential issue regarding the District's Accounts Receivable from itself. Director Ache expressed concerns regarding the wording of certain notes to the financial statements. After discussion and upon a motion duly made and seconded it was unanimously

RESOLVED, to file for a 60 day extension of the July 31, 2016 filing deadline with the State Auditors Office.

The Boards then discussed and instructed Director Ache and Mr. Weaver to meet for a thorough review of the audit reports. Director Ache will then report what he's learned to the Board at a future work session to be scheduled and held prior to the Boards' re-consideration of approval of the audit reports.

Mr. Weaver then presented the preliminary financial statements for the period ended June 30, 2016 and upon motion duly made and seconded it was unanimously

RESOLVED, to accept the preliminary financial statements for June 30, 2016 as presented.

Mr. Weaver then presented the Accounts Receivable Report to the Boards and upon motion duly made and seconded it was unanimously

RESOLVED, to approve the Accounts Receivable Report as presented.

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

RESOLVED, to approve the Accounts Payable Report as presented.

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Next Meeting The next regularly scheduled meeting of the Boards of Directors is 10:00 a.m. Monday, August 22, 2016 at 700 Birdsong Lane, Montrose, CO.

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