
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2 July 14, 2015

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan District Nos. 1 & 2, Montrose and Ouray Counties, Colorado, was held 9:00 a.m. Tuesday, July 14, 2015 at the Ache Residence, 700 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
- Bill Fugazzi- District No. 1 and No. 2
- Marijo Ache- District No. 2
- Pam Fugazzi- District No. 2
- David Coker- District No. 2

Also in attendance were:

- Stephen Lemmon, resident
- Clint Waldron, White Bear Ankele (via phone)
- Jamie Cotter, Spencer Fane (via phone)
- Eric Weaver, Marchetti & Weaver, LLC (via phone)
- Rick Gonzales, Marchetti & Weaver, LLC (via phone)

Call to Order

The Special Joint Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Chairman Fugazzi on July 14, 2015 at 9:00 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 Agenda item #7 – Legal Matters, was moved to precede Agenda item #6 – Operations Matters. There were no objections by the Board.

Minutes Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the minutes for meetings held April 20, 2015 – May 14, 2015 – May 20, 2015 – May 21, 2015 and June 22, 2015.

Executive Session Upon motion duly made and seconded, it was unanimously

RESOLVED, to enter into executive session pursuant to Sections 24-6-402 (4) (b) C.R.S., “Conference with an attorney for Cornerstone Metropolitan Districts No. 1 and No. 2 for the purpose of receiving legal advice on specific legal questions related to foreclosure of the Districts’ lien and legal proceedings against CSPE028” and Section 24-6-402 (4) (e) C.R.S., “Determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators related to the same foreclosure and proceedings against CSPE028.”

The Board returned to regular session.

Ms. Cotter left the meeting at this time.

Legal Matters The board discussed the pending closing of the Thompson settlement agreement with Cornerstone Owner’s Association and Cornerstone Lot Owners Group, LLC (“Settlement Agreement”). Mr. Waldron presented the donated property acceptance resolution and upon motion duly made and seconded, it was unanimously

RESOLVED to authorize Director Fugazzi to execute the resolution Authorizing The Acceptance Of Certain Donated Property And The Execution Of Documents Necessary To Effectuate The Conveyance Thereof.

Mr. Waldron left the meeting at this time.

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Operations Matters 2015 Road Maintenance Update: After review and discussion and upon motion duly made and seconded it was unanimously

RESOLVED, to authorized Director Fugazzi to execute SealCo's bids #15387 and Option 2 of bid #15557 for road repairs.

Water system telemetry communication repair update: Director Fugazzi reported that the communication system necessary to remotely monitor the water tank level has been repaired and is now fully functional.

Other Operations: The Board discussed the necessity to train replacement contractors for operating and maintaining the water and sewer system sometime in the future. The Board also discussed the repair of a backup water system pump at some future date. No action was taken regarding either matter.

Financial Matters Audit Committee Report: Mr. Weaver presented the 2014 Audits for both Districts and briefly reviewed the audits with the Board. Upon motion duly made and seconded it was unanimously

RESOLVED, to accept the 2014 audits for Cornerstone Metropolitan Districts No. 1 and No. 2.

Preliminary Financial Statements for May 31, 2015: Mr. Weaver reviewed the preliminary May 31, 2015 financial statements for Districts No. 1 & 2. Upon motion duly made and seconded it was unanimously

RESOLVED, to accept the preliminary financial statements for May 31, 2015.

Accounts Receivable: Mr. Weaver presented the accounts receivable report. After a brief discussion, no action was taken by the Board.

Accounts Payable: Upon motion duly made and seconded it was unanimously

RESOLVED to ratify the Accounts Payable Report.

Other Financial Matters: Director Ache advised the board he had been told that San Miguel Power Association ("SMPA") had contacted the

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accountants for the District and a retroactive credit related to conversion from the demand water rate had been given to the District. Mr. Weaver advised the Board that there has been no recent contact with SMPA and no credit has been received to date. Director Ache advised he will follow up with his contact.

Next Meeting The next meeting date for the boards will be the regularly scheduled meeting 10:00 a.m. Monday, July 27, 2015 at 700 Birdsong Lane, Montrose, CO, Ouray County CO.

Adjournment Upon a motion duly made and seconded the board 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 special counsel to Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2, I attended the executive session meeting convened on July 14, 2015, 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' lien and legal proceedings against CSPE028 and its' related entities. 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
7/31/15

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.

Bill Lugazzi
President