

An Important Message from the Boards for FRMD Nos. 2 & 3

Below is a brief update on the latest pleadings filed with the Court and the results of the status conference with Judge Lily W. Oeffler this morning.

August 8, 2017 – Brookfield filed the following pleadings with the Court:

1. Reply in Support of Motion to Intervene and for Forthwith Appointment of a Receiver
2. Response to Motion to Appoint Current Members of the Boards of Directors of Fossil Ridge Metropolitan District No. 2 and 3 as Proper Persons to Assume Control of Fossil Ridge Metropolitan District No. 1 (with exhibits)
3. Response to Solterra Recall Steering Committee's Motion to Intervene

Copies of these pleadings will be posted to Solterra Connect under The District in the Documents section.

August 9, 2017 – Status Conference with Judge Lily W. Oeffler

Attendees:

For Brookfield – Brookfield's attorneys; Ashley Terufelli (a Brookfield employee and former Director on the Boards for FRMD Nos. 1, 2 and 3); and, a representative from Cordes & Company, which Brookfield wants appointed as a receiver for FRMD No. 1.

For FRMD Nos. 2 & 3 – Ireland Stapleton (FRMD No. 2 and 3's Attorneys); Kathleen Kelley (Director FRMD No. 2.); and, John Corbett (Director FRMD No. 3).

John Henderson – Chairman of the Solterra Recall Steering Committee, which is seeking to intervene in this matter.

Various residents of Solterra.

Judge Oeffler listened to extensive arguments by the attorneys for FRMD Nos. 2 & 3 as to why the current Board members of FRMD Nos. 2 & 3 should be appointed to the Board for FRMD No. 1 as expressly provided for in the master contract between FRMD Nos. 1, 2 & 3. Judge Oeffler also allowed Brookfield's attorneys to present their arguments for why they believe the Judge should ignore the plain language of the contract documents and instead appoint the receiver Brookfield wants to control FRMD No. 1. Judge Oeffler asked Brookfield's attorneys very pointed questions about Brookfield's intentions in having all of its directors resign from all of the Boards on June 30. Judge Oeffler stated that she would not issue a final decision until all of the formal briefing on each of the issues has been completed, which she anticipated would take approximately two weeks or more.

In the interim, Judge Oeffler directed Brookfield and FRMD Nos. 2 & 3 to develop a mutually acceptable process for ensuring that payments for the normal operations of FRMD Nos. 1, 2 & 3 will continue until the Judge issues her final decision in this matter. Brookfield and FRMD Nos. 2 & 3 stipulated to the following temporary process for paying the normal operating costs of the

community. Outstanding invoices for operations will be gathered and sent to Brookfield. Brookfield will transfer the funds necessary to pay the invoices to FRMD No. 2's checking account. Checks will then be issued from FRMD No. 2's checking account to pay the operating expenses. Once Judge Oeffler issues her final decision, FRMD No. 1 will reimburse Brookfield for the specific advances it has made for operating costs (without interest). The parties expressly agreed that this temporary arrangement does not in any manner waive any rights of either party.

Judge Oeffler advised Mr. Henderson that she would consider his Motion to Intervene once formal briefing on his motion had been completed.