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# RECORD OF PROCEEDINGS

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## Minutes of the Special Meeting Of the Board of Directors of Cornerstone Metropolitan District Nos. 1 & 2 June 3, 2019

A Joint Special Meeting of the Boards of Directors of the Cornerstone Metropolitan District Nos. 1 & 2 Montrose and Ouray Counties, Colorado, was held at 10:00 a.m. Monday, June 3, 2019 at 700 Birdsong Lane, Montrose, Colorado, in accordance with the applicable statutes of the State of Colorado.

### **Attendance**

The following Directors were present and acting:

- Marijo Ache - District No. 1 and No. 2
- Warren Ache - District No. 1 and No. 2
- Bill Fugazzi - District No. 1 and No. 2
- Pam Fugazzi - District No. 1 and No. 2
- Jason Stroehlein – District No. 1
- Ross Hauck – District No. 2

Also present or in attendance via phone as indicated were:

- Heather Hartung, 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 Director Fugazzi on June 3, 2019 at 10:08 a.m. noting a quorum was present for Districts Nos. 1 & 2.

### **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**

Ms. Hartung reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Boards at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Boards. Ms. Hartung inquired into whether members of the Boards had any additional disclosures of potential or existing conflicts of interest with regard to any matters scheduled for discussion at the meeting. No additional disclosures were noted. 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

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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 was in attendance.

**Agenda** The agenda was approved as written.

**Minutes** Upon motion duly made and seconded it was unanimously

**RESOLVED** to approve the minutes for the meeting held April 22, 2019 as presented.

**Legal Matters** Sales Contract: Ms. Hartung reviewed the proposed Purchase and Sales Agreement (“PSA”) related to 499 and 599 Maverick Lane. The Board advised Ms. Hartung that the buyer would not accept a Quit Claim Deed and asked her to revise the PSA accordingly. The Board then discussed the purchase price and determined that the purchase price of the property should be amended to exclude amounts for tax liens and amounts owed to the Cornerstone Owner’s Association (“COA”). The Board determined that the PSA should include the provision for the District to recover all late fees, interest on past due balances, collection expenses, and legal fees. The Board instructed Ms. Hartung to revise the PSA to reflect the changes discussed above related to the type of deed, sales price, and collection fees. Following discussion and upon motion duly made and seconded it was

**RESOLVED**, to authorize Directors Bill Fugazzi or Warren Ache to approve and/or ratify the Purchase And Sale Agreement as modified for type of deed, sales price and recovery of late fees, interest, collection expenses, and legal fees.

Director Stroehlein abstained from voting because of a conflict of interest.

Purchase And Sale Agreement Option Date: Ms. Hartung informed the Board that the option date for the Purchase and Sale Agreement with Cornerstone Acquisition Group, LLC (“CAG”) is June 30, 2019. No action was taken by the Board.

Road Restrictions: The board considered for the second time, the proposed Resolution Regarding the Use of Roadways. Director Stroehlein was appointed by the Board as the administrator of the road use

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policy. Director Stroehlein will work with Marchetti & Weaver when exception permits are needed. The Boards also discussed fines for violations of the policy. Upon motion duly made and seconded it was unanimously

**RESOLVED**, to approve the Resolution of the Board of Directors of Cornerstone Metropolitan District No. 1 Regarding The Use Of Roadways as amended for the following schedule of fines: First violation \$500 fine; Second violation \$1,000 fine and; Third and subsequent violations a \$2,500 fine.

Reserve Study: Mr. Weaver presented a proposal from Borne Consulting to perform a Reserve Study for the District. The Board expressed an desire to solicit proposals from a local firm before consideration of the proposal and directed Mr. Weaver to solicit a proposal from a firm local to the Cornerstone community.

Meeting Notices: Ms. Hartung advised the Board that new legislation regarding the posting of public meetings will go into effect in August 2019. The new legislation 1) reduces the posting time from 72 hours prior to a meeting to 24 hours; 2) allows districts to post meeting notices on their website in lieu of posting at 3 physical locations on District property. Following discussion the Board determined it would follow the new meeting posting rules and regulations starting with the August 2019 meeting.

### **Operations**

Waste Water Treatment Facility (“WWTF”) : The Board discussed billing for the water that flows through the WWTF and is then pumped into Pond 4 to be used for golf course irrigation by Cornerstone Club, LLC (“CC”). CC has requested the Board of the District either make no charge for water flowing through the WWTF or charge a minimal amount. Discussion regarding the pricing structure for water use continued and upon motion duly made and seconded it was unanimously

**RESOLVED**, to 1) define the golf course irrigation season to start April 1 of each year and run to April 1 of the following year; 2) to bill water from the WWTF that will be used to irrigate the golf course on a quarterly basis at the ‘Greater Than 15 Million Gallon Rate’ shown in the current fee schedule.

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Director Stroehlein informed the Board of the current status of water and sewer operations: 1) a pump in vault 5 shorted out but is covered under warranty; 2) the new SCADA (water management software) will be installed next week; 3) the radio at the tank necessary to communicate with the irrigation program is broken and will need to be replaced. The Board took no formal action.

Director Stroehlein informed the Board that expenditures for traffic safety signage is eligible for partial reimbursement through the Colorado Special District Insurance Pool Safety Program.

### **Financials**

Mr. Weaver presented the unaudited financial statements for the quarter ended March 31, 2019. Upon a motion duly made and seconded it was unanimously

**RESOLVED**, to accept the unaudited financial statements for the quarter ended March 31, 2019 as presented.

Mr. Weaver reported that a material event notice regarding the June 1 interest payment shortfall for District 2 bonds has been submitted to the bond trustee. A shortfall for semi-annual debt service payments is expected to continue until there is an increase in assessed property value. Mr. Gonzales will request a property abstract from both the Ouray and Montrose County Assessors and report on estimated assessed values as of May 31, prior to any adjustments for owner protests.

Accounts Receivable Report. The Board the reviewed the Accounts Receivable Report. The Board discussed the outstanding balances for water usage and determined to defer any collection activity pending further review and discussion at the next meeting. No action was taken by the Board.

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

**RESOVLED**, to approve the Accounts Payable Report as presented.

Mr. Weaver then presented the draft audit reports for Districts Nos. 1 and 2. Mr. Weaver noted that the audit resulted in a non-qualified opinion

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from the auditor for both Districts. Upon motion duly made and seconded it was unanimously

**RESOLVED**, to approve the draft audit reports for Districts Nos. 1 and 2 as presented.

**Next Meeting** The next regularly scheduled meeting is scheduled for 10:00AM, Monday, June 24, 2019 at 700 Birdsong Lane, the Ache residence.

**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