
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting Of the Board of Directors of Cornerstone Metropolitan District Nos. 1 & 2 August 26, 2019

A Joint Regular Meeting of the Boards of Directors of the Cornerstone Metropolitan Districts Nos. 1 & 2 Montrose and Ouray Counties, Colorado, was held at 10:00 a.m. Monday, August 26, 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 Regular Meeting of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 was called to order by Director Fugazzi on August 26, 2019 at 10:05 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 July 22, 2019 as presented.

Legal Matters

Upon motion duly made and seconded it was unanimously

RESOLVED, to enter into executive session pursuant to C.R.S. §24-6-402(4)(e), conference with an attorney for the board of directors for the purpose of developing strategy for negotiations, instructing negotiators, and determining positions relative to matters that may be subject to negotiations related to ownership of certain assets in the community.

The Board adjourned from executive session.

Upon motion duly made and seconded it was unanimously⁽¹⁾

RESOLVED, to direct legal counsel to begin drafting documents to 1) convey ownership of Ouray County Roads as discussed in executive session and 2) and agreement to discharge effluent into Pond 4 including a provision to charge for flushing at Gold Dust Lane.

The Board also instructed Marchetti & Weaver to start preparation of an ownership and maintenance map.

Director Hauck left the meeting at this time.

Ms. Hartung informed the Board that there are existing rules and regulations governing roadways in Appendix G of the Cornerstone Metropolitan District Nos. 1 & 2 Rules and Regulations (Effective October 1, 2008) in addition to the Rules and Regulations adopted via resolution of the Board at the June 3, 2019 meeting and revised at the July

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22, 2019. The Board discussed the two different sets of rules and upon motion duly made and seconded it was unanimously

RESOLVED, to vacate Appendix G of the Cornerstone Metropolitan District Nos. 1 & 2 Rules and Regulations (Effective October 1, 2008).

Ms. Hartung informed the Board that in researching road ownership at Cornerstone she discovered that the Road Easement Fee referenced in the Road Easement Agreement with Spear Colorado, LP was a 5 year fee and that the 5 years have expired resulting in the requirement that the Grantor and Grantee negotiate a 5 year road easement renewal fee. The Board directed Ms. Hartung's office to proceed with negotiating the fee renewal.

Ms. Hartung informed the Board that, regarding the Real Estate Purchase Contract with Cornerstone Acquisition Group LLC ("CAG") regarding 499 and 599 Maverick that Tom Kennedy, the attorney representing CAG in this matter will be asking the prior owners of the two subject properties to execute that appropriate and necessary documents to resolve the issues raised by the title insurance company in order to avoid additional costly title work. Director Stroehlein informed the Board that CAG is still interested in buying the two lots.

Ms. Hartung reviewed the new rules regarding the notification and posting of meetings and upon motion duly made and seconded it was unanimously

RESOLVED, to approve the Joint Resolution of The Boards Of Directors Of The Cornerstone Metropolitan District Nos. 1 & 2 Concerning Online Notice of Regular And Special Meetings.

* District 2 Director Hauck was not present for the vote.

Ms. Hartung reviewed the proposed Independent Contractors Agreement ("ICA") with England Fence Co, LLC for the installation of a long range card reader system for the front gate. The Directors discussed the need for an ICA. Upon motion duly made and seconded it was

RESOLVED, to approve the Independent Contractors Agreement ("ICA") with England Fence Co, LLC for the installation of a long range card reader system for the front gate. Director Bill Fugazzi abstained from voting.

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Operations

Director Fugazzi informed the Board that the new Variable Frequency Drives are installed for a pump at station 5 and a pump at station 7 but that there is currently no communication with the operating system. The problem is being worked on.

Director Fugazzi informed the Board that there is a problem monitoring the water tank and that radios at the tank and office may need to be replaced. Ryan Bartashius is looking into the problem and the radios may need to be replaced. No action was taken by the Board.

Director Fugazzi informed the Board that the tank needs to be cleaned and the cost to do so is approximately \$2,760.

Director Stroehlein informed the Board that pumping of water to Pond 4 has resumed because of the dry weather. Director Stroehlein also informed the Board that he plans to utilize the divers cleaning the water tank to inspect the pumps at the bottom of Pond 4 and to measure the depth of the pumps in order to make more accurate calculations regarding pumping water into the pond.

Mr. Weaver informed the Board that he has not yet made contact with DOWL Engineers to discuss the Reserve Study. The Board re-iterated its' desire to use a local business, such as DOWL, to perform the study. Mr. Weaver stated he would get further explanation of the quantity of hours of work in the proposal submitted. Upon motion duly made and seconded it was unanimously

RESOLVED, to authorize Director Fugazzi and Mr. Weaver to work to get a contract done for a Reserve Study.

The Board briefly discussed water and sewer fees for next year but took no action at this time.

The Board discussed utilization of a tractor instead of a loader for snow removal. There is a substantial weight difference between a tractor with an approximate weight of 15,000 pounds and loader with an approximate weight of 35,000 pounds. Using a lighter weight piece of equipment will help preserve the roads. Director Stroehlein estimated the cost of a new tractor would be approximately \$190,000 and a used tractor would be approximately \$160,000 and that there is a possibility of zero percent

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- financing. Mr. Weaver informed the Board that the District cannot incur debt as part of an equipment lease and that financing would need to be structured as a lease purchase. The Board instructed Director Stroehlein to get more refined comparable acquisition amounts for purchase and lease purchase options to present at the next Board meeting.
- Financial** The written Accounts Payable and Accounts Receivable reports in the board packet were from the prior month so the Board was not able to review current payables and receivables. Mr. Gonzales gave an oral report on the current payables and receivables but no action was taken by the Board. The Board will approve the missing Accounts Payable report at the next Board meeting.
- Mr. Weaver posed the question to the Boards of merging the two Districts into one. The Boards directed Mr. Weaver to prepare a pro/con list regarding the merger and instructed Ms. Hartung to supplement as needed.
- Next Meeting** The next regularly scheduled meeting is scheduled for 10:00AM, Monday, September 23, 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

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Joint Special Meeting
Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2
August 26, 2019

Attorney Statement

REGARDING PRIVILEGED ATTORNEY-CLIENT COMMUNICATION

Pursuant to §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 August 26, 2019, 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. 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 pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.

Signature: Heather L. Hartung
Name and Title: Heather Hartung, Esq.
Date: October 1, 2019

As President of the Board of Directors of Cornerstone Metropolitan Districts Nos. 1 and 2, I attest that the portion of the executive session that was not recorded was confined to the topics authorized for discussion in executive session pursuant to §24-6-402(4), C.R.S.

Bill Longo
President