
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 September 24, 2018

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, September 24, 2018 at 929 Courthouse Peak 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

In attendance via phone were:

- Clint Waldron, White Bear Ankele Tanaka & Waldron
- Heather Hartung, White Bear Ankele Tanaka & Waldron
- Megan Murphy, White Bear Ankele Tanaka & Waldron
- Eric Weaver, Marchetti & Weaver, LLC
- Rick Gonzales, Marchetti & Weaver, LLC

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 September 24, 2018 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

Mr. Waldron 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. Mr. Waldron 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 comment was offered.

Agenda The Board then considered the Agenda and upon motion duly made and seconded it was unanimously

RESOLVED, to amend the agenda to 1) move item 6G – Consideration of Appointment to the Board of Directors as the first item of business following the approval of the minutes and 2) move item 7C – Consideration of health insurance renewal to immediately follow item 6F.

Minutes Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the minutes for the meeting held August 27, 2018 as presented.

Legal Matters The Board considered a request from Jason Stroehlein to be appointed to the Board of Directors of District 1. Mr. Waldron informed the Board that a notice of vacancy and a request for people interested in serving on the District 1 Board was published and no otherwise qualified elector filed a letter of interest within 10 days of the publication date. Mr. Waldron also reported that Mr. Stroehlein's eligibility to serve on the Board has been verified by his office. Upon motion duly made and seconded it was unanimously

RESOLVED, to appoint Jason Stroehlein to the Board of Directors of Cornerstone Metropolitan District No. 1 to serve until the next regularly scheduled election in May 2020.

Director Fugazzi then administered the Oath of Office to Mr. Stroehlein.

Ms. Hartung updated the Board on the status of foreclosure for Ouray County Block 13 Lot 02. The process server has not been able to serve notice to the owner in person. Ms. Hartung explained the option of process of service by publication and the related timeline.

Mr. Weaver joined the meeting by phone at this time.

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Following continued discussion the Board instructed Ms. Hartung to petition the court for approval of service by publication and to update the Board at the next meeting at which time the Board will consider whether or not to follow through with service by publication. Related expenses are expected to be between \$10,000 and \$20,000.

Ms. Hartung left the meeting at this time.

Mr. Waldron presented the proposed Independent Contractor Agreement for engineering services with DOWL LLC. Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the Standard Agreement for Services with DOWL LLC as presented.

Mr. Waldron presented the proposed Independent Contractor Agreement for snow removal services with Cornerstone Acquisition Group LLC (“CAG”). Mr. Gonzales informed the Board that some of the information in the proposal needs to be updated to accurately reflect the proposal from CAG. Following discussion and upon motion duly made and seconded it was unanimously*

RESOLVED, to approve the proposed Independent Contractor Agreement for snow removal services subject to amendment of the rates to reflect the proposal from CAG and confirmation of the contracting party.

*Director Stroehlein recused himself from the vote based on a potential conflict of interest.

Mr. Waldron then presented the proposed Lease Agreement for the Welcome Center. Because there are several issues related to the ultimate ownership of the facility and potential activities related to the facility the Board tabled the proposed lease pending resolution of the issues.

Mr. Gonzales then presented the proposal for renewal of health insurance for 2019. Mr. Weaver informed the Board that members of the Board of Directors are eligible for health insurance benefits offered by the District. Following discussion and upon a motion duly made and seconded it was unanimously

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RESOLVED, that members of the Board of Directors of Cornerstone Metropolitan District No. 1 are eligible for health insurance benefits offered by the District effective immediately. Board members who choose to enroll for the offered benefits are responsible for 100% of the premium cost, i.e. the District will not contribute to Board Member benefits at this time.

Further, upon motion duly made and seconded it was unanimously

RESOLVED, to authorize Mr. Weaver and Mr. Gonzales to sign the documents necessary to the renewal of health benefits through CEBT for 2019.

Operations

Director Stroehlein informed the Board that golf course renovation is almost done for the year. Stonefly will be leaving this week and sprinklers are scheduled to be winterized during the 3rd week of October. Pond 4 will be maintained with a minimal level of water, about 5 feet of water over the pump at the bottom of the pond, until the spring runoff. Mr. Stroehlein expects pumping from Pond 4 to continue through mid-November.

Director Fugazzi reported that work is being done to keep water potable through the winter and that installing a chlorinator in the tank is likely the best option at this time. The Board authorized Director Fugazzi to forge ahead.

Mr. Gonzales presented the Board with information to insure 34 fire hydrants within the District including the estimated expense to replace a fire hydrant. The Board determined not to insure the fire hydrants and no further action was taken by the Board.

Financials

Mr. Weaver asked the Board about assumptions to be used in preparation of the 2019 budget. The following assumptions are to be made: 1) golf course water use will likely decrease next year. Director Stroehlein will prepare a water use budget; 2) roadwork expenses will likely increase 10% to 20% next year; 3) water rates will be analyzed to assure recovery of costs and possibly start funding a capital reserve; 4) continue to bill for sewer services, including the remainder of 2018; 5) continue work to transition to a Public Potable Water System and resume billing for water use when appropriate.

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Mr. Stroehlein informed the Board that a new irrigation control system is needed as the current system is obsolete and no longer supported by the manufacturer. Director Stroehlein will get an estimated cost to replace for consideration.

Mr. Weaver then presented the Accounts Receivable Report. No action was taken.

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

RESOLVED, to ratify the payments listed on the Accounts Payable Report as presented.

Next Meeting Date The next regular meeting is scheduled for 10:00 a.m. Monday, October 22, 2018 at 700 Birdsong Lane, Montrose, CO., the Ache residence.

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