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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 November 4, 2019

A Joint Special 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, November 4, 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 Bill Fugazzi on November 4, 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 amended to move Item 6E under Legal, discussion of quiet title actions as part of executive session.

**Legal Matters  
Executive Session** Upon motion duly made and seconded it was unanimously

**RESOLVED**, to enter into executive session pursuant to C.R.S. §24-6-402(4)(b), conference with an attorney for the board of directors to receive legal advice related to road ownership and possible quiet title action. Pursuant to C.R.S. §24-6-402(2)(d.5)(II)(b) no record will be kept of the portion of this executive session that, in the opinion of the Districts' attorney, constitutes privileged attorney-client communication pursuant to 24-6-402(4)(b).

The Board adjourned from executive session.

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

**RESOLVED** to approve the minutes for the meeting held September 23, 2019 as presented.

**Legal Matters** Ms. Hartung informed the Board that the lease purchase agreement with Kubota was signed and sent to Kubota on Friday, November 1 and that the legal opinion requested has also been sent. The District is now waiting for additional questions and/or confirmation that the lease document has been executed by Kubota. Following a brief discussion and upon motion duly made and seconded it was unanimously

**RESOLVED** to ratify the Kubota lease document and signature by Director Ache and authorize Director Fugazzi to verbally approve the lease when called by Kubota if Director Ache is unavailable.

Mr. Gonzales informed the Board that a new independent contractor's agreement for snow removal for the 2019-2020 snow season is needed. Director Stroehlein informed the Board that Cornerstone Club LLC labor rates for snow removal will be \$50 per hour. Following a brief discussion

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the Board instructed Director Stroehlein and Mr. Gonzales to update the prior year's lease document to reflect current year labor rates and upon motion duly made and seconded it was unanimously \*

**RESOLVED** to authorize Director Fugazzi to sign an independent contractor agreement with Cornerstone Club LLC for snow removal for the 2019-2020 snow season on behalf of the District.

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

Ms. Hartung presented the Cornerstone Metropolitan Districts Nos. 1 & 2 Joint Annual Administrative Resolution for 2020. During discussion of the resolution Ms. Hartung informed the Board that the Recording Secretary is the District Manager but any signatures required on behalf of the Districts should be from a board member. Upon motion duly made and seconded it was unanimously

**RESOLVED** to approve the Cornerstone Metropolitan Districts Nos. 1 & 2 Joint Annual Administrative Resolution for 2020 as presented.

Ms. Hartung presented the Joint Resolution Of Boards Of Directors Calling Election – Cornerstone Metropolitan District Nos. 1 & 2. Upon motion duly made and seconded it was unanimously

**RESOLVED** to approve the Joint Resolution Of Boards Of Directors Calling Election – Cornerstone Metropolitan Districts Nos. 1 & 2 as presented.

The Board then discussed the status of the ownership and maintenance map and determined it best to hold off developing such a map until issues related to road ownership are resolved and finalized.

Mr. Weaver presented a list of pros and cons related to the consolidation of Districts Nos. 1 & 2 into one district, District 2. District 2 must be the surviving district because it has the taxing authority and is the issuer of the tax-exempt bonds. Mr. Weaver informed the Board that one of the biggest cons is the upfront costs required including legal fees and one of the biggest pros is that Mr. Weaver's experience has shown that once consolidation has occurred owners within the Districts have a better

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understanding of the structure. Director Ache expressed his opinion that a consolidation makes sense but probably not until the situation with the developer is more stable. No action was taken by the Board.

Ms. Hartung then presented the Joint Resolution Of The Board Of Directors Of The Cornerstone Metropolitan Districts Nos. 1 Establishing Guidelines for the Processing and Collection of Delinquent Fees and Charges. Ms. Hartung explained that the Districts' legal counsel White Bear Ankele Tanaka and Waldron has updated their internal collection process used for all districts and that that process must be documented in case needed for the courts. Upon motion duly made and seconded it was unanimously

**RESOLVED** to approve the Joint Resolution Of The Board Of Directors Of The Cornerstone Metropolitan District Nos. 1 & 2 Establishing Guidelines for the Processing and Collection of Delinquent Fees and Charges as presented.

Ms. Hartung informed the Board that she has remained in communication with legal counsel for Cornerstone Acquisition Group ("CAG") regarding the easement agreement to discharge effluent into Pond 4 but the agreement is still not signed.

Ms. Hartung informed the Board that the District has proposed snow removal services in lieu of an easement fee related to the road easement agreement with Spear Colorado LP subsequently assumed by Eldred Farms. Eldred Farms is reviewing the proposal but has not yet responded to Ms. Hartung. Director Stroehlein informed the Board that he is in contact with the manager of Eldred Farms who is reviewing the proposal.

### **Operations**

Director Bill Fugazzi informed the Board that there are still problems with the radios used to monitor the level of water in the tank. New radios will likely be installed as soon as possible so that the tank can be monitored remotely during the winter. Director Bill Fugazzi also informed the Board that the divers cleaning the water tank discovered daylight opening at the top of the tank and that the tank will be repaired. The cost is expected to be minimal.

Ms. Hartung reminded the Board of the current excess general liability insurance limit of \$5,000,000 and that higher and lower limits are available. The Board expressed their satisfaction with the existing excess

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limit and determined not to make a change. Mr. Gonzales reviewed the insurance property listing with the Board and reported that he has been in contact with Director Stroehlein and Ryan Bartashius, Water and Sewer Systems Operations Manager, to review the property and values reported. No changes are deemed necessary at this time.

### **Financial**

Mr. Weaver presented the preliminary financial statements for the period ended September 30, 2019. There are still taxes remaining to be collected primarily from Montrose County properties. In past years delinquent taxes have been collected via the County's tax lien sale and that is assumed to happen again this.

Mr. Weaver then presented the proposed amendment for the 2019 budget and the preliminary 2020 budgets. Assessed values have increased from the prior year but are still not sufficient to meet District No. 2's debt service requirement.

Mr. Weaver reviewed the budgets with the Board in detail. Mr. Weaver recommended that the Board meet again to consider the budget once several changes are implemented, October utility bills are received, an analysis of golf water rate structure can be completed, and a draft of the Reserve study is available.

Director Bill Fugazzi then opened the public hearing for the 2019 budget amendments and the 2020 budget for both Districts. There was no public present for comment and the public hearings were closed.

No further action was taken by the Board regarding the proposed 2019 budget amendment of preliminary 2020 budget.

Mr. Gonzales informed the Board that the annual premium for existing health insurance coverage offered by the District will rise 3.5% for 2020 and that he has discussed the rise in premium with the participants and renewal of their existing policy at the new rates is fine. The Board then authorized and instructed Mr. Gonzales to sign and submit the renewal paperwork on behalf of District No. 1 to CEBT.

Mr. Weaver then requested consideration of the 2020 fee schedule be tabled until the next meeting when the 2020 budget is adopted. The Board agreed to defer consideration and discussion of the fee schedule until the next meeting.

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Mr. Weaver presented the Accounts Receivable Report and called attention to the balances due from Cornerstone Club related to golf course irrigation water. The Board discussed the delay in payments from Cornerstone Club LLC for golf course irrigation. The Board will continue monitor closely and discuss payment status at the next meeting. No action was taken by the Board.

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

**RESOLVED** to approve the Accounts Payable Report for claims paid from September 20, 2019 through October 31, 2019 in the amount of \$103,816.10

### **Next Meeting**

The next regularly scheduled meeting is 10:00AM Monday, November 18, 2019. The Board considered and agreed to change the meeting location in order to avoid potential snow removal issues.

The next meeting will be a special meeting at 10:00 A.M. Monday, November 18, 2019 at 929 Courthouse Peak Lane, Montrose, Colorado.

### **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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**CORNERSTONE METROPOLITAN DISTRICT NOS. 1 & 2**  
**November 4, 2019 Meeting Minutes**

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**Joint Special Meeting**  
**Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2**  
**November 4, 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 November 4, 2019, held pursuant to §24-6-402(4)(b), 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 C. Hartung  
Name and Title: Heather C. Hartung ESQ  
Date: 11/19/2019

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 Ferguson  
President