
RECORD OF PROCEEDINGS

Minutes of the Joint Special Meeting Of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 & 2 December 3, 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, December 3, 2018 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

Also present or in attendance via phone as indicated were:

- Ross Hauck, Cornerstone Resident - present
- Kari Wage, Cornerstone Resident – via phone
- Heather Hartung, White Bear Ankele Tanaka & Waldron - via phone
- Megan Murphy, 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 December 3, 2018 at 10:02 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

Ms. Murphy 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. Murphy 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

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these disclosures are restated at this time with the intent of fully complying with laws pertaining to potential conflicts. Additionally, the 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 Director Fugazzi requested a discussion of capital reserves be added to the Agenda under Financials and item 6C Consideration of Appointment to the Board of Directors of District 2 be moved to immediately follow approval of the Minutes. Upon motion duly made and seconded the Board approved the Agenda as modified for Director Fugazzi's request.

Minutes Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the minutes for the meeting held October 22, 2018 as presented.

Legal Matters The Board was informed that Ross Hauck had expressed interest in serving on the Board of Directors of Cornerstone Metropolitan District No. 2. Ms. Murphy informed the Board that Mr. Hauck is qualified to serve. Upon motion duly made and seconded it was unanimously

RESOLVED, to appoint Mr. Hauck to the Board of Directors of Cornerstone Metropolitan District No. 2.

Director Fugazzi administered the Oath Of Office to Mr. Hauck.

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), Conferences with an attorney for the board of directors for the purposes of receiving legal advice on specific legal questions related to foreclosure actions and pursuant to C.R.S. §24-6-402(4)(f), Personnel matters.

Kari Wage dropped off the phone at this time. Mr. Weaver will text her when the Board returns from executive session.

The Board then returned from executive session and Kari Wage re-joined the meeting.

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The Board then discussed a bonus for Ryan Bartashius based on his exceptional job performance as Water and Sewer System Manager. Upon motion duly made and seconded it was unanimously

RESOLVED, to approve a \$1,500 gross pay to Ryan Bartashius for exceptional job performance and instruct Mr. Gonzales to send the bonus check to Director Fugazzi for Ryan Bartashius so that he receives it no later than December 12.

Cornerstone Acquisition Group update: Director Fugazzi informed the Board that Tom Kennedy, the attorney representing Cornerstone Acquisition Group LLC and its related organizations, is working on documents to close on the sale of property under the lease purchase agreements with Cornerstone Metropolitan District No. 1 and Cornerstone Owners Association on or before December 31, 2018. The transaction will include improvements and equipment only. Title to real property (land) subject to the lease purchase agreement will transfer at a later date expected to be in the early part of 2019.

Annual Administration Resolutions for 2019: Ms. Murphy reviewed the proposed administrative resolutions for 2019 with the Boards. During discussion of the resolution the Board of Cornerstone Metropolitan District No. 2 appointed Ross Hauck as an Assistant Secretary. The Board then discussed the 24 Hour Notice posting place for District No. 1. Ms. Murphy informed the Board that the Welcome Center cannot be a designated posting place for District No. 1 until the inclusion making the Welcome Center as well as other property, part of District No. 1 is filed with the court. Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the Administrative Resolutions for 2019 subject to the change reflecting Ross Hauck as an Assistant Secretary for District No. 2 and with instruction to legal counsel to change the 24 hour posting location for District No. 1 to the Welcome Center once the Order For Inclusion is granted by the court.

Ms. Murphy left the meeting at this time.

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Resolution Adopting a Personal Data Privacy Policy: Ms. Hartung explained the Personal Data Privacy Policy to the Board. Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the Resolution Adopting a Personal Data Privacy Policy as presented.

Snow removal contract and standard agreement with DOWL. No action was taken by the Board regarding Ratification of the Snow Removal Contract or Update on the Standard for Services with DOWL.

Legal engagement letter: Ms. Hartung reviewed the proposed legal engagement letter with White Bear Ankele Tanaka & Waldron. Ms. Hartung noted specifically that the arbitration provision had been revised to make it clear that arbitration applies to this engagement letter as well as any prior engagement with the District. Ms. Hartung also noted and discussed the addition of the representative client list section. Ms. Hartung stated that she is not independent as to the engagement, the Boards are advised to have separate legal counsel review the engagement letter. The Boards declined to engage separate legal counsel to review the letter. Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the engagement letter with White Bear Ankele Tanaka & Waldron as presented.

There being no other legal matters for discussion, Ms. Hartung left the meeting at this time.

Operations

Director Stroehlein updated the Board with the following information: A) turf care staff is down to 4 people primarily for snow removal operations B) the plan is to have a 9 hole loop ready for play on the golf course by June 1 with all holes available for play by July 15; C) road maintenance repairs seem to be holding up well D) about \$20,000 of work remains to be done on the water system as part of the transition to permanent potable system. There was then a brief discussion about alternative water sources for the community. No action was taken by the Board.

Financials

Financials. Mr. Weaver discussed the major assumptions for the 2019 budget: A) the mill levy is budgeted to remain at 110 mills; B) debt service shortfalls will continue in 2019 and the foreseeable future until assessed values increase; C) water rates are budgeted to increase in order

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to start funding a capital reserve now that the water system is again fully active; D) no change in compensation is budgeted for 2019.

Mr. Weaver suggested the Board should consider a capital replacement reserve study after the transactions with Cornerstone Acquisition Group are completed. The Board instructed Mr. Weaver to add \$10,000 to the budget for a reserve study.

Director Fugazzi then opened the public hearing for the 2019 budgets for both Districts and 2018 budget amendment for District No. 1. Ms. Wage, as the only public in attendance had no comment. Director Fugazzi then closed the public hearing.

Upon motion duly made and seconded it was unanimously

RESOLVED, to approve the Resolution to Amend the 2018 Budget for District No. 1 and the Resolution to Adopt the 2019 Budgets, Set Mill Levies, and Appropriate Sums of Money for Districts Nos. 1 and 2.

2019 Fee Schedule: Mr. Weaver then discussed the results of a tap fee rate comparison for similar Districts and municipalities. Following discussion by the Board it was determined to keep the tap fee unchanged for now but to consider an increase in tap fees at a future date. Upon motion duly made and seconded it was unanimously

RESOLVED, to adopt the 2019 Fee Schedule with changes to rates to be consistent with rates in the approved 2019 Budget.

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

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

RESOLVED, to approve the Accounts Payable Report as presented.

Next Meeting

The next regularly scheduled meeting on December 17th, 2018 was cancelled. Upon motion duly made and seconded it was unanimously

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RESOLVED, to continue the meeting to 2PM, Thursday,
December 20.

There being no further business to come before the Board, the meeting
was adjourned until 2PM, Thursday, December 20.

Respectfully Submitted

Rick Gonzales
Secretary to the meeting