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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 April 27, 2020

A Special Meeting of the Board of Directors of the Cornerstone Metropolitan Districts Nos. 1 & 2 Montrose and Ouray Counties, Colorado, was held at 10:00 a.m. Monday, April 27, 2020. The meeting was held as a teleconference meeting in accordance with the applicable statutes of the State of Colorado, Public Health Order 20-23, and the state of emergency declared by the Governor of Colorado March 10, 2020.

### Attendance

The following Directors were present and acting via teleconference:

- 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 teleconference were:

- Ryan Bartashius, Cornerstone Metropolitan District
- Heather Hartung, White Bear Ankele Tanaka & Waldron
- Eric Weaver, Marchetti & Weaver, LLC
- Rick Gonzales, Marchetti & Weaver, LLC

### Call to Order

The Special Meeting of the Board of Directors of Cornerstone Metropolitan Districts Nos. 1 & 2 was called to order by Director Bill Fugazzi on March 10, 2020 at 10:10 a.m. noting a quorum was present for both districts.

The Board then discussed participation in Board meeting over the telephone considering recommendations by the federal government for telephonic meetings in consideration of the current Covid-19 pandemic. In consideration of government guidelines, and what is in the best interest of the community and Board of Directors, upon motion duly made and seconded it was unanimously,

**RESOLVED**, to approve Resolution 2020-04-01, the Joint Resolution of the Boards of Directors of Cornerstone Metropolitan District Nos. 1 and 2 Declaring Emergency Procedures and Authorizing Teleconferencing for Regular and Special Meetings

**Combined Meetings** The Boards of Directors of the Districts Nos. 1 & 2 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

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# RECORD OF PROCEEDINGS

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## CORNERSTONE METROPOLITAN DISTRICT NO. 1 April 27, 2020 Meeting Minutes

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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 Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board. Ms. Hartung inquired into whether members of the Board 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 Board 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 Board determined that the participation of the Directors present was necessary to obtain a quorum or otherwise enable the Board to act.

### **Public Comment**

There was no public comment.

### **Agenda**

The Agenda was discussed and upon a motion duly made and seconded it was unanimously

**RESOLVED**, to approve the agenda as amended to add Accounts Receivable Report as item 8C.

### **Minutes**

Upon a motion duly made and seconded it was unanimously

**RESOLVED**, to approve the minutes of the meeting held March 10, 2020 as presented.

### **Legal**

Ms. Hartung presented the joint resolution establishing an electronic signature policy. upon a motion duly made and seconded it was unanimously

**RESOLVED**, to approve the Resolution No. 2020-04-02, the Joint Resolution Of The Boards Of Directors Of Cornerstone Metropolitan District Nos. 1 & 2 Establishing An Electronic Signature Policy.

Ms. Hartung informed the Board that legal counsel for Cornerstone Acquisition Group LLC ("CAG") is reviewing the payment plan proposed for payment of past due water fees and conditions for resuming pumping

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# RECORD OF PROCEEDINGS

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## CORNERSTONE METROPOLITAN DISTRICT NO. 1 April 27, 2020 Meeting Minutes

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of water into Pond 4 for the current irrigation season. Director Bill Fugazzi informed the Board that CAG has made a payment for 4.9 million gallons of water and pumping into Pond 4 for a quantity not to exceed that quantity has commenced pursuant to the terms of the proposed payment plan.

Ms. Hartung recommended that the District address the conveyance of water rights to CAG and an easement to pump treated effluent into Pond 4 simultaneously. Ms. Hartung has discussed the matter with legal counsel for CAG who seems to be agreeable to addressing both issues simultaneously. Legal counsel for CAG has inquired about assurances from the District that the discharge of effluent into Pond 4 to date has been properly done. Mr. Bartashius informed the Board that the District has documentation from the Colorado Department of Public Health and Environment (“CDPHE”) that the District is compliant with their effluent discharge permit and will forward that documentation to Ms. Hartung. The Board agreed that the District could provide the following representations and warranties to CAG: That during the ownership of Pond 4, the District operated and maintained the Pond in good order and repair consistent with industry standards; introduced only effluent that was properly treated in compliance with all applicable laws and regulations; and that all permits required for the use and operation of the Pond were duly obtained in good standards.

Director Stroehlein informed the Board that the state inspector has informed him that a report related to the status of the damn, now CAG’s responsibility, can now be made every 5 years instead of annually. Director Stroehlein also informed the Board he recommends scoping the discharge pipe at the end of the current irrigation season.

Ms. Hartung recommended having Wayne Forman take the lead regarding the conveyance of water rights and coordinate with CAG to file the diligence report related to the water rights. Her recommendation is based on Mr. Forman’s expertise in water law and his historical knowledge regarding Cornerstone water rights. The Board instructed Ms. Hartung to proceed as recommended.

Road easement: There was no update on the status of the proposed road easement. Director Stroehlein will reach out to a representative for Reheboth for an update.

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# RECORD OF PROCEEDINGS

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## CORNERSTONE METROPOLITAN DISTRICT NO. 1 April 27, 2020 Meeting Minutes

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### Operations

Mr. Bartashius reported to the Board that pumping of water into Pond 4 has commenced as a result of the pre-payment received from CAG. He also informed the Board that SCADA repairs are done and the system is working properly.

Mr. Bartashius informed the Board that he and a representative from Wright Water Engineers have been in communication with the CDPHE regarding water system chlorination requirements and that the anticipated work and expense to meet CDPHE requirements will not be too expensive. CDPHE is not setting a specific date to have new and additional chlorination mechanisms in place since the District is actively working on the issue. Wright Water Engineers will design the new chlorination system and submit to CDPHE for approval.

Director Stroehlein informed the Board that the wireless system for the front gate is coming in soon.

Director Stroehlein would like the Board to consider purchasing a hydraulic tractor blade for next year. The blade can be used for weed control and road maintenance duties to potentially reduce expenditures for that work. No action was taken by the Board.

Director Ache reported to the Board that the roads “did not fair well” during the past winter. The Board discussed doing road repairs sooner and perhaps more frequently than previously done. Director Fugazzi will contact the contractor for a quote for repairs as well as an earlier repair date.

### Financial

Mr. Weaver presented the preliminary financial statements for the period ended March 31, 2020 with the focus on projections made assuming there is a reduction in the budgeted amount for tax receipts resulting from corrections to assessed values reported by the Ouray County Assessor’s Office and there are no lot sales. The Board also discussed the projected ending cash position for the District in the event CAG does not pay the balance of delinquent water charges pursuant to the proposed payment plan. Upon a motion duly made and seconded it was unanimously

**RESOLVED**, to accept the preliminary financial statements for the period ended March 31, 2020 as presented.

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# RECORD OF PROCEEDINGS

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## CORNERSTONE METROPOLITAN DISTRICT NO. 1 April 27, 2020 Meeting Minutes

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Mr. Weaver then presented the accounts payable report and upon a motion duly made and seconded it was unanimously

**RESOLVED**, to approve the accounts payable in the amount of \$128,901.68 as presented.

Mr. Gonzales presented the accounts receivable report. No action was taken by the Board.

Director Fugazzi inquired about the status of the two lots acquired by the District through foreclosure. Ms. Hartung reported that the quiet title actions are close to being completed so that the title company will be able to provide title insurance to the Buyer. Ms. Hartung also informed the Board that the Purchase Sale Agreement, which included the sales price to CAG, expired December 31, 2019. No action was taken by the Board.

### **Next Meeting**

The next regular meeting of the Board scheduled for May 25, 2020 is cancelled because it is the Memorial Day Weekend resulting in the lack of availability of Board members. Therefore, the next meeting of the Boards is a special meeting scheduled for 10:00 A.M. Monday, June 1, 2020 and is anticipated to be a telephonic meeting because of the conditions and restrictions related to the Covid-19 pandemic.

### **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