
RECORD OF PROCEEDINGS

Minutes of the Special Meeting Of the Board of Directors of Cornerstone Metropolitan District Nos. 1 & 2 June 22, 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, June 22, 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, Water & Wastewater Systems Operator
- 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 June 22, 2020 at 10:05 A.M. noting a quorum was present for both districts.

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 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

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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 approved as presented.

Minutes Upon a motion duly made and seconded it was unanimously

RESOLVED, to approve the minutes of the meeting convened at 10:00 A.M. June 1, 2020 and the minutes of the continued meeting at 4:00 P.M. June 1, 2020 as presented.

Legal Upon a motion duly made and seconded the Board voted unanimously 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 the interpretation of the Access, Utility and Ditch Easement Agreement dated July 28, 2008 between HRC Montrose Development and JV Real Estate, LLC and C.R.S. (§24-6-402(4)(e)) developing strategy for negotiations, instructing negotiators, and determining positions relative to matters that may be subject to negotiations, related to 1) consideration of listing for sale two vacant lots currently owned by the District; , and; 2) delinquent accounts for water and sewer.

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 returned from executive session.

Upon a motion duly made and seconded it was unanimously*

RESOLVED, to authorize Director Ache to solicit 1) a list of lots currently for sale at Cornerstone including sales price and days on market and 2) a proposal from The Harvey Team for consideration by the Board to list vacant lots at 499 Maverick Lane and 599 Maverick Lane for \$350,000 for a one-year period with a commission not to exceed 10%.

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*Director Stroehlein abstained from voting due to a conflict of interest.

The Board also directed Director Fugazzi to continue discussions and negotiations to sell vacant lots at 499 and 599 Maverick Lane to Cornerstone Acquisition Group, LLC (“CAG”)

Ms. Hartung informed the Board that she has been in contact with Wayne Foreman, special counsel for the District relating to the diligence report related to water rights of the District and the Pond 4 Easement and that Mr. Foreman continues to work with Tom Kennedy, legal counsel for Cornerstone Acquisition Group (“CAG”) to file the diligence report and finalize the easement agreement and that there is no new information to report.

Ms. Hartung informed the Board that she has been in contact with legal counsel representing Reheboth Partners LLC regarding the road easement agreement and there is no new information to report at this time.

Operations

Mr. Bartashius informed the Board that he and Wright Water Engineers have discussed chlorine injection alternatives to meet requirements of the Colorado Department of Public Health and Environment (“CDPHE”) to continue to qualify as a potable water system. Mr. Bartashius reported that he has analyzed and estimated two chlorination methods, breakpoint and chloramine. Mr. Bartashius described the advantages and disadvantages of each method and has estimated the cost to the District to be \$40,000 - \$45,000 for the breakpoint method and between \$40,000 – \$46,000 for the chloramine method. Mr. Bartashius recommended the chloramine method as it requires less flushing and has a lower risk of elevated disinfection byproducts. Water delivered by Tri-County is potable water treated using the chloramine method. Mr. Bartashius reminded the Board that these are his estimates and wanted direction from the Board before instructing Wright Water Engineers to design and price a chlorination system. The Board discussed the alternatives as well as requesting a variance in potable water standards due to the potential delay in the implementation of the chlorination system because of the District’s extenuating circumstances of potential limited financial resources resulting from lowered property tax revenue, non-payment of delinquent accounts receivable related to golf course irrigation and, potential issues related to the Covid-19 pandemic. Following additional discussion by the

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Board they directed Mr. Bartashius to discuss a variance with CDPHE and instruct WWE to start the design work and develop cost estimates for both chlorination methods.

Mr. Bartashius left the meeting at this time.

Financial

Mr. Gonzales presented the accounts payable report that included the current status of delinquent debt service payments and upon a motion duly made and seconded it was unanimously

RESOLVED, to approve the accounts payable in the amount of \$41,485.80 as presented.

Mr. Gonzales presented the accounts receivable report. There is a delinquent account with an owner who has made a partial payment of the water billed for use during the first quarter of the year. The owner is contesting the quantity of water billed for the period and has paid only the base water rate. The unpaid portion of the bill is believed to be related to gallons used in excess of the quarterly minimum. Based on research done by the owner's representative and Mr. Bartashius the excess gallons used was caused by a leaking toilet in the owner's residence. The Board instructed Mr. Gonzales to send a reminder to the owner regarding payment of the outstanding bill.

Next Meeting

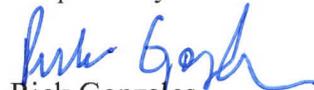
The next regular meeting of the Board scheduled for June 22, 2020 and is anticipated to be a telephonic meeting because of the conditions and restrictions related to the Covid-19 pandemic.

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

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**Joint Special Meeting
Of the Boards of Directors Cornerstone Metropolitan District Nos. 1 & 2
June 22, 2020**

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 June 22, 2020, held 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 the interpretation of the Access, Utility and Ditch Easement Agreement dated July 28, 2008 between HRC Montrose Development and JV Real Estate, LLC and C.R.S. (§24-6-402(4)(e) developing strategy for negotiations, instructing negotiators, and determining positions relative to matters that may be subject to negotiations, related to 1) consideration of listing for sale two vacant lots currently owned by the District; , and; 2) delinquent accounts for water and sewer.

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: _____
Name and Title: _____
Date: _____

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.

President