



Date: 01/14/2026

Re: Kronkoskys v. CVSID and Fulton and Sharp Counties.

**PROPOSED SETTLEMENT AGREEMENT SPECIFICS OFFERED BY THE
PLAINTIFFS**

1. CVSID agrees to being dissolved by September 1, 2026. The Special Appointed Administrator has the authority to act as the unanimous Board regarding a vote pursuant to AR Code 14-92-237(a)(1) for the District's dissolution. If the Special Appointed Administrator is relieved of duties before September 1, 2026, the District Board of Commissioners will be bound to all provisions of the settlement agreement executed by the Special Appointed Administrator.
2. Although the City of Cherokee Village, Arkansas is not a party to the current Kronkosky v. CVSID, the City will agree to this proposal as a third-party and be bound by its provisions. The time frame for which this proposal is considered offered by the Plaintiff's and valid is determined by either of the two following conditions, whichever occurs first:
 - a) CVSID and the other parties to this lawsuit, in addition to the City of Cherokee Village, Arkansas, will enter into a settlement agreement compliant with this proposal by April 1, 2026, or
 - b) The effective date of any Order by any Circuit Court to enjoin and "freeze" any funds of CVSID.
3. CVSID agrees to transfer all of its properties -- both real and personal -- to the City of Cherokee Village, Arkansas, less its monies (deposits) within financial institutions, prior to executing the settlement agreement.
4. CVSID agrees to forego its 2026 tax levy (a future levy) as part of its dissolution, based on AR Code 14-92-237(a)(1). CVSID agrees to cancel all Settlement Based Assessed Benefits (SBAB) effective for year 2026 and onward, also based on AR Code 14-92-237(a)(1).
5. CVSID agrees to enter into operation, repair, and maintenance contracts with the City of Cherokee Village for real properties conveyed to the City. These contracts will begin on the date of the settlement agreement and extend until December 31, 2026. CVSID will use its current monies (deposits) to fund these contracts.
6. CVSID agrees to terminate its current contracts with various vendors by

December 31, 2026, and pay any damages associated with early termination. Current CVSID monies (deposits) may be used for the continuation of vendor contracts until December 31, 2026, and payment of associated contractual damages.

7. Nothing in the settlement agreement will prejudice the City of Cherokee Village's ability to contract, assume, takeover, or be assigned CVSID contracts.
8. CVSID agrees to refund property owners who "pre-paid" or "paid-off", hereafter referred to as "pre-payments", their SBAB as illustrated by examples below:

EXAMPLE #1 - A TAXPAYER'S SBAB IS \$5,400, THE SBAB WAS PAID-IN-FULL IN 2022, AND FOR THE DETERMINE OF REFUND THE "PRE-PAYMENT" IS COMPARED TO THE REMAINING BALANCE IF ANNUAL TAX PAYMENTS WERE MADE IN-LIEU-OF THE "PRE-PAYMENT".

The amortization schedule of a taxpayer's \$5,400 SBAB based only upon "annual tax payments". Those calculations are presented below. Annual payments to CVSID would result in a SBAB balance of \$4,455.08 at the end of year 2025. The taxpayer would be refunded **\$4,455.08** per this settlement proposal.

2022 --> \$5,400.00 (SBAB) - [\$540.00 - (0.06 * \$5,400.00)] = \$5,184.00
2023 --> \$5,184.00 - [\$540.00 - (0.06 * \$5,184.00)] = \$4,955.04
2024 --> \$4,955.04 - [\$540.00 - (0.06 * \$4,955.04)] = \$4,712.34
2025 --> \$4,712.34 - [\$540.00 - (0.06 * \$4,712.34)] = \$4,455.08

EXAMPLE #2 - A TAXPAYER'S SBAB IS \$5,400, THE SBAB WAS "PAID-IN-FULL" BY A "PRE-PAYMENT" OF \$4,712.34 IN 2024, AND FOR THE DETERMINATION OF THE SETTLEMENT REFUND PROPOSED HEREIN -- THE "PRE-PAYMENT" PAYOFF IS COMPARED TO ANY YEAR, FROM 2022 THROUGH 2025, WHEREBY AN ANNUAL TAX PAYMENT(S) WAS NOT MADE.

2022 --> \$5,400.00 (AOB) - [\$540 - (0.06 * \$5,400.00)] = \$5,184.00
2023 --> \$5,184.00 - [\$540.00 - (0.06 * \$5,184.00)] = \$4,955.04
2024 --> \$4,955.04 - [\$540.00 - (0.06 * \$4,955.04)] - \$4,712.34 = 0

Because an annual tax payment was not made in year 2025 - the taxpayer's "pre-payment" is reduced by \$540.00 and by this settlement proposal -- the taxpayer is refunded **\$4,172.34**, e.g. ($\$4,712.34 - \540.00) = \$4,172.34.

EXAMPLE #3 - A TAXPAYER'S SBAB IS \$5,400, THE TAXPAYER MAKES MULTIPLE "PRE-PAYMENTS" AND A BALANCE ON THE SBAB REMAINS IN YEAR 2025. ALL OF THE TAXPAYER'S "PRE-PAYMENTS" ARE REFUNDED.

2022 --> \$5,400.00 (AOB) - [\$540.00 - (0.06 * \$5,400.00)] = \$5,184.00
2023 --> \$5,184.00 - [\$540.00 - (0.06 * \$5,184.00)] -\$1,000.00 = \$3,955.04
2024 --> \$3,955.04 - [\$540.00 - (0.06 * \$3,955.04)] -\$500.00 = \$3,152.34
2025 --> \$3,152.34 - [\$540.00 - (0.06 * \$3,152.34)] - \$800.00 = \$2,001.48

No reductions are made due to unpaid annual tax payments of \$540.00 and the taxpayer is refunded all "pre-payments" - **\$2,300.00** that were made. Further, if the taxpayer did not "make" an annual tax payment during the years of 2022 through 2025 -- the total "pre-payments" stated above would be reduced by each year's payment(s), for years 2022 through 2025, that were not made .

9. Both Counties agree to pay CVSID their respective 3% collection fees upon assessment payments distributed to CVSID for 2023, 2024, and 2025.
10. After both Counties have pay their respective 3% collection fees back to CVSID, CVSID agrees to pay \$200,000.00 for attorney fees, court costs, etc. and \$40,000.00 as an "enhancement award" to the named Plaintiff's. This compensation proposal is a "one-time" offer only being presented to entice the Defendants to settle this lawsuit in an expeditious manner.
11. We currently estimate the damages to be in excess of \$6 million and if CVSID doesn't forego the 2026 tax assessment -- the damages could be in excess of \$8 million. If CVSID and the Counties, for which the Plaintiff's have evidence that would suggest the Counties are potentially liable for more than their respective 3% collection fees, do not accept this proposal and the Plaintiff's prevail in court -- the Plaintiff's will be seeking a recover fee of up to 33% of awarded damages. That recover fee amount, in addition to any and all attorney fees awarded by the court could be in excess of \$2.6 million.

To assist the City of Cherokee Village with understanding "How the City might fund continuing operation, repair, and maintenance obligation of facilities conveyed to the City by CVSID" -- The Plaintiff's offer the following "assessment plan" that the City might implement by ordinance. Below are proposed steps/actions/procedures that a City assessment ordinance for City-owned "public grounds" (those properties conveyed by CVSID) could "assess", tax, and fund these conveyed CVSID improvements.

POTENTIAL STEPS AND ACTIONS THAT THE CITY OF CHEROKEE VILLAGE COULD TAKE TO FUND OPERATIONS AND MAINTENANCE BY NEWLY CREATED "CITY ASSESSMENTS BY ORDINANCE" FOR CVSID IMPROVEMENTS CONVEYED TO CITY.

**THIS IS NOT LEGAL ADVICE, IT IS ONLY BEING PRESENTED AS A
POTENTIAL PLAN FOR FUNDING**

1. CITY PUBLISHES ITS INTENT TO ADOPT AN ORDINANCE TO CREATE AN ANNUAL ASSESSMENT FOR MAINTAINING PUBLIC GROUNDS

(Comply with AR Code 14-55-206 & 208 regarding newspaper publication of ordinance.)

2. CITY ADOPTS THE ORDINANCE BY MULTIPLE READINGS TO ESTABLISH THE PURPOSE AND ASSESSMENT MILLAGE APPLIED TO THE ASSESSED VALUE OF LAND FOR LOTS WITHIN THE CITY LIMITS FOR MAINTENANCE OF PUBLIC GROUNDS

(Refer to AR Code 14-55-202, AR Code 14-55-102, and AR Code 14-54-601 thru 606.)

3. CITY SENDS OUT BILLING STATEMENTS FOR PUBLIC GROUNDS ASSESSMENT, INCLUDING DUE DATE, NOTICE OF LIEN, AND DELINQUENCY CONSEQUENCES

(Refer to AR Code 14-54-603(b).)

4. CITY INSTITUTES COURT PROCEEDINGS TO PERFECT LIENS ON DELINQUENT PROPERTIES; COURT RENDERS JUDGMENT

(Refer to AR Code 14-54-604(a).)

5. CITY DELIVERS TO COUNTY CLERK THE LIST OF LIEN JUDGMENTS AGAINST DELINQUENT PROPERTIES, WHICH ARE ENTERED AS "DELINQUENT TAXES" FOR COLLECTION

(Refer to AR Code 14-54-604(b)&(c). County Tax Collector receives 5% for collection.)

The Plaintiff's provide these comments and statements regarding the settlement proposal's as various solutions for the "problems" that plague CVSID's ability to "fund" and "maintain" their improvements into the future. Such comments and statements that are offered to solve CVSID's future problems by the City acceptance of CVSID conveyed improvements are the following:

- The conveyance of CVSID improvements to the City solves the problem with how CVSID's improvements can be maintained once CVSID's SBAB is exhausted. CVSID is currently on track to exhaust its SBAB circa 2035.
- The conveyance of CVSID improvements to the City solves the problem with how CVSID's improvements can be maintained in perpetuity by the City. The City's assessment ordinance provides perpetuity as long as the City desires to assess.

- Upon the City's acceptance of CVSID improvements - the City is able to legally enforce any and policing powers for the CVSID improvements that the City desires to apply, i.e., building codes, laws for public safety, etc.
- Upon the City's acceptance of CVSID improvements, the City would be able to pursue "bonds" for capital funding expenditures for the improvements.
- Upon the City acceptance of CVSID's improvements, the City could pursue "grants" for funding capital improvements of what would be now be "publicly-owned" improvements, not "privately-owned, member-owned", improvements.
- Upon the City's acceptance of CVSID's improvements, the City could ensure to its citizens that their taxpayer monies are being utilized with greater efficiency and effectiveness due to: reduction of staffing needs once CVSID is dissolved and other benefits. Such efficiencies could be recognized by the following:
 - 1) A General Manger for CVSID would no longer be needed,
 - 2) Existing city employees that perform accounting / financial tasks could perform duties regarding "assessments" -- the preparation and collection of assessment billings, and/or, if the need exists, supplemented with additional staff (or contracted services) to perform duties related to the City's "assessments",
 - 3) Employees that work on maintenance of City "public grounds" could also potentially assist in other City maintenance matters of the City,
 - 4) Equipment used by CVSID to maintain their current facilities, once conveyed to the City, could potentially be used on other projects of the City.