
RECORD OF PROCEEDINGS

**Minutes of the Regular Joint Meeting
Of the Boards of Directors
Cornerstone Metropolitan Districts No. 1 & No. 2
February 22, 2011**

A Regular Meeting of the Boards of Directors of the Cornerstone Metropolitan Districts No. 1 & No. 2, Montrose and Ouray Counties, Colorado, was held February 22, 2011 at the Cornerstone Colorado Club, 1000 Cornerstone Trail, Montrose, Ouray County, Colorado, in accordance with the applicable statutes of the State of Colorado.

Attendance The following Directors were present and acting:

- Brian Wallin
- Susan McIntosh
- Thomas Huesgen

The following Directors were absent and excused:

- Jill Huesgen
- Stephanie Wallin

Also in attendance via conference call were:

- Diane Hornquist, Hunt Realty Investments, Inc.
- Clint Waldron, White, Bear & Ankele P.C.
- Eric Weaver, Robertson & Marchetti, P.C.
- Sonya Luna, Robertson & Marchetti, P.C.

Director

Qualification The Directors in attendance confirmed their qualification to serve.

**Call to
Order**

The Regular Joint Meeting of the Boards of Directors of Cornerstone Metropolitan Districts No. 1 & No. 2 was called to order by Chairman Wallin on February 22, 2011 at 12:00 p.m. noting a quorum was present.

**Combined
Meetings**

The Districts are meeting in a combined board meeting. Unless otherwise noted below, the matters set forth below shall be deemed to be the action of Cornerstone Metropolitan District No. 1, with concurrence by Cornerstone Metropolitan District No. 2.

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**Disclosure
Matters**

Mr. Waldron advised the Boards that, pursuant to Colorado law, certain disclosures might be required of the Boards' members prior to taking official action at this meeting. The Boards reviewed the agenda for the meeting, following which each Director confirmed the contents of any written disclosure previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. 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**

There was no public comment made.

**Approval of
Agenda**

The Board reviewed the proposed agenda and made no changes.

Minutes

The Board reviewed the meeting minutes from the March 23, 2010 regular and the November 9, 2010 special meetings. Upon motion duly made and seconded it was unanimously

RESOLVED to approve the regular meeting minutes of March 23, 2010 and the special meeting minutes of November 9, 2010 as stated.

**Meeting
Calendar**

The Board reviewed the meeting schedule for 2011 noting the next regular meeting is scheduled to be held on May 24, 2011.

**Flowers
Cabin
Lease**

The Board reviewed the extension of the Flowers Cabin lease whereby the developer agrees to lease the property to District No. 1 for use by the District. Upon motion duly made and seconded it was unanimously

RESOLVED to ratify the extension of the agreement to December 31, 2011.

**Administrative
Resolution**

Mr. Waldron reviewed the 2011 joint annual administrative resolution. By motion duly made and seconded it was unanimously

RESOLVED to approve the 2011 joint annual administrative resolution.

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Robertson & Marchetti, PC Engagement Letter

Mr. Weaver presented the Robertson & Marchetti, PC financial statement engagement letter, noting the letter presented today supplements the previously approved engagement letter, dated October, 21, 2009. By motion duly made and seconded it was unanimously

RESOLVED to approve the execution of the supplemental financial statement engagement letter as presented by Robertson & Marchetti, PC.

Financial Report

Mr. Weaver reviewed the financial statements for Cornerstone Metropolitan District Nos. 1 & 2 and for the Cornerstone Owners Association for the period ended December 31, 2010, noting the final outcome of the bond issuance during December of 2010. Upon motion duly made and seconded it was unanimously

RESOLVED to approve the financial statements for Cornerstone Metropolitan District Nos. 1 & 2 and the Cornerstone Owners Association for the period ended December 31, 2010.

Accounts Payable

The Board reviewed a listing of payables for November 2010, December 2010 and January 2011. Upon motion duly made and seconded it was unanimously

RESOLVED to ratify the payables for November 2010, December 2010 and January 2011 as presented.

Accounts Receivable

The Boards reviewed the aging reports of District No. 1 and of the Association, noting three delinquent accounts in each entity. Director Wallin volunteered to follow up with the owners in regard to their balances owed.

2011 Fee Schedule

Mr. Weaver reviewed an analysis he had prepared related to determining water rates for the 2011 year. Mr. Weaver explained that the cost to obtain the water from Tri-County has increased 8% over 2010 and that the base rate for residential service was increased a corresponding 8% to \$184 per quarter. However, he proposed to only increase the tiered rates \$0.50 per 1,000 gallons, which is between a 3% and 4% increase. For commercial consumption, he has proposed that the District bill water usage at a rate of \$6.25 per 1,000 gallons, which is

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meant to cover the costs of purchasing and pumping the water plus 5% for non-metered loss. In addition to this metered charge, the commercial will also be billed for 50% of the overhead costs of operating the system. This methodology allows the District to bill a reasonable amount of fees to cover the needed costs in either a high or low usage year.

For sewer, Mr. Weaver proposed an approximate 7% increase in both residential and commercial quarterly charges.

The development fee was increased to \$26,000 pursuant to the Amended and Restated Development Fee Resolution adopted in conjunction with the issuance of the 2010 bonds.

Upon motion duly made and seconded it was unanimously

RESOLVED to approve the 2011 Fee Schedule as presented.

Adjournment

There being no further business to discuss, on motion duly made and seconded it was unanimously

RESOLVED to adjourn the February 22, 2011 Regular meeting. The next regular meeting is scheduled for May 24, 2011 at noon.

Respectfully submitted,



Eric Weaver

Secretary for the meeting