
RECORD OF PROCEEDINGS

**Minutes of the Special Joint Meeting
Of the Boards of Directors
Cornerstone Metropolitan Districts No. 1 & No. 2
November 9, 2010**

A Special Meeting of the Boards of Directors of the Cornerstone Metropolitan Districts No. 1 & No. 2, Montrose and Ouray Counties, Colorado, was held November 9, 2010 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 telephone were:

- Diane Hornquist, Hunt Realty Investments, Inc.
- Gary White, White, Bear & Ankele P.C.
- Clint Waldron, White, Bear & Ankele P.C.
- Kim Casey, Kutak Rock, LLP
- Jamieson Merrill, Hunt Realty Investments, Inc.
- 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 Special Joint Meeting of the Boards of Directors of Cornerstone Metropolitan Districts No. 1 & No. 2 was called to order by Chairman Wallin on November 9, 2010 at 1:00 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.

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

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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 proposed to table item 5; discussion of the previous meeting minutes and item 7f; approval of the 2011 Joint Annual Administrative Resolution.

Meeting Calendar The Board reviewed the meeting schedule for 2011 noting the next regular meeting is scheduled to be held on February 22, 2011.

Development Fee Resolution

The Board reviewed the proposed Amended and Restated Joint Resolution concerning the Imposition of Development Fees which reconfirms a Development Fee for all residential property locating within the boundaries of Cornerstone Metropolitan District No. 2 for the specific purpose of funding infrastructure serving such property, which funding may include the payment of debt service on any current or future Bonds. Related to the proposed bond issuance, the District proposes to increase the one-time "Development Fee" to \$26,000 per residential lot. On motion duly made and seconded it was unanimously

RESOLVED to approve the Development Fee Resolution as presented.

General Obligation Indebtedness

Kim Casey noted that this meeting was posted as a meeting to authorize and issue indebtedness and presented the Board with a draft of the Parameters Resolution. The resolution provides limits for the proposed issuance of the Series 2010A Limited Tax General Obligation Refunding Bonds, not to exceed \$7,000,000; and the Series 2010B Variable Rate Limited Tax General Obligation Refunding Bonds, not to exceed \$20,000,000. Ms. Casey reviewed the documents within the Resolution and explained the purpose of establishing the parameters and that the final terms will be presented at closing. On motion duly made and seconded it was unanimously

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RESOLVED to approve the Bond Resolution Authorizing the Issuance of District No. 2's Limited Tax General Obligation Refunding Bonds and its Subordinate Variable Rate Limited General Obligation Refunding Bonds, and approval of related documents for the issuance of the 2010 Bonds and redemption of the 2006 Bonds, in substantially the form presented.

**Prepaid
Development
Fee Agreement**

The Board reviewed the proposed Prepaid Development Fee Agreement. On motion duly made and seconded it was unanimously

RESOLVED to approve the Prepaid Development Fee Agreement as presented.

**Advance and
Reimbursement
Agreements –
Operating And
Capital Costs**

The Board reviewed a First Amendment to the Advance and Reimbursement Agreement (Capital Costs), originally entered into on April 18, 2006. The Amendment extends the term of the original agreement until December 31, 2011 and increases the reimbursement amount from \$7,000,000 to \$7,800,000. The Board also reviewed a Third Extension of Advance and Reimbursement Agreement (Operations and Maintenance Costs), originally entered into on April 18, 2006. The Third Extension extends the Agreement until December 31, 2011. On motion duly made and seconded it was unanimously

RESOLVED to approve the First Amendment of the Advance and Reimbursement Agreement (Capital Costs) as presented and;

FURTHER RESOLVED to approve the Third Extension of the Advance and Reimbursement Agreement (Operations and Maintenance) as presented.

**Water Activity
Enterprise**

The Board reviewed a Resolution to establish a Water Activity Enterprise under State Law within Cornerstone Metropolitan District No. 1. On motion duly made and seconded it was unanimously

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RESOLVED to approve the Resolution to Establish a Water Activity Enterprise within Cornerstone Metropolitan District No. 1.

**Stan Bernstein
Letter**

The Board reviewed the Representation Letter from Bernstein and Associates related to the financial model prepared in connection with the 2010 Bonds. On motion duly made and seconded it was unanimously

RESOLVED to approve the Representation Letter from Bernstein & Associates.

Financial Report

Mr. Weaver reviewed the financial statements for Cornerstone Metropolitan District Nos. 1 & 2 for the period ended September 30, 2010. On motion duly made and seconded it was unanimously

RESOLVED to approve the financial statements for Cornerstone Metropolitan District Nos. 1 & 2 for the period ended September 30, 2010.

**2010 Budget
Amendment**

The Board opened the public hearing for the 2010 amended budgets for District No. 1 and No. 2. No public comment was offered and the hearing was closed. On motion duly made and seconded it was unanimously

RESOLVED to approve the 2010 Amended Budget for Cornerstone Metropolitan Districts No. 1 and No. 2.

2011 Budgets

The Board opened the public hearing for the proposed 2011 budgets of District No. 1 and No. 2. There was no comment made and the hearing was closed. On motion duly made it was unanimously

RESOLVED to approve the resolutions to adopt the 2011 budgets as presented; subject to minor adjustments which may result from the final certification of assessed values and final bond terms and;

FURTHER RESOLVED to approve the resolution to certify the mill levies with District No. 2 levying 14.000 mills for contractual obligations and 25.000 mills for debt service and District No. 1 levying 0.000 mills and;

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FURTHER RESOLVED to approve the resolution to appropriate funds for spending in 2011.

Copies of the formal resolutions adopting the budgets and appropriating funds shall be retained in the District's permanent records.

**2010 Audit
Engagement
Letter**

The Board reviewed the proposed engagement letter presented by the accounting firm of Haynie & Co. District No. 2 will now require an audit for 2010. On motion duly made and seconded it was unanimously

RESOLVED to approve the 2010 audit engagement letter with Haynie & Co.

Accounts Payable

The Board reviewed a listing of payables for September 2010. On motion duly made and seconded it was unanimously

RESOLVED to ratify the payables for September 2010 as presented.

**Accounts
Receivable**

The Boards reviewed the aging report for September 30, 2010 which includes the 3rd Quarter billing.

Continuation

In case additional action is needed by the Board related to the issuance of the 2010 Bonds, on motion duly made and seconded it was unanimously

RESOLVED to continue the meeting to December 7, 2010 at 3:00 p.m.

Respectfully submitted,



Eric Weaver

Secretary for the meeting