

CORNERSTONE METROPOLITAN DISTRICT
NOS. 1 & 2

RULES AND REGULATIONS

(Effective October 1, 2008)

Adopted by the Boards of Directors
September 16, 2008

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PREAMBLE

The Boards of Directors of Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2 (collectively, the “Districts”) have adopted the following Rules and Regulations pursuant to § 32-1-1001(1)(m) C.R.S. by joint resolution, attached hereto as Appendix A, to provide for the orderly and efficient conduct of business and affairs of both Districts, the combined boundaries of which make up the community known as Cornerstone.

The Boards of Directors of the Districts expressly reserve the right to make revisions to these Rules and Regulations from time to time in order to properly manage the affairs of the Districts and to promote the health, safety and welfare of the residents and property owners in Cornerstone. These Rules and Regulations are supplementary to, and are not to be construed as an abridgement of, the lawful right of the Boards to manage the Districts as outlined in the Colorado Revised Statutes governing special districts.

All references hereinafter to “District” shall refer to both Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2 and their respective Boards of Directors, and such references are intended to encompass the Cornerstone development.

ARTICLE I: DESCRIPTION OF THE DISTRICT

1.01 Purpose of the District. The District was organized with authority to provide certain services and facilities to residents and Property Owners to serve the residential development known as “Cornerstone.” The District is a quasi-municipal corporation and political subdivision of the State of Colorado, and as such, exercises certain governmental powers for the benefit of its constituents. The District derives its power from Colorado statutes and from its Service Plan. The Service Plan contains general information about the facilities, services and powers of the District, and may be amended from time to time to deal with evolving needs of the District. A copy of the Service Plan may be obtained from the District Manager. The District has the power to tax properties within its boundaries and to impose fees for services available from or provided by the District.

1.02 The Governing Body. The District is governed by an elected Board of Directors. The Board of Directors is responsible for the overall management and affairs of the District. The Board consists of five individuals who, as residents or Property Owners within the District, are qualified to serve as directors. Directors are generally elected to four-year terms at elections held in May of even-numbered years. The Board elects from its membership a president, vice-president, treasurer, and appoints a secretary.

1.03 District Services and Facilities. In general terms, the District attempts to provide for the planning, design, acquisition, construction, installation, relocation and maintenance of necessary and adequate public improvements and infrastructure for the Cornerstone development, including, but not limited to, water facilities and infrastructure, internal streets and roadway systems, wastewater collection and treatment, offsite roadway systems, and fire and emergency medical protection improvements and services.

1.04 Rates, Fees, Tolls and Charges. The District has the power to impose various rates, fees, tolls, charges and penalties for services and facilities provided by the District. In most cases, the failure of a resident or Property Owner to pay such fees creates a right in the District to claim a lien on the affected property and to foreclose on that lien. The District exercises such power for the overall benefit of the District and reserves the right to exercise discretion on a case-by-case basis in determining whether to claim a lien and foreclose it.

ARTICLE II: GENERAL

2.01 Scope. The Rules and Regulations shall be considered a comprehensive set of Rules and Regulations governing certain aspects of the control, management and operation of the District. It should be noted, however, that not every conceivable aspect of the control, management and operation of the District and its systems is covered in the Rules and Regulations, and that the Board reserves the right to make rulings concerning matters not covered herein as and when appropriate, in the opinion of the Board. It is intended that any Person desiring to transact business with the District as an owner or developer of property, or resident, guest or visitor for any purpose, within Cornerstone, shall comply with the Rules and Regulations. It is further intended that the management staff utilize the Rules and Regulations as a tool for assuring uniform treatment to Persons within Cornerstone and fair response to issues which confront the District. No person shall be entitled to any exemption from the applicability of these Rules and Regulations due to the failure of that Person to become familiar with the policies and standards of the District contained herein, and in supplements hereto.

2.02 General Purpose. The purpose of the Rules and Regulations is to provide for the orderly construction, control, management and operation and maintenance of the public utility systems, services, facilities and improvements of the District, including additions, extensions and connections thereto, and to establish minimum standards concerning said systems and provide for the administration and enforcement of such standards. All service from the District will be available in accordance with the Rules and Regulations and the charges established therefor, and subject to all penalties and charges for violation thereof, or any statutes applicable to the District, subject to availability and capacity of facilities.

2.03 Authority. The Rules and Regulations are adopted in accordance with the authority conferred in Title 32 of the Colorado Revised Statutes, the District being a political subdivision of the State of Colorado and body corporate and politic, with those powers of a quasi-municipal corporation which are specifically granted to the District, or are necessary to, or implied from, powers specifically granted by statute, constitution or other law, for carrying out the objectives and purposes of the District.

2.04 Public Health, Safety and Welfare. It is hereby declared that the Rules and Regulations hereinafter set forth serve a public interest and are necessary for the protection of the health, safety, prosperity, security, and general welfare of the residents and Property Owners of the District.

2.05 Rules of Construction. It is the intent of the Board that the Rules and Regulations shall be liberally construed to effect the general purposes and polices set forth herein, and that every part hereof is separate and distinct from all other parts. Nothing set forth herein nor the refusal, failure, or omission of the Board or its agents to apply or enforce the Rules and Regulations shall be construed as an alteration, waiver or deviation from any grant of power, duty or responsibility or any limitation or restriction upon the Board or the District, conferred or

imposed upon the District by the statutes, constitutional provisions, or other laws of Colorado as they currently exist and as they may exist in the future, or any contract or agreement existing between the District and any other entity. Nothing contained herein shall be so construed as to prejudice or affect the right of the District to secure the full benefit and protection of any law now in effect or that may be subsequently enacted pertaining to the governmental or proprietary affairs of the District. The Board reserves the right to construe any provision hereof in its sole discretion in order to effectuate lawful purposes of the District, and to attempt to ensure orderly and non-discriminatory treatment of all Persons subject to the Rules and Regulations now or in the future. In all circumstances, the Rules and Regulations shall be construed in the broadest sense possible to enable the District to perform its functions in accordance with law.

The Rules and Regulations constitute guidelines for the benefit of the District and its management staff, and must be complied with by all residents, visitors and Property Owners absent a proper written waiver. It is the responsibility of each resident, visitor and Property Owner to obtain and read the Rules and Regulations, as adopted and enforced by the District. No person shall obtain, by virtue of the Rules and Regulations, any right or cause of action against the District, its consultants or its management arising as a result of the enforcement or lack of enforcement of the Rules and Regulations by the District.

2.06 Notice of Required Customer Action - District Action at Customer Expense.

The Rules and Regulations require Customers to take certain actions at their own expense. In the event that a Customer fails or refuses to take such action, unless it is necessary for the District to act immediately to protect the health, safety, and welfare of the general public, the District shall mail a written notice to the Customer or the owner of the property on which District service is or will be received. The notice shall request that the required action be taken within the time specified in the Rules and Regulations, or, if no time is specified in the Rules and Regulations, then within a reasonable time as set forth in the notice. If the Customer still has not taken the required action within the allotted time, then the Customer shall be in violation of this section and shall be subject any applicable penalty provisions contained in the Rules and Regulations. The District may, but is not obligated to, take the required action and bill the expense to the Customer. The District shall be entitled to pursue all remedies granted to it by these Rules and Regulations and Colorado law for collection of the amounts due to it for taking such required actions on behalf of the Customer.

2.07 Variance. The District reserves the right to waive or modify the provisions of the Rules and Regulations at its sole discretion. Any Person seeking a variance of a provision of the Rules and Regulations shall have the burden of proving that the operation of such provision as it is applied would cause undue hardship or should not be applied to the Person for another justifiable reason, and such variance shall not adversely affect the health, safety and welfare of the residents, Property Owners, and visitors of the District. The Board's decision to grant or deny the variance shall be final.

2.08 Effective Date. These Rules and Regulations shall be effective as of October 1, 2008, and shall govern and control the relationship between the District and its Customers from the effective date forward, subject to further amendments by the District. Any additions or deletions to the Rules and Regulations shall be effective immediately upon adoption by a majority of the Board at any regular or special meeting of the Board.

2.09 Amendment. The Board shall retain the power to amend the Rules and Regulations as it deems appropriate. Neither notice of such amendments nor public hearing shall be required to be provided by the District prior to exercising its amendment, modification or waiver powers. The District has the power to waive the application of Rules and Regulations to its own activities, or to the activities of others. Supplemental policies of the District may be adopted from time to time in order to assist the Board and its management staff in managing the affairs of the District. The Board, or the Operations Manager acting on instructions of the Board, shall have the sole authority to waive, suspend or modify these Rules and Regulations. Any Person claiming the benefit of such waiver, suspension or modification shall be required to obtain a written waiver signed by a representative of the District. Such waiver shall not be deemed an amendment of the Rules and Regulations and shall not be deemed a continuing waiver.

2.10 Inspection or Purchase Fees. The Rules and Regulations shall be available to the public for inspection at the office of the District Manager. A copy shall also be available for purchase at the District's cost of copy and assembly, as determined from time to time by the Board.

2.11 General Policies. The District has attempted to articulate herein its rules and policies for the provision of public services and facilities, and for management and operation of the District. From time to time, the Board may adopt official policies of the District. On occasion, such policies are reflected in official "resolutions" of the Board. Appendix I hereof contains official policies of the District incorporated into formal "resolutions" as of the date of adoption of the Rules and Regulations not otherwise incorporated herein. Additional appendices may be added to the Rules and Regulations from time to time either by addition to Appendix I in the case of adoption of resolutions, or by the addition of new appendices. Additional policies may be found in the minutes of the District's Board meetings. In any case where a resident, Customer or Property Owner has questions about District policies, questions may be directed to the Operations Manager who has authority to respond, or who may refer such requests to the Board. In all circumstances, the Board retains authority and responsibility for the policies of the District.

2.12 Regulations by Other Governmental Entities. Any limitation, restriction, or prohibition validly placed upon the District by any governmental entity, or by any agreement between the District and any other governmental entity, is hereby incorporated into the Rules and Regulations by this reference, and shall constitute a limitation, restriction and/or prohibition on each Customer of the District.

2.13 Repeal of Conflicting Provisions. All resolutions or parts of resolutions in conflict herewith are hereby repealed. To the extent any policy found in minutes of District meetings which pre-date and conflict with any resolution of the Board, the resolution shall be deemed to supersede the minutes, unless the Board determines otherwise, after such conflict is brought to the attention of the Board. To the extent policies found in minutes of meetings post-date resolutions of the District and conflict with such resolutions, the policy stated in the minutes shall be binding, unless the Board determines otherwise after such conflict is brought to the attention of the Board. The Board shall have the right, at all times, to repeal and re-enact resolutions of the District.

2.14 Severability. The invalidity of any section, clause, sentence, or provision of the Rules and Regulations shall not affect the validity of any other part of the Rules and Regulations which can be given effect without such invalid part or parts, and to this end, the provisions of the Rules and Regulations are hereby declared to be severable.

2.15 Provision of Service Outside of District. The District may, in its sole discretion, furnish service to properties located outside the District's boundaries. No service shall be provided to properties located outside the District's boundaries, except upon the express written consent of the District. Except as may be provided in documents recorded in the Ouray County or Montrose County public records prior to the effective date of these Rules and Regulations, the District shall not be required to extend service outside of the District's boundaries. Charges for furnishing service and taps outside the District's boundaries shall be determined in the sole discretion of the Board and as provided for in the Fee Schedule in Appendix B, as the same may be amended from time to time, or as agreed upon by the District and a Customer. It is expected that charges for District Services to property outside the District shall equal at least the actual cost of District Services, plus, at a minimum, the estimated mill levy payments and other fees for which such property would be responsible if it were included in the District. In every case where the District furnishes Service to property outside the District, the District reserves the right to discontinue Service when, in the judgment of the Board, it is in the best interest of the District to do so, except as may be limited by written agreement. The Rules and Regulations shall be applicable to all Property Owners outside the District who are furnished water and/or sewer service by the District. No connection to the District Water and/or Sewer System shall be permitted until the Property Owner has agreed, in writing, to the District's Rules and Regulations. The District may adopt, from time to time, resolutions, policies and procedures regarding the provision of service to areas outside the boundaries of the District, which resolutions, policies and procedures shall be attached hereto, and made a part of, Appendix I.

2.16 Violations. Any Person violating any of the provisions of the Rules and Regulations shall become liable to the District for any expense, loss or damage occasioned by reason of such violation, and upon non-payment thereof, shall be assessed a penalty in an amount set forth in the District's Fee Schedule, which penalty shall be a lien upon the violator's property,

as allowed by § 32-1-1001, C.R.S., as amended, or a lien upon the property to which the violator was providing services at the time of the violation in question, whichever the District deems appropriate.

2.17 Extension of Facilities. The extension of public services and facilities within the boundaries of the District, or outside the District, is made in the sole reasonable discretion of the Board. The Board may enter into agreements to extend public services and facilities, however, the District has no legal responsibility to extend public facilities for the benefit of any resident or Property Owner. The District's Service Plan does not constitute a contract which obligates the District to extend facilities. Upon receipt of a request for extension of new facilities, the Board will evaluate such request in light of the District's financial position and the best interests of the District at large. The Board has the right to decline to construct any new facilities, decline to extend service, or to require the owners of property benefited by such facilities to pay the cost thereof. No Person shall have the right to seek to compel the District to construct new facilities in accordance with prior procedures or practices of the District, it being the express intention of the Board that no precedent shall be established by any decision made by the Board, past, present or future.

2.18 Governmental Immunity. Nothing contained in the Rules and Regulations shall be construed as a waiver of the rights and privileges of the District pursuant to the Colorado Governmental Immunity Act, Section 24-10-101, *et seq.*, C.R.S., as amended from time to time.

ARTICLE III: DEFINITIONS

Unless the context specifically indicates otherwise, the meaning of the terms used herein shall be as follows:

3.01 Applicant. Any person or organization making application for metered service on the District Water System.

3.02 Application. Request and agreement by a current or prospective Customer for metered service from the District Water System.

3.03 Board or Board of Directors. The duly elected boards of directors of the District, which act as the governing bodies of the District.

3.04 Contractor. Shall mean any Person hired or authorized by the District or other Person to perform work and/or furnish materials for the benefit of the District, or for the benefit of those Persons.

3.05 Customer. Any Person or Property Owner that receives, or is authorized to receive, services from the District.

3.06 Developer. Cornerstone Montrose LLC together with its successors and assigns.

3.07 District. Cornerstone Metropolitan District Nos. 1 & 2, collectively, or their Boards of Directors.

3.08 District Engineer. The registered professional engineer licensed in the State of Colorado and appointed by the Board to act on its behalf in engineering and related matters.

3.09 District Facilities. The Sewer System and Water System, collectively.

3.10 District Manager. The Person appointed by the Board to manage the administrative and financial affairs of the District.

3.11 District Services. Means any of the services authorized by the Service Plan to be provided by the District.

3.12 Fee Schedule. The schedule of fees and charges imposed by the District and on file with the District Manager and Operations Manager, and as attached hereto as Exhibit B, as may be amended from time to time.

3.13 Homestead. A platted residential parcel at Cornerstone.

3.14 Main Line. Any water distribution main or sewer collection main owned and/or operated by the District.

3.15 Master IGA. That intergovernmental agreement entered into between Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2 on November 1, 2004, which provides for the implementation of principles and objectives set forth in the Service Plan regarding the financing, construction, operation and maintenance of public improvements and facilities, and regarding the administration of the affairs of the District including the collection, management and expenditures of funds.

3.16 Meter Setting. Domestic water meter, meter yoke, check valve, post, receptacle and meter pit.

3.17 Multiple Tap. A one inch standard tap which is authorized by the District to serve domestic water to more than one residential unit, for example a primary residence and a caretaker's residence on the same qualifying homestead.

3.18 Operations Manager. The Person appointed by the Board to manage the operations of the District, including the enforcement of the District's Rules and Regulations.

3.19 Person. Any person or entity.

3.20 Property Owner or Owner. The record owner of real property within or without the boundaries of the District, as the context requires.

3.21 Roadway Improvements. All roads, road signs, road lights, paved surfaces, shoulders, roadside ditches, snow storage areas, sidewalks, bridges, tunnels, parking facilities and related appurtenances owned and/or operated and maintained by the District

3.22 Rules and Regulations. The rules and regulations adopted by the District's Board including all appendices, amendments, policies and resolutions of the District which may be adopted from time to time.

3.23 Service Agreement. The document entitled "Tri-County Water Conservancy District & HRC-Montrose Development L. P. Potable Water Service Agreement", executed August 18, 2004 by the Tri-County Water Conservancy District and September 7, 2004 by HRC-Montrose Development L. P., as amended from time to time.

3.24 Service Line. All piping, fittings and appurtenances which are used as a conduit for water from a main line to a structure, or which are used as a conduit for sewage from a building to a connection with a main line.

3.25 Service Plan. The document entitled “Consolidated Service Plan for Cornerstone Metropolitan District Nos. 1 and 2, Montrose County, Colorado, Ouray County Colorado” dated April 25, 2005, as amended from time to time.

3.26 Sewer System. All structures, equipment, processes and facilities owned and/or operated by the District and used to collect, carry away, and treat domestic and industrial wastes and dispose of the effluent.

3.27 Shall or May. Whenever “Shall” is used herein, it shall be construed as a mandatory direction; whenever “May” is used herein, it shall be construed as a permissible, but not mandatory direction.

3.28 Snow Storage. Areas designated by the District where snow can be stored to provide adequate access to properties within the District.

3.29 Storm Drain. A culvert, drain, inlet, pipe, etc. owned and/or operated and maintained by the District for conveying storm water traveling through the District.

3.30 Storm Drainage System. All facilities used for conducting storm water to, through and from a drainage basin to the point of final outlet including, but not limited to, any or all of the following: conduits and appurtenance features, canals, channels, ditches, streams, gulches, gullies, flumes, culverts, roadways, detention ponds, and pumping stations.

3.31 Tap or Connection. The connection of a Service Line to a pre-approved stub-out or a water and/or sewer main and the corresponding right to receive domestic water or sewer services at a specific location subject to District rules, regulations and policies.

3.32 Tap Fee. The fee charged by the District for connecting to the District's lines to obtain water and/or sewer service.

3.33 Unit. A structure or facility that uses domestic potable water.

3.34 Wastewater. Domestic quality water which has been used and is permitted to escape, and which contains dissolved or suspended matter not requiring pretreatment in accordance with the Colorado Department of Health’s current regulations.

3.35 Water System. All facilities owned and/or operated by the District and used for collecting, transporting, distributing, storing, pumping, treating, or measuring water, including, but not limited to, fire hydrants, valves, shut-off valves, stub-outs, pumps, storage facilities, water plants and all related appurtenances.

ARTICLE IV: GENERAL OPERATING PRINCIPLES AND LIMITATIONS

4.01 Policy. The District is a Colorado Special District, formed and functioning under the authority of C.R.S. §§ 32-1-101 et seq. The District shall endeavor to plan for, capitalize and build adequate capital improvements as demand occurs, and shall operate and maintain the District's Facilities in a sound and economical manner. The right to any use of the District's Facilities is only by permission of the District. The District reserves full right to determine all matters related to the control and use of District Facilities. The right to use of the District's Facilities shall be subject to suspension or revocation as set forth herein.

4.02 Ownership. It is the District's basic policy that all water and sewer mains and trunk or interceptor lines shall be public sewers and that Service Lines shall be installed, owned and maintained by the Customer; provided, however, that the District shall reserve and always have a right of access to such Service Lines, and other facilities as necessary to carry out its functions. The installation, maintenance and repair of the Service Line are the responsibility of the Customer. All improvements constituting any part of District Facilities, shall be the sole property of the District, except as otherwise provided herein, or as specifically agreed by the District and Developer, Property Owner or Customer. Service Lines extending from District Facilities to buildings or other facilities shall be the sole property and responsibility of the Property Owner and/or Customer. In no event shall a Service Line be deemed to be owned by the District unless the District specifically accepts ownership thereof by means of a written document executed by the District. Notwithstanding that Customers shall be entitled to receive service from District systems, no legal or equitable ownership in District systems or capacity therein shall be deemed to exist in favor of any Person other than the District. No other Persons, except those authorized by the District, shall have any right to enter upon, inspect, operate, adjust, change, alter, move or relocate any portion of the foregoing or any of the District's facilities.

4.03 Limitation of Liability of District. It is expressly stipulated by all Persons obtaining District Services that no claim for damage shall be made against the District for any reason including, but not limited to, the following: flushing water lines, blockage in any District system causing the backup of water, wastewater or effluent; damage caused by "smoking" of lines to determine drainage connections to Main Lines; breakage of Main Lines; interruption of District Services and the conditions resulting there from; breaking of any Service Line, pipe, valve, or meter; failure of the water supply; shutting off or turning on water; making of connections or extensions to District systems; damage caused by water running or escaping from open or defective faucets; broken Service Lines and other facilities not owned by the District; damage to water heaters, boilers, or other appliances resulting from shutting water off, or for turning it on, or from inadequate or sporadic pressures; or for doing anything to District systems deemed necessary by the Board or its agents. Except as specifically stated in these Rules and Regulations, the District shall have no responsibility for notification to Customers of any of the foregoing conditions. The District reserves the right to temporarily discontinue service to any property, at any time, for any reason deemed necessary or appropriate by the Board. The District

shall have the right to revoke service to any property for violation of the Rules and Regulations in accordance with the procedures set forth in the Rules and Regulations, and shall not be liable for any claim for damage resulting therefrom. Further, the District shall not be liable or responsible for the consequences of its failure or refusal to accept additional or new service which would exceed the capacity of the District Facilities.

The Rules and Regulations shall not be construed to hold the District in any manner responsible for any damages to persons or property resulting from any inspection as herein authorized, or resulting from any failure to so inspect, or resulting from the issuance or denial of any permit as herein provided, or resulting from the institution of court action as allowed by law, or the forbearance by the District to so proceed.

4.04 Officials Not Liable. Any District official, agent or employee, charged with the enforcement of the Rules and Regulations, acting in good faith, and without malice, on behalf of the District in the discharge of his official duties, shall not thereby render himself personally liable for any damages which may accrue to persons or property resulting from any such act or omission committed in the discharge of such duties. Any suit or proceeding instituted against such official, agent or employee, stemming from any act or omission performed by him in the enforcement or attempted enforcement of any provision of the Rules and Regulations, shall be defended by the District until final termination of the proceedings. This subsection shall be construed in such a manner as to be consistent with the District's resolution indemnifying such officials and employees.

4.05 Non-liability for Work of Others. The District does not assume any liability for any work performed by others. No claim shall be made against the District, or any of its officers, agent or employees, on account of errors of omission, or commission, made by the District or District's licensees.

4.06 Right of Entry. The Operations Manager and other duly authorized representatives, agents or employees of the District shall be permitted to enter upon all properties, public or private, for all lawful purposes, including, without limitation, inspection, observation, measurement, sampling, and testing, of devices or systems connected to the District's systems, or any other reasonable purpose in accordance with the provisions of the Rules and Regulations. The right of entry shall include the right by authorized District employees or agents to verify fixtures, irrigated areas, and install, read, or otherwise gather data from water meter(s) on a Customer's property, in order to assist the District in analyzing individual water usage and sewage production by a Customer. Developer and Customers shall be deemed to have granted a reasonable right of entry to the District, its Manager, staff, or other duly authorized representatives, agents or employees of the District for such proposes.

4.07 Entitlement to District Services. District Services will be provided by the District to all Customers, subject to the Rules and Regulations, upon receipt and approval of a request for service made to the District in accordance with Article 7, hereof. The District shall

have no responsibility to extend District Services to property within the District which has not received District Services unless the District determines it is economically feasible to do so. No Person that fails to pay applicable fees and other related charges or to provide evidence that appropriate fees have been paid for the benefit of such Person, shall be entitled to continued service. It shall be incumbent upon the applicant for District Services to furnish satisfactory evidence of payment of applicable fees whenever such evidence is requested by the District. Notwithstanding that a Person has paid appropriate fees for service; no Person shall be entitled to use District Facilities or to receive continued District Services if property taxes or other fees due from such Person or entity have become delinquent.

ARTICLE V: DISTRICT WATER SYSTEM

5.01 District Water System – Generally. Generally, the District’s domestic water distribution and storage system includes all Cornerstone water distribution facilities from the Tri County Water Conservancy District master meter located on Government Springs Road to and throughout Cornerstone, including without limitation, all pipes, pumps, vaults, valves, storage tanks and ponds necessary to serve District customers' domestic and irrigation needs. Potable water is purchased from Tri County Water Conservancy District. It is delivered from the Tri County master meter through District distribution facilities to District users without additional treatment or disinfection.

5.02 Use of District Water System. Use of the District’s water system by Customers shall be in accordance with the Rules and Regulations and the Water System Policies and Regulations (“Water System Regulations”) attached hereto as Appendix C and incorporated herein by this reference. The Water System Regulations may be amended at any time and such amendment shall be effective as prescribed by the Board at the time of such amendment, and if not prescribed at the time of amendment, the amendment shall be effective immediately upon adoption by the District.

ARTICLE VI: DISTRICT SANITARY SEWER SYSTEM

6.01 District Sanitary Sewer System – Generally. Generally, the District’s sanitary sewer system includes the Wastewater Treatment Plant together with all wastewater collection lines, pumps, lift stations and reuse water lines necessary to serve the District’s central wastewater collection, treatment and discharge needs. Wastewater at Cornerstone is collected by a central wastewater collection system and delivered to the Wastewater Treatment Plant, where it is treated to meet secondary drinking water standards, and discharged to Pond 4 where it is stored for ultimate use as golf course irrigation water.

6.02 Use of District Sanitary Sewer System. Use of the District’s sanitary sewer system by Customers shall be in accordance with the Rules and Regulations and the Sanitary Sewer System Policies and Regulations (“Sewer System Regulations”) attached hereto as Appendix D and incorporated herein by this reference. The Sewer System Regulations may be amended at any time and such amendment shall be effective as prescribed by the Board at the time of such amendment, and if not prescribed at the time of amendment, the amendment shall be effective immediately upon adoption by the District.

ARTICLE VII: APPLICATION FOR WATER AND SEWER SERVICE

7.01 Application for Water and Sewer Service. Any Property Owner who desires to have the privilege of water and/or sewer service from the District shall submit an application for water and/or sewer service to the District along with any supporting documentation required thereby. The application shall be on the District's standard form and shall contain at a minimum the following: (i) name, address, and phone number of applicant; (ii) name, address, and phone number of the Property Owner of the premises where said connection is to be made or line is to be laid; (iii) the proposed Customer's consent to entry pursuant to these Rules and Regulations; (iv) consent to water shut off pursuant to these Rules and Regulations; (v) the proposed Customer's consent to abide by and be bound by the Rules and Regulations, as amended from time to time; and (vi) information about the structure(s) to be served. The application form shall be supplemented by any plans, specifications, or other information considered pertinent in the judgment of the District. No unauthorized person(s) shall uncover, make any connection with or opening into, extend, use, alter, or disturb any District Facility or appurtenance thereof without first obtaining a written connection permit from the District. A proposed Customer for service shall obtain a connection permit prior to connection to the District's lines.

7.02 Fees to be Paid Prior to Service. The application shall be accompanied by any unpaid Tap Fee required by the Rules and Regulations. No connection permit shall be issued to the customer until Tap Fees and connection fees, if any, have been paid for the property or building to be served by the connection. No new services shall be furnished until all outstanding debts to the District, and other fees as herein provided, have been paid to the District. Tap Fees shall be non refundable, unless expressly agreed to otherwise by the Board. Payment of a Tap Fee does not constitute a connection permit.

7.03 Issuance of Connection Permit. Upon approval of the application provided for in section 7.01, the District shall issue a connection permit to the applicant. No Tap into the District Water and/or Sewer System shall be allowed until: the required Tap Fee has been paid; a connection permit has been issued; and any and all other applicable fees have been paid. Issuance of a connection permit does not authorize the holder thereof to make any cut in a public road or street or to do any thing for which separate permission is required of the District or another governmental entity, Cornerstone Owners' Association or other applicable governing body.

7.04 Cancellation/Revocation of Permit. The District reserves the right, in its sole discretion, for cost-related reasons, lack of capacity, or when necessary to protect the health, safety and welfare of the residents, Property Owners and visitors of the District, to revoke any connection permit previously granted. The District further reserves the right to revoke any permit, guaranty or other commitment of the District for any violation of the Rules and Regulations. All decisions to revoke service will be made by the Board, in its sole discretion. District Services shall be revocable upon non-payment of any valid fees or charges owing to the

District or any other violation of the Rules and Regulations. In the event of non-payment, the Customer shall be given not less than ten (10) days advance notice in writing of the revocation.

7.05 Denial of Request for Service or Permits. The District reserves the right to deny any request for service or any permit when, in the opinion of the Board, the request made is not in the best interest of the District.

7.06 Water and Sewer Service Required. It is the policy of the District that all proposed Customers connect to the District's water services and that Homesteads assigned to central sewer service connect to the District's sewer services. The District reserves the right to deny service to any proposed Customer that requests only water or sewer service on a Homestead assigned for central sewer service. On such Homesteads, water or sewer service shall only be provided separately upon the express written approval of the Board. Provided, however, that the District shall require that connection to the non-connected service occur by a date certain. Notwithstanding the foregoing, the District reserves its right under C.R.S. § 32-1-1006(1)(A)(I) to compel the owner of premises located within the District's boundaries, and within four hundred feet of a District water or sewer line, to connect to the District's lines whenever necessary for the protection of public health.

7.07 Unauthorized Connection. No Person shall be allowed to connect to District systems or to enlarge or otherwise change equipment, service or use of property without submitting the appropriate application to the District, paying the appropriate fees, and otherwise complying with the Rules and Regulations. All such connections, enlargements, or changes not in compliance with the Rules and Regulations shall constitute "unauthorized" connections. Upon the discovery of unauthorized connections, District Services shall be terminated upon three (3) days written notice to the Customer, Property Owner or occupant of the property, at the address last known to the District, delivered by regular U.S. mail or hand-delivered. District Services shall not be recommenced until the Rules and Regulations have been complied with and the Property Owner or Customer has paid the applicable unauthorized connection fee. The unauthorized connection fee shall be in an amount determined by the Board, which is estimated to be equal to the lost revenue from such connection, plus costs of disconnection and damages incurred by the District, and a penalty in the amount of at least one hundred dollars (\$100). The District shall be entitled to charge such fee as an offset against any refundable deposit held by the District for the account of such Property Owner or Customer, and shall be permitted to assert and seek any other remedy available by law.

7.08 Tampering. No unauthorized Person shall uncover, use, alter, disturb, or make any connection with, or opening onto, use, alter, or disturb the District's systems without first obtaining a written permit from the District. Unauthorized activities with respect to the District's systems include, but are not limited to, an unauthorized turn-on or turn-off of District Services, unauthorized connections to any District system or any tampering or modification of any meter, even though the same may be performed on a privately owned and maintained Service Line. No Person shall maliciously, willfully, or negligently, break, damage, destroy, uncover, deface or

tamper with any portion of the District's system. Any Person who violates the provisions of this Section shall be prosecuted to the full extent of Colorado law.

ARTICLE VIII: FEES AND CHARGES FOR WATER AND SEWER SERVICE

The District shall adopt, and may modify from time to time, a Fee Schedule for services provided and/or for other purposes necessary for the proper implementation of the Rules and Regulations. Such Fee Schedule shall remain in effect until modified by the Board; nothing contained or stated in the Rules and Regulations shall limit the District's ability and/or authority to modify the Fee Schedule from time to time. In the event that the District determines to modify the Fee Schedule, such modification shall become a part of the Rules and Regulations upon adoption by the Board. The District is under no obligation to notify any Customer of any such modification. It shall be at all times the responsibility of the Customer to contact the District for a current Fee Schedule. All of the fees, rates, and charges shown on the Fee Schedule shall apply, whether or not they are discussed in this Article.

8.01 Application of Article. The rates, charges and other information shown herein shall apply only to Customers inside the District and shall in no way obligate the District to provide service outside the District's boundaries.

8.02 Fee Schedule. Service charges, Tap Fees, plant investment fees, permit fees, miscellaneous fees, water and sewer use charges, fee transfers and other applicable fees shall be in the amounts shown in the Fee Schedule, attached hereto as Appendix B, as may be amended from time to time.

8.03 Payment of Fees and Charges. All accounts shall be in the name of the Property Owner. Statements for service charges are directed to the Property Owner rather than the occupant or lessee unless the Owner otherwise requests the District and the District approves in writing. Statements for service charges shall be rendered to Customers at intervals to be established by the District, but not more frequently than monthly, or less frequently than quarterly. Charges for such items as late payments, turn-on, and turn-off shall be included in the statements.

8.04 Due Date. Each Customer shall pay the total amount shown on such bill as due and owing the District on or before the due date shown on such bill. All late payments shall be assessed a late payment fee as shown on Appendix B. The late payment fee may be waived by the District on a case by case basis. Interest charges shall accrue and be charged on all delinquent accounts, but shall not accrue and be charged on penalties (i.e. late fees, interest), at the maximum statutory rate of Eighteen Percent (18%) per annum. If any charges remain unpaid for forty-five (45) days or more, the District may give the Customer written notice that the Customer's water and/or sewer service may be suspended or revoked if the delinquent charges are not paid in full within fifteen (15) days after the postmark on such notice. Such notice shall also give notice of hearing in accordance with the provisions set out in these Rules and Regulations. In addition to the District's right to suspend or revoke service as provided in this paragraph, the District may enforce the Customer's payment obligations by any and all other lawfully available means, including suits for collection and/or foreclosure of the District's lien on the property receiving

service. In any event, the District shall be entitled to recover all costs incurred in the collection of delinquent payments, including reasonable attorney's fees, recording fees, filing fees and court costs. Any deposit received by the District for service may be applied against delinquent payments.

8.05 Liability for Payment; Perpetual Lien. All fees, rates, tolls, penalties, or charges of the District shall be paid by the Property Owner of the property served. The District shall not be bound by any agreement between a Property Owner and occupant concerning payment of charges, regardless of whether the District has been notified of the agreement. Until paid, all fees, rates, tolls, penalties, and charges shall constitute a first and perpetual lien on or against the property served, and any such lien may be foreclosed in the manner provided by law. The District shall have the right to collect from any Customer who is delinquent in payment of the Customer's account, all legal, court and other costs and expenses necessary to or incidental to the collection of said account, including reasonable attorneys' fees, filing fees and other costs, and recording fees. A fee in the amount set forth in the Fee Schedule in Appendix B shall be imposed on any check tendered to the District which, upon presentment to the bank for payment, is returned unpaid due to insufficient funds, an overdrawn or closed.

8.06 Buyer's and Seller's Responsibilities. The District assumes no responsibility for agreements between sellers and buyers of property within the District. It shall be the responsibility of the buyer to ascertain whether appropriate fees and charges for the type and amount of service received from the District have been paid by the seller. Regardless of ownership, failure of the District to collect fees and charges at the time of the issuance of permits, or any other act or omission of the District, will not impede the District's right to unpaid fees and charges, and said fees and charges shall constitute a first and perpetual lien on and against the property served, which lien may be foreclosed as provided by law and the Rules and Regulations.

8.07 Suspension or Revocation of Service. The District shall have the authority to suspend or revoke water and/or sewer service upon non-payment of fees owing to the District, or upon any failure to comply with the Rules and Regulations of the District. The District shall also have the authority to assess fines and penalties as provided in the Rules and Regulations. Except as otherwise stated in Rules and Regulations, in the event of said non-payment of obligations, or other violation of the Rules and Regulations, the Customer shall be given written notice of a hearing to determine whether the Customer is in violation of his payment obligations to the District, or in violation of the Rules and Regulations, and to determine whether to suspend or revoke water and/or sewer service, or to assess a fine and/or penalty. The notice shall be sent by regular and certified mail to the Customer's billing address at least fifteen (15) days before the date of the hearing, and shall specify the date, time, and place of the hearing, as well as the alleged violation and the reason or reasons for revocation of service, and/or the possible fine or penalty to be assessed. The hearing shall be held by the District at a regular or special meeting of the Board at which time the Customer shall have an opportunity to present testimony and evidence to the Board. Within fifteen (15) days of the conclusion of the hearing, the Board shall

issue a written decision, which decision shall be final. Thereafter, the District may revoke service to the property by turning off, disconnecting, or blocking the water and/or sewer lines serving the property. Such actions shall be subject to the fees set forth in Appendix B, and shall include fees for hearing notification, conducting the hearing, and any other applicable fees. Any Customer who after notification fails to appear at the public hearing on their past due account or other alleged violation of the Rules and Regulations, and has not paid the account to the satisfaction of the Board, or otherwise corrected the violation within the allotted time, will be assessed a fine in the amount as set forth in Exhibit B for the cost of the public hearing. The Board may also suspend or revoke service if necessary. Any unauthorized reconnection, unblocking, or turning back on of District water or sewer service after it has been disconnected, blocked, or turned off pursuant to this section shall constitute an unauthorized use or connection pursuant to the Rules and Regulations.

8.08 Reimbursement of Costs and Fees. Any Person who seeks to do business with the District, enter into agreements with the District, obtain approval of plans from the District, or otherwise undertake activities which cause the District to incur costs, shall be responsible for reimbursing the District for all such costs. Such reimbursement shall be due at such time as the Board directs, but in no case later than the date when said agreements are executed, approvals are delivered, or such Person receives benefit from the District for such activities. In addition, any Person requesting inclusion or exclusion of property from the District, constructing a line extension project, or undertaking any other activity requiring preparation of plats or plans, legal and engineering review and advice, inspections, filing or recording fees, or other out-of-pocket expenses by the District, shall be required to reimburse the District for all such costs and fees.

ARTICLE IX: PUBLIC SAFETY

[RESERVED FOR FUTURE USE]

ARTICLE X: ROADWAYS AND SNOW MANAGEMENT SERVICES

10.01 Use of Roadways. Use of the Cornerstone internal road system shall be in accordance with the Rules and Regulations and the Rules and Regulations Governing Roadways (“Road Regulations”) attached hereto as Appendix G and incorporated herein by this reference. The Road Regulations may be amended at any time and such amendment shall be effective as prescribed by the Board at the time of such amendment, and if not prescribed at the time of amendment, the amendment shall be effective immediately upon adoption by the District.

ARTICLE XI: HEARINGS AND APPEALS

11.01 Applicability of Article. The hearing and appeal procedures established by this section shall apply to all complaints concerning the interpretation, application, or enforcement of the Rules and Regulations of the District, as they now exist or may hereafter be amended. The hearing and appeal procedures established by this section shall not apply to complaints arising out of the interpretation of the terms of District contracts or complaints which arise with regard to personnel matters.

11.02 Complaint. Complaints concerning the interpretation, application, or enforcement of Rules and Regulations of the District must be presented in writing to the Operations Manager, or such representative as he or she may designate. Upon receipt of a complaint, the Operations Manager or designated representative, after a full and complete review of the allegations contained in the complaint, shall take such action and/or make such determination as may be warranted, and shall notify the complainant of the action or determination by mail within fifteen (15) days after receipt of the complaint. Decisions of the Operations Manager which impact the District financially will not be binding upon the District unless approved by the Board at a special or regular meeting of the Board.

11.03 Hearing. In the event the decision of the Operations Manager or his or her designee is deemed unsatisfactory to the complainant, a written request for formal hearing may be submitted to the Operations Manager or such hearing officer as the Operations Manager may appoint within fifteen (15) days from the date written notice of the decision was mailed. A deposit in an amount as set forth in the District's Fee Schedule shall be made with the District along with the request for the hearing. This amount shall be retained by the District to cover the costs of the hearing until the final decision following such hearing. The amount shall be refunded to the Customer if the District renders a final decision in favor of the Customer. Upon receipt of the request, if it be timely and if any and all other prerequisites prescribed by the Rules and Regulations have been met, the Operations Manager or hearing officer shall conduct a hearing at the District's convenience, but in any event not later than fifteen (15) days after the submission of the request for formal hearing. The formal hearing shall be conducted in accordance with and subject to all pertinent provisions of the Rules and Regulations. Decisions of the Operations Manager or hearing officer which impact the District financially will not be binding upon the District unless approved by the Board of Directors at a special or regular meeting of the Board.

11.04 Rules. At the hearing, the Operations Manager or hearing officer shall preside. The complainant and representatives of the District shall be permitted to appear in person, and the complainant may be represented by any Person of his choice or by legal counsel. The complainant or his representative and the District representatives shall have the right to present evidence and arguments; the right to confront and cross-examine any Person; and the right to oppose any testimony or statement that may be relied upon in support of or in opposition to the matter complained of. The Operations Manager or hearing officer may receive and consider any evidence which has probative value commonly accepted by reasonable and prudent Persons in

the conduct of their affairs. The Operations Manager or hearing officer shall determine whether clear and convincing grounds exist to alter, amend, defer, or cancel the interpretation, application, and/or enforcement of the Rules and Regulations that are the subject of the complaint. The decision shall be based upon evidence presented at the hearing. The burden of showing that the required grounds exist to alter, amend, defer, or cancel the action shall be upon the complainant.

11.05 Findings. Subsequent to the formal hearing, the Operations Manager or hearing officer shall make written findings and an order disposing of the matter, and shall mail a copy thereto to the complainant not later than fifteen (15) days after the date of the formal hearing.

11.06 Appeals. In the event the complainant disagrees with the findings and order of the Operations Manager at the formal hearing, the complainant may, within fifteen (15) days from the date of mailing of the findings, file with the District a written request for an appeal thereof to the Board of Directors. The request for an appeal shall set forth with specificity the facts or exhibits presented at the formal hearing upon which the complainant relies and shall contain a statement of the complainant's reasons for the appeal. The Board shall consider the complainant's written request and such other evidence and/or testimony the Board deems necessary, in its sole discretion.

11.07 Board Findings. The Board shall make written findings and an order concerning the disposition of the appeal presented to it, and shall cause notice of the decision to be sent by certified mail to the complainant within thirty (30) days after the hearing. Such decision shall be final and binding and shall constitute the final administrative action of the District.

11.08 Notice. A complainant shall be given notice of any hearing before the Operations Manager, the hearing officer, or before the Board of Directors, by certified mail at least seven (7) calendar days prior to the date of the hearing, unless the complainant requests or agrees to a hearing in less time. When a complainant is represented by an attorney, notice of any action, finding, determination, decision, or order affecting the complainant shall also be served upon the attorney.

APPENDIX A
Joint Resolution
Adopting Rules and Regulations

APPENDIX B
Fee Schedule

**JOINT RESOLUTION OF
THE BOARDS OF DIRECTORS OF
CORNERSTONE METROPOLITAN DISTRICT NOS 1 & 2**

**APPROVING A FEE SCHEDULE
FOR THE DISTRICTS' RULES AND REGULATIONS
(Fiscal Year 2009)**

WHEREAS, Cornerstone Metropolitan District No. 1 and Cornerstone Metropolitan District No. 2 (the "Districts") were organized as quasi-municipal corporations and political subdivisions of the State of Colorado under Title 32, Colorado Revised Statutes, and pursuant to Orders of the District Court in and for Ouray County, Colorado; and

WHEREAS, on September 16, 2008, the Boards of Directors of the Districts (the "Boards") adopted those certain "Cornerstone Metropolitan District Nos. 1 & 2 Rules and Regulations" (the "Rules and Regulations"); and

WHEREAS, in accordance with Article 8 of the Rules and Regulations, the Boards are empowered to adopt, and may modify from time to time, a Fee Schedule for services provided and/or for other purposes necessary for the proper implementation of the Rules and Regulations; and

WHEREAS, the Boards have previously approved and adopted a Fee Schedule for the Districts' Rules and Regulations; and

WHEREAS, the Boards have determined that modification of the Fee Schedule is necessary and in the best interests of the Districts and present and future property owners within the Districts.

NOW, THEREFORE, it is hereby RESOLVED by the Districts' Boards of Directors:

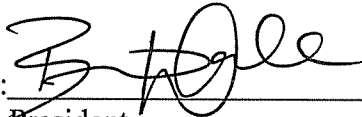
1. That the Fee Schedule shown and described in **Exhibit A** to this Resolution, attached hereto and incorporated hereby, is approved and adopted as the Districts' official Fee Schedule and shall accompany the Districts' Rules and Regulations until such time as the Boards elect to amend, repeal and/or otherwise modify such Fee Schedule.

2. Unless otherwise defined herein, all capitalized terms shall have the same meaning as set forth in the Rules and Regulations.

3. Effective January 1, 2009, any resolution of the Boards setting forth the Districts' Fee Schedule which pre-dates this Resolution shall be of no force and effect. This Resolution is intended to replace, restate and supersede any previous resolutions to this effect, as of January 1, 2009.

APPROVED AND ADOPTED THIS 3rd DAY OF MARCH, 2009

**CORNERSTONE METROPOLITAN
DISTRICT NO. 1**, a quasi-municipal corporation
and political subdivision of the State of Colorado

By: 

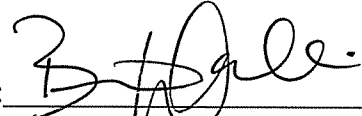
President

ATTEST:



Secretary

**CORNERSTONE METROPOLITAN
DISTRICT NO. 2**, a quasi-municipal corporation
and political subdivision of the State of Colorado

By: 

President

ATTEST:



Secretary

EXHIBIT A
FEE SCHEDULE

**Cornerstone Metropolitan District Nos. 1 & 2
2009 Fee Schedule**

(US \$)

Development Fee	Due upon initial sale of property		
	Per Lot	Flat Rate	\$7,345.00
Road Fee	Due upon initial sale of property		
	Per Lot	Flat Rate	\$5,500.00
Water	(Effective upon the issuance of a building permit)		
	Water Use Fee - Residential:		
	Tier 1 Up to 18,000 gallons per quarter	Flat rate	\$165.00
	Tier 2 18,000 to 36,000 gallons per quarter	Per 1000 gallons	\$12.00
	Tier 3 Over 36,000 gallons per quarter	Per 1000 gallons	\$18.00
	Water Use Fee - Commercial	Per 1000 gallons	\$5.37
	Water Use Fee - Irrigation	N/A	N/A
Sewer	(Effective upon the issuance of a Cert. of Occupancy or Temp. Cert. of Occupancy)		
	Sewer Use Fee - Residential & Commercial - per quarter	4 Inch Line	\$135.00
		6 Inch Line (2.25 times the capacity of a 4" line)	\$303.75
Tap Fee	(Due no later than the date a building permit is obtained)		
	Water: Diameter of Pipe (Inches)	Square Inches: 1" Pipe = .785 Square Inches	
	1"	0.785	\$7,500.00
	2"	3.14	\$30,000.00
	3"	7.065	\$67,500.00
	4"	12.56	\$120,000.00
	5"	19.625	\$187,000.00
	6"	28.26	\$270,000.00
	7"	38.465	\$367,000.00
	8"	50.24	\$480,000.00
	9"	63.585	\$607,000.00
	10"	78.5	\$750,000.00
	Sewer: Diameter of Pipe (Inches)	Square Inches: 1" Pipe = .785 Square Inches	
	1"	0.785	\$469.00
	2"	3.14	\$1,875.00
	3"	7.065	\$4,219.00
	4"	12.56	\$7,500.00
	5"	19.625	\$11,719.00
	6"	28.26	\$16,875.00
	7"	38.465	\$22,969.00
	8"	50.24	\$30,000.00
	9"	63.585	\$37,969.00
	10"	78.5	\$46,875.00
Other			
	Interest Charges on Delinquent Accounts	18% Annually / 1.5% Per Month	18.00%
	Late Fees (In Addition to Interest Above)	Per Quarter	\$15.00
	Water Service Turn Off Fee	per occurrence	\$100.00
	Water Service Turn On Fee	per occurrence	\$100.00
	Return Check Fee	per occurrence	\$30.00
	Transfer of Account Fee	per occurrence	\$100.00
	Unauthorized Water Usage	per occurrence	\$500.00
	Meter Tampering Penalty	per occurrence (plus usage at twice the highest tier)	\$1,500.00
	Meter Set Revisit Fee	per occurrence	\$125.00
	Unauthorized Connection	first occurrence (plus usage at twice the highest tier) (charges double thereafter)	\$2,500.00
	Lien Fee	per occurrence	\$150.00
	Inspection Fees	per hour	\$150.00
	Violation of Rules and Regulations	per incident	\$500.00

APPENDIX C
Water System Policies and Regulations

CORNERSTONE METROPOLITAN DISTRICT
NOS. 1 & 2

APPENDIX C
TO RULES AND REGULATIONS

WATER SYSTEM
POLICIES AND REGULATIONS

Adopted: September 16, 2008

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ARTICLE I: GENERAL

1.01 These Water System Policies and Regulations (“Water System Regulations”) are supplementary to, and are to be read in conjunction with, the Cornerstone Metropolitan District Nos. 1 & 2 Rules and Regulations, as adopted by the Boards of the Districts, and shall be appended as Appendix C thereto.

ARTICLE II: DEFINITIONS

2.01 Unless the context otherwise indicates, capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto by the Rule and Regulations.

ARTICLE III: USE OF DISTRICT WATER SYSTEM

3.01 No person shall uncover, make any connection with or opening into, use, alter, or disturb any public water main or appurtenances without first obtaining specific approval from the District. All installations for water service from the District shall be made in accordance with the Rules and Regulations and all technical specifications as required by the District, and all federal, state, county and local requirements.

ARTICLE IV: DISTRICT INSPECTION REQUIRED FOR ALL CONNECTIONS

4.01 Every connection to the Water System must be inspected by a representative of the District before it is covered. The District shall receive at least forty-eight (48) hours’ notice of such inspections and shall charge the fees as set forth in the current Fee Schedule for inspections. If a connection to the Water System is covered prior to inspection, it must be excavated for inspection at the Customer’s expense. The District will mail to the Property Owner a written request that such connection be excavated for inspection. If the connection is not excavated for inspection within ten (10) days from the date the request is mailed, the District shall excavate and inspect the new connection at the Customer’s expense.

ARTICLE V: WATER SYSTEM FACILITY OWNERSHIP AND MAINTENANCE

5.01 The District shall locate meters to the best advantage of the District for maintenance, access and reading. The District shall own, operate, and maintain, all meters and appurtenant facilities. Meters shall normally be located at the property line in a road right-of-way or at the edge of a private utility easement. No obstructions shall be placed over or in front of a meter that prevents reasonable access from designated roadways or easements for reading and maintenance of the meter. Meter and associated facility tampering, modification, damage, or

unauthorized use of water is strictly prohibited and subject to penalties as shown on the Fee Schedule.

5.02 No Person shall enter any meter pit for any reason, including making connections or repairs, without specific written authorization from the District.

ARTICLE VI: RESPONSIBILITIES OF THE CUSTOMER AND PROPERTY OWNER

6.01 The Customer shall own, operate, and maintain the Service Line commencing from the meter pit service line stub out to each Unit or building. Each Customer shall also be responsible for ensuring that the meter pit remains accessible for inspection by the District or its authorized representatives or agents.

6.02 Owners and builders are responsible for testing and determining the actual water pressure provided to their Homestead during the design phase of any building project.

ARTICLE VII: LEAKS IN CUSTOMER SERVICE LINE

7.01 Leaks or breaks in a Customer's Service Line must be repaired by the Customer within seventy-two (72) hours after receiving notification of such condition from the District. The District may shut off the water service to any property if a leak is detected by the District. The authority of the District or other appropriate water service provider to shut off water service for such purposes shall be deemed consented to by the Customer at the time water service is provided by the District.

7.02 Any provision herein to the contrary notwithstanding, the District may, but is not required to, take immediate steps to repair any leak or break which the District determines, in the District's sole and exclusive discretion, to constitute an emergency. In such event, the District shall recover the cost of such repair from the Customer owning such Service Line. If the Customer fails to pay any costs for which the Customer is responsible within thirty (30) days of the District mailing notice thereof to the Customer, the District may take such action as is necessary to collect such costs, including the imposition and foreclosure of a lien on the property, and the District shall be entitled to recover costs of such collection, including reasonable attorneys' fees, late charges and interest.

7.03 At the Customer's request, the District may, in the District's sole and exclusive discretion, investigate problems on the Customer side of a Meter Setting. The Customer shall pay the District for the value of such assistance if rendered.

7.04 If a leak is discovered and the Customer can validate that a leak has occurred, an adversely affected account shall be allowed one billing adjustment no greater than 10% of the original bill every two (2) years. Only leaks or loss of water determined by the District, in its sole and exclusive discretion, to be legitimate shall be considered for adjustment. In the event that a leak occurs, the District may allow for an adjustment only if the following criteria are met:

1. The District is notified immediately by the Customer that a leak has occurred, and;
2. The Customer requests consideration for an adjustment, and;
3. Usage billed exceeds 2 times the average use as determined by the District.

The District reserves the right to determine the merits of each situation and apply reasonable judgment on a case by case basis.

ARTICLE VIII: PROTECTION FROM DAMAGE; VIOLATION OF REGULATIONS

8.01 No Person shall break, damage, destroy, uncover, deface or tamper with any portion of the Water System. Any person who shall violate the provisions of this section may be charged pursuant to applicable state statute or local regulation. In addition to other penalties expressly provided in these Water System Regulations and the Rules and Regulations, any person violating this section shall be subject to penalties as set forth in the Fee Schedule. Any person violating any of the provisions of these Water System Regulations shall, in addition to any and all other remedies and penalties provided for herein or at law or equity, become liable to the District for any expense, loss or damage occasioned by reason of such violation, including attorneys' and engineering fees and costs.

ARTICLE IX: WATER TAPS

9.01 The purchaser of a District water Tap must sign a service application/agreement pursuant to Article 7 of the Rules and Regulations. Each Tap purchased from the District shall be assigned to serve a single Homestead owned by the purchaser. All rights of ownership shall be given the landowner upon purchase and may only be held by the owner of the property to which the Tap is tied. Taps may only be transferred in accordance with Article X of these Water System Regulations.

ARTICLE X: TRANSFER OF TAP OWNERSHIP

10.01 Ownership of a Tap may be transferred from one owner to another upon the sale of the property assuming the Tap is to remain in its present location. The buyer and seller shall sign a District Tap transfer application form and the buyer must provide proof of ownership to the District prior to transfer. A transfer fee shall be charged for each ownership transfer established by the deeds as set forth on the current Fee Schedule.

ARTICLE XI: METER REQUIREMENTS AND ADDITIONAL UNITS

11.01 All water delivered to a Customer shall be metered, with the exception of water delivered to Cornerstone Club for Golf Course Irrigation, which is separately measured at or near the point of delivery at Pond 4 and or the irrigation pond. A standard tap meter may serve only one residential unit. To serve an additional residential unit, a Property Owner shall purchase either an additional Tap or the right to serve a maximum of one additional unit (accessory dwelling or caretaker's unit) located on the original Homestead from the existing meter pursuant

to the terms of the Rules and Regulations. The District assumes no responsibility for the physical capability of the original Tap to serve the Customer's increased demand with increased volume or pressure.

11.02 Each Unit subsequent to the first that is served by an authorized Multiple Tap shall pay a reduced Tap Fee equal to 80% of the then current full Tap Fee.

11.03 Multiple Tap unit rights are tied to the original Homestead. Upon purchase of a parcel for which rights to serve additional units were granted by the District, the rights will be transferred to the new owner. Rights are non-transferable or movable from the original Homestead.

ARTICLE XII: REQUIRED INSTALLATIONS

12.01 Installation of a Pressure Relief Valve (PRV) rated for controlling inlet pressures of a *minimum* 300PSI is required for all new homes at Cornerstone. For homes located in lower sections of Planning Areas O2 and O3 & O-10, the recommended PRV rating is 400psi. In general, the homeowner and builder must independently evaluate the necessary PRV rating based on the building's site elevation and the Cornerstone Water Tank elevation of approximately 9,425 feet.

12.02 Installation of a Y strainer inline on the Customer side of the water meter prior to the PRV and prior to the service line backflow prevention assembly is required for every home constructed at Cornerstone. A backflow prevention assembly is required in accordance with Appendix E to the Rules and Regulations.

APPENDIX D
Sanitary Sewer System Polices and Regulations

CORNERSTONE METROPOLITAN DISTRICT
NOS. 1 & 2

APPENDIX D
TO RULES AND REGULATIONS

SANITARY SEWER SYSTEM
POLICIES AND REGULATIONS

Adopted: September 16, 2008

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ARTICLE I: GENERAL

1.01 These Sanitary Sewer System Policies and Regulations (“Sanitary Sewer System Regulations”) are supplementary to, and are to be read in conjunction with, the Cornerstone Metropolitan District Nos. 1 & 2 Rules and Regulations, as adopted by the Board of the District, and shall be appended as Appendix D thereto.

ARTICLE II: DEFINITIONS

2.01 Unless the context otherwise indicates, capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto by the Rules and Regulations.

ARTICLE III: USE OF DISTRICT SANITARY SEWER SYSTEM

3.01 No unauthorized Person shall uncover, make any connection with or opening into, use, discharge into, alter, or disturb any sewer main or appurtenance without first obtaining a written permit from the District. All installations for sewer service from the District shall be made in accordance with the Rules and Regulations and all federal, state, county and local requirements. All work upon or in connection with any portion of the Sewer System or any Service Lines or facilities which connect thereto, shall be by a duly qualified and certified contractor. Every connection to the Sewer System must be inspected by a representative of the District before it is covered. The District shall charge the fees set forth in the Fee Schedule for such inspections, which shall be performed upon receipt of at least forty-eight (48) hours’ notice to the District. If a connection to the Sewer System is covered before inspection, it must be excavated for inspection at the Customer’s expense. The District will mail to the Property Owner a written request that the connection be excavated for inspection. If the connection is not excavated for inspection within ten (10) days from the date the request is mailed, the District shall excavate and inspect the new connection at the Customer’s expense.

ARTICLE IV: RESPONSIBILITIES OF THE CUSTOMER

4.01 Each Customer shall be responsible for maintaining the entire length of the Service Line serving his or her property and ensuring that sewer cleanouts remain accessible for inspection by the District. Leaks, stoppage, or breaks in such Service Line must be repaired by the Customer within seventy-two (72) hours after notification of such condition by the District. If satisfactory progress toward repairing said leak, stoppage, or break has not been completed within such time period, the District may shut off water service until the sewer leaks, stoppage or breaks have been repaired. The authority of the District or other appropriate service provider to shut off water service for such purposes shall be deemed consented to by the Customer at the time water and/or wastewater treatment service is provided by the District. Any provision herein to the contrary notwithstanding, the District may, but is not required to, take immediate steps to repair any Service Line leak, stoppage or break which, in its sole and exclusive discretion, it considers to constitute a health hazard or emergency. In such event, the District shall recover the

cost of such repair from the Customer owning such Service Line. If the Customer fails to pay any costs for which the Customer is responsible, within thirty (30) days of the District mailing notice thereof to the Customer, the District may take such action as is necessary to collect such costs, including the imposition and foreclosure of a lien on the property, and the District shall be entitled to recover all costs of such collection, including reasonable attorneys' fees and costs.

ARTICLE V: DISCHARGE RESTRICTIONS – GENERAL

5.01 Except as hereinafter provided, no Person shall discharge, or cause to be discharged, to any sewer main, any waste prohibited by these Sanitary Sewer System Regulations or the Rules and Regulations, or any harmful waters or wastes, whether liquid, solid, or gas, capable of causing obstruction to the flow in sewer lines, damage or hazard to structures, equipment or personnel of the wastewater treatment facilities; inhibiting the biological activity in the wastewater treatment facilities; otherwise interfering with the proper operation of the wastewater treatment system; constituting a hazard through exposure to the District wastewater effluent; or causing the District to be in violation of federal, state, county or local laws.

ARTICLE VI: DISCHARGE RESTRICTIONS – PROHIBITED WASTES

6.01 Any person or entity found to be discharging the wastes prohibited by this section shall be fined not less than five hundred dollars (\$500.00) for each day such prohibited discharge continues and for each subsection violated, along with all other remedies available at law or equity, including damages, attorneys' fees and costs. No person or entity shall discharge or cause to be discharged into the District Sewer System the following wastes:

1. Water from storm drains, roof drains, window well drains, drainage collection systems, foundation drains, sumps, surface runoff, sub-surface drainage, or cooling processes.
2. Any oil, grease, or other similar petroleum product which is not water soluble. Such prohibited wastes shall include diluted wastes of such nature, including but not limited to, water or wastes containing grease, oil, hydrocarbons, fatty acids, soaps, fats, or waxes which exceed 50 mg/1 as determined by solvent (Freon) extraction.
3. Explosive materials, including but not limited to, gasoline, kerosene, naphtha, benzene, toluene, xylene, ethers, alcohols, ketones, aldehydes, peroxides, chlorates, perchlorates, bromates, carbides, hydrides and sulfides. Such limitation shall additionally include any waste capable of raising the Lower Explosive Limit (L.E.L.) of the ambient atmosphere in any sewer to five percent (5%) for any two (2) successive readings or to ten percent (10%) for any single reading on an explosion hazard meter.
4. Any solid or viscous substance in quantities or sizes capable of causing obstruction to the flow in the sewer lines or other interference with the proper operation or the District Sewer System, such as, but not limited to, ashes, cinders, sand, mud, straw, shavings, metal, glass, rags, feathers, tar, plastic, wood, ungrounded garbage, whole blood, cattle manure, hair and fleshings, entrails, grit, brick, cement, onyx, carbide, and shredded or whole paper products other than tissue, toilet paper, and other products intended for toilet disposal.
5. Any waste having a temperature higher than one hundred fifty (150°) degrees Fahrenheit (66°C).
6. Any waste having a Ph value lower than 5.5 or greater than 9.0.

7. Any toxic substance, or substance requiring pretreatment, as those terms are defined in 40 Code of Federal Regulations § 403, as amended from time to time, unless otherwise covered under this section.

8. Any radioactive wastes or isotopes.

9. Any noxious or malodorous substance capable of creating a public nuisance.

10. Any wastes having a color concentration in excess of thirty (30) color units, based on the Platinum Cobalt Scale.

11. Any wastes having a flash point lower than one hundred eighty-seven degrees Fahrenheit (187°F) (86°C) as determined by the Tagliabue (Tag.) closed-cup method.

12. Any waste having a five (5) day Biochemical Oxygen Demand which may contain more than 1,000 parts per million by weight as averaged during any twelve (12) hour period.

13. Any wastes containing phenolic compounds over 5 mg/l expressed as phenol.

14. Any cyanides or compounds capable of liberating hydrogen cyanide in excess of 1 mg/l expressed as hydrogen cyanide from any individual outlet.

15. Any wastes containing sulfides over 3 mg/l expressed as hydrogen sulfide.

16. Any wastes containing toxic or poisonous substances having a twenty-four (24) hour proportionate composite sample concentration, at point of discharge, in excess of the following:

- a. Total Chromium as Cr 7.5 mg/l
- b. Copper as Cu 4.5 mg/l
- c. Nickel as Ni 15.0 mg/l
- d. Cadmium as Cd 1.2 mg/l
- e. Zinc as Zn 12.0 mg/l
- f. Iron as Fe 15.0 mg/l
- g. Lead as Pb 15.0 mg/l
- h. Arsenic as As 0.25 mg/l
- i. Manganese as Mn 0.25 mg/l
- j. Selenium as Se 0.05 mg/l
- k. Silver as Ag 0.25 mg/l
- l. Mercury as Hg 0.10 mg/l

17. Any waste that would cause a violation of the District's Notice of Authorization.

18. Floor drains and garage drains shall not be discharged into sanitary sewers.

ARTICLE VII: DISCHARGES WHERE SPECIAL AUTHORIZATION IS REQUIRED:

7.01 The District Tap Permit allows discharge into the District Sewer System, through a specified sewer tap, of sewage not otherwise restricted or prohibited by the Rules and Regulations and Sanitary Sewer System Regulations. Discharges of swimming pool water or hot tub water must be specifically authorized by the Operations Manager, Tap Permit or other written permit. The Tap Permit for swimming pools or hot tubs shall specify the hours when such pools may be drained into the District Sewer System, and may include limits on the amount of chlorine (expressed as mg/l) in such discharge.

ARTICLE VIII. DISCHARGE RESTRICTIONS - PORTABLE TOILET WASTES

8.01 No person or entity shall discharge portable toilet wastes, discharges from recreational vehicles, pumped septic wastes or other septage into the District Sewer System.

ARTICLE IX: PROTECTION FROM DAMAGE; VIOLATION OF RULES AND REGULATIONS

9.01 No Person shall break, damage, destroy, uncover, deface or tamper with any portion of the Sewer System. Any Person who shall violate the provisions of this section may be charged pursuant to applicable state statute or local regulation, and upon conviction thereof, shall be fined in an amount as established by the court for each violation. Any person violating this section of the Rules and Regulations shall also be subject to a fine of not less than five hundred dollars (\$500.00) per occurrence, in addition to other penalties expressly provided in the Rules and Regulations. Any person violating this section shall in addition to any and all other remedies and penalties provided for herein or at law or equity, become liable to the District for any expense, loss or damage occasioned by reasons of such violation, including attorneys' and engineering fees and costs.

ARTICLE X: RECLAIMED WATER DISTRIBUTION AND USE

10.01 No later than December 31st of each year, Cornerstone Colorado Club LLC (Cornerstone Club) shall supply information to the District demonstrating compliance with the conditions of land application included in the NOTICE OF AUTHORIZATION FOR THE USE OF RECLAIMED WATER FOR LANDSCAPING, CORNERSTONE COLORADO, RDW 020-TF1-001 (NOA). Information shall be provided in form and substance sufficient to demonstrate compliance with each of the several conditions and requirements individually and separately, including specifically the following:

1. Application rates shall be controlled to strictly minimize ponding and runoff.
2. Use of Reclaimed Water shall be confined to the authorized use area.
3. Precautions shall be taken to ensure that Reclaimed Water will not be sprayed on any facility or area not designated for application such as occupied buildings, domestic drinking water facilities, or facilities where food is being prepared for human consumption.
4. Notification shall be provided to inform the public that Reclaimed Water is being used and is not safe for drinking. The notification shall include posting of signs of sufficient size to be clearly read in all use areas, around impoundments, and on tanks, tank trucks and other equipment used for storage or distribution of Reclaimed Water, with appropriate wording in English and Spanish.
5. All new, modified or replaced piping, valves, controllers, outlets, and other appurtenances, including irrigation systems and any equipment used in a commercial or industrial operation or process, shall be marked to differentiate Reclaimed Water from domestic water or other piping systems.

6. An approved backflow prevention device or cross connection control method shall be provided at all potable water service connections to Reclaimed Water use areas.

7. Operation of the irrigation system, including valves, outlets, couplers, and sprinkler heads, and commercial or industrial facilities and equipment utilizing Reclaimed Water, shall be performed only by personnel authorized by Cornerstone Club and trained in accordance with subsection 84.9(C)(10) of the Colorado Reclaimed Water Control Regulation No. 84.

8. Supplementing Reclaimed Water with potable water by Cornerstone Club shall not be allowed except through an approved reduced pressure principle backflow prevention device or air gap. Where a backflow prevention device is used it must be tested on an annual basis by a Certified Cross Connection Control Technician, unless there is a physical separation (e.g. removal of connecting pipe, etc.) between the potable and reuse distribution systems.

9. Supplementing Reclaimed Water with water from irrigation wells or industrial wells shall not be allowed except through an approved reduced pressure principle backflow prevention device or an air gap.

10. There shall be no impoundment or irrigation of Reclaimed Water within 100 feet of any well used for domestic supply unless:

a. In the case of an impoundment, the impoundment is lined with a synthetic material with a permeability of 10(-6) cm/sec or less; or

b. In the case of irrigation, other precautions are implemented and included as a condition of the Notice of Authorization, to prevent contamination of the well.

11. Workers shall be informed of the potential health hazards involved with contact or ingestion of Reclaimed Water and shall be educated regarding proper hygienic procedures to protect themselves.

10.02 Cornerstone Club will provide a copy to the District of any Notice of Violation that it sends to Colorado Department of Public Health and Environment (CDPHE) simultaneously with delivery to CDPHE.

10.03 Cornerstone Club shall notify the District immediately upon discovery by Cornerstone Club of any violation of the terms and conditions of the NOA, these Sanitary Sewer System Regulations or the Rules and Regulations. Discharges to surface waters, illegal cross connections or irrigation outside of an area approved in the NOA shall be reported to District and CDPHE as soon as discovered and in no case later than 24 hours after discovery of the violation and shall be followed up with a written report within 5 days. The written report shall contain a description of the noncompliance and its cause; the period of noncompliance, including, to the extent known, the exact dates and times; and steps taken or planned to reduce, eliminate, and prevent recurrence of the noncompliance.

10.04 Reclaimed Water shall not be applied in excess of agronomic application rates. The agronomic rate means the rate of application of nutrients to plants that is necessary to satisfy the plants' nutritional requirements while strictly minimizing the amount of nutrients that run off to surface waters or which pass below the root zone of the plants. Application rates shall protect surface and ground water quality and irrigation shall be controlled to minimize ponding.

10.05 Cornerstone Club shall monitor the total volume of Reclaimed Water applied per year or season, the maximum monthly volume applied and each location with the associated acreage where Reclaimed Water has been applied. Records of all monitoring shall be included in the annual report to the District and shall be kept by Cornerstone Club onsite for a period of three (3) years.

APPENDIX E
Regulations Governing Backflow Prevention Devices

CORNERSTONE METROPOLITAN DISTRICT
NOS. 1 & 2

APPENDIX E
TO RULES AND REGULATIONS

REGULATIONS GOVERNING
BACKFLOW PREVENTION DEVICES

Adopted: September 16, 2008

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ARTICLE I: CROSS CONNECTION CONTROL AND BACKFLOW PREVENTION

1.01 The purpose of this regulation is to set forth the District's requirements regarding prevention of potentially harmful cross connection and backflow to Customer water systems, the District's public water delivery systems and to the Tri County Water Conservation District (TCWCD) water system.

The District strictly prohibits cross connection of the public potable water system with any private or public water supply which does not meet minimum general sanitary standards by which the District abides or as set forth by the Colorado Department of Public Health and Environment (CDPHE).

This regulation is written pursuant to the Safe Drinking Water Act and Article 12 of the Colorado Primary Drinking Water Regulations (Hazardous Cross Connections). Specific authority for this Regulation is granted in Sections 25-1-107, 25-1-108, 25-1-109, and 25-1-14 Colorado Revised Statutes, as amended.

ARTICLE II: DEFINITIONS

2.01 Unless the context otherwise indicates, capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto by the Rule and Regulations.

ARTICLE III: PLANS REQUIRED PRIOR TO BREAKING GROUND - RESIDENTIAL CONSTRUCTION

3.01 All Cross-Connections and potential Cross-Connections together with the Backflow Prevention Assemblies proposed to control such known and potential Cross-Connections shall be clearly identified and shown on drawings and plans that shall be submitted to the District for review and approval prior to breaking ground on any new construction project at Cornerstone. A "Cross Connection" is any point in a water distribution system where chemical, biological or radiological contaminants will or may potentially come into contact with potable water. Irrigation systems, plumbed in fire suppression systems, by-pass arrangements, non-plumbed fire suppression tanks, jumper connections, removable sections, swivel or changeover devices and other temporary or permanent devices through which or because of which "backflow" or "back siphonage" can or may occur are considered to be Cross-Connections.

ARTICLE IV: BACKFLOW PROTECTION ASSEMBLY SPECIFICATIONS

4.01 A Backflow Protection Assembly is a device that prevents backflow or back siphonage of contaminants or poor quality water into a potable domestic water system. While

there are many varieties of devices that could be used to address the possibility of backflow events, only certain types and models of devices that are specifically designed and manufactured for backflow application are approved for use at Cornerstone.

4.02 Only Backflow Prevention Assemblies that are a model and size approved by the District may be used at Cornerstone. Backflow Prevention Assemblies must be manufactured in full conformance with the standards established by the latest version of the Colorado Department of Public Health and Environment Cross-Connection Control Manual. Final approval shall be evidenced by a “Certificate of Approval” issued by the American Society of Sanitary Engineering (ASSE) and/or University of Southern California, Foundation for Cross-Connection Control and Hydraulic Research (USCFCC and HR) certifying full compliance with Colorado Department of Public Health and Environment standards and all testing laboratory specifications. All Reduced Pressure Principle and Double Check Valve devices shall conform to the most current AWWA C-506 Standards.

4.03 All Backflow Prevention Assemblies shall be TESTABLE. Single check valves and non-testable devices (other than compliant air gaps) are not considered to be Backflow Prevention Assemblies and are NOT acceptable and shall not be used to comply with Cornerstone’s Backflow Prevention Policy.

4.04 Approved Backflow Prevention Assemblies at Cornerstone include only the following types of devices or installations:

Air Gap – An unobstructed vertical distance through free atmosphere between the lowest opening from any pipe or faucet supplying water to a tank, plumbing fixture, or any other device, and the flood level rim of said vessels. An approved air gap will be at least double the diameter of the supply pipe, measured vertically, above the top of the overflow rim of the vessel and double the diameter of the supply pipe away from all walls of the vessel or as may otherwise be required by the Colorado Cross-Connection Control Manual.

Pressure Type Vacuum Breaker – This device provides a spring loaded type pressure breaker intended to prevent water from back siphon. A pressure type vacuum breaker device must be installed at least 12 inches above the highest outlet or fixture. A pressure type breaker is spring loaded and does not rely on gravity to function.

Double Check Valve – This device is an assembly of two internal loaded, specially designed and independently operating check valves together with a tightly closing shut off valve on the upstream and downstream side of the check valves.

Reduced Pressure Principle (Double Check Valve) Device – This device is an assembly of two internally loaded, specially designed, and independently operating check valves which also have a mechanically independent, hydraulically dependent relief valve between the check valves specifically designed to maintain a zone of reduced pressure between the two check valves at all times. This assembly must also have tightly closing upstream and downstream valves.

ARTICLE IV: BACKFLOW PROTECTION ASSEMBLY REQUIREMENTS

5.01 All residences shall have, at a minimum, the following Backflow Prevention Assemblies installed, inspected and tested in accordance with this Policy:

SERVICE LINE BACKFLOW PREVENTION: At a minimum, a testable double check valve shall be installed on the Customer side of the water meter in line **prior to** any faucet or other Customer line connections. (The only exception to this required placement is where an approved and properly installed fire suppression system line is installed in line on the Customer side of the meter prior to the Service Line Backflow Prevention Assembly).

PLUMBED FIRE SUPPRESSION BACKFLOW PREVENTION: A testable reduced pressure zone double check valve shall be installed on the Customer side of the water meter prior to the Service Line Backflow Prevention Assembly to protect the home's domestic water supply from potential backflow from a plumbed fire suppression system.

NON-PLUMBED FIRE SUPPRESSION TANK SYSTEM BACKFLOW PREVENTION: An approved air gap must be maintained between a filling line and a non-plumbed fire suppression tank at all times. Non-plumbed fire suppression tanks may only be filled via a fixed piping system that ensures maintenance of the required air gap at all times during filling.

IRRIGATION SYSTEM BACKFLOW PREVENTION: A testable reduced pressure zone double check valve or testable pressure vacuum breaker shall be required to protect the home's domestic water supply from potential backflow from the irrigation system.

All other potential sources of cross-connection contamination must be contained by a Backflow Prevention Assembly that is appropriate to the hazard, as determined by the District based upon the degree of hazard that is posed by the Customer system and the particular circumstance. The degree of hazard shall be determined by the District.

ARTICLE 6. BACKFLOW PREVENTION ASSEMBLY INSTALLATION

6.01 All Backflow Prevention Assemblies shall be installed in accordance with the following requirements:

6.02 All Backflow Prevention Assemblies shall be installed in accordance with Uniform Plumbing Code specifications at a minimum.

6.03 All Backflow Prevention Assemblies shall be installed in the HORIZONTAL position. A variance allowing vertical installation may be granted by review in cases of exceptional hardship using equipment specifically designed by the manufacturer for vertical installation. The manufacturer's recommendation and specifications for vertical installation must be provided to the District prior to issuance of a variance for vertical installation.

6.04 Reduced pressure Backflow Prevention Assemblies shall be installed above ground. The unit shall be placed at least twelve (12) inches above the floor or finish grade. A concrete slab at finish grade is recommended. Proper drainage shall be provided for the relief valve and may be piped away from the location, provided that it is readily visible from above grade and provided that the relief valve is separated from the drain line by a minimum of double the diameter of the supply line. A modified vault installation may be used if constructed with ample side clearances and adequate drainage to daylight at double the diameter of the supply line. Freezing is a major concern in this area. Precautions shall be taken to protect above ground installations.

6.05 All Backflow Prevention Assemblies shall be installed in an accessible location to facilitate maintenance, testing and repair.

6.06 The Service Line Backflow Prevention Assembly shall be installed on the Customer side of the water meter immediately following the water meter. With the sole exception of an approved and properly installed fire suppression system, it shall never be permissible to install connections or tees between the water meter and the Service Line Backflow Prevention Assembly.

6.07 Prior to installing a Backflow Prevention Assembly, pipelines shall be thoroughly flushed to remove foreign material from the lines.

6.08 Valves associated with the Backflow Prevention Assembly shall not be used as the inlet or outlet valve. Test cocks shall not be used as supply connections.

6.09 The District shall inspect all Backflow Prevention installations prior to use. The Customer shall notify the District of all Backflow Prevention Assembly installations and shall make such installations available for inspection by the District.

ARTICLE VII. TESTING AND CERTIFICATION REQUIREMENT

7.01 All Backflow Prevention Assemblies must be tested upon completion of installation and annually thereafter in compliance with the following requirements:

7.02 In order to ensure that Backflow Prevention Assemblies operate satisfactorily, all Backflow Prevention Assemblies shall be tested at the time of installation. The Customer shall arrange for the initial testing following installation and shall be responsible for the costs thereof. All tests shall be conducted in accordance with ASSE and/or USC FCCC and HR performance standards and field test procedures as directed by the Colorado Department of Public Health and Environment, specifically including the following:

7.03 The initial test shall be performed by a certified Backflow Prevention Assembly Tester. Current valid certification for the Backflow Prevention Assembly Tester shall be provided to the District by the Customer.

7.04 The initial test shall be performed using properly calibrated testing equipment. Current calibration records for all testing equipment must be provided to the District by the Customer.

7.05 As necessary, the Backflow Prevention Assembly shall be repaired or replaced at the expense of the Customer whenever the assembly is found to be defective.

7.06 The Backflow Prevention Assembly shall be sealed by the technician performing the test at the completion of a successful test.

7.07 Test results shall be provided to the District following testing. The District shall keep all testing records for three (3) years following the date of testing.

7.08 Following initial installation and testing, at least once per year, the District shall perform or cause to be performed, at the Customer's expense, a certified test conducted on all Backflow Prevention Assemblies.

7.09 The annual test shall be conducted by a properly certified Backflow Prevention Tester using properly calibrated testing equipment. In those specific instances where the District deems the hazard to be great enough, certified inspections and testing at more frequent intervals may be required.

7.10 As necessary, the Backflow Prevention Assembly shall be repaired or replaced at the expense of the Customer whenever the assembly is found to be defective.

7.11 The Backflow Prevention Assembly shall be sealed by the technician performing the test at the completion of a successful test.

ARTICLE VIII: RIGHT OF ENTRY

8.01 By previously arranged appointment a District representative shall have the right of entry to inspect any and all buildings and premises for cross-connections relative to possible hazards. This right of entry shall be a condition of water service in order to protect the health, safety and welfare of the Customers throughout the District's distribution system. Where building security is required, the Backflow Prevention Assembly should be located in an area not subject to security.

ARTICLE IX: VIOLATIONS

9.01 Failure of the Customer to cooperate in the installation, maintenance, testing or inspection of Backflow Prevention Assemblies required by these standards shall be grounds for the discontinuance of water service to the premises.

9.02 Service of water to any premises may be discontinued by the District if unprotected cross-connections exist on the premises. When any defect is found in an installed Backflow Prevention Assembly, or if a Backflow Prevention Assembly has been removed or bypassed, water service may be discontinued at the discretion of the District. Service shall not be restored until such conditions or defects are corrected.

9.03 Discontinuance of water service may be summary, immediate and without written notice whenever, in the judgment of the District, such action is necessary to protect the purity of the public potable water supply or the safety of the water system.

ARTICLE X: GENERAL RIGHTS RESERVED, PROHIBITED ACTS AND POWERS GRANTED

10.01 The District prohibits any cross connection of the public water supply to any other pipe, fixture, or auxiliary water system which contains water of a quality below minimum general sanitary standards by which the District abides or as set for the CDPHE for that water system whichever is more stringent.

10.02 The District reserves the right, in the District's sole and exclusive discretion, to prohibit and deny cross connection or any auxiliary water source with the District's public potable water supply.

10.03 Any public water supply system that is cross connected with the District System shall have a backflow prevention policy in place and effectively implemented that meets or exceeds the standards outlined in these Rules and Regulations.

10.04 Any cross connection discovered by the District that is not allowed by these regulations or the Rules and Regulations shall be permanently removed within 24 hours of formal notification or service shall be discontinued until such time as the conditions or defects are corrected.

10.05 The District shall conduct inspections and surveys of Customer's facilities in accordance with the Colorado Public Drinking Water Regulations, Article 12, and any other required rules, regulations, or laws. The District will exercise reasonable judgment to determine whether conditions or circumstances pose a threat to the public potable water supply and take appropriate action to resolve concerns.

APPENDIX F
Snow Removal Rules and Regulations

[RESERVED FOR FUTURE USE]

APPENDIX G
Rules and Regulations Governing Roadways

CORNERSTONE METROPOLITAN DISTRICT
NOS. 1 & 2

APPENDIX G
TO RULES AND REGULATIONS

RULES AND REGULATIONS
GOVERNING ROADWAYS

Adopted: March 3, 2009

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ARTICLE I: GENERAL

1.1 DISTRICT AUTHORITY AND PURPOSE. Cornerstone Metropolitan District No. 1 (“District”) and Cornerstone Metropolitan District No. 2 (together, the “Districts”), each are Colorado special districts organized and operating pursuant to Title 32 of the Colorado Revised Statutes under a Consolidated Service Plan dated April 25, 2005 (“Service Plan”). The purpose of the Districts is to provide, construct, finance, operate and maintain certain public improvements for the development referred to as Cornerstone (“Cornerstone”). Pursuant to the Service Plan and that certain District Facilities Construction and Services Agreement by and between the District and Cornerstone Metropolitan District No. 2, dated December 16, 2004, (“Master IGA”) the District is responsible for managing the construction and operation of facilities and improvements for Cornerstone, including, without limitation, streets and traffic and safety controls. In providing services in furtherance of these purposes, the District’s Board of Directors (“Board”) has the authority to adopt Rules and Regulations pursuant to § 32-1-1001(1)(m), C.R.S, and the Service Plan.

1.2 SCOPE. These Rules and Regulations Governing Roadways (“Regulations”) shall govern the use of the internal road system within Cornerstone, together with all pedestrian ways, sidewalks, bridges, traffic safety control devices and signage, storm drain facilities, curbs, gutters and all other necessary rights of way and appurtenances thereto (“Internal Roads”). These Regulations shall be construed liberally by the Board in its sole discretion in order to enable it to best carry out the purposes of the Districts and the determinations and intent of the Board in furtherance of the public health, safety and welfare of the inhabitants and property owners within the Districts or their service areas, as well as all Authorized Users (as defined below) of the Districts’ Internal Roads. The Board shall have sole discretion in interpreting and applying these Regulations and may modify or amend such Regulations as it deems appropriate. No portion of these Regulations shall be construed as a waiver of any grant of power, duty or responsibility, or a limitation or restriction upon the powers of the Board by virtue of statutes now existing or subsequently amended, or under any contract, agreement, easement, license or other instrument existing between the one or both of the Districts and any other entity. These Regulations are supplementary to, and are to be read in conjunction with, the Cornerstone Metropolitan District Nos. 1 & 2 Rules and Regulations, as adopted by the Board of the District, and shall be appended as Appendix G thereto. Unless the context otherwise indicates, capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto by the Rules and Regulations.

1.3 BOARD AUTHORITY. The Board may amend these Regulations, as it deems necessary in its sole discretion, in order to more efficiently and effectively provide services to the Districts. Any forms, applications, guidelines, policies, permits or other documents necessary to carry out these Regulations consistent with the provisions herein (“Forms”), may be provided or amended by the Operations Manager (defined below) without Board action; however the Board shall have discretion to review, amend, adopt, and revise all Forms or other policies of the District promulgated hereunder.

1.4 APPLICABLE LAWS AND REGULATIONS. Nothing herein provided shall be deemed to relieve any Person from compliance with any laws, applicable building codes or requirements or other regulations of any state or local jurisdiction, or any covenants and guidelines applicable to Cornerstone.

1.5 SAVINGS CLAUSE. By virtue of the effect and operation of the Master IGA, Cornerstone Metropolitan District No. 2 has acknowledged and consented to the provisions herein. In the event that the Master IGA is declared void, or is of no further force or effect, these Regulations shall nevertheless continue to apply to all property within Cornerstone or otherwise served by one or both of the Districts, until one or both of the Boards of Directors of the Districts, as applicable, adopts and/or amends rules and regulations for governing property within its jurisdiction and in accordance with Colorado law.

1.6 ADDITIONAL INFORMATION. For more information regarding the Districts or these Regulations, contact the District Operations Manager, 1000 Cornerstone Trail, Montrose, Colorado, 81403; telephone: (970) 497-8319; facsimile: (970) 650-2020.

ARTICLE II: ENFORCEMENT

2.1 ENFORCEMENT. The District may determine to enforce these Regulations by the appointment or engagement of a designated agent or employee (“Operations Manager”), pursuant to a written agreement with the District. The Operations Manager shall enforce these Regulations in a manner which s/he deems most efficient, exercising his/her discretion, unless given specific direction by the Board. Generally, the exercise of this enforcement power shall be in accordance with Section 2.2, below, and as specifically provided in other provisions of these Regulations and the Rules and Regulations. The Operations Manager may deviate from the general enforcement procedure if s/he determines it necessary to most effectively and efficiently carry out the purpose and scope of these Regulations.

2.2 OPERATIONS MANAGER. Generally, the Operations Manager shall be the enforcement authority regarding all matters and activities occurring within the Districts’ Internal Roads and all other activities of the Districts related to the roads or otherwise within the scope of these Regulations. The Operations Manager shall serve at the sole discretion of the District and shall report to the Board. The Operations Manager shall provide the District with reports of enforcement activities upon request. The District has the authority to overrule any decision made by the Operations Manager.

ARTICLE III: AUTHORIZED ACCESS

3.1 LIMITED ACCESS THE INTERNAL ROADS. The Internal Roads are limited access roads and may only be used by an Authorized User (as defined below). Access shall be limited to Authorized Users and authorized Vehicles only, as further defined in this Article.

3.2. AUTHORIZED USERS. As used herein, the term “Authorized Users” shall mean and be limited to: (a) inhabitants and property owners within the Districts or their service areas; (b) Persons specifically authorized to access and use the Districts’ Internal Roads by plat,

operation of legally binding easements, covenants and other pertinent agreements as determined by the Districts; and (c) such other persons (“Additional User”) authorized by the District to use some or all of the Internal Roads, provided that the District shall have determined that: (i) the use of the road by the Additional User can be accommodated by the Internal Roads and the Districts shall have the right to condition such usage upon the Additional User making any necessary improvements to the Internal Roads deemed necessary and appropriate by the Districts; (ii) the Additional User shall have paid any applicable fee as established by the District from time to time; and (iii) the use of the Internal Roads by the Additional User does not conflict with any approvals, agreements, laws or regulations concerning the use and operation of the Internal Roads or Cornerstone.

3.3 AUTHORIZED VEHICLES/OPERATORS. “Vehicles” shall include all cars, trucks, vans, automobiles, motorcycles, motor scooters, mopeds, or other motorized device for propelling itself and/or an operator. Persons shall be allowed to operate Vehicles, and operators shall be considered authorized to use the Internal Roads, provided:

1. The Vehicle and operator have obtained a “Vehicle Tag” in accordance with the procedures stated below; or

2. The Vehicle and operator have express written authorization for use of the roads by the District or Operations Manager.

3.4 VEHICLE TAGS REQUIRED. Except as provided below, all Vehicles and operators seeking access to the Internal Roads are required to visibly display a valid Vehicle Tag issued by the Operations Manager while within Cornerstone boundaries. The following are exempt from any Vehicle Tag requirements:

1. Officially marked ambulances, fire protection, law enforcement and government Vehicles;

2. Vehicles and operators that have express written authorization as provided in Section 3.3.2 above and such written authorization is on file with the District with a copy stored in the Vehicle and available for inspection upon request of the Operations Manager or District.

3.5 TYPES OF VEHICLE TAGS. The following types of Vehicle Tags shall allow access to the Internal Roads (as and when such Vehicle Tags may be established by the Operations Manager). In addition, the Operations Manager may establish a schedule of District fees applicable to the issuance, re-issuance, renewal or replacement of any or all of the following types of Vehicle Tags, subject to approval by the Board:

1. Owner
2. Staff
3. Guest
4. Daily/Weekly

The Operations Manager shall implement a policy for determining eligibility for each category of Vehicle Tag, which policy shall be kept on file in the District offices.

3.6 ISSUANCE OF VEHICLE TAGS. Vehicle Tags are issued by the Operations Manager. If the Operations Manager is not available at the time a request for a Vehicle Tag is made, the District or an authorized employee or agent of the District, designated by the Operations Manager, or authorized by the District's Board of Directors, may issue a Vehicle Tag. Vehicle Tags shall be issued in accordance with the following application requirements:

1. Owner: Upon closing of each homestead and completion of a verified application card.
2. Staff: Authorization from Operations Manager.
3. Guest: Completion of a Guest application card signed by a director of the District or by the Operations Manager.
4. Daily/Weekly: Completion of an application card signed by the Operations Manager or his or her designee.

3.7 TIME RESTRICTIONS. Vehicles and operators with a valid Vehicle Tag are restricted to use of the Internal Roads during the following times:

1. Owner: 24 hour access
2. Staff: 24 hour access
3. Guest: as authorized
4. Daily/Weekly: as authorized

Failure to comply with these time restriction provisions may result in Vehicle Tag revocation, or other enforcement actions permitted in these Regulations or the Rules and Regulations.

3.8 VEHICLE TAGS NONTRANSFERABLE. Vehicle Tags are issued individually and are nontransferable.

3.9 BUSINESS RELATED VEHICLE TAGS. Vehicle Tags for business related purposes are issued for working purposes only, and traveling outside of the authorized working area for any other reason is prohibited, unless approved by the Operations Manager. Vehicle Tags issued for business purposes are valid only in a defined working area, during the time of employment, or the time work is being performed. All holders of such tags must return their Vehicle Tags to the Operations Manager upon termination of employment and/or completion of any job, project, or contract.

ARTICLE IV: PARKING REGULATIONS

4.1 **PARKING.** No person shall stop, stand, or park a Vehicle, except when necessary to avoid conflict with other traffic, or in compliance with the directions of the Operations Manager, in any of the following areas:

1. On any Internal Road or shoulder or in any District right-of-way
2. On any pedestrian way, bike path, golf cart path, wildlife corridor, open space area, or other recreational use area.
3. Within fifteen (15) feet of a fire hydrant or stop sign.
4. In any designated bus, District, public or private transportation parking areas.
5. In any private driveway without the permission of the owner of the driveway.
6. On any private land without the permission of the landowner.
7. In any other location if the parked Vehicle interferes with the normal, safe flow of traffic or otherwise violates these Regulations.

No Vehicle shall be parked anywhere within Cornerstone that interferes with or impedes the snow plowing or street sweeping activities of the District. Copies of the full snow plowing and street sweeping policies may be obtained from the District at the address and telephone number referenced in Section 1.3 of these Regulations.

Vehicles in violation of this section are subject to immediate removal by being towed at the owner's expense or wheel immobilization at owner's expense.

The towing or wheel immobilization of any impermissibly parked Vehicle constituting a safety or security hazard, as determined by the Operations Manager, shall be enforced by the Operations Manager or a designated representative of the District. The Operations Manager shall have the authority to implement fines (in addition to any penalties set forth in the Rules and Regulations and Section 6.1 hereof) for impermissibly parked Vehicles as follows:

Wheel Immobilization	\$50 per occurrence
Towing of Vehicle	First Offense \$50
	Second Offense \$100
	Third & Subsequent Offenses * \$200

* All subsequent offenses within a calendar-year period

The towing of any impermissibly parked Vehicle constituting an impediment to the efficient maintenance or operation of District Internal Roads during a snow event requiring plowing or sanding, or otherwise as determined by Operations Manager, shall be enforced by the Operations Manager.

4.2 OBEDIENCE TO SIGNAGE AND DEVICES. No operator of a Vehicle shall disobey or interfere with instructions of any signage or traffic control device within Cornerstone.

4.3 PEDESTRIAN RIGHTS. When traffic control devices are not in place or not in operation, the driver of a Vehicle shall yield to pedestrians by slowing down or stopping as required by State law.

4.4 OBEDIENCE TO AUTHORIZED PERSONNEL. No person shall willfully fail or refuse to comply with any lawful order or direction of the Operations Manager or any authorized District representative in connection with control or regulation of traffic as provided in these Regulations. Violation may result in Vehicle Tag revocation, fine or other penalty.

ARTICLE V: CONSTRUCTION ACTIVITY

5.1 SITE PLAN. Prior to any construction activity occurring within Cornerstone that will require use of any Internal Road by trucks, construction Vehicles, or other heavy equipment (“Construction Vehicles”), the Contractor and/or Owner must submit a site plan to the Operations Manager for approval, or if a site plan has been previously approved by the County, file such approved plan with the Operations Manager and District. The Contractor and Owner gaining permission to operate Construction Vehicles on any Internal Road are jointly responsible for promptly repairing any damage that the Operations Manager may reasonably determine was caused by the requesting persons Construction Vehicle. The Operations Manager may, in his discretion, require that the Contractor or Owner seeking to operate Construction Vehicles on Internal Roads post suitable security to insure the prompt repair to any damage caused to the Internal Roads. The Operations Manager may utilize such security to repair any damage to the Internal Road and release the balance to the tendering party. In any event, if an Internal Road is damaged by a Construction Vehicle, the District may elect to repair the damage and shall be authorized to pursue and collect costs incurred in undertaking the repair from the party using the Internal Road, including the Owner that commissioned the work

5.2 DELIVERIES AND PARKING. Prior written approval of the Operations Manager is required for all construction-related deliveries, lay down of construction materials, and parking on any of the Internal Roads. Construction-related parking must not interfere with traffic or the District’s ability to perform necessary road maintenance functions (e.g. repairs/maintenance, including but not limited to paving, overlays, shoulder and storm drain, work road striping) and snow plowing.

5.3 WORK WITHIN INTERNAL ROADS. Contractors shall be required to obtain written permission from the Operations Manager prior to commencing any utility work,

construction or road maintenance activity work within the Internal Roads or any District rights-of-way.

5.4 ROAD CUTS. All cuts or excavations of roads or roadways shall be in conformance with these Regulations and any other applicable District requirements. It is the responsibility of the contractor to be fully aware of and comply with all District requirements.

ARTICLE VI: PENALTIES

6.1 PENALTIES. The Operations Manager shall take such actions as are necessary to enforce the Regulations. Any violator of any regulation hereunder may be cited by the Operations Manager, and may be subject to one or more of the following penalties (in addition to any other action under the Rules and Regulations) at the discretion of District's Board of Directors:

1. Fines up to:
 - \$ 50 for the first violation
 - \$100 for the second violation
 - \$200 for all subsequent violations within a calendar year
2. Revocation of existing Vehicle Tags.
3. Permanent or temporary denial of any future access to and use of Cornerstone Internal Roads. Any violator found using the Internal Roads, or appurtenant sidewalks or pathways during a period of denied access and use shall be subject to prosecution for trespass.

APPENDIX H
Fire Safety Rules and Regulations

[RESERVED FOR FUTURE USE]

APPENDIX I
Policies and Resolutions

APPENDIX J
Permits