



July 3, 2014

This letter serves as official notice that the potable water system servicing the Cornerstone community will be converted to a non-potable system effective August 3, 2014.

Cornerstone Metropolitan District No. 1 (the "District") owns and operates the water system which serves the Cornerstone community. In order to deliver potable water to properties within the Cornerstone community, the District purchases pre-treated water from Tri-County Water Conservancy District and then pumps the water 13 miles from highway 550 to a tank inside of Cornerstone. From there it is then distributed to each property throughout the community. Due to the limited usage within the community, the main line, tank, and distribution lines all have to be flushed on a regular basis to ensure adequate chlorine levels remain in the water at the delivery points. This flushed water, which equates to approximately 3,000,000 gallons per year, is treated at the District's waste water treatment plant and the reclaimed water is then pumped into the golf course holding pond (Pond 4).

Due to the financial constraints faced by the District, an analysis was done to estimate the cost savings of discontinuing the practice of flushing lines. It is estimated that the District will save approximately \$45,000 per year by discontinuing this practice. The District also considered retreating the water on site but found that this would require substantial investments in both physical equipment and ongoing operating costs, which makes this option impractical at this time.

Therefore, at a special public meeting of the Board of Directors of the District held on Friday, June 13, 2014, the Board of Directors determined it to be in the best interest of the property owners, residents, and taxpayers to convert the system to non-potable status as of August 3, 2014. For users currently connected to the system, water will remain available for use as it has in the past -, however it will no longer be considered potable and will not be intended for consumption. There are several ways to deal with this concern, ranging from the use of bottled water to installation of an in-house treatment system of the entire flow into your home. As individual property owners may have differing uses for non-potable water (irrigation vs. household cleaning and washing dishes, for example) the Board is advising all property owners to consult with a licensed, certified contractor to ensure the water quality is sufficient for your intended use. For those that still have concerns about the quality of the water, water testing may be conducted by a certified laboratory. For your convenience a list of certified laboratories is available on the Colorado Water Quality Control Division's website or by contacting the Laboratory Services Division at 303-692-3048.

The District realizes there may be an additional cost incurred by owners to implement any of these alternatives and has therefore determined to reduce the base quarterly user fees from \$600 to \$400 per quarter beginning with the 3rd quarter of 2014 (which is billed at the beginning of October). Rates for future years will be evaluated on an annual basis in conjunction with the budget approval process of the District.

Please note that this is intended to be a temporary solution during these difficult times and that the community-wide system can be converted back to a potable system in a short amount of time and at minimal cost. The Board of Directors is actively pursuing all available avenues to collect outstanding fees due and owing to the District in order to put the District in a strong financial position moving forward and to avoid similar cost saving measures in the future. The Board sincerely appreciates your commitment to the community during these times and hopes that you will all understand that measures like this are needed to allow the community to survive until it can move into its next phase.

Sincerely,

Board of Directors, Cornerstone Metropolitan District No. 1