

RECORD OF PROCEEDINGS

MINUTES OF A REGULAR MEETING OF OF THE BOARD OF DIRECTORS OF THE CASCADE METROPOLITAN DISTRICT NO. 1 HELD OCTOBER 28, 2014

A regular meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 28th day of October, 2014, at 5:30 p.m., at the Cascade Fire Station, 8015 Severy Road, Cascade, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Mike Whittemore
Mike Herr
Bob Justis
Troy Eason
P.J. Anderson

Also In Attendance Were:

Leon Gomes and Divena Mortimeyer; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq., White Bear Ankele Tanaka & Waldron, P.C.

Alan Matlosz; George K. Baum & Co.

John McGinn; JDS Hydro Consultants

Andre Kilik and Duane Schorman; District Operators

Members of the Public; see attached list

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential or Existing Conflicts of Interest: The Board discussed the requirements pursuant to Colorado law to disclose any potential or existing conflicts of interest to the Board of Directors and to the Secretary of State. Attorney Tanaka reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board and are attached hereto. Mr. Gomes noted that a quorum was present and inquired into whether members of the Board had any additional disclosures of potential

RECORD OF PROCEEDINGS

conflicts of interest with regard to any matters scheduled for discussion at this meeting. No additional disclosures were noted.

ADMINISTRATIVE MATTERS

Agenda: Mr. Gomes reviewed the proposed Agenda for the District's Regular Board Meeting.

Following discussion, upon motion duly made by Director Anderson, seconded by Director Justis and, upon vote, unanimously carried, the Agenda was approved, as amended.

Public Comment:

Steve Spaulding: Mr. Spaulding queried the Board regarding the locations at which the meeting agendas are posted prior to each meeting. Mr. Gomes answered that meeting agendas are posted at three locations within the District's boundaries, plus at the Post Office, the Triangle Building, and the Library. Mr. Spaulding inquired about whether the minutes of past meetings can be found in the Library. Mr. Gomes advised Mr. Spaulding that the minutes of past meetings were placed in the Library.

Lisa Haight: Ms. Haight inquired about the status of the criminal investigation involving Terry Malcolm. Attorney Tanaka advised Ms. Haight that she obtains monthly updates from the District Attorney, and that the investigation continues to progress.

Tom Harris: Mr. Harris inquired about the bearing that the criminal investigation of Terry Malcolm has on the District and noted his sentiment that it would be beneficial for the District to be able to move beyond the embezzlement matter.

Correspondence: Mr. Gomes advised the Board of correspondence received from Sally Lundblad. Director Whittemore noted for the Board that he will respond to Ms. Lundblad's letter.

Minutes: The Board reviewed and considered the Minutes from the September 23, 2014, Regular Meeting.

Following discussion, upon motion duly made by Director Herr, seconded by Director Eason and, upon vote, carried, with Directors Whittemore, Herr, Justis, and Eason voting "yes" and Director Anderson abstaining, the Minutes were approved. Director Herr noted for the record that he reconciled the bank statements with the checks following the September meeting, as noted he would in the minutes.

RECORD OF PROCEEDINGS

FINANCIAL MATTERS

Claims: The Board considered approval of the payment of payables through the period ending October 28, 2014, totaling \$47,419.51.

Following review and discussion, upon motion duly made by Director Herr, seconded by Director Justis and, upon vote, unanimously carried, the Board approved the payment of payables, as presented. Director Herr noted that the online statements match those that were presented to the Board at the October 28, 2014 Regular Meeting.

Financial Statements: Ms. Mortimeyer reviewed with the Board the unaudited financial statements for the period ending September 30, 2014 and the schedule of cash position dated September 30, 2014.

Following review and discussion, upon motion duly made by Director Herr, seconded by Director Eason and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the period ending September 30, 2014, and the schedule of cash position dated September 30, 2014, as presented.

2014 Audit: The Board entered into conversation regarding the proposals received to perform the 2014 Audit. Mr. Gomes presented three proposals, one each from Osborne, Parsons & Rosacker, Biggs-Kofford, and Stockman Kast Ryan & Co. Mr. Gomes recommended to the Board the selection of Biggs-Kofford as they are the lowest bidder and have a familiarity with the District's accounts.

Following discussion, upon motion duly made by Director Justis, seconded by Director Herr and, upon vote, unanimously carried, the Board determined to engage Biggs-Kofford to perform the 2014 Audit for an amount not-to-exceed \$6,500.

Potential Issuance of Revenue Bond to Refinance Outstanding Financial Obligations: The Board discussed the need to pay outstanding past due amounts due to Colorado Springs Utilities ("CSU") as well as the desire to have CSU provide water service to the District in the future. In order to do so, the District would be required to make improvements to the system in order to bring the system to a point where CSU would be willing to take the system over.

Mr. McGinn reviewed the proposed infrastructure improvements that would be needed and/or recommended to bring the system to a point where CSU would consider taking over the system. Director Eason inquired into whether these improvements would decrease the District's water loss. Mr. McGinn answered

RECORD OF PROCEEDINGS

that he planned to prioritize the project phases so that improvements where the greatest reduction in water loss would be realized would be completed first. Mr. McGinn noted that 15% is achievable with these improvements. Mr. McGinn also noted that it may be necessary to TV the section running under Highway 24 to understand the full magnitude of the improvements needed.

Attorney Tanaka introduced Alan Matlosz of George K. Baum to the Board. Mr. Matlosz presented the Board with two scenarios for consideration: 1) refinancing the District's existing loans and obligations; and 2) refinancing the District's existing loans and obligations plus issuing \$1,000,000 for additional improvements. Ms. Mortimeyer reviewed with the Board the rate impacts these scenarios would have on the customers and noted that the first scenario would reduce monthly rates on a ¾" residential customer from \$41.09 to \$23.82 and the second scenario would be revenue neutral with customers paying the same rates. It was also noted that if the water loss ratio was able to be decreased from the current 45% to 15%, this would reduce the District's monthly payment to CSU by \$4,800, which could either be used to build a reserve or further reduce rates for customers.

Concern was expressed by members of the public present that the Board was being asked to make a decision too quickly on the issue and that the engineering numbers were not fine-tuned enough. Mr. Matlosz noted that he could wait until the November meeting to know the amount of the bond if the due diligence could begin immediately for the refinancing portion.

Engagement of George K. Baum & Co. as Bond Underwriter and Kline Alvarado Veio, P.C. as Bond Counsel: The Board entered into discussion regarding the engagement of George K. Baum & Co. as Bond Underwriter and Kline Alvarado Veio, P.C. as Bond Counsel.

Following discussion, upon motion duly made by Director Eason, seconded by Director Herr and, upon vote, unanimously carried, the Board approved the engagement of George K. Baum & Co. as Bond Underwriter and of Kline Alvarado Veio, P.C. as Bond Counsel. The Board authorized Director Whittemore to execute the engagement letters with each firm. The Board authorized the preparation of the documents necessary for the refinancing portion of the debt restructuring and determined to obtain additional information for the additional money component with the intent of making a determination at the November meeting. The Board directed Mr. McGinn to provide a detailed study of system improvements, along with an updated cost analysis, for the Board's review and discussion at the November meeting.

RECORD OF PROCEEDINGS

OPERATIONS MATTERS

Operator's Monthly Report: Operator Andre Kilik reported to the Board that the system had been flushed and that one hydrant had been repaired.

Replacement of Non-Working Meters: The Board deferred this item to the November 18, 2014 meeting.

Proposal for Water Tank Repairs: Mr. Gomes reported to the Board that he is awaiting proposals for patching rather than recoating the water storage tank. Mr. McGinn advised the Board that he would inspect the tank to determine the precise repair needs.

4454 Fountain Avenue: The Board entered into discussion regarding non-billed previous water use billing for 4454 Fountain Avenue. Mr. Gomes noted that the property water usage had been estimated by the District Operators for several years. Upon the replacement of the property water meter it was determined that 12,856 gallons of water use had not been billed to the property.

Following discussion, the Board determined to bill the customer for the entire amount using the standard billing procedure.

Waterline Replacement at the Stults Residence: The Board entered into discussion regarding the waterline replacement. Director Whittemore asked the Board to consider prioritization of the waterline replacement at the Stults residence.

Following discussion, upon motion duly made by Director Herr, seconded by Director Anderson and, upon vote, unanimously carried, the Board approved an addendum to the Lamb Plumbing & Excavating agreement and an agreement with a boring subcontractor for a total amount not-to-exceed \$11,000, subject to Mr. Kilik obtaining updated proposals for the work, subject to approval of Directors Whittemore and Eason, and subject to Attorney Tanaka finalizing the agreements.

Water Rate Study: Mr. Gomes reported that he has received one proposal for the water rate study and has requested one more which he anticipates receiving shortly. He also noted that the Colorado Rural Water Authority conducted water rate studies at no cost and he is inquiring into the timeframe for the conduct of the study.

LEGAL MATTERS

Resolution No. 2014-10-01 to Certify Delinquent Accounts: Attorney Tanaka presented the Board with Resolution No. 2014-10-01 certifying delinquent accounts to the County Treasurer for collection noting that the accounts meet

RECORD OF PROCEEDINGS

the statutory requirements for certification. It was noted that the account holders were provided with notice of the meeting and given an opportunity to pay the accounts prior to the meeting.

Following discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the Board adopted a Resolution Certifying Delinquent Accounts for Collection by the El Paso County Treasurer. A copy of the Resolution is attached hereto and incorporated herein by this reference. The Board directed Mr. Gomes to certify the accounts with the County Treasurer by November 1, 2014.

EXECUTIVE SESSION: Pursuant to Sections 24-6-402(4)(b) and (e), C.R.S., upon motion duly made by Director Justis, seconded by Director Herr and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 9:07 p.m. for the purpose of discussing negotiations with third parties and receiving legal advice, as authorized by Sections 24-6-402(4)(b) and (e), C.R.S.

Pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of the remaining portion of this executive session that, in the opinion of the District's attorney, constitutes privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 9:34 p.m.

Engagement of Pippenger Hedberg to Investigate Potential Claims Against Auditor: The Board entered into discussion regarding the engagement of Pippenger Hedberg to investigate potential claims against the District's former Auditor.

Following discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the Board approved the engagement of Pippenger Hedberg to investigate potential claims against the District's former Auditor.

OTHER BUSINESS

Special Meeting Date for 2015 Budget Hearing: The Board entered into discussion regarding rescheduling the November 25, 2014 Budget Hearing for November 18, 2014, due to the Thanksgiving Day Holiday.

Following discussion, the Board confirmed the rescheduling of the November 25, 2014 Budget Hearing for November 18, 2014.

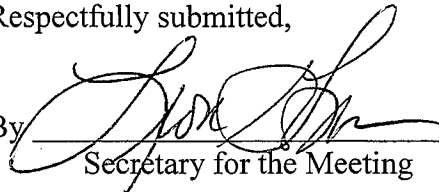
RECORD OF PROCEEDINGS

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made and seconded, and upon vote, unanimously carried, the meeting was adjourned.

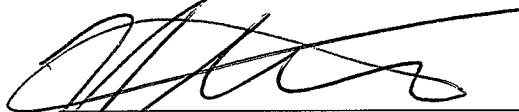
Respectfully submitted,

By

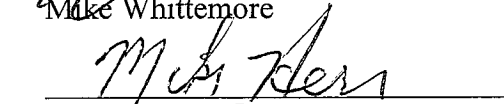


Secretary for the Meeting

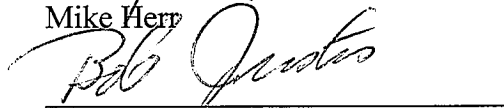
THESE MINUTES ARE APPROVED AS THE OFFICIAL OCTOBER 28, 2014 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:



Mike Whittmore



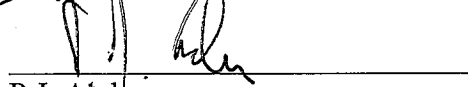
Mike Herr



Bob Justis



Troy Eason

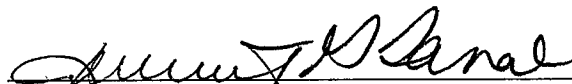


P.J. Anderson

RECORD OF PROCEEDINGS

Attorney Statement Regarding Privileged Attorney-Client Communication

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Cascade Metropolitan District No. 1, I attended the executive session on October 28, 2014 for the sole purposes of conferencing with the District's legal counsel for the purposes of receiving legal advice on specific legal questions and discussing matters subject to negotiation, as authorized by §§24-6-402(4)(b) and (e), C.R.S. I further attest that it is my opinion that all or a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.



Jennifer Gruber Tanaka, Esq.
General Counsel
Cascade Metropolitan District No. 1

OFFICE OF THE SECRETARY OF STATE
OF THE STATE OF COLORADO
CERTIFICATE

20145026038

I, Scott Gessler, as the Secretary of State of the State of Colorado, hereby certify that, according to the records of this office,

P.J. ANDERSON
DIRECTOR
CASCADE METROPOLITAN DISTRICT NO. 1

has disclosed and filed a Conflict of Interest with this office in accordance with section 24-18-110, C.R.S., and Rule 1.1 of the Secretary of State's Rules Concerning Conflicts of Interest.

The Conflict of Interest Disclosure was filed with the following information:

Amount of Financial Interest (if any): n/a

Purpose and Duration of Services Rendered: Additional information was filed as an attachment.

Other Relevant Information: Additional information was filed as an attachment.

This certificate reflects facts established or disclosed by documents electronically filed in this office on 10/24/2014 @ 13:28:47 PM.

I have affixed hereto the Great Seal of the State of Colorado and duly generated, executed, authenticated, issued, delivered and communicated this official certificate at Denver, Colorado on Friday, October 24, 2014 @ 01:28:49 PM pursuant to and in accordance with applicable law.



A handwritten signature in black ink, appearing to read "Scott Gessler".

Secretary of State of the State of Colorado

CONFLICTS DISCLOSURE FORM

TO: THE BOARD OF DIRECTORS OF CASCADE METROPOLITAN DISTRICT NO. 1; AND THE SECRETARY OF STATE

FROM: P.J. Anderson

RE: Disclosure of Conflict or Potential Conflict of Interest

I, P.J. Anderson, am a member of the Board of Directors (the "Board") of Cascade Metropolitan District No. 1, (the "District").

In accordance with Section 24-18-109(3)(b), Section 24-18-110, Section 32-1-902, and Section 18-8-308, C.R.S., I hereby give notice to the District and the Secretary of State that to the best of my knowledge, information and belief, and as disclosed herein, I have a conflict or a potential conflict of interest which may impinge on my fiduciary duty and the public trust with respect to the matters set forth herein.

Further, in accordance with applicable law, this disclosure contains information regarding my ownership of any interest in property within the boundaries of the District, and any affiliation I may have with any business(es) or other private entity(ies) and the amount of any financial interest with respect to my qualification as a director and to any other specific transaction under consideration by the Board of the District, which may give rise to my conflict or potential conflict of interest.

The interests in property within the District and business ventures described in this Disclosure Form may create the potential for conflicts of interest in my service as a member of the Board, in that actions under consideration or actions officially taken by the Board may benefit, directly or indirectly, my interests as disclosed herein. Such actions may include, but are not limited to: authorization of construction of public improvements, actions to engage contractors for improvements or services, actions relative to various requirements of state, local and federal laws and other matters to keep the District in good standing as a political subdivision of the State of Colorado, issuance of bonds or incurrence of other financial obligations in furtherance of the District's activities, approval of reimbursement agreements with business ventures in which I have a financial interest or in which I have a personal interest, establishing and collecting fees and taxes, approval of payments and other official actions or decisions of the Board, and negotiations relative to any such matters.

1. Do you have any real or personal property (i.e. taxable business property) interests within the boundaries of the District or that may be affected by activities of the District? Yes No

If yes, please describe the location and size of the property and the percentage you own or the extent of your personal interest.

Property

Interest

2. Do you have any interest in any business or businesses that may become involved with or are affected by the activities of the District? Yes No

If yes, please list the business or businesses and the extent of your ownership.

Business

Percentage Interest

I am the sole owner of the Cascade Public Service Company ("PSC"). PSC assigned its rights to receive treated water from the City of Colorado Springs in 2005 at no cost. In addition, PSC has agreed to convey sufficient water rights to the District at no cost to serve its customers should PSC and the District be permitted to terminate a 1990 Agreement with the City and construct a new water treatment plant. The only asset of PSC is water rights. In the event that the 1990 Agreement is terminated and sufficient water rights are conveyed to the District as agreed, I have a financial interest in the remaining water rights.

3. Are you a director or officer in any business or businesses that may become or are currently involved with or affected by the activities of the District? Yes No

If yes, please list the business or businesses and the office held.

Business

Office

I am the sole owner of the Cascade Public Service Company ("PSC"). PSC assigned its rights to receive treated water from the City of Colorado Springs in 2005 at no cost. In addition, PSC has agreed to convey sufficient water rights to the District at no cost to serve its customers should PSC and the District be permitted to terminate a 1990 Agreement with the City and construct a new water treatment plant. The only asset of PSC is water rights. In the event that the 1990 Agreement is terminated and sufficient water rights are conveyed to the District as agreed, I have a financial interest in the remaining water rights.

4. Do you personally have a loan or debtor interest which may be affected by action of the District's board? Yes No

If yes please list the entities that you have loaned money to, or that have loaned money to you and the amount of the loan or debtor interest

Business

Amount

I am the sole owner of the Cascade Public Service Company ("PSC"). PSC assigned its rights to receive treated water from the City of Colorado Springs in 2005 at no cost. In addition, PSC has agreed to convey sufficient water rights to the District at no cost to serve its customers should PSC and the District be permitted to terminate a 1990 Agreement with the City and construct a new water treatment plant. The only asset of PSC is water rights. In the event that the 1990 Agreement is terminated and sufficient water rights are conveyed to the District as agreed, I have a financial interest in the remaining water rights.

5. Do you have a creditor interest in any insolvent business or businesses that may become involved with or are affected by the activities of the District? Yes No

If yes, please list the business or businesses, the extent of your interest in the business and the amount of your creditor or debtor interest.

Business

Percentage Interest

6. Are you currently employed by, or in negotiations for employment with, any business or businesses that may become involved with or are affected by the activities of the District? Yes No

If yes, please list the business or businesses and the amount of compensation (i.e. salary, bonus or compensation based on profitability of the business) and/or other compensation.

Business

Compensation

7. Do you provide services to any business or businesses that may become involved with or are affected by the activities of the District? Yes No

If yes, please list the business or businesses, the type of services provided, the time period the services were or will be provided and the type and amount of compensation.

Business

Services

Purpose

Time Period

Compensation

8. I have the following additional personal or private interests which may create a potential conflict of interest: _____

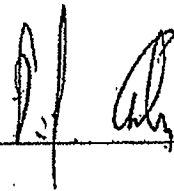
9. Are you a member of an executive board of an owners' association located within the boundaries of the District? (i.e., a HOA, POA or similar) Yes No

If yes, please list the name of the association and the office you hold.

In addition to the foregoing disclosure, which shall be deemed a continuing disclosure, and shall apply to all actions taken at meetings of the Board for which I am a participant, and shall, by the filing hereof with the Board and the Secretary of State, be deemed made at least 72 hours in advance of any such meeting, in accordance with law, I may also have a conflict or potential conflict of interest with respect to the following specific transactions which may come before the Board:

1. Exhibit A which is the agenda for the meeting.

Signature: _____



Last Updated 12/13/2013

EXHIBIT A
(Meeting Agenda)

CASCADE METROPOLITAN DISTRICT NO. 1

Administrative Offices

141 Union Boulevard, Suite 150
Lakewood, Colorado 80228-1898
Tel: 303-987-0835 800-741-3254
Fax: 303-987-2032

NOTICE OF REGULAR MEETING AND AGENDA

Board of Directors:

Mike Whitemore
Mike Herr
Bob Justis
Troy Eason
P.J. Anderson

President
Secretary/Treasurer
Assistant Secretary
Assistant Secretary
Director

Term/Expires:

2018/May 2018
2016/May 2016
2018/May 2018
2016/May 2016
2018/May 2018

DATE: October 28, 2014
TIME: 5:30 p.m.
PLACE: Cascade Fire Station
8015 Severy Road
Cascade, CO 80809

I. ADMINISTRATIVE MATTERS

- A. Present Disclosures of Existing and Potential Conflicts of Interest.
-

- B. Approve Agenda.
-

- C. Public Comment. (Matters not otherwise on the Agenda. Public Comment Limited to 3 Minutes per Person and Taken in Order on Sign-In Sheet).
-

- D. Correspondence (Board Responses to Community Correspondence Received Outside of Board Meeting. Board will recite the questions or comments received and provide a verbal response which will be recorded in the minutes. No public comment will be taken during this time).
-

- E. Review and approve Minutes of the September 23, 2014 Regular Meeting (enclosure).
-

II. FINANCIAL MATTERS

- A. Review and approve the payment of payables for the period ending October 28, 2014 in the amount of \$_____ (to be distributed).
-

- B. Review and accept unaudited financial statements for the period ending September 30, 2014, schedule of cash position updated as of September 30, 2014, and bank statements (enclosures).
-

- C. Discuss and consider Proposals for 2014 Audit (enclosures).
-

- D. Discuss potential issuance of revenue bond to refinance outstanding financial obligations, including amounts due to Colorado Springs Utilities.
-

- 1. Discuss and consider engagement of George K. Baum & Co. as Bond Underwriter.
-

- 2. Discuss and consider engagement of Kline Alvarado Veio, P.C. as Bond Counsel.
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III. OPERATIONS MATTERS

- A. Operator's Monthly Report.
-

- B. Update on water meter audits.
-

- C. Discuss Status of Replacement of Non-Working Meters.
-

- D. Discuss and consider water storage tank repair proposals (enclosures).
-

- E. Discuss and consider non-billed previous water use billing for 4454 Fountain Avenue (enclosure).
-

IV. LEGAL MATTERS

- A. Consider adoption of Resolution to Certify Delinquent Accounts to County Treasurer (enclosure).
-

V. EXECUTIVE SESSION

A. Discuss engagement of Special Litigation Counsel for potential claims relating to Embezzlement matters.

B. Discuss settlement negotiations for 2001CW42.

C. Discuss Notice of Intent Received for Potential Claims.

VI. ACTIONS RESULTING FROM EXECUTIVE SESSION

A. _____

VII. OTHER BUSINESS

A. Confirm Special Meeting date for 2015 Budget Hearing (November 18, 2014 at 5:30 P.M.) and cancellation of November 25, 2014 meeting due to Thanksgiving Day Holiday.

VII. ADJOURNMENT **THE NEXT REGULAR MEETING IS SCHEDULED FOR NOVEMBER 18, 2014, BUDGET HEARING.**