MINUTES OF A REGULAR MEETING OF OF THE BOARD OF DIRECTORS OF THE CASCADE METROPOLITAN DISTRICT NO. 1 HELD JANUARY 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 January, 2014, at 5:00 p.m., at the Cascade Fire Station, 8015 Severy Road, Cascade, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:
P. J. Anderson
Mike Whittemore
Mike Herr
Robert Justis
Troy Eason

Also In Attendance Were:
Leon Gomes; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq., White, Bear & Ankele, P.C. (via speakerphone for a portion of the meeting)

Dwayne Schorman; District Operator

Andre Kilik; Assistant Operator

Members of the Public; see attached list

DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential Conflicts of Interest: The Board discussed the requirements pursuant to the Colorado Revised Statutes to disclose any potential conflicts of interest or potential breaches of fiduciary duty to the Board of Directors and to the Secretary of State. Director Anderson noted that a quorum was present and requested members of the Board to disclose any additional potential conflicts of interest with regard to any matters scheduled for discussion at this meeting, and incorporated for the record those applicable disclosures made by the Board members prior to this meeting which were filed with the Secretary of State's Office and Board of Directors at least 72 hours in advance of the meeting as required by Colorado law. The Board acknowledged Director Anderson's Conflict

of Interest.

ADMINISTRATIVE MATTERS

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

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

Approval of Meeting Location: The Board entered into a discussion regarding the requirements of Section 32-1-903(1), C.R.S., concerning the location of the District's Board Meeting.

Following review, upon motion duly made by Director Whittemore, seconded by Director Herr and, upon vote, unanimously carried, the Board determined that because there was not a previously suitable or convenient location within the District's boundaries to conduct regular and special meetings, it was determined to conduct the meetings at the above stated location. The Board further noted that notice of this location was duly posted and that they had not received any objections to the location or requests that the meeting place be changed by customers served by the District.

Public Comment:

- Resident asked about debt to Colorado Springs and pending criminal case. Director Anderson responded that the District owes Colorado Springs approximately $492,000 and that the criminal case is pending. He explained how the District reached the point of being in arrears with Colorado Springs.
- Resident asked where she can get copies of minutes.
- Resident asked if Colorado Springs Utilities is embarrassed by having a district so far in arrears.
- Resident asked why the residents need to pay until the criminal matter is resolved. He feels that the residents should not have to bear the cost of criminal activity. Director Anderson responded that it is Colorado Springs position will be that they are owed the fees and if it is not paid they can turn off the District's water supply.
- Resident asked about what steps have been taken to avoid another embezzlement from the District. Mr. Gomes responded by explaining the safeguards Special District Management Services, Inc. has in place as the District's management firm.
- Resident asked if bankruptcy had been considered. Director Anderson responded that, based on his understanding, the District is not eligible to file bankruptcy.

- Resident asked if there are bylaws. Director Anderson responded that there only rules and regulations. Mr. Gomes responded that the District Board is required to comply with Title 32 of the Colorado Revised Statutes.
- Resident asked about levels of accountability. She suggested that there be a financial sub-committee.
- Resident asked about the probability of the District building its own treatment system. Director Anderson responded that the District cannot terminate its agreement with Colorado Springs. He talked about the possibility of Colorado Springs taking over the system.
- Resident asked if minutes can be placed at the library in a binder by February 15, 2014. Mr. Gomes responded that he will do that under the Board's direction.
- Resident asked which Directors are planning to continue on the Board at the next election. There was no response.
- Resident asked why Colorado Springs is not taking all the flow from the creek. Director Anderson responded that he has asked Colorado Springs Utilities the same question and it has to do with their operational requirements. He also said that Colorado Springs is not entitled to change the place of use.

Director Justus left meeting at this point.

Minutes: The Board discussed the minutes from the April 16, 2013 regular meeting.

Following discussion, upon motion duly made by Director Herr, seconded by Director Whittemore and, upon vote, unanimously carried, the Minutes were approved.

The Board then reviewed the Minutes of the December 18, 2013 special meeting.

Following discussion, upon motion duly made by Director Herr, seconded by Director Whittemore and, upon vote, unanimously carried, the Minutes were approved.

Stults Residence*:* Mr. Kilik reported that the easement was executed by Robin Guthrie. Mr. Kilik also reported that the District received a bid for $11,000 to replace a section of the service line. The Board directed Mr. Kilik to determine if a contractor would accept payment over a period of time.

FINANCIAL MATTERS

Claims: The Board considered approval of the payment of payables through the period ending January 28, 2014, totaling $41,618.57.

Following review and discussion, upon motion duly made by Director Herr, seconded by Director Eason and, upon vote, unanimously carried, the Board approved the payment of payables, subject to availability of funds.

The Board requested copies of Special District Management Services, Inc.'s invoices for prior services billed.

Cash Analysis: There was no discussion on this matter.

2012 Audit: Mr. Gomes discussed with the Board questions from Auditor regarding the 2012 Audit.

2014 Budget: The Board discussed the 2014 Budget. The Board requested a copy of payment priorities from the District's Accountant.

OPERATIONS MATTERS

Operators Report: Mr. Kilik reported on the replacement of a portion of a main line at Rampart Terrace. There are major water main issues in that area. The Board discussed the need to review grant possibilities for the replacement of the entire main line.

Mr. Kilik reported that he had an issue with losing data in handheld.

He also reported that the fire hydrant at Marigreen Pines is inoperable. The Cascade Fire Protection District will donate a replacement hydrant and the District needs to pay for the installation.

Mr. Schorman asked if dues were paid to Colorado Rural Water Association so that he and Mr. Kilik can attend the CRWA Conference in Colorado Springs. Mr. Gomes responded that he would need to determine that.

LEGAL MATTERS

Resolution No. 2014-01-01; Amended and Restated Resolution Regarding the Regular Special District Election: The Board discussed Resolution No. 2014-01-01; Amended and Restated Resolution Regarding the Regular Special District Election to appoint Leon Gomes as the Designated Election Official.

Following discussion, upon motion duly made by Director Herr, seconded by Director Whittemore and, upon vote, unanimously carried, the Board adopted

Resolution No. 2014-01-01; Amended and Restated Resolution Regarding the Regular Special District Election to appoint Leon Gomes as the Designated Election Official. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.
District Legal Counsel Jennifer Gruber Tanaka joined the meeting at this time via speakerphone.

Basic Terms of Repayment Agreement with City of Colorado Springs and Colorado Springs Utility: Attorney Tanaka advised the Board on this matter as to what action the Board needs to take at this meeting. The Board deferred action on this matter to a Special Meeting on February 18, 2014 at 6:00 PM at the Cascade Fire Station.

Provision of 30-Day Notice to Customers of Board's Consideration of Rate Fix or Increase and Confirming Meeting Date for Same: Attorney Tanaka explained the recently enacted requirements for the fixing or increasing of rates, fees, tolls, penalties or charges by water and sewer providers and noted that notice must be provided at least 30 days in advance of the Board's consideration of any fix or increase and noted the methods by which the notice can be provided. Attorney Tanaka noted that Mr. Gomes mailed the notice to each household receiving water service from the District on January 22, 2014 noting that the Board would consider these fees at the February 25, 2014 meeting. Following discussion, upon motion duly made by Director Herr, seconded by Director Whittemore and, upon vote, unanimously carried, the Board ratified the provision of the 30-Day Notice to Customers of the Board's consideration of rate fix or increase and confirmed the meeting date of February 25, 2014.

Recordation of Notice Regarding Fees, Rates, Tolls Penalties and Charges on Properties for Collection Purposes: Attorney Tanaka explained that collection of fees, rates, tolls, penalties and charges tends to be more successful when notices of the water provider and fees is recorded on the property so that title companies are on actual notice prior to closings on the properties. Given there have been many accounts in the past where these outstanding fees have not been paid by the prior property owner, this will provide the District with a stronger position to get these paid in the event they are not cleared at closing. The notice itself does not constitute a lien on the property but advises the property owners and title companies that the imposition of the fees, until paid, does constitute a lien. The Board discussed recordation of the Notice Regarding Fees, Rates, Tolls Penalties and Charges on Properties for Collection Purposes.

Following review and discussion, upon motion duly made by Director Herr, seconded by Director Eason and, upon vote, unanimously carried, the Board

authorized Legal Counsel to record the Notice Regarding Fees, Rates, Tolls Penalties and Charges on Properties for Collection Purposes so that title companies would be noticed that the District is a service provider to real properties upon transfer.

Resolution No. 2014-01-02; Collections Resolution: Attorney Tanaka reviewed the proposed resolution with the Board and noted that it sets forth the collections powers of the District along with the contact information for clearing up unpaid accounts. As with the prior notice, this puts property owners and title companies on notice of the collection powers and procedures for unpaid fees. The Board reviewed Resolution No. 2014-01-02; Collection Resolution.

Following discussion, upon motion duly made by Director Eason, seconded by Director Herr and, upon vote, unanimously carried, the Board adopted Resolution No. 2014-01-02; Collection Resolution. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

Resolution No. 2014-01-03; Resolution Adopting an Identity Theft Prevention Program: Attorney Tanaka reviewed the proposed resolution and explained that the Identity Theft Prevention Program is federally required for entities collecting payments through means other than solely cash. The Board reviewed Resolution No. 2014-01-03; Resolution Adopting an Identity Theft Prevention Program.

Following discussion, upon motion duly made by Director Eason, seconded by Director Herr and, upon vote, unanimously carried, the Board adopted Resolution No. 2014-01-03; Resolution Adopting an Identity Theft Prevention Program. A copy of the adopted Resolution is attached hereto and incorporated herein by this reference.

ADJOURNMENT

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

Respectfully submitted,

By _____
Secretary for the Meeting

RECORD OF PROCEEDINGS

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

P.J. Anderson

Mike Whittemore

Mike Herr

Bob Justis

Troy Eason

CMD #1 January 28, 2014
Regular Meeting

Name	~~Contacts~~ Comments
Stephen Spaulding	upct@att.net
Dan Lampe	sdlampe@msn.com
Sandy Lampe	
Cheryl Ricklefs	cherylricklefs@yahoo.com
Michael Knight	
Jay Vickerman	
John Barnes	send "District Rules and Regulations"
Chris Reimar	CHRISR433@COMCAST.NET
John Spaugh	
Kristen Klose	

Resolution No. 2014-01-01

AMENED AND RESTATED
RESOLUTION OF
CASCADE METROPOLITAN DISTRICT NO. 1
REGARDING THE REGULAR SPECIAL DISTRICT ELECTION
(§§32-1-804, 1-1-111(2) and 1-5-208(1.5), C.R.S.)

WHEREAS, Cascade Metropolitan District No. 1 (the "District") was organized as a special district pursuant to Article 1 of Title 32, Colorado Revised Statutes (the "Special District Act"); and

WHEREAS, the District is located entirely within El Paso County, Colorado (the "County"); and

WHEREAS, pursuant to § 32-1-804, C.R.S., the District's Board of Directors (the "Board"), governs the conduct of regular and special elections for the District; and

WHEREAS, the Board anticipates holding an election for the purpose of electing directors and submitting ballot issues and/or questions to eligible electors of the District and desire to take all actions necessary and proper in anticipation of conducting the special district election on May 6, 2014 (the "Election"); and

WHEREAS, the Election shall be conducted pursuant to the Special District Act and the Uniform Election Code of 1992 and shall also comply with Article X, § 20 of the Colorado Constitution as necessary; and

WHEREAS, pursuant to § 1-1-111(2), C.R.S., the Board is authorized to designate an election official (the "Designated Election Official") to exercise authority of the Board in conducting the Election; and

WHEREAS, pursuant to § 1-5-208, C.R.S., the Board can authorize the Designated Election Official to cancel the Election upon certain conditions; and

WHEREAS, on December 18, 2013, the Board adopted a Resolution Regarding the Regular Special District Election by Resolution No. 2013-12-3, which resolution is replaced in its entirety and superseded in its entirety with this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Board as follows:

1. The Board hereby calls the Election for the purpose of electing directors and presenting certain ballot issues and/or questions to the electorate. The Election shall be conducted as a mail ballot election unless otherwise determined at the Board's discretion.

2. The Board names Leon Gomes of Special District Management Services, Inc., as the Designated Election Official for the Election. The Designated Election Official shall act as the primary contact with the County and shall be primarily responsible for ensuring the proper conduct of the Election.

3. Without limiting the foregoing, the following specific determinations also are made:

a. The Board hereby directs general counsel to the District to approve the final form of the ballot to be submitted to the eligible electors of the District, and authorizes the Designated Election Official to certify those questions to the County Clerk and Recorder if the Election is coordinated therewith.

b. The Board hereby directs general counsel to oversee the general conduct of the Election and authorize the Designated Election Official to take all action necessary for the proper conduct thereof and exercise authority of the Board in conducting the Election.

4. The District shall be responsible for the payment of any and all costs associated with the conduct of the Election, including its cancellation, if necessary, including those costs incurred pursuant to the terms and conditions of an election agreement with the County, if any.

5. The Board ratifies any actions taken to date by general counsel and the Designated Election Official in connection with the Election.

6. The Board hereby authorizes and directs the Designated Election Official to cancel the Election and declare the candidates elected if, at the close of business on the sixty-third (63) day before the Election, there are not more candidates for director than offices to be filled, including candidates filing affidavits of intent to be write-in candidates, and so long as the only ballot questions are for the election of candidates. The Board further authorizes and directs the Designated Election Official to publish and post notice of the cancellation as necessary and file such notice and cancellation resolutions with the County Clerk and Recorder and with the Division of Local Government as needed. The Designated Election Official also shall notify the candidates that the Election was canceled and they were elected by acclamation.

ADOPTED AND APPROVED THIS 28th DAY OF JANUARY 2014.

CASCADE METROPOLITAN DISTRICT NO. 1

Officer of the District

ATTEST:

APPROVED AS TO FORM:
White, Bear & Ankele
Professional Corporation

General Counsel to the District

1317.0009:561230

Resolution No. 2014-01-02

CASCADE METROPOLITAN DISTRICT NO. 1

COLLECTIONS RESOLUTION

WHEREAS, pursuant to an order and decree of the District Court of El Paso County, Colorado, the Cascade Metropolitan District No. 1 (the "District") was duly and validly organized as a special district in accordance with all applicable laws of the State of Colorado; and

WHEREAS, pursuant to § 32-1-1001(1)(j)(I), C.R.S., the Board of Directors (the "Board") of the District is authorized to fix and from time to time increase or decrease, fees, rates, tolls, penalties, or charges for services, programs, or facilities furnished by the District to properties within the District's boundaries (individually the "Property"); and

WHEREAS, such fees, when unpaid, shall constitute a perpetual lien on and against the Property; and

WHEREAS, by this Resolution (the "Resolution"), the District desires to set forth policies and procedures for the collection of fees imposed by the District related to operations and maintenance (the "Fees and Charges"); and

WHEREAS, this resolution shall not control the collection of fees, rates, tolls, penalties, or charges related to costs for capital improvements.

NOW, THEREFORE, it is hereby resolved by the Board as follows:

1. Lien Filing Policies and Procedures:

a. ***Perpetual Lien***. Pursuant to § 32-1-1001(1)(j)(I), C.R.S., all Fees and Charges, until paid, shall constitute a perpetual lien on and against the Property to be served by the District. All such liens shall to the fullest extent permitted by law, have priority over all other liens of record affecting the Property and shall run with the Property and remain in effect until paid in full. All liens contemplated herein may be foreclosed as authorized by law at such time as the District in its sole discretion may determine. Notwithstanding the foregoing, the lien policies and procedures set forth in this Resolution shall be implemented in order to ensure an orderly and fair execution of the lien filing and collections process.

b. ***District's Manager Procedures***. The District's Manager (the "Manager") shall be responsible for collecting Fees and Charges imposed by the District against the Property. In the event payment of Fees and Charges is delinquent, the Manager shall perform the procedures listed below. The Fees and Charges are considered delinquent when they have not been paid by their corresponding due date (the "Delinquent Account"):

i. *Bills, Due Date and Late Fees:* On the twelfth (12th) day of each month, the Manager shall send a bill for Fees and Charges to the last known account holder of a Property according to the Manager's records. Payment for the Fees and Charges shall be due and owing on the fifth (5th) calendar day of the following month (the "Due Date"). In the event the Fees and Charges are not paid on or before the Due Date, on the twelfth (12th) calendar day of the month in which the Fees and Charges are due, the Manager shall assess Late Fees on the Property in the amounts set forth in Section 2 of this Resolution.

ii. Fifteenth (15) Day of Month in Which Fees and Charges are Due: A "Disconnect Notice" shall be sent to the address of the last known account holder of the Property according to the Manager's records. In the event the above mailing is returned as undeliverable, the Manager shall send a second copy of the Disconnect Notice to: (1) the Property; and (2) the address of the last known owner of the Property as found in the real property records of the El Paso County Clerk and Recorder (collectively the "Property Address"). Said Disconnect Notice shall advise the owner of the Property of the District's intent to disconnect water service from the Property in the event the Delinquent Account and a Late Fee in the amounts set forth in Sections 2 and 4 of this Resolution are not paid in full within ten (10) days of the date of the Disconnect Notice.

ii. *Tenth (10th) Calendar Day After the Disconnect Notice*: On or after the tenth (10th) calendar day after the Disconnect Notice, if the Delinquent Account, including any applicable Late Fee, is not paid in full, the District's Manager shall post on the Property a "Shut Off Notice" advising the owner of the Property that if the Delinquent Account and any applicable Late Fee is not paid within five (5) days of the Shut Off Notice, water service to the Property will be shut off. Upon shut off of the water service, the applicable Turn Off Fee will be assessed to the Property. Should the owner of the Property request that the water service be turned on (after all outstanding Fees and Charges, including applicable Late Fees are paid in full), the Property will be assessed the applicable Turn On Fee.

c. ***General Counsel Procedures***. In the event the Board elects to impose a lien on a Property, General Counsel shall perform the following:

i. *Upon Referral of the Delinquent Account From the Board:* A "Demand Letter" shall be sent to the Property Address, notifying the Property owner that his/her Property has been referred to General Counsel for further collections enforcement, including the filing of a lien against the Property. Along with the Demand Letter, a copy of the most recent account ledger reflecting the total amount due and owing the District according to the records of the Manager shall also be sent.

ii. *No Earlier Than Thirty (30) Calendar Days from the Date of the Demand Letter:* A Notice of Intent to File Lien Statement, along with a copy of the lien to be filed, shall be sent to the Property Address of the Delinquent Account notifying the Property owner that a lien will be filed within Thirty (30) days of the Notice of Intent to File Lien Statement postmark date.

iii. *No Earlier Than Ten (10) Calendar Days from the Postmark Date of the Notice of Intent to File Lien Statement:* A lien for the total amount owing as of the date of the lien shall be recorded against the Property with the County Clerk and Recorder's Office; all Fees and Charges, Late Fees, Interest, and Costs of Collection (as defined below) will continue to accrue on the Delinquent Account and will run with the Property until the total amount due and owing the District is paid in full.

2. Late Fees:

a. "Late Fee(s)" are assessed on the Property for failure to make timely payments of Fees and Charges. The following policies apply consistently and uniformly, regardless of whether the Fees and Charges are assessed on a one-time, monthly, quarterly, semi-annual, annual, or any other basis.

b. The Manager shall assess the Late Fee on the Property seven (7) calendar days from the Due Date. Pursuant to § 29-1-1102, C.R.S., such Late Fee shall be charged by either of the following two methods, whichever is greater:

i. One Late Fee of Fifteen Dollars ($15.00) will be assessed on the Property per each assessment of Fees and Charges not fully paid prior to or on the Twelfth (12th) calendar day of the month in which the payment is due; or

ii. In lieu of Section 2(b)(i) above, a Late Fee of Five Percent (5%) per month, commencing on the Twelfth (12th) calendar [illegible] payment is due, and each month thereafter, will be cl[illegible] and Charges until the Late Fee equals Twenty Five [illegible] outstanding Fees and Charges.

Such charges shall continue each month until such time as the total amount of Late Fees equals 25% of the total unpaid Fees and Charges

Example:

January 5 Fee (unpaid) . . . . . - $100
5% Late Fee (January 12) . . . . . - $5
February 5 Fee (unpaid) . . . . . - $100
5% Late Fee (February 12) . . . . . - $10
(Net Balance . . . . . - $215)

c. Partial payment of any outstanding Fees and Charges will not prevent the imposition of Late Fees pursuant to this Section 2.

Example:

January 5 Fee . . . . . - $100
Partial Payment on January 7 . . . . . $90
Late Fee (January 12) . . . . . - $15
(Net Balance . . . . . - $25)

d. Payments received shall be applied to the balance due in the following order of priority: (1) Late Fees; (2) Interest; (3) Costs of Collections; (4) the earliest imposed and unpaid Fees and Charges; (5) any successive unpaid Fees and Charges in chronological order from the earliest unpaid Fees and Charges to the most recently imposed Fees and Charges.

Example A:

January 5 Fee (unpaid) . . . . . - $100
Jan. Pmt. Late Fee (January 12) . . . - $15
February 5 Fee (unpaid) . . . . . - $100
Feb. Pmt. Late Fee (February 12) . . -$15
March 5 Fee (unpaid) . . . . . - $100
Payment on March 10 . . . . . $280
(Net Balance . . . . . - $50)

- *Late Fees Balance = $0*
- *Fees and Charges Balance = - $50*

Example B:

January 5 Fee (unpaid) . . . . . - $100
Jan. Pmt. Late Fee (January 12) . . . - $15
February 2 Fee . . . . . - $100
Payment on February 10 . . . . . $150
Feb. Pmt. Late Fee (February 12) . . - $15
(Net Balance . . . . . - $80)

Feb. 10 Pmt is applied in the following order: (1) Feb. 1 Late Fee; (2) Jan. 1 Fee; and (3) to the February Fee

- *Late Fees Balance = - $15*
- *Fees and Charges Balance = - $65*

e. No penalty shall be assessed on the Property for a credit balance resulting from the prepayment and/or overpayment of Fees and Charges. Such credit balances shall be carried forward on the account with all subsequent Fees and Charges being deducted until such time as the credit balance is depleted. A Property carrying a credit balance shall be assessed Late Fees as provided herein at such time as the credit balance is insufficient to pay the entire amount of Fees and Charges due and owing the District.

Example:

January 5 Fee . . . . . - $100
Payment on January 6 . . . . . $350
February 5 Fee . . . . . - $100
March 5 Fee . . . . . - $100 (balance = $50)
April 5 Fee . . . . . - $100
Late Fee (April 12) . . . . . - $15
(Net Balance . . . . . - $65)

3. Interest:

"Interest" charges accrue and shall be charged on all delinquent Fees and Charges, but shall not accrue and be charged on penalties (i.e. Late Fees, Interest, and Costs of Collections), at the maximum statutory rate of Eighteen Percent (18%) per annum.

4. Costs of Collections:

"Costs of Collections" are generated by the Manager and General Counsel's collection efforts. They consist of the following fixed rates and hourly fees and costs:

i. *Action Fees.* The following fixed rate fees shall be charged to a Delinquent Account once the corresponding action has been taken by either the Manager or General Counsel:

- *Disconnect Notice Fee:* No Charge for the Disconnect Notice. This action is performed by the Manager.

- *Shut Off Notice Fee:* No Charge for the Shut Off Notice. This action is performed by the Manager.

- *Demand Letter Fee:* Sixty Dollars ($60.00) per Demand Letter sent. This action is performed by General Counsel.

- *Notice of Intent to File Lien Fee:* One Hundred Twenty Dollars ($120.00) per Notice of Intent to File Lien Statement sent. This action is performed by General Counsel.

- *Lien Recording Fee:* One Hundred Fifty Dollars ($150.00) per each lien recorded on the Property. This action is performed by General Counsel.

- *Lien Release Fee:* One Hundred Fifty Dollars ($150.00) per lien that is released. This action is performed by General Counsel.

ii. *Attorney Hourly Fees and Costs.* After a lien has been filed, all hourly fees and costs generated by General Counsel to collect unpaid Fees and Charges shall also be assessed to the Delinquent Account.

iii. *Recovery of Costs of Collections.* In accordance with § 29-1-1102(8), C.R.S., nothing in this Resolution shall be construed to prohibit the District from recovering all the Costs of Collections whether or not outlined above.

5. Waiver of Late Fees, Interest, and Costs of Collections:

a. The Manager and General Counsel shall each have authority and discretion to waive or reduce portions of the Delinquent Account attributable to Late Fees and Interest, up to a maximum of Three (3) months of Late Fees and Interest. Such action shall be permitted if either the Manager or General Counsel, in its discretion, determines that such waiver or reduction will facilitate payment of the Delinquent Account. Should the Property owner seek waiver or reduction of an amount exceeding this limit, the person or entity shall first submit a request, in writing, to the Board, and the Board shall make the determination in its discretion. Prior to the Board's determination, the Manager and/or General Counsel shall make a recommendation as to whether or not such waiver or reduction will facilitate the payment of the Delinquent Account and is in the interest of the District.

b. Neither the Manager nor General Counsel shall have the authority to waive any portion of delinquent Fees and Charges or Costs of Collections. Should a Property owner desire a waiver of such Fees and Charges or Costs of Collections s/he shall submit a written request to the Board and the Board shall make the determination in its sole discretion. Prior to the Board's determination, the Manager and/or General Counsel shall make a recommendation as to whether or not such waiver or reduction will facilitate the payment of the Delinquent Account and is in the interest of the District.

c. Notwithstanding the above, the Manager or General Counsel shall be permitted to correct any account statement and waive any associated Late Fees, Interest or Costs of Collections if it determines that said charges were incurred due to an error or omission for which the District or its agents are responsible. In such a circumstance, the Manager or General Counsel shall promptly bring the matter to the attention of the Board. The Board shall then determine who shall be responsible for any additional costs incurred by the District due to the error or omission.

d. Any waiver or reduction of Late Fees or Interest granted pursuant to Sections 5(a-c) hereof shall not be construed as a waiver or reduction of future Late Fees and Interest, nor as the promise to waive or reduce future Late Fees or Interest. Nor shall any such waiver or reduction be deemed to bind, limit, or direct the future decision making power of the Board, Manager, or General Counsel, whether related to the Property in question or other properties within the District.

6. Payment Plans:

The Manager or General Counsel shall have the authority to enter into or establish payment plans for the repayment of a Delinquent Account. Should the Property owner desire to enter into a payment plan with the District different from that established by the Manager or General Counsel, s/he shall first submit a written request to the Board and the Board shall make the determination in its sole discretion. Prior to the Board's determination, the Manager and/or General Counsel shall make a recommendation as to whether or not such payment plan will facilitate the payment of the Delinquent Account and is in the interest of the District.

7. Certification of Account to County Treasurer:

Pursuant to §32-1-1101(1)(e), C.R.S., the Board may elect to certify any Delinquent Accounts and Late Fees satisfying the criteria established therein to the County Treasurer for collection with the District's *ad valorem* property taxes. The certification process may be in addition to or in lieu of any procedures set forth in this Resolution in the Board's sole discretion. The fees for the certification process shall be in accordance with Colorado law and County policy.

8. Ratification of Past Actions:

All waivers and payment plans heretofor undertaken by the Manager or General Counsel that would otherwise have been authorized by this Resolution are hereby affirmed, ratified, and made effective as of the date said actions occurred.

9. Additional Actions:

The Board directs its officers, staff and consultants to take such additional actions and execute such additional documents as are necessary to give full effect to the intention of the orders of this Resolution.

10. Colorado and Federal Fair Debt Collections Acts:

To the extent required by law, the Manager, General Counsel, and the Board shall comply with both the Colorado Fair Debt Collection Practices Act and the Federal Fair Debt Collection Practices Act.

11. Supersedes Prior Resolutions:

This Resolution hereby replaces and supersedes the provisions of any other collections policies adopted by the Board prior to the date hereof. To the extent that any term or provision in this Resolution conflicts with any term or provision in a previously enacted and valid resolution of the District imposing Fees and Charges, the term or provision in this Resolution shall prevail.

12. Severability:

If any term or provision of this Resolution is found to be invalid or unenforceable by a court of competent jurisdiction or by operation of any applicable law, such invalid or unenforceable term or provision shall not affect the validity of the Resolution as a whole but shall be severed herefrom, leaving the remaining terms or provisions in full force and effect.

13. Savings Provision:

The failure to comply with the procedures set forth herein shall not affect the status of the Fees and Charges as a perpetual lien subject to foreclosure in accordance with law. Failure by the Manager, General Counsel, or other authorized representative to take any action in accordance with the requirements as specifically provided herein shall not invalidate subsequent efforts to collect the Fees and Charges.

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ADOPTED AND APPROVED this 28th day of January 2014.

CASCADE METROPOLITAN DISTRICT NO. 1

Officer of the District

ATTEST:

APPROVED AS TO FORM:
White, Bear & Ankele
Professional Corporation

General Counsel to the District

1316.0007; 546366-1

Resolution No. 2014-01-03

RESOLUTION
OF THE
BOARD OF DIRECTORS
OF THE
CASCADE METROPOLITAN DISTRICT NO. 1

Adopting an Identify Theft Prevention Program

WHEREAS, the Cascade Metropolitan District No. 1 (the "District") is a quasi-municipal corporation and political subdivision of the State of Colorado and a duly organized and existing special district pursuant to Title 32, Colorado Revised Statutes; and

WHEREAS, pursuant to federal law, the Federal Trade Commission adopted regulations requiring the creation of certain policies relating to the detection, prevention and mitigation of identity theft ("Identity Theft Rules"); and

WHEREAS, the Identity Theft Rules, adopted as 16 CFR § 681.1, require creditors, as defined by 15 U.S.C. § 1681a(r)(5), to adopt red flag policies to prevent and mitigate identity theft with respect to covered accounts; and

WHEREAS, 15 U.S.C. § 1691a defines a 'Creditor' as a person who regularly extends, renews or continues credit, and defines 'Credit' in part as the right granted by a Creditor to a debtor to defer payment of debt or to incur debts and defer its payment or to purchase property or services and defer payment therefor; and

WHEREAS, the District is a creditor under the Identity Theft Rules by virtue of providing utility services or by otherwise accepting payment for services in arrears; and

WHEREAS, the Identity Theft Rules define "Covered Account" in part as an account that a creditor offers or maintains for personal, family or household purposes that involves or is designed to permit multiple payments or transactions, and specify that a utility account is a covered account; and

WHEREAS, the District provides water and wastewater services for which payment is made after the product is consumed or the service has otherwise been provided and, therefore, is subject to the Identity Theft Rules.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE DISTRICT AS FOLLOWS:

Section 1. Adoption of Identity Theft Prevention Program. The District hereby adopts the Identity Theft Prevention Program set forth in **Exhibit A**, attached hereto and incorporated herein.

Section 2. Preambles Incorporated. The preambles to this Resolution are hereby incorporated into this Resolution as if set out fully herein.

Section 3. Severability. If any part, section, subsection, sentence, clause or phrase of this Resolution is for any reason held to be invalid, such invalidity shall not affect the validity of the remaining provisions.

Section 4. Effective Date. This Resolution shall become effective as of January 18, 2014, shall be enforced immediately thereafter and shall supersede any previous policy related to identity theft. This Resolution shall be implemented and administered by the District to conform with all requirements of the Identity Theft Rules, as modified from time to time.

[Remainder of Page Intentionally Left Blank].

RESOLVED AND ADOPTED this 18th day of January 2014.

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

By: _____
Officer of the District

ATTEST:

_____

APPROVED AS TO FORM:
WHITE, BEAR & ANKELE,
Professional Corporation

_____
General Counsel to the District

[Signature Page to Identity Theft Prevention Program Resolution]

EXHIBIT A

IDENTITY THEFT PREVENTION PROGRAM

The purpose of the Identity Theft Prevention Program is to comply with 16 CFR § 681.2 in order to detect, prevent and mitigate identity theft by identifying and detecting identity theft red flags and responding to such red flags in a manner that will prevent identity theft.

Section 1. Definitions. For purposes of this Program, the following definitions apply to the following terms, whether or not capitalized herein:

(1) "Covered account" means:

(a) an account that the District offers or maintains, primarily for personal, family, or household purposes, that involves or is designed to permit multiple payments or transactions, such as a utility account; and

(b) any other account that the District offers or maintains for which there is a reasonably foreseeable risk to customers or to the safety and soundness of the District from identity theft including financial, operational, compliance, reputation, or litigation risks.

(2) "Credit" means the right granted by the District to a debtor to defer payment of debt or to incur debts and defer its payment or to purchase property or services and defer payment therefor.

(3) "Creditor" means the District.

(4) "Customer" means a person that has a covered account with the District.

(5) "District" means the Cascade Metropolitan District No. 1.

(6) "Identity theft" means a fraud committed or attempted using identifying information of another person without authority.

(7) "Person" means a natural person, a corporation, government or governmental subdivision or agency, trust, estate, partnership, cooperative, or association.

(8) "Personal Identifying Information" means a person's credit card account information, debit card information, bank account information and drivers' license information and for a natural person includes their social security number, mother's birth. name, and date of birth.

(9) "Red flag" means a pattern, practice, or specific activity that indicates the possible existence of identity theft.

(10) "Service provider" means a person that provides a service directly to the District.

Section 2. Findings

(1) The District is a creditor pursuant to 16 CFR § 681.2 due to its provision or maintenance of covered accounts for which payment is made in arrears.

(2) Covered accounts offered to customers for the provision of District services include water and wastewater services.

(3) The District's previous experience with identity theft related to covered accounts is as follows:

(a) None.

(4) The processes of opening a new covered account, restoring an existing covered account and making payments on such accounts have been identified as potential processes in which identity theft could occur.

(5) The District limits access to personal identifying information of its customers to those employees responsible for or otherwise involved in opening or restoring covered accounts or accepting payment for use of covered accounts. Information provided to such employees is entered directly into the District's computer system and is not otherwise recorded.

(6) The District determines that there is a low risk of identity theft to its customers occurring in the following ways (if any):

(a) Use by an applicant of another person's personal identifying information to establish a new covered account.

(b) Use of a previous customer's personal identifying information by another person in an effort to have service restored in the previous customer's name.

(c) Use of another person's credit card, bank account, or other method of payment by a customer to pay such customer's covered account or accounts.

(d) Use by a customer desiring to restore such customer's covered account of another person's credit card, bank account, or other method of payment.

Section 3. Process of Establishing a Covered Account

(1) Accounts are opened by the District after notification provided by a title company and/or customer. Account balances follow the property not the customer, and no additional identifying information for the customer is requested by the District.

(2) Each account shall be assigned a customer account number which shall be unique to that account. The District may utilize computer software to encrypt account numbers and PINs.

Section 4. Access to Covered Account Information

(1) Access to customer accounts shall be password protected and shall be limited to authorized personnel of the District.

(2) Such password(s) shall be changed by the manager of the department providing the service for which the covered account is created on a regular basis. Passwords shall be at least 8 characters in length and shall contain letters, numbers and symbols.

(3) Any unauthorized access to or other breach of customer accounts is to be reported immediately to the District Manager and the password changed immediately.

(4) Personal identifying information included in customer accounts is considered confidential and any request or demand for such information shall be immediately forwarded to the District Manager.

Section 5. Credit Card Payments

(1) In the event that credit card payments that are made over the Internet are processed through a third party service provider, such third party service provider shall certify that it has an adequate identity theft prevention program in place that is applicable to such payments.

(2) All credit card payments made over the telephone or the District's website shall be entered directly into the customer's account information in the computer data base. Immediately upon processing of the credit card, any information referencing the credit card is immediately shredded by the District.

(3) Customer account statements and receipts for covered accounts shall include only the last four digits of the credit or debit card or the bank account used for payment of the covered account.

Section 6. Sources and Types of Red Flags

All employees responsible for or involved in the process of opening a covered account, restoring a covered account, or accepting payment for a covered account, shall check for red flags as indicators of possible identity theft. Such red flags include:

(1) Suspicious documents. Examples of suspicious documents include, but are not limited to:

(a) Documents provided for identification that appears to be altered or forged;

(b) Identification on which the photograph or physical description is inconsistent with the appearance of the applicant or customer;

(c) Identification on which the information is inconsistent with information provided by the applicant or customer;

(d) Identification on which the information is inconsistent with readily accessible information that is on file with the financial institution or creditor, such as a signature card or a recent check; or

(e) An application that appears to have been altered or forged, or appears to have been destroyed and reassembled.

(3) Suspicious personal identification, such as suspicious address change. Examples of suspicious identifying information include:

(a) Personal identifying information provided by the customer is not consistent with other personal identifying information provided by the customer;

(b) Personal identifying information or a phone number or address is associated with known fraudulent applications or activities as indicated by internal or third-party sources used by the District;

(c) Other information provided, such as fictitious mailing address, mail drop addresses, jail addresses, invalid phone numbers, pager numbers or answering services, is associated with fraudulent activity;

(d) The address or telephone number provided is the same as or similar to the account number or telephone number submitted by an unusually large number of applicants or customers;

(e) The applicant or customer fails to provide all required personal identifying information on an application or in response to notification that the application is incomplete;

(f) Personal identifying information is not consistent with personal identifying information that is on file with the District; or

(g) The applicant or customer cannot provide authenticating information beyond that which generally would be available from a wallet or consumer report.

(4) Unusual use of or suspicious activity relating to a covered account. Examples of suspicious activity include:

(a) Shortly following the notice of a change of address for an account, District receives a request for the addition of authorized users on the account;

(b) A new revolving credit account is used in a manner commonly associated with known patterns of fraud patterns. For example:

(i) The customer fails to make the first payment or makes an initial payment but no subsequent payments.

(c) An account is used in a manner that is not consistent with established patterns of activity on the account. There is, for example:

(i) Nonpayment when there is no history of late or missed payments; or

(ii) A material change in purchasing or spending patterns.

(d) An account that has been inactive for a long period of time is used (taking into consideration the type of account, the expected pattern of usage and other relevant factors);

(e) Mail sent to the customer is returned repeatedly as undeliverable although transactions continue to be conducted in connection with the customer's account;

(f) The District is notified that the customer is not receiving paper account statements;

(g) The District is notified of unauthorized charges or transactions in connection with a customer's account; or

(h) The District is notified by a customer, law enforcement or another person that it has opened a fraudulent account for a person engaged in identity theft.

(5) Notice from customers, law enforcement, victims or other reliable sources regarding possible identity theft or phishing relating to covered accounts.

Section 7. Prevention and Mitigation of Identity Theft.

(1) In the event that any employee responsible for or involved in restoring an ***existing*** covered account or accepting payment for a covered account becomes aware of red flags indicating possible identity theft with respect to existing covered accounts, such employee shall use his or her discretion to determine whether such red flag or combination of red flags suggests a threat of identity theft. If, in his or her discretion, such employee determines that identity theft or attempted identity theft is likely or probable, such employee shall immediately report such red flags to the District Manager. If, in his or her discretion, such employee deems that identity theft is unlikely or that reliable information is available to reconcile red flags, the employee shall convey this information to the District Manager, who may in his or her discretion determine that

no further action is necessary. If the District Manager in his or her discretion determines that further action is necessary, an employee of the District shall perform one or more of the following responses, as determined to be appropriate by the District Manager:

(a) Contact the customer;

(b) Make the following changes to the account if, after contacting the customer, it is apparent that someone other than the customer has accessed the customer's covered account:

(i) Change any account numbers, passwords, security codes, or other security devices that permit access to an account; or

(ii) Close the account.

(c) Cease attempts to collect additional charges from the customer and decline to sell the customer's account to a debt collector in the event that the customer's account has been accessed without authorization and such access has caused additional charges to accrue;

(d) Notify law enforcement, in the event that someone other than the customer has accessed the customer's account causing additional charges to accrue or accessing personal identifying information; or

(e) Take other appropriate action to prevent or mitigate identity theft.

(2) In the event that any employee responsible for or involved in opening a new covered account becomes aware of red flags indicating possible identity theft with respect an application for a new account, such employee shall use his or her discretion to determine whether such red flag or combination of red flags suggests a threat of identity theft. If, in his or her discretion, such employee determines that identity theft or attempted identity theft is likely or probable, such employee shall immediately report such red flags to the District Manager. If; in his or her discretion, such employee deems that identity theft is unlikely or that reliable information is available to reconcile red flags, the employee shall convey this information to the District Manager, who may in his or her discretion determine that no further action is necessary. If the District Manager in his or her discretion determines that further action is necessary, an employee of the District shall perform one or more of the following responses, as determined to be appropriate by the District Manager:

(a) Request additional identifying information from the applicant;

(b) Deny the application for the new account;

(c) Notify law enforcement of possible identity theft; or

(d) Take other appropriate action to prevent or mitigate identity theft.

Section 8. Updating the Program

The Board of Directors shall annually review and, based upon recommendations of District Counsel and the District Manager, update the Identity Theft Prevention Program along with any relevant red flags in order to reflect changes in risks to customers or to the safety and soundness of the District and its covered accounts from identity theft. In so doing, the Board shall consider the following factors and exercise its discretion in amending the program:

(a) The District's experiences with identity theft;

(b) Updates in methods of identity theft;

(c) Updates in customary methods used to detect, prevent, and mitigate identity theft;

(d) Updates in the types of accounts that the District offers or maintains; and

(e) Updates in service provider arrangements.

Section 9. Program Administration

The District's Senior Level Staff in charge of billing is responsible for oversight of the program and for program implementation. The District Manager is responsible for reviewing reports prepared by staff regarding compliance with red flag requirements and with recommending material changes to the program, as necessary in the opinion of the District Manager, to address changing identity theft risks and to identify new or discontinued types of covered accounts. Any recommended material changes to the program shall be submitted to the Board of Directors for consideration by the Board.

(a) The Senior Level Staff will report to the District Manager at least annually, on compliance with the red flag requirements. The report will address material matters related to the program and evaluate issues such as:

(i) The effectiveness of the policies and procedures of the District in addressing the risk of identity theft in connection with the opening of covered accounts and with respect to existing covered accounts;

(ii) Service provider arrangements;

(iii) Significant incidents involving identity theft and management's response; and

(iv) Recommendations for material changes to the Program.

(2) The Senior Level Staff is responsible for providing training to all employees responsible for or involved in opening a new covered account, restoring an existing covered account or accepting payment for a covered account with respect to the implementation and requirements of the identity Theft Prevention Program. The Senior Level Staff shall exercise his or her discretion in determining the amount and substance of training necessary.

Section 10. Outside Service Providers

In the event that the District engages a service provider to perform an activity in connection with one or more covered accounts, the Senior Level Staff shall exercise his or her discretion in reviewing such arrangements in order to ensure, to the best of his or her ability, that the service provider's activities are conducted in accordance with policies and procedures, agreed upon by contract, that are designed to detect any red flags that may arise in the performance of the service provider's activities and take appropriate steps to prevent or mitigate identity theft.