

RECORD OF PROCEEDINGS

**MINUTES OF A REGULAR MEETING OF
THE BOARD OF DIRECTORS OF THE
CONSERVATORY METROPOLITAN DISTRICT
HELD
JANUARY 23, 2017**

A Regular Meeting of the Board of Directors (referred to hereafter as “Board”) of the Conservatory Metropolitan District, (referred to hereafter as “District”), was convened Monday, the 23rd day of January, 2017, at 9:00 a.m., at the Conservatory Clubhouse, 2665 South Jebel Way, Aurora, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Laverne Palmer
Birgit Baldwin
Dan Staley
Pedro L. Moczo, Jr.
Ronald Degenhart

Also In Attendance Were:

AJ Beckman; Special District Management Services, Inc. (“SDMS, Inc.”)
Jennifer Gruber Tanaka, Esq.; White Bear Ankele Tanaka & Waldron, P.C.
Georgia Harland; Simmons and Wheeler, P.C.
Brooke Hutchins; D.A. Davidson & Co.
Marcella Caywood; Conservatory Homeowners’ Association (“HOA”)
Harland Baldwin and Joy Demots; Residents
Mike Cunningham and Garret Wright; BrightView Landscape Services
Ben Coffey; Weather Track Controllers

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DISCLOSURES OF POTENTIAL CONFLICTS OF INTEREST

Disclosures of Potential Conflicts of Interest: Attorney Tanaka advised the Board that, pursuant to Colorado law, certain disclosures might be required prior to taking official action at the meeting. The Board reviewed the Agenda for the meeting, following which Directors Palmer, Staley, Moczo, Baldwin, and Degenhart, along with each consultant, confirmed that they have no conflicts of interest in connection with any of the matters listed on the Agenda.

PLEDGE OF ALLEGIANCE

Pledge of Allegiance: Director Degenhart led the Board in reciting the Pledge of Allegiance.

ADMINISTRATIVE MATTERS

Agenda: Director Palmer reviewed with the Board the proposed Agenda for the District's Regular Meeting.

Following discussion, upon motion duly made by Director Baldwin, seconded by Director Moczo and, upon vote, unanimously carried, the Agenda was approved, as presented.

CONSENT AGENDA

Consent Agenda: The Board considered the following actions:

- Approve Minutes of the November 14, 2016 Special Meeting, as amended
- Acknowledge Homeowners' Association ("HOA") Meeting Reports/Updates
- Adoption of Resolution No. 2017-01-01: Designating 24-Hour Posting Location
- Ratify approval of Second Addendum to Independent Contractor Agreement with Tamarack Consulting LLC

Following discussion, upon motion duly made by Director Baldwin, seconded by Director Moczo and, upon vote, unanimously carried, the Board approved the Consent Agenda.

COMMUNITY COMMENTS

Community Comments: Ms. Demots addressed the Board and reported that she lives near the detention ponds in the District. She observed that during maintenance work on the ponds, the roots of several pine trees in the area were damaged by heavy equipment. Director Staley inquired of Director Degenhart whether barriers had been utilized by the City during their excavation work to ensure trees were protected from damage. Director

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Degenhart stated it did not appear that the City used barriers during the maintenance work. Director Palmer advised Ms. Demots that area and the work is the responsibility of the City, however the District will communicate these concerns to the City.

Ms. Caywood advised the Board that the HOA has a new Board of Directors, and noted that Shauna Richards, who is employed in HOA Management, was appointed President of the Board, and that Travis Coufal was appointed Vice-President. Ms. Caywood advised the Board that the HOA arbitration with DR Horton has taken place, and that the HOA was awarded damages, but the settlement of fees is outstanding. She expects the hearing to settle this matter will take place in March 2017. Ms. Caywood reported to the Board that all homeowners will receive a letter regarding the recent arbitration once the settlement has been finalized. Director Baldwin thanked Ms. Caywood and Director Palmer for being in attendance for the duration of the arbitration proceedings in support of the community. Director Palmer noted that HOA meetings were recently changed to the second Wednesday of each month at 5:00 p.m.

Director Palmer requested that, going forward, the Board Member on duty attend the HOA meetings. Director Staley advised Director Palmer that when he is the Board Member on duty, he will be unable to attend HOA meetings because he is required to attend the City's Planning Commission meetings which are also held on the second Wednesday of each month. Director Moczo committed to attend the HOA meetings when Director Staley is on duty.

FINANCIAL MATTERS

Claims: The Board reviewed the check register for the period ending December 19, 2016 including check numbers 2833 through 2851, totaling \$43,137.90.

Following review and discussion, upon motion duly made by Director Staley, seconded by Director Moczo and, upon vote, unanimously carried, the Board approved the check register for the period ending December 19, 2016 including check numbers 2833 through 2851.

The Board then reviewed the check register for the period ending January 23, 2017 including check numbers 2852 through 2863, totaling \$34,482.46.

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Director Staley noted that included in this check run is payment to the Colorado Special District Association (“SDA”). Director Staley encouraged Board Members to attend the 2017 SDA Conference that will be held in September. The Board requested Mr. Beckman add the item to the Agenda for the next meeting.

Following review and discussion, upon motion duly made by Director Staley, seconded by Director Moczo and, upon vote, unanimously carried, the Board approved the check register for the period ending January 23, 2017 including check numbers 2852 through 2863.

Financial Statements: Ms. Harland reviewed with the Board the unaudited financial statements of the District for the period ending December 31, 2016.

Following discussion, upon motion duly made by Director Baldwin, seconded by Director Staley and, upon vote, unanimously carried, the Board accepted the unaudited financial statements of the District for the period ending December 31, 2016.

Cash Position Schedule: Ms. Harland reviewed the Cash Position Schedule as of January 23, 2017 and the current cash flow projection through June, 2018 with the Board.

Director Palmer inquired about settlement of past-due accounts. Attorney Tanaka advised that the exact date of payment is unknown, but that she hopes that both accounts will be settled in 2017 if the bankruptcy proceedings progress as currently planned. She noted that one account is a bankruptcy and that this account will be settled according to a court-determined schedule.

2016 Audit: Ms. Harland reported that the field work on the 2016 audit will begin in mid-February and the audit will be presented to the Board at the March meeting.

LANDSCAPING MATTERS

Landscaping Committee Update: Director Baldwin reported to the Board that the Landscaping Committee met with Ivy Street Designs in December, and the consultant’s proposed plant list was emailed to the Board. She noted that Ivy Street Designs was scheduled to meet with the Board at this meeting, but due to time constraints the presentation by Ivy Street Designs was moved to the March Board Meeting.

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Director Baldwin reported to the Board that a resident complained of ornamental grass obstructing a line of sight at the intersection of Dartmouth and Conservatory Parkway. Director Staley advised that he trimmed this grass after BrightView failed to respond to the request to address the issue in a timely manner. Director Palmer added that issues about lines of sight are an ongoing concern at the intersection of Conservatory Parkway and Eastman. Director Staley noted it will be necessary to perform major pruning in the District in the coming season.

Director Palmer noted that snow removal services provided by BrightView in the Winter of 2016/2017 have not been without issue. Director Baldwin advised that she has observed snow removal efforts and opined that BrightView is continuing to improve the quality of service but the quality of work has not yet met expectations. Director Baldwin observed that Mr. Wright has been responsive to District complaints and concerns despite not being the snow removal manager. Director Palmer noted that it will be necessary for BrightView to repair landscaping damage sustained during snow removal efforts, and the City should be responsible for landscaping damage cost cause by concrete repairs.

Director Baldwin reported that BrightView has completed approximately half of the debris removal work on Conservatory Parkway and noted that BrightView was on-foot in the area last Wednesday picking up trash. Director Palmer requested Directors report debris or landscaping and snow removal issues to Mr. Beckman so that they may be addressed as soon as possible.

The Board discussed metal fencing in Tracts I, J and K. Director Palmer requested that the Committee not accept metal fencing where the finish was primed and refinished as this may present a problem for warranty on the materials. The Board noted that the current condition of the fencing is not acceptable.

Director Moczo briefed the Board on prairie dog control efforts in the District and queried Mr. Baldwin if he has observed a decline in the population. Mr. Baldwin observed that the prairie dog population in the District has drastically decreased and opined that this may be a result of plague. Director Palmer noted that the holes will need to be immediately filled to prevent owls from burrowing in the area because they are protected and cannot be removed by the District.

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Installation of Smart Controllers in District Irrigation System: Mr. Wright, Mr. Cunningham and Mr. Coffey presented a proposal to install Weathertrack Hydropoint Weathertrack Pro3 Controllers in place of the existing irrigation controllers. Director Baldwin inquired about the possibility of phasing the installation of the controllers. Mr. Coffey confirmed that work can be phased and recommended that controllers be installed in the first phase and that hydrometers which work in conjunction with the controllers to maximize efficiency be installed in the second phase. Mr. Coffey noted that technology linking the system to the cloud is now available. Director Baldwin questioned Mr. Coffey about the subscription cost. He noted that subscription costs are estimated to be \$3,000 per annum. She also noted that the estimated 20% savings in irrigation costs would result in an approximate savings of \$30,000 per year to the District and return-on-investment could be realized in as little as four years. Director Staley inquired whether it would be possible to phase the work over two years. Mr. Coffey confirmed that pricing can be held for two years if the District commits by April 1, 2017 to the project. Director Moczo queried Mr. Coffey if endorsements from customers and case studies are available. Mr. Coffey explained that such information is available on the WeatherTrack website and encouraged Director Moczo to review the information. Mr. Cunningham distributed a testimonial from Ft. Carson Military Base. He then explained that the control system will run the irrigation system to maximize delivery of water; however, deficiencies within the distribution system constraints should be addressed as well in order to maximize efficiency. Director Palmer inquired about the estimated 20% savings in irrigation costs and whether this amount would be achievable with the phase one improvements which would include controller installation only. Mr. Cunningham advised that savings of this magnitude are most likely resultant from hydrometers and controllers working in conjunction. Director Palmer noted that the Lennar area is included in current water consumption data but is not included in the proposal; she noted this data will need to be revised in order to verify the estimated return-on-investment. Director Palmer inquired about applicable warranties. Mr. Coffey noted labor is under warranty for one year, and Mr. Cunningham explained controllers carry a five-year warranty, and hydrometers carry a three-year warranty. Director Baldwin recommended purchasing controllers and hydrometers for Areas One, Two and Three in order to observe baseline savings and pursue the recommendations of the Keeson Report to address other irrigation issues, and to complete the installation throughout the District at a future time.

Following discussion, upon motion duly made by Director Baldwin, seconded by Director Staley and, upon vote, unanimously carried, the Board approved the installation of controllers and hydrometers in Areas One, Two

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and Three as identified in the materials prepared by Bright View Landscaping Services for an amount not to exceed \$73,908.23. The Board directed Mr. Beckman to obtain an updated proposal for Areas Four and Five for the 2018 season to ensure the price is locked in and requested Mr. Beckman confirm the warranties.

BrightView Proposal for Weathertrack controller installation (phase one) in the amount of \$88,199.98: This matter was discussed as part of the Landscaping Committee update. No action was taken by the Board at this time.

BrightView Proposal for Hydrometer installation (phase two) in the amount of \$38,874.20: This matter was discussed as part of the Landscaping Committee update. No action was taken by the Board at this time.

OPERATIONS AND MAINTENANCE MATTERS

Manager's Report: Mr. Beckman reviewed the Manager's Report with the Board. A copy of the Report is attached hereto and incorporated herein by this reference. Director Palmer inquired into the auto accidents insurance claim and whether it has been paid yet. Mr. Beckman noted that the matter is tied up in subrogation and noted that the District has to perform the work in order to get paid. He noted that the District will continue with the repairs and submit the invoices for payment to the insurance company.

Directors on Duty: The Board confirmed Directors on duty for the months of June and July 2017.

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Status of Detention Ponds Rehabilitation Project: Director Palmer reported to the Board that Pond No. 5 will not require repairs or installation of a trickle channel. She also reported that it has become necessary to redesign Pond No. 6 due to issues with the pond's volume calculations and available area which include an irrigation line owned by the City running along the Eastern edge of the pond. Director Palmer advised that the District will need to perform seeding in certain areas of Ponds Nos. 5 and 6. The Board discussed holding funds budgeted for Landscape Architecture until the projected costs for the Detention Ponds becomes clearer. Director Palmer stressed the importance of timely email responses to the District Manager on time sensitive matters. Following discussion, the Board determined to suspend further landscaping design work and utilize funds designated for landscaping design for Detention Pond work, if necessary. The Board directed Mr. Beckman to follow up with Ivy Street Designs and let them know that no further work should be performed until further notice.

FINANCIAL MATTERS CONT'D

Possible Refinancing of District Debt: Ms. Hutchins presented debt refinancing scenarios to the Board. She noted that September 4, 2017 is the earliest date that a refinancing can be made without a prepayment penalty. She also noted that the residential assessment rate is expected to decrease this year; however, the final rate has not been determined by the legislature. Ms. Hutchins explained that the District would likely improve its interest rate if it were able to remove its existing mill levy cap. Attorney Tanaka noted that removing the mill levy cap would require an amendment to the District's Service Plan. Director Palmer reported that she discussed various scenarios for refinancing with members of the community and that her informal survey yielded a preference for Option No. 5 detailed in the refinancing scenarios provided by Ms. Hutchens, which includes a fixed annual rate, estimated to be 4.1 %, amortized over a thirty-year period, and would yield an estimated reduction in the mill levy of 31 mills. The scenario would not require removal of the mill levy cap, and, therefore, would not require a Service Plan Amendment. All the Directors were in agreement that Option No. 5 seems to be the most desirable option.

The Board directed Ms. Hutchins to further explore Option No. 5. D.A. Davidson will present the financial projections to the Board at the May 2017 Board Meeting.

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LEGAL MATTERS

Wildlife Barrier in Tract K: It was noted that the installation of the Wildlife Barrier is complete; however, the improvement has not been accepted for ownership by the District. This along with the other landscaping improvements in tracts I, J, and K will be considered for acceptance once all punch list items have been addressed.

Public Arts Obligation and Status of Funding by Lennar for same: Attorney Tanaka noted that she previously sent an email to the Board recapping the January 4, 2017 Public Arts Committee Meeting and the estimated timeline of events. She advised the Board that by the March meeting a draft Call for Entries is expected to be available for Board approval, and explained that the Committee thought it would be best to proceed with a regional invitation which would invite artists within a certain radius to respond to the call for entries, thereby limiting the District's travel fee for finalists selected through the entry review process. Attorney Tanaka provided a detailed written report to the Board. Director Baldwin provided an overview of the Public Arts process. Director Degenhart noted that he would not like to see nature-themed art excluded from consideration. The Board then discussed the role of the Committee members. Director Palmer explained that in order to limit consulting costs she thought it would be best if Mr. Beckman not continue to serve on the Committee. Director Moczo volunteered to act as backup representative of the Board when necessary. Following discussion, the Board determined the Public Arts Committee will comprise Director Baldwin, Attorney Tanaka, and that Director Moczo will serve as an alternate for Director Baldwin, when necessary. Mr. Beckman will no longer serve on the Public Arts Committee.

Lennar Retaining Wall Disclosures: Attorney Tanaka advised the Board that all Disclosures have been signed by homeowners and returned to Lennar

BOARD MEMBER INPUT

Board Member Input: Director Degenhart advised that it will be necessary to complete the final phase of fence replacement this year. It was noted the Fence Replacement Committee will meet in February. Director Palmer added that fence replacement work can not conflict with parking lot repaving work at the Clubhouse.

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Director Palmer queried the Board about the possibility of holding fewer Board Meetings each year. The Board determined meeting semi-monthly is sufficient at present.

Director Moczo advised the Board that he will attend the February and April HOA Meetings.

OTHER BUSINESS

Excess Liability Insurance Coverage: Attorney Tanaka advised the Board that excess liability would not cover insurance insolvency issues as originally described. The Board determined not to obtain the excess coverage at this time.

Community Outreach:

Community Update: The Board determined to add the following items to the next Community Update:

- Pond Renovations
 - Fencing
 - Controllers
 - Refinancing
-

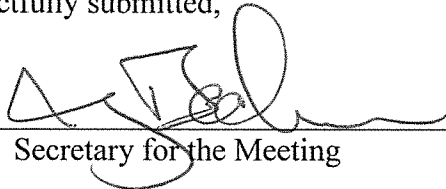
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ADJOURNMENT

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

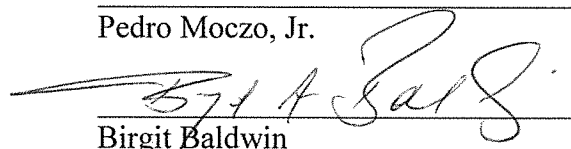
THESE MINUTES WERE APPROVED AS THE OFFICIAL JANUARY 23, 2017 MINUTES OF THE CONSERVATORY METROPOLITAN DISTRICT BY THE BOARD OF DIRECTORS SIGNING BELOW:

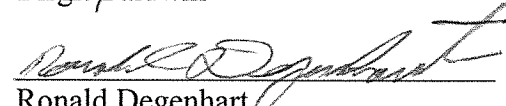


Laverne Palmer

Dan Staley

Pedro Moczo, Jr.



Birgit Baldwin

Ronald Degenhart

DISTRICT MANAGER'S REPORT

To: Board of Directors, Conservatory Metropolitan District
From: AJ Beckman, District Manager
Date: January 17, 2017

Action Items of Interest or Recently Completed:

No. 240, Off-Site Detention Ponds: The Detention Pond Committee will provide an update at the meeting. I have attached to this report an updated renovation budget with year-to-date costs included. Addendum No. 2 to the Tamarack Consulting, LLC contract for an amount not-to-exceed \$1,000 is on the January 23, 2017 Board Meeting Agenda for approval. Updates were sent to the Board via email on December 30, 2016, January 3, 2017 and January 12, 2017. To date, the pond renovation efforts have required more design and oversight than expected. The Committee has determined not to proceed with the installation of a trickle channel in Pond No. 6 until the Fall of 2017 in order proceed with the work under more favorable conditions.

Underdrain Systems: On Friday, October 21, 2016, I was deposed by DR Horton's Attorney following preparation by Tia Zavaras, working with Duncan Griffiths, the Conservatory HOA Attorney. On Monday, December 5, 2016 I testified on behalf of the HOA at the arbitration between the Conservatory HOA and D.R. Horton.

No. 309, Update to Master License Agreement: The Board approved the Agreement at the July 18, 2016 Board Meeting. Attorney Tanaka has inquired with the City regarding the status and what the next steps will be. We are awaiting a response from the City.

No. 392, Landscaping Redesign: Ivy Street Designs was authorized to be engaged upon clarification of the scope of work. The revised and clarified scope of work was provided and the agreement was prepared and fully executed on June 30, 2016. The Landscaping Committee met with Ivy Street Designs on October 26, 2016 to review preliminary recommendations for the pilot project. At the meeting it was determined that the entry areas and Tract D are good candidates for the pilot project. On November 22nd, the Landscaping Committee met with Ivy Street Designs to review plant palate recommendations and conceptual renderings of the proposed pilot project areas. The presentation was emailed to the Board on November 29, 2016. Ivy Street was scheduled to present at the January 23, 2017 Board Meeting, however due to time constraints they have been rescheduled to the March 20, 2017 Board Meeting.

No. 344, Lennar Punch List Items: Terry von Clausburg with the City previously confirmed that the City will add the District's punch list items to the City's items and require completion of all items noted prior to closing out the project Lennar. In an email exchange on June 17, 2016, Mr. von Clausburg confirmed that he or one of his inspectors would attend the punch list walk through expected to take place in the Spring of 2017. In response to District requests, Lennar recently installed a wildlife barrier in Tract K, and agreed to modify the rock beds at the ends of the large retaining wall in the spring of 2017. Lennar also modified the metal fencing to remove the attachments to the piers and install end sections conforming to the shape of the piers, consistent with the fencing being replaced throughout the District.

No. 356, Irrigation Control System: Garrett Wright will attend the January 23, 2016 Board Meeting to present options for controller upgrades.

No. 411, Auto Accident at Conservatory And Eastman: On August 6, 2016, an auto accident damaged District landscaping and fencing and possibly other property owned by the adjacent homeowner. The driver’s information is known and an insurance claim is in-process. Standard Lumber & Hardware Co. and Summit Services have been engaged to perform the repairs. A quote for masonry was received on September 8, 2016 and was sent to Progressive Insurance, who is handling the claim. The fence replacement work is complete and the shrubs have not been planted. Summit Services confirmed that the selected Hot Wings Maple tree will be installed in the spring of 2017. Payment for this claim has not yet been received. I will research the status and report my findings at the January 23, 2017 Board Meeting.

No. 419, Auto Accident: On September 28, 2016, a vehicle hit a section of wrought iron fencing located at South Conservatory Parkway and East Eastman. On October 8, 2016, I filed Claim No. 043-252-7828 with Allstate Insurance. Payment for this claim in the amount of \$1,175 was received on November 16, 2016.

No. 424, Public Art Selection and Installation: On October 10, 2016, Attorney Tanaka and I met with Roberta Bloom, the Public Art Coordinator with the City of Aurora to discuss the selection and construction process. Following the meeting, Director Baldwin and Joy Demots, with the Conservatory HOA, were appointed to the Selection Committee, as well as Jane McGrath (appointed Public Arts Commissioner) and Jessica King. On January 4, 2017, the full Committee met to discuss the selection and procurement process. The idea of a seating and / or gathering area was popular among all members. Attorney Tanaka provided a detailed update via email to the Board following the meeting. The Committee decided that an “open call” process would be best in order to get the Call for Entry out to as many interested artists as possible, however the call will be limited to regional invitation in order to limit design and travel fees for artists selected to make a design submittal. The design fee is typically 1% of the art fee (apx. \$700 per artist), and the District would pay for travel expenses. Ms. Bloom will draft the call for Committee review prior to distribution. The Committee will meet on June 29, 2017 to review applications and select the final three artists. Proposals will be due by August or September 2017. The Art is expected to be installed by late Spring or early Summer of 2018. Director Baldwin and Ms. Demots will be doing public art site visits in Aurora to decide which elements they like.

Schedule for Board Member on Duty:

Jan. 2017	Feb. 2017	March 2017	April 2017	May 2017	June 2017	July 2017
Laverne	Pete	Ron	Dan	Birgit	Laverne	Pete
August 2017	Sept 2017	October 2017	Nov. 2017	Dec. 2017	Jan. 2018	Feb. 2018
Ron	Dan	Birgit	Laverne	Pete	Ron	Dan