

RECORD OF PROCEEDINGS

MINUTES OF THE COORDINATED REGULAR MEETING OF

CENTERRA METROPOLITAN DISTRICT NO. 1
CENTERRA METROPOLITAN DISTRICT NO. 2
CENTERRA METROPOLITAN DISTRICT NO. 3
CENTERRA METROPOLITAN DISTRICT NO. 4
CENTERRA METROPOLITAN DISTRICT NO. 5

HELD
August 19, 2010

The Boards of Directors of the Centerra Metropolitan District No. 1, Centerra Metropolitan District No. 2, Centerra Metropolitan District No. 3, Centerra Metropolitan District No. 4, and Centerra Metropolitan District No. 5 held a coordinated regular meeting, open to the public, at the office of McWhinney, 2725 Rocky Mountain Avenue, Loveland, Colorado 80538, at 12:00 Noon, Thursday, August 19, 2010. Notice of the meeting has been duly posted with the Larimer County Clerk and Recorder and posted in three public places within the boundaries of each District.

ATTENDANCE:

Directors in Attendance:

Kim Perry, President
Jay Hardy, Vice President & Assistant Secretary
Josh Kane, Assistant Secretary/Treasurer
Doug Hill, Treasurer & Assistant Secretary
Tom Hall, Secretary

Also in Attendance:

Jim Niemczyk, McWhinney
Alan Pogue, Icenogle, Seaver, & Pogue
Peggy Dowswell, Pinnacle Consulting Group Inc.
Carla Hawkins, Pinnacle Consulting Group Inc.
Rich Shannon, Pinnacle Consulting Group Inc.
Brendan Campbell, Pinnacle Consulting Group Inc.
Frank Hempen Jr., City of Loveland (departed meeting at 12:15 p.m.)
Brendan Weston, LovelandPolitics.com
(arrived at 12:41 p.m. & departed meeting at 12:57 p.m.)

CALL TO
ORDER

The meeting was called to order at 12:04 p.m. by Director Kim Perry, President of the Boards, noting that a quorum was present. The directors in attendance confirmed their qualifications to serve.

COMBINED
MEETING

The Districts are meeting in a combined Board Meeting. Unless otherwise noted, the matters set forth below shall be deemed to be the actions of the Centerra Metropolitan District No. 1, with concurrence by the Centerra Metropolitan Districts Nos. 2, 3, 4, and 5.

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CONFLICT OF INTEREST DISCLOSURE

Mr. Pogue, legal counsel, noted that notices of potential conflicts of interest for all Board Members were filed with the Colorado Secretary of State's Office, disclosing potential conflicts as all Board Members are employees of McWhinney Real Estate Services, Inc., which is associated with the primary landowners and developer within the District. Mr. Pogue advised the Board that pursuant to Colorado law, certain disclosures by the Board Members might be required prior to taking official action at a meeting. The Board reviewed the agenda for the meeting, following which each Board Member present confirmed the contents of the written disclosures previously made stating the fact and summary nature of any matters as required under Colorado law to permit official action to be taken at the meeting. Additionally, the Board determined that the participation of the members present was necessary to obtain a quorum or otherwise enable the Board to act.

AGENDA

The Board reviewed the agenda. Upon motion duly made by Director Hall and seconded by Director Hill, it was unanimously

RESOLVED to approve the agenda as presented.

APPROVAL OF MINUTES

The minutes of the May 17, 2010, May 20, 2010 and the July 19, 2010 meetings were presented and reviewed. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the Minutes referenced above, as presented.

I-25 INTERCHANGE UPDATES I-25 & CROSSROADS

Mr. Phil Weisbach, SEH, submitted the Monthly Project Progress Briefing and budget worksheets for the I-25 & Crossroads and I-25 & US Hwy 34 Interchanges, a copy of which was submitted with the board packet. Mr. Frank Hempen gave an update in the absence of Mr. Weisbach. He mentioned the project was near completion and the ribbon cutting ceremony had been a success. He is currently working with Jim Niemczyk on punch list items. He is confident that the project will be on time and under budget. Final acceptance on the construction is anticipated for the end of August. After filing of the necessary Federal paperwork, it is anticipated distribution of any remaining funds will be made by the end of the year.

I-25 & HWY 34

Mr. Hempen reported to the District that walls are being installed and off-ramps are being extended. He mentioned there is ground water along the extended accelerating lanes, but does not anticipate this will cause a cost overrun on the project. He still expects to have the majority of the hardscape completed by Thanksgiving with the landscape enhancements being completed in 2011. He is also currently looking into what may qualify as enhancements for the Enhancement Grant received by the City of Loveland.

Director Hardy thanked the efforts of Mr. Hempen, Jim Niemczyk and the construction team on rescheduling construction items to accommodate requests from the Best Western hotel.

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ITEMS FROM THE DISTRICT MANAGER

SDA Conference and 2010 Collaborative Award

District Manager, Rich Shannon, noted the Annual SDA Conference will be held on September 22- 24th in Keystone. He encouraged board members to attend. He also mentioned the District has submitted a nomination for the 2010 Collaborative Award for the I-25 Interchange projects. This award recognizes districts that have created successful working relationships with other local governments.

2011 Preliminary Budget Discussion

Mr. Shannon noted it was time to begin thinking about the 2011 Budget. The Board discussed the mill levy and directed Director Kane to give the Bond Underwriters several mill levy options. The District will also review potential impacts of Proposition 101 and Amendments 60 and 61. Mr. Shannon noted that budgets for Operation and Maintenance, Debt and Capital Projects would be presented to the Board no later than October 15th. He and Ms. Dowswell said that due to litigation legal expenses, and abatement of taxes, all the District's 2010 contingency funds have been spent plus sum. Director Hill was asked to reforecast the total amount for legal fees. With the above referenced expenses and the additional work on the URA legislation and capital fund projects, the district's 2010 budget will need to be amended prior to the end of the year. Mr. Niemczyk has agreed to forecast capital expenses for the 2011 Budget. Mr. Shannon stated Director Perry had met with Ms. Hawkins, Mr. Campbell and himself to begin reviewing the Operation and Maintenance expenses for 2011. Revenue projections will be provided soon by Ms. Dowswell, Finance Director.

City of Loveland – City Manager

Mr. Shannon reported that there will be a reception for retiring City Manager, Don Williams, on September 14th just prior to the council meeting.

ITEMS FROM THE FINANCE DIRECTOR

Financial Report and Approval of Payables

Ms. Dowswell reviewed the Financial Statements as of June 30, 2010 and responded to questions from the Board.

Ms. Dowswell presented the Schedule of Payables for June 17, 2010, in the amount of \$670,237.76, including checks 4202 through 4230 and the Schedule of Payables for July 15, 2010, in the amount of \$693,586.30, including checks 4231 through 4262 and the Schedule of Payables for August 18, 2010, in the amount of \$771,130.98, including checks 4263 through 4293. Upon motion duly made by Director Kane and seconded by Director Hill, it was unanimously

RESOLVED to ratify the June 17^t, 2010 and July 15, 2010 Schedules of Payables and approve the August 18, 2010 Schedule of Payables, in the amounts and check numbers noted above.

Ms. Dowswell reviewed the cash position reports as of July 31, 2010.

2009 Audit Update

Ms. Dowswell noted that auditors had completed the 2009 Audit it had been reviewed by Director Kane, Attorney Pogue and Finance Director Dowswell and it had been filed with the State

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Auditor by the July 31, 2010 deadline to the City, per the bond covenants. Upon motion duly made by Director Hill and seconded by Director Kane, it was unanimously

RESOLVED to ratify the 2009 Audit for Centerra Metropolitan District No. 1.

City of Loveland's Annual LURA Report

Ms. Dowswell noted that Bonnie Steele with the City of Loveland had completed the annual LURA Report. Ms. Steele audits the District records to verify MFA compliance and presented a clean report. Ms. Steele respectfully requested, on behalf of the City, that District representatives give a presentation on the District's MFA for City Council and the new City Manager, once hired. The Board was happy to oblige and directed staff to set up the presentation.

Term Sheet for Primary Letter of Credit Provider

Ms. Dowswell and Director Kane updated the Board on the progress to replace the letter of credit provider for the 2008 Bonds. They have reviewed the estimated costs to replace the letter of credit. The final calculation of fees could be slightly higher than \$800,000. Upon motion duly made by Director Hill and seconded by Director Kane, it was unanimously

RESOLVED to allow costs to exceed \$800,000 cap approved July 19, 2010, if required, to replace the Compass Letter of Credit with US Bank.

Ms. Dowswell and Mr. Pogue discussed the documents needing to be approved to accomplish the Letter of Credit provider closing, these include 1) Re-marketing circular, 2) Amended Reimbursement Agreement, 3) Fee Letter and 4) Side Letter. Mr. Pogue asked the Board to approve the Resolution authorizing all these documents to be approved and executed. After further questions and upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the Resolutions of Centerra Metropolitan Districts No. 1-4, approving the execution and delivery of a reimbursement agreement, the use of a remarketing circular and any other documents necessary or convenient to effectuate the substitution of a letter of credit issued by U.B. Bank National Association for the letter of credit issued by Compass Bank securing the series 2008 bonds and the remarketing of the series 2008 bonds in connection and authorizing Director Perry, as president, and Director Hall, as secretary, to sign the documents prior to the closing on September 1, 2010.

Director Kane thanked Mr. Pogue and Ms. Dowswell for all of their efforts working on this matter.

ITEMS FROM THE ATTORNEY

Land Transfer and Crossroads/I-25 Interchange Annexation costs

Mr. Pogue requested the District deed to the City of Loveland a small landscape parcel in the Motorplex entry to allow for the City of Loveland to annex this parcel into city limits. This would allow the District to fund future construction costs when the bridge is replaced. It will also allow the District to reimburse the PIC with TIF revenues for recent costs on improvements at Crossroad and I-25. After further questions and procedures were discussed, and upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

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RESOLVED to approve payment of out of pockets costs (survey and legal expenses) to transfer the land to the City of Loveland and authorize the president to sign documents transferring ownership.

2010 Ballot Initiatives and Updates on Amendment 60 & 61

Mr. Pogue updated the Board on the 2010 Ballot initiatives that would limit revenues and the capability of Districts to issue debt. It was noted that the Loveland Chamber of Commerce has also announced its opposition to these amendments and the proposition.

PUBLIC COMMENTS

The Board opened the meeting to Public Comments. Upon receiving none, this portion of the meeting was closed.

EXECUTIVE SESSION

Mr. Pogue advised the Board that he would need to discuss pending litigation. Mr. Pogue advised the Board that it was permitted, upon compliance with requisite statutory procedures, for the Board to discuss the pending litigation in Executive Session for the purpose of receiving legal advice on specific legal questions, pursuant to Section 24-6-402(4)(b), C.R.S. Upon motion by Director Hill, seconded by Director Kane, it was unanimously

RESOLVED to convene an Executive Session, pursuant to Section 24-6-402(4)(b), C.R.S., for the purpose of receiving legal advice on specific legal questions related to the pending litigation.

President Perry reported: "It is August 19, 2010 and the time is 1:44 p.m. I am the presiding officer of the Regular Meeting of the Board of Directors of the Centerra Metropolitan Districts Nos. 1-5. As required by the Colorado Open Meetings Law, the Executive Session is being recorded."

Present at the Executive Session:

Kim Perry, Jay Hardy, Josh Kane, Doug Hill, Tom Hall, Alan Pogue, Peggy Dowswell, Brendan Campbell, Carla Hawkins and Rich Shannon.

This is an Executive Session for the following purposes:

To receive legal advice on specific legal questions pursuant to Section 24-6-402(4)(b), C.R.S.

The Board was advised to confine all discussions to the stated purpose of the Executive Session. The Board was further advised that if at any point in the Executive Session, any participant believes that the discussion is beyond the proper scope of the Executive Session, such participant should interrupt the Executive Session and make an objection.

The Executive Session was recorded, pursuant to the Colorado Open Meetings Law.

The Executive Session concluded at 1:55 p.m.

Present at the Executive Session at conclusion: Kim Perry, Jay Hardy, Josh Kane, Doug Hill, Tom Hall, Alan Pogue, Peggy Dowswell, Brendan Campbell, Carla Hawkins and Rich Shannon.

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Mr. Pogue advised the Board that if any person who participated in the Executive Session believes that any substantial discussion of any matters not included in the motion to convene the Executive Session occurred during the Executive Session, or that any improper action occurred during the Executive Session in violation of the Colorado Open Meetings Law, that such participant should state their concerns for the record.

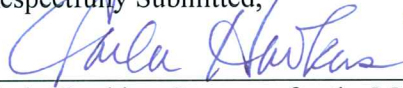
No objections were stated.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 1:56 p.m.

The foregoing constitutes a true and correct copy of the minutes of the above-referenced meeting.

Respectfully Submitted,



Carla Hawkins, Secretary for the Meeting

Attorney Statement Regarding Executive Session

Pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., I, Alan D. Pogue, attest that I am General Counsel for Centerra Metropolitan Districts Nos. 1-5, that I attended the above referenced executive session, that all of the executive session was confined to the topic authorized for discussion, and that the portion of the executive session that was not recorded constituted a privileged attorney-client communication.

Date: 21 OCT 2010


Alan D. Pogue, General Counsel
Centerra Metropolitan Districts Nos. 1-5

President Statement Regarding Executive Session

Pursuant to Section 24-6-402(2)(d.5)(II)(B), C.R.S., I, Kim Perry, attest that I am President of Centerra Metropolitan Districts Nos. 1-5, that I attended the above referenced executive session, and that all of the executive session was confined to the topic authorized for discussion pursuant to Section 24-6-402(4)(b), C.R.S.

Date: 10.21.10


Kim Perry, President
Centerra Metropolitan Districts Nos. 1-5