

**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**

**HELD**

**October 7, 2004**

The Boards of Directors of the Centerra Metropolitan District No. 1, Centerra Metropolitan District No. 2, Centerra Metropolitan District No. 3 and Centerra Metropolitan District No. 4, held a coordinated regular meeting, open to the public, at the office of McWhinney Enterprises, 2725 Rocky Mountain Ave., Suite 200, Loveland, Colorado 80538; at 12:00 noon on Thursday, October 7, 2004. 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:

Douglas Hill, President  
Kim Perry, Vice President  
Dan Herlihey, Secretary  
Ken Howell, Treasurer  
Dean Barber, Asst. Sec/Asst. Vice Pres.

Directors Absent and Excused:

None

Also in Attendance:

Alan Pogue, White, Bear & Ankele, General Counsel  
Peggy Dowswell, District Administrator  
Rich Shannon, McWhinney Enterprises  
Bret Boulter, McWhinney Enterprises  
Jeff Barnes, City of Loveland

CALL TO  
ORDER

The meeting was called to order Director Hill, President of the Board, 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 and 4.

---

CONFLICT  
OF INTEREST  
DISCLOSURE

Mr. Pogue noted that conflicts of interest for all Board Members have been filed with the Secretary of State at least 72 hours prior to this meeting, disclosing potential conflicts as all Board Members are employees of McWhinney Real Estate Services, Inc., which is associated with the primary landowner and developer within the District.

---

AGENDA

The Board reviewed the agenda and made no changes.

---

APPROVAL OF  
MINUTES

Ms. Dowswell presented the minutes of the following meetings: June 17, 2004; July 1, 2004; July 15, 2004; July 29, 2004; August 5, 2004; and September 2, 2004. Upon further discussion and motion duly made and seconded, it was unanimously

**RESOLVED** to approve the Minutes of the June 17, 2004; July 1, 2004; July 15, 2004; July 29, 2004; August 5, 2004; and September 2, 2004 Board meetings, as presented.

---

PAYABLES

Ms. Dowswell presented the Schedule of Payables as of September 21, 2004, totaling \$605,984, including checks 1020 through 1040. Ms. Dowswell noted that the funding for these payables was from Developer advances through agreements previously put into place between the Developer and the District. She noted that there were two Capital Projects Funds – one that would be funded/reimbursed with 2004 Bond proceeds and one that would be funded now by the Developer and reimbursed with a future bond issue or Public Improvement Fee revenue. The Board reviewed the payables and upon motion duly made by Director Herlihey and seconded by Director Perry, it was unanimously

**RESOLVED** to approve the Schedule of Payables as of September 21, 2004, totaling \$605,984, including checks 1020 through 1040.

---

APPROVE REVISED  
BNP TERM SHEET

Mr. Rich Shannon presented the revised Indicative Term Sheet submitted by BNP Paribas for providing a Direct-Pay Letter of Credit (LOC) for the District's 2004 Bonds, dated September 20, 2004. As previously approved by the Board, President Hill executed the Term Sheet Letter on behalf of the District. Upon further discussion and upon motion duly made by Director Perry and seconded by Director Herlihey, it was unanimously

**RESOLVED** to approve the revised BNP Paribas Indicative Term Sheet dated September 20, 2004, and ratify execution by Director Hill.

---

BOND UPDATE

Mr. Shannon reported that the District anticipates closing on the bonds on October 26, 2004, which is later than originally anticipated, due to the delay in the closing of the construction loan on the Lifestyle Center. He noted there have been several instances that have arisen where the MFA (Centerra Master Financing and Intergovernmental Agreement) and the bond documents don't fit together perfectly, which has given rise to the need to amend/clarify the MFA in the near future. Most notably, the MFA did not anticipate a variable rate bond deal, but a fixed rate deal. Although the variable rate structure is much more advantageous in interest savings and higher yield of net project funds, the terminology on variable rate expenses wasn't specifically addressed in the MFA and causes issue in the bond documentation. Mr. Shannon fully expects these issues to be resolved prior to the bond issuance, and then will be addressed later with respect to an amendment to the MFA.

---

OFFICIAL  
STATEMENT

Mr. Shannon presented the Official Statement (O.S.) for the 2004 Bonds for the District, noting that it is one of four key documents associated with the Bonds. The O.S. may change slightly before it is final; however, it is substantially in its final form and disclosure counsel has requested approval at this time. Upon further discussion and upon motion duly made by Director Perry and seconded by Director Hill, it was unanimously

**RESOLVED** to approve the Official Statement for the Centerra Metropolitan District No. 1 Variable Rate Revenue Bonds, Series 2004, in substantially the form presented to the Board, subject to any final changes recommended by the Board, its counsel and advisors.

---

UNDERWRITER  
AGREEMENT

Mr. Shannon presented the agreement with RBC Dain Rauscher for the underwriting fees for the 2004 Bonds for the District. Mr. Shannon noted that this agreement entails the entire underwriting agreement, and the agreement between RBC Dain and AG Edwards is between those two companies and does not involve the District. Upon further discussion and upon motion duly made by Director Perry and seconded by Director Hill, it was unanimously

**RESOLVED** to approve the RBC Dain Rauscher Agreement for underwriting the Centerra Metropolitan District No. 1 Variable Rate Revenue Bonds, Series 2004, as presented.

---

REMARKETING  
FEES

Mr. Shannon presented an agreement on remarketing fees related to the 2004 Bonds. However, Mr. Pogue asked to review the agreement prior to the Board's approval. Mr. Pogue will review and get back to the Board on this agreement.

---

LEGAL  
ENGAGEMENT

Mr. Shannon presented an engagement letter from Liley, Rogers & Martell, the attorneys who have largely negotiated the MFA and Urban Renewal Authority issues with the City. As there are future issues in dealing with these items, Mr. Shannon recommends the Board approve an engagement letter with Liley to continue to work on these issues. Upon further discussion and upon motion duly made by Director Perry and seconded by Director Hill, it was unanimously

RESOLVED to approve the engagement letter from Liley, Rogers & Martell.

---

PRELIMINARY  
2005 BUDGET

Mr. Dowswell reviewed the preliminary 2005 Budget, per each fund. She noted that District No. 2 is obligated to assess a 35 mill levy and District No. 3 to assess a 5 mill levy, per the 2004 bond documents and agreements with District No. 1. As the values in the Districts are minimal, these mill levies are not expected to bring in any property tax revenues. In review of District No. 1's 2005 Budget and specifically the Capital Projects Fund, Ms. Dowswell noted that the remaining bond proceeds on hand at the beginning of the year are projected at \$33 million and an additional \$11 million will be needed in Developer advances to fund the public infrastructure planned for 2005. Director Hill noted that an additional \$5 million in projects and Developer advances should be added to this budget to allow for additional projects. In review of the Debt Service Fund, Ms. Dowswell noted that the fund carries a large fund balance due to the hold back of the capitalized interest and debt service reserve funds on the 2004 bonds. This Fund shows the payments of bond interest, letter of credit fees and related annual bond administration expense for 2005. In review of the General Fund, the total expenditures of \$523,850 will be funded with Developer advances, as the District expects no significant revenues in 2005. Ms. Dowswell was directed by the Board to make the change noted above, and proceed with the budget hearing and adoption in November.

Mr. Shannon noted that BNP, the letter of credit bank, has restricted through the bond documents, the priority of the amount of revenues flowing to pay the District's Operating Expenses. This will not be an issue until significant revenues are received, expected in 2006. Mr. Shannon also noted that the District will be publicly bidding District Management services in the next few weeks, to be awarded at the November 4<sup>th</sup> board meeting.

---

DEVELOPER  
REIMBURSEMENT

Ms. Dowswell presented the Schedules of Developer Reimbursement for Organizational/Formation Costs and Project Costs from inception through August 31, 2004. She noted that expenditures for September and October will be added to these schedules prior to bond close. Ms. Dowswell will submit these schedules to the bond Trustee, who will in turn wire the funds in the amounts requested to Centerra Properties West, LLC, who advanced the funds on behalf of the District. Mr. Shannon reported that only the "Post-MFA" expenses had been approved by the City for full reimbursement from bond proceeds at this time. However, he expects that an amount will be negotiated with the City for "Pre-MFA" expenditures for reimbursement at a future date. Ms. Dowswell worked with McWhinney accounting staff to compile the detail reimbursement schedules, and she and Mr. Shannon reviewed every invoice for the appropriateness of classifying the costs as allowable District costs. Some invoices were excluded, and some were allocated between private and public (District) costs. Ms. Dowswell anticipates the total amount to be reimbursed from bond proceeds at this time is near approximately \$6 million, after the additions are made for September and October. Director Howell noted that he would like to review the schedule again, and recommended the Board approve the Reimbursement Schedules subject to his and Director Hill's review. Upon further discussion and upon motion duly made by Director Perry and seconded by Director Hill, it was unanimously

RESOLVED to approve the Schedules of Developer Reimbursement for Organizational/Formation Costs and Project Costs, subject to review by Directors Howell and Hill, and finalization by Ms. Dowswell.

PIF/RSF  
COLLECTION  
AGREEMENT

---

Mr. Shannon presented the final Collection Agreement for the collection of the PIF (Public Improvement Fee) and RSF (Retail Sales Fee) in Centerra, which was approved by the Loveland City Council on September 7, 2004. The Agreement outlines that the City of Loveland will collect the PIF and RSF, in a process similar to their Sales Tax Collection. The District is a party to this agreement, as the PIF revenues have been assigned to the District for the payment of District debt and expenses in connection with the construction of public improvements. The RSF has been pledged to BNP, the letter of credit bank on the 2004 Bonds, as needed to make bond related payments. Mr. Shannon thanked Jeff Barnes, Accounting Supervisor with the City, for his role in facilitating this Agreement. Mr. Barnes noted that his sales tax manager had been in contact with PETsMART, the first Centerra retailer to collect the fees, and was meeting with them to aid in facilitating their collection of these fees and in disclosing the fees to consumers. Upon further discussion and upon motion duly made by Director Hill and seconded by Director Howell, it was unanimously

RESOLVED to approve the PIF/RSF Collection Agreement with the City of Loveland.

---

BOND JOB  
COST REPORT

Mr. Shannon presented the Bond Job Cost Report, to track bond proceeds and each project's budget to actual numbers. He noted that the Financial Statements record the costs in summary form, per voter approved categories, such as streets, water, etc. and would probably only be needed quarterly. The Bond Job Cost report, however, will be updated as expenditures are made and presented to the Board monthly, to serve as the detailed project budget and track any bond proceeds that may be available for future projects. The Summary page details the Bond budget, per the "blue-book" estimate of project costs to be funded from the 2004 Bonds. It then summarizes the Contract amounts, change orders, other amounts spent and estimated and the contingency to sum to the Total Projected costs for that project. This is then compared to the actual expenditures to derive the estimated project balance. The future projects, or "wish list" is noted on the lower left of the Summary page, which are all public projects competing for net available bond funds. The Detail pages show the detail on individual contracts per individual projects, and the same information as noted on the Summary page. Ms. Dowswell noted that the schedule needed to be revised to include all prior expenditures made by and to be reimbursed to the Developer. Mr. Shannon noted that the last page of the detail schedule shows the budget for capital project accounting, district management, legal and engineering over the one to three year period of spend down of the bond proceeds.

---

PUBLIC  
COMMENTS

The Board opened the meeting to Public Comments. Upon receiving no comments, this portion of the meeting was closed.

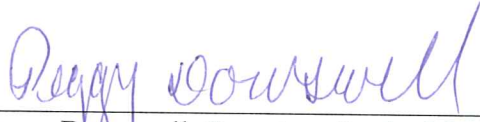
---

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

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

Respectfully Submitted,

  
\_\_\_\_\_  
Peggy Dowswell, Secretary for the Meeting