

RECORD OF PROCEEDINGS

MINUTES OF THE COORDINATED

SPECIAL MEETING OF

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

HELD

September 28, 2006

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 special meeting, open to the public, at Biaggi's, 5929 Sky Pond Drive, Loveland, Colorado 80538; at 12:00 noon Thursday, September 28, 2006. 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:

Doug Hill, President
Kim Perry, Vice President
Ken Howell, Treasurer
Dan Herlihey, Secretary
Phil Hodgkinson, Asst Vice President/Secretary

Also in Attendance:

Alan Pogue, Pogue, Corbetta & O'Leary, General Counsel
Rich Shannon, McWhinney Enterprises, District Manager
Peggy Dowswell, District Administrator
Bret Boulter, McWhinney Enterprises
Sylvester Mabry, McWhinney Enterprises
Ginger Dodge, McWhinney Enterprises
Alan Krcmarik, City of Loveland
Dwayne Walker, Empire Construction Management
Jon Erickson, Empire Construction Management
Darren Moore, Empire Construction Management
Stan Myers, Northern Engineering
Carla Hawkins, Pinnacle Consulting Group, Inc.

CALL TO
ORDER

The meeting was called to order by Director Hill, noting that a quorum was present. The directors in attendance confirmed their qualifications to serve. Introductions were made.

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

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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 landowners and developer within the Districts.

AGENDA

The Board reviewed the agenda and approved the agenda without changes.

APPROVAL OF MINUTES

The Minutes of the August 17, 2006 meeting were presented and reviewed by the Board. Ms. Hawkins noted one correction to the minutes under the construction manager's report stating that the new bridge construction was estimated to take 6 months. Upon further discussion and upon motion duly made by Director Herlihey, seconded by Director Hodgkinson, it was unanimously

RESOLVED to approve the minutes of the August 17, 2006 meeting as amended.

PAYABLES

Ms. Dowswell presented the Cash Status Report as of September 28, 2006 and the Schedule of Payables as of September 21, 2006 totaling \$1,041,964.95 including check nos. 1917 through 1950. The Board reviewed the payables and upon motion duly made by Director Perry, seconded by Director Herlihey, it was unanimously

RESOLVED to approve the Schedules of Payables for September 21, 2006 in the amounts, and check numbers noted above.

Ms. Dowswell presented the Financial Statements as of July 31, 2006, as prepared by Clifton Gunderson LLP for the Board's review. Financials will be discussed in detail at the end of each quarter. Director Perry noted that the Urban Green project regarding environmental issues, totaling \$30,000 would be allocated 50/50 between the developer and the District.

SITE TOUR

Mr. Shannon thanked Director Perry, DTJ, Mr. Boulter, Mr. Walker and Mr. Erickson on all of their efforts in the Sculpture Park design and construction. At this time, all in attendance took a slight recess from the meeting to tour the Plaza that is slated to be finished in mid-October.

REIMBURSEMENT REQUEST PROCESS

Mr. Shannon noted that District capital construction projects are reimbursed in three ways: 1) Bonds, 2) Fund Advances from the Developer for repayment by the district and 3) Non-binding acknowledgements from the District to the Constructor. The MFA

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requires reimbursable expenses to be submitted within one year of completion. Sample form letters for Reimbursement of Construction Costs were presented to the Board for their review and approval. Upon motion duly made by Director Hill and seconded by Director Hodgkinson, it was unanimously

RESOLVED to approve the Reimbursement of Construction Costs of Public Improvements within the Commercial Area as per Section 7.3.4 Centerra Master Financing and Intergovernmental Agreement (MFA) as submitted.

2007 BUDGET

Ms. Dowswell presented the 2007 Preliminary Budgets. She outlined the budget process and the timeline for adopting the budget. She also noted that the District intends to issue bonds in 2007. She reviewed the proposed budget with the Board page by page outlining the budgets for District Nos. 1-4, including the Capital Project Fund Budget, Debt Service Fund and the General Fund Budget for District No. 1. She reviewed the Property Tax Summary Information for each of the Districts. Questions were answered and it was further noted that expenses will be further reviewed and finalized with the Board adopting the Budgets most likely at the November meeting to allow for the District to certify mill levies by December 15th and submit to the Colorado State Auditors office as required by law.

PIF AUDIT

Ms. Dowswell stated that the District was required to have an audit of the Collateral Revenue Fund – PIF Revenue Account, held by the Bond Trustee in 2005. Reynolds Henrie has completed the audit. Upon motion duly made by Director Herlihey and seconded by Director Hodgkinson, it was unanimously

RESOLVED to approve the representation letter for the Collateral Revenue Fund for 2005 and accept the Audit for 2005.

SCHOOL DISTRICT IGA

Mr. Shannon, District Manager, noted that efforts had been made to finalize the IGA with Thompson School District for revenue sharing. Upon further review of the document and a motion duly made by Director Herlihey and seconded by Director Howell, it was unanimously

RESOLVED to approve the Thompson School District Intergovernmental Agreement as presented.

MANAGER'S REPORT

Mr. Shannon stated that Parcel 104 had been brought into the District as a potential commercial parcel, but has been developed as residential as an extension of the Lakeshore Condominium project. It was not the intent of the City and the developer to include residential within the Commercial District and it was suggested that this project be excluded from the Centerra Metropolitan District Nos. 2 & 4. Upon exclusion the taxpayers would be responsible only for the 2004 Bond Issue debt service. The process for excluding this parcel will take approximately three months as an exclusion hearing is required. The Exclusion requires public notice, approval by the City Council and approval by a court order. The Board instructed legal counsel, Mr. Pogue, to contact the City of Loveland Attorney, John Duval, to discuss the process.

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The Board was asked to review the Expected Buildout schedule presented at the meeting. Comments were made on the anticipated projects for the next bond issuance. Ms. Dowswell will work with Developer representatives, Mr. LaPlante and Mr. Barber, to fine tune the buildout list. Ms. Dowswell was instructed to contact RBC Dain Rauscher to discuss the bond issuance. The original market study by King & Associates will need to be updated in effort to issue the bonds next year.

LEGAL REPORT

Mr. Pogue noted that he was currently working with Macy's (formerly Foley's) to obtain the necessary easement for access to the Sculpture Park. He also noted that the District's insurance policy will need to be updated to include coverage for the structures in the Buffer Plaza. Pinnacle Consulting Group will contact the insurance carrier as the renewal for 2007 is underway at this time. Director Perry requested that Mr. Pogue check the Sculpture Park Agreement to determine when courtesy patrols should begin.

The Boards accepted the resignation of Director Hill, effective as of close of business September 28, 2006. Director Hill's resignation creates a vacancy on the Boards, which the Boards expect to fill at the October 19, 2006 board meeting, by appointing from qualified and interested candidates. The Boards directed Mr. Pogue to publish notice of the vacancy and a request for statements of interest from interested candidates, in the Loveland Reporter Herald.

The State Statute regarding illegal alien provisions in governmental contracting was revisited. It outlined specific language that is to be added to District service contracts regarding acknowledgement by the contractor that they do not knowingly employ illegal aliens. The District has decided to update all of its contracts (service and construction) either new or renewed after August 9, 2006 to include this language.

CONSTRUCTION MANAGER'S REPORT

Mr. Dwayne Walker of Empire Management introduced Darren Moore. He noted that Mr. Moore had also assisted on the Buffer Plaza projects and others within Centerra. Mr. Erickson noted that efforts on the Centerra Parkway Bridge were underway with excavating to begin the following week and steel is now being fabricated and will be delivered to the site once completed.

ENGINEER'S REPORT

Mr. Shannon noted that in anticipation of further development, Mr. Myers, District Engineer, should begin design efforts of Kendall Parkway on the west side of Rocky Mountain Avenue towards Boyd Lake Avenue.

PUBLIC COMMENTS

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

MEETINGS

The next regular board meeting is scheduled for Thursday, October 19, 2006 at noon at the office of McWhinney Enterprises. Regular meetings are to be held monthly on the

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third Thursday of each month at McWhinney Real Estate Services Inc., 2725 Rocky Mountain Avenue Suite 200, Loveland, Colorado.

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,

Carla Hawkins, Secretary for the Meeting