

**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**

**July 15, 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, July 15, 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  
Kim Perry  
Dan Herlihey  
Ken Howell  
Dean Barber

Directors Absent and Excused:

None

Also in Attendance:

Alan Pogue, White, Bear & Ankele, General Counsel  
Peggy Dowswell, District Administrator  
Rich Shannon, McWhinney Enterprises  
Stan Myers, Northern Engineering  
Dwayne Walker, Empire Management  
Jeff Barnes, City of Loveland

CALL TO  
ORDER

The meeting was called to order Mr. Alan Pogue, general counsel to the Districts, 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.

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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.

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AGENDA

The Board reviewed the agenda and made no changes.

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PIF/RSF  
COLLECTION  
AGREEMENT

Mr. Shannon reported on the Collection Agreement for the collection of the PIF (Public Improvement Fee) and RSF (Retail Sales Fee) in Centerra. The Agreement proposes that the City of Loveland collect the PIF and RSF, in a process similar to their Sales Tax Collection. Jeff Barnes, Accounting Supervisor with the City, has been the main point of contact. Mr. Shannon noted there was a meeting on the Agreement yesterday, which included John Duvall, Mike Hart and Jeff, as well as himself, Ms. Dowswell and Ms. Casey. Ms. Kim Casey at White, Bear & Ankele has been instrumental in drafting the Agreement and negotiating terms with the City. The Agreement is expected to come before City Council for approval in the next month or so, prior to the issuance of the District's bonds. The PIF revenue will be pledged to the repay the District's bonds. The RSF revenue on the Centerra retail (not including the Lifestyle Center) may need to be pledged in some manner to the District's bonds.

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BOND UPDATE

Mr. Shannon reported on the status of the issuance of the District's 2004 Bonds, noting that two LOC (Letter of Credit) banks visited recently to meet and get an idea of the development. One of the banks, BNP Paribas, is expected to offer a Term Sheet that would state their parameters for providing liquidity support and credit enhancement for the Bonds. The timeline for issuance of the Bonds has been revised to August 31, 2004, although more time may be needed dependent upon the LOC bank's timeline. The bond group is meeting next week for the initial bond document drafting session, which includes the Indenture of Trust,

Offering Statement, and Custody Agreement. Mr. Shannon noted that if an agreement with an LOC bank cannot be reached, the District will proceed with the alternative, which is to issue fixed-rate bonds and will add approximately another month to the process. In the worst case scenario where bonds are not issued until after October 2004, construction will need to slow down or stop. Currently, the District is expected to award and start construction of the I'25 Bores, Heska (Trend), and Bid Pack 2A (off-site public infrastructure), with the Developer funding construction until the bonds are issued. Although the public infrastructure at Heska is not currently in the bond budget, if excess proceeds from the bonds become available, it could be funded with them. Otherwise it will be a longer-term payable to the Developer from the District.

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#### MASTER IGA'S

Mr. Pogue reported on the District Facilities Construction and Service Agreements between the Districts. The current thinking is that there will be several agreements, not just one between all of the Districts as originally contemplated. The reason is that the Financing Districts (2, 3 and 4) interact differently with the Service District (No. 1). District No. 2 will have the standard agreement with the Service District, pledging its entire mill levy to the construction and maintenance of public improvements in its boundaries and as a contribution to regional improvements. District 3 is required at this time to pledge the equivalent of 5 mills to the Service District in support of URA/regional improvements. Discussion is continuing on the points of how the infrastructure will be built in District No. 3 and how costs will be shared for the roads and infrastructure it shares with District No. 2. Discussion is also continuing on clarifying the relationship of District No. 4 with the Service District, in light of the common boundaries with District No. 2. Mr. Pogue expects to be able to present the Master IGA's at the next board meeting.

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#### O&M FUNDING AGREEMENT

Mr. Pogue presented the Funding and Reimbursement Agreement between the Developer, Centerra Properties West, LLC, and the District (No. 1). The Agreement recognizes the need for the District to be able to fund its operations and maintenance, in advance of the District receiving revenues. The pertinent points are that the agreement allows advances for the 2004, 2005 and 2006 budget years, with a maximum principal amount to be advanced of \$1,000,000, and includes repayment with simple interest at 2 percent over Prime. Mr. Pogue explained that the process includes a "Fill-Up" Promissory Note, where each advance is added to the Note as made, and interest calculated from that point forward. This Agreement does not cover reimbursement for expenditures for the District prior to execution of the Agreement. The Promissory Note is expected to be repaid upon receipt of adequate revenues by the District in 2006. Upon motion duly made by Director Hill and seconded by Director Howell, it was unanimously

**RESOLVED** to approve the Funding and Reimbursement Agreement (Operations and Maintenance Costs).

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CAPITAL FUNDING  
AGREEMENT

Mr. Pogue noted the Capital Funding and Reimbursement Agreement between the Developer, Centerra Properties West, LLC, and the District (No. 1) will be similar to the Operations and Maintenance agreement. However, he needs to draft the agreement with a good number for the amount of principal to be advanced under the Agreement that would allow the District to award its construction contracts, assured that it had funding. The Board discussed the needs for capital funding until the Bonds are issued. Mr. Walker presented a table outlining the estimated costs of the District's projects:

\$ 1,200,000	Heska/Trend
\$ 800,000	I'25 Bores
\$10,300,000	Bid Pack 2A w/Deferred Work
\$ 4,400,000	Hahn's Peak Road
\$ 1,000,000	Engineering
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\$17,700,000	Total

To this total, the Board estimated the Developer reimbursement as follows:

\$ 3,000,000	Bid Pack #1
\$ 2,570,000	Formation Costs
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\$23,270,000	Grand Total

This agreement will also include a provision for interest at 2 percent over Prime. Mr. Pogue will finalize the agreement and present at the next board meeting.

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PAYABLES

Ms. Dowswell presented the Schedule of Payables as of July 15, 2004, totaling \$24,596.47, noting that an operating advance was required from the Developer in the amount of \$25,000 to fund these expenditures. The Board reviewed the payables and upon motion duly made by Director Hill and seconded by Director Howell, it was unanimously

**RESOLVED** to approve the Schedule of Payables as of July 15, 2004 as presented.

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IMPROVEMENTS  
ACQUISITION  
AGREEMENT

Mr. Pogue reported that Poag & McEwen's comments on this agreement have just been received and need to be reviewed. At the last meeting, the Board authorized Mr. Pogue to continue negotiations with the help of President Hill, which they will continue to do and report back to the Board.

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DISTRICT ENGINEER  
REPORT

Mr. Stan Myers, Northern Engineering, reported that he and Mr. Walker are working on the issue of Foley's, at the Lifestyle Center, needing permanent electrical power by September. He will continue to work on the issue with Hoar Construction, the General Contractor for the Lifestyle Center.

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DISTRICT  
CONSTRUCTION  
MANAGER REPORT

Mr. Dwayne Walker, Empire Management, reported that he has been working on the issues of fire and emergency access to the Lifestyle Center, which he has worked out by providing 2 points of access. He continues to work on the permission from CDOT for temporary access along US'34, as well as permanent access. Mr. Walker reported that last week the District held a mandatory pre-bid meeting for Heska and will hold the same for I'25 Bores and Bid Pack 2A next week. He noted the District has received good response from excellent contractors and he expects the bids to come in competitively.

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PUBLIC  
COMMENTS

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

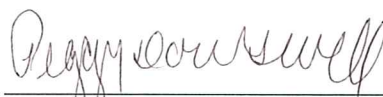
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ADJOURNMENT

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,



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Peggy Dowswell, Secretary for the Meeting