

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 20, 2009

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 20, 2009. 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
Doug Hill, Treasurer & Assistant Secretary
Jay Hardy, Vice President & Assistant Secretary

Also in Attendance:

Jim Niemczyk, McWhinney
Christine Harpel, McWhinney
Alan Pogue, Icenogle, Norton, Smith, Gilida, & Pogue
Rich Shannon, Pinnacle Consulting Group, Inc. (departed meeting at 1:10 p.m.)
Peggy Dowswell, Pinnacle Consulting Group, Inc. (departed meeting at 1:52 p.m.)
Diane Lunt, Pinnacle Consulting Group, Inc.
Bonnie Steele, City of Loveland
Frank Hempen Jr., City of Loveland (departed meeting at 12:48 p.m.)
Dave Klockeman, City of Loveland (departed meeting at 12:48 p.m.)
Phil Weisbach, SEH (Short Elliott Hendrickson, Inc.– departed meeting at 12:48 p.m.)
Scott Waterman, Wilson & Company (departed meeting at 12:48 p.m.)
Joe Gebhardt, Davidson Gebhardt Chevy (departed meeting at 12:17 p.m.)

CALL TO ORDER

The meeting was called to order at 12:05 p.m. by Director Perry, President of the Board, noting that a quorum was present. The directors in attendance confirmed their qualifications to serve.

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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.

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.

APPROVAL OF AGENDA

The Board reviewed the agenda and decided to move line item 13) Public Comment after line item 4) Approval of Minutes. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the agenda with the changes noted above.

APPROVAL OF MINUTES

The Minutes of the July 16, 2009 meeting were presented. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the minutes from July 16, 2009 as presented.

There were no actions or representations of the District by the District Manager that needed ratification since the Board Meeting on July 16, 2009.

PUBLIC COMMENTS

Mr. Joe Gebhardt, representing Davidson Gebhardt Chevrolet and the additional Motorplex auto dealers, offered concern about the District's current mill levy tax impact on the dealers and businesses within Centerra. He noted it caused difficulty in attracting new dealers, and reduced the ability to compete with dealers located outside of the District. The Board thanked Mr. Gebhardt for bringing forth concerns on behalf of the Motorplex auto dealers. The Board will review the mill levy for 2010 during the annual budget process in October and November.

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ITEMS FROM THE DISTRICT MANAGER

Approval of Additional Design Services – Wilson & Company I-25/US 34 Interchange
Mr. Shannon presented for the Board's consideration the Wilson & Company Additional Services Design Proposal in the amount of \$32,435 for the I-25/US 34 Interchange Project. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the Wilson & Company Additional Services Design Proposal in the amount of \$32,435 for the I-25/US 34 Interchange Project as noted above.

Approval of Additional Design Services – Wilson & Company I-25/Crossroads Interchange

Mr. Shannon presented for the Board's consideration the Wilson & Company Additional Services Design Proposal in the amount of \$22,756 for the I-25/Crossroads Interchange Project. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the Wilson & Company Additional Services Design Proposal in the amount of \$22,756 for the I-25/Crossroads Interchange Project as noted above.

Approval of Construction Contract for I-25/US 34 Interchange

Mr. Shannon presented for the Board's consideration the Construction Contract for the I-25/US 34 Interchange Project which will be considered by the City before the Board meets again. Funding is available from 2008 Bonds. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the Construction Contract for the I-25/US 34 Interchange Project and to authorize Director Perry to sign the agreement, subject to the bid opening, and agreed upon final scope of services, and review by Mr. Pogue.

Approval of Construction Management Contract Wilson & Company I-25/US 34 Interchange

Mr. Shannon presented for the Board's consideration the Wilson & Company Construction Management Contract in the amount of \$1,031,357.24 for the I-25/US 34 Interchange Project based on only the safety improvements being constructed. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the Wilson & Company Construction Management Contract in the amount of \$1,031,357.24 for the I-25/US 34 Interchange Project and to authorize Director Perry to sign the agreement, subject to an agreed upon final scope of services or additional items being added back in the event some of the enhancement work is awarded for construction.

Approval of SEH Contract – City of Loveland Program Manager for I-25/US 34 Interchange

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Mr. Shannon presented for the Board's consideration the SEH Contract to provide program management services in the amount of \$131,510 to the City of Loveland for the I-25/US 34 Interchange Project. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the SEH Contract to provide program management services in the amount of \$131,510 to the City of Loveland for the I-25/US 34 Interchange Project as noted above.

Consideration/Approval of I-25/US 34 Traffic Signal IGA

Mr. Klockeman presented for the Board's consideration the I-25/US 34 Traffic Signal IGA with an estimated cost of \$434,985.37 and noted that the City has always spent less than its' estimates on signals. The ongoing maintenance of the traffic signals will be the responsibility of the City of Loveland. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the I-25/US 34 Traffic Signal IGA with the City of Loveland with an estimated cost of \$434,985.37.

Empire Management Work Orders

Mr. Shannon advised the Board that following discussion with Director Hardy, he signed a work order for Empire Management to provide construction advisory services up to \$40,000 for the I-25 and Crossroads Interchange project. He will be signing a similar work order up to \$60,000 for the I-25 and US 34 Interchange project. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to ratify the Empire work order for construction advisory services not to exceed \$40,000 for I-25/Crossroads Interchange and to approve the Empire work order for construction advisory services not to exceed \$60,000 for I-25/US 34 Interchange.

Secondary Fiber Network Update

Mr. Niemczyk updated the Board on the secondary fiber network. He noted that a connection had been established at Rangeview III, excavation of 50% of the vaults had been completed, and fiber for the vaults would be ordered in 2-3 weeks.

Chapungu Sculpture Park Appraisal Update

Ms. Lunt updated the Board on the Chapungu Sculpture Park appraisal. The appraisal is in draft form and will be ready for final review within 60 days. Once the appraisal has been finalized, the District will have the option of funding insurance for the sculptures under a District policy or under an open market private policy. The cost of insurance is significantly higher for an open market private policy. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to approve the purchase of insurance coverage for the sculptures through a District policy, subject to review and final completion of the appraisal.

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Ratification of Total Amount of Reimbursement for 2003-2004 URA Formation Costs and the 2007 Flex URA Costs

Mr. Shannon presented for the Board's consideration the removal from the District's books the previously accepted costs for the 2003-2004 creation of URA, totaling and still payable to the developer of \$215,451.57. The Board suggested that these original unreimbursed 2003-2004 costs for creating the URA plus the 2007-2008 costs associated with the Flex URA should be submitted by the developer to the PIC. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to remove from the District's books the previously accepted costs for the formation of the URA, in the amount of \$215,451.57.

ITEMS FROM THE FINANCE DIRECTOR

Financial Report and Ratification and Approval of Payables

Ms. Dowswell presented for approval the Schedule of Payables for August 20, 2009, in the amount of \$ 270,522.34 including checks 3845 through 3881. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the Schedule of Payables for August 20, 2009, in the amounts and check numbers noted above.

Ms. Dowswell presented the Cash Position as of July 31, 2009, updated as of August 18, 2009, and answered questions from the Board.

Ratify Exhibit B Annual Compliance Certificate

Ms. Dowswell presented the Annual Compliance Certificate for the fiscal year ended December 31, 2008, for Centerra Metropolitan District No. 1 due under the 2008 Bond covenants. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to ratify the Annual Compliance Certificate for the fiscal year ended December 31, 2008, for Centerra Metropolitan District No. 1.

Investment of Funds on Hand with Trustee

Ms. Dowswell presented a handout comparing Certificate of Deposit investment rates and time frames for available funds on hand with the Trustee. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to direct Ms. Dowswell to move funds, subject to amounts, timing and placement approved by Director Hill.

Introduction to Budget Discussions

Ms. Dowswell introduced the following two discussion items resulting from the direction of the Board to find cost saving measures for the remainder of the 2009 and into 2010.

Consideration of Change in Accounting Services Provider

Director Perry presented for the Board's consideration transferring the District's accounting services provider from Clifton Gunderson LLP to Pinnacle Consulting

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Group, Inc. Upon late request by Clifton & Gunderson LLP, Director Perry presented the option of postponing any decision until the Board had an opportunity to consider a proposal from Clifton Gunderson LLP. Ms. Dowswell presented a 2010 proposal reflecting a 20% reduction in cost for accounting services and significant reductions in finance services and answered questions from the Board. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

RESOLVED to terminate the District accounting services agreement with Clifton Gunderson LLP and to engage Pinnacle Consulting Group, Inc. to provide District accounting services, effective within 30-60 days as noted above.

Revised 2009 Budget and 2010 Budget Discussion

Director Perry presented cost savings recommendations and revised 2009 and projected 2010 budgets based on the review of all services being provided to the District. Furthermore, Director Perry requested the renegotiation of existing contracts and identified excess services that could be eliminated while still maintaining the District at the desired level. As a result, Director Perry recommended the termination of the December 15, 2008, Bromfield & Associates, Inc. Landscape Management Services Agreement, effective August 31, 2009. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to terminate the December 15, 2008, Bromfield & Associates, Inc. Landscape Management Services Agreement, effective August 31, 2009 as noted above.

Director Perry renegotiated the ValleyCrest base contract and discussed additional budget reductions which included a transfer of landscape responsibilities to MRES, from Pinnacle. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the cost savings measures and direct staff to put them in place, as recommended by Director Perry.

ITEMS FROM THE ATTORNEY

Amended and Restated Funding and Reimbursement Agreement for Centerra Properties West, LLC (CPW)

Mr. Pogue presented for the Board's consideration and ratification a Resolution Approving the Third Amended and Restated Advance and Reimbursement Agreement and Issuance of a Subordinate Promissory Note as of May 1, 2009, with respect to the advancement and reimbursement of Capital Costs for Centerra Properties West, LLC, in the amount of \$715,000, plus rates of Two Percent (2%) plus the Federal Reserve Bank Prime Rate, or Six Percent (6%), whichever is greater, interest to compound annually. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to ratify the Resolution Approving the Third Amended and Restated Advance and Reimbursement Agreement and Issuance of a Subordinate Promissory Notes for the advancement and reimbursement of Capital Costs by Centerra Properties West, LLC, as noted above.

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Amended and Restated Funding and Reimbursement Agreement for SMP4 Investments Inc.

Mr. Pogue presented for the Board's consideration and ratification a Resolution Approving the Third Amended and Restated Advance and Reimbursement Agreement and Issuance of a Subordinate Promissory Note as of May 1, 2009, with respect to the advancement and reimbursement of Capital Costs for SMP4 Investments, Inc., in the amount of \$50,000; plus rates of Two Percent (2%) plus the Federal Reserve Bank Prime Rate, or Six Percent (6%), whichever is greater, interest to compound annually. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to ratify the Resolution Approving the Third Amended and Restated Advance and Reimbursement Agreement and Issuance of a Subordinate Promissory Notes for the advancement and reimbursement of Capital Costs by SMP4 Investments, Inc., as noted above.

Approve Authorization and Process for Chapungu Sculpture Park Event Contracts

Mr. Pogue presented for the Board's consideration Chapungu Sculpture Park Event Contract and process of authorization. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve a standing order to direct either Director Hardy or Director Perry to sign event contracts, and to direct MRES to provide oversight and monthly updates.

Amendment 54 Court Injunction

Mr. Pogue updated the Board on the temporary injunction issued by the Denver District Court enjoining the enforcement of Amendment 54 (except Section 16).

BOARD MEMBER COMMENTS

Director Hill discussed the process of filling the two Board Member vacancies.

OTHER MATTERS

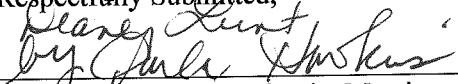
Ms. Steele inquired about the status of the MFA Amendment. Mr. Pogue noted that at this time the MFA Amendment is on indefinite hold.

ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned at 2:08 p.m.

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

Respectfully Submitted,



Diane Luft, Secretary for the Meeting