

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

HELD
February 16, 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 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 Thursday, February 16, 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:

Kim Perry, Vice President
Ken Howell, Treasurer
Dan Herlihey, Secretary

Directors Absent and Excused:

Douglas Hill, President

Also in Attendance:

Alan Pogue, White, Bear & Ankele, General Counsel
Rich Shannon, McWhinney Enterprises, District Manager
Peggy Dowswell, District Administrator
Phil Hodgkinson, McWhinney Enterprises
Bret Boulter, McWhinney Enterprises
Sylvester Mabry, McWhinney Enterprises
Ginger Dodge, McWhinney Enterprises
Jeff Barnes, City of Loveland
Dwayne Walker, Empire Construction Management
Stan Myers, Northern Engineering
Carla Hawkins, Pinnacle Consulting Group, Inc.

CALL TO
ORDER

The meeting was called to order by Director Perry, 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 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 District.

BOARD MEMBER RESIGNATION & APPOINTMENT

There is a vacancy on the Board due to the resignation of Jeff Whiton. Phil Hodgkinson has agreed to serve and will be qualified to serve on the Board. Upon motion duly made by Director Herlihey and seconded by Director Perry, it was unanimously

RESOLVED to accept Jeff Whiton's resignation and approve the appointment of Phil Hodgkinson to serve as on the Board as Assistant Vice President/ Assistant Secretary.

AGENDA

The Board reviewed the agenda and made no changes.

APPROVAL OF MINUTES

The Minutes of the January 19, 2006 meeting were presented. Upon further discussion and upon motion duly made by Director Howell, seconded by Director Herlihey and an abstention from Director Hodgkinson, it was

RESOLVED to approve the minutes of the January 19, 2006 as presented.

PAYABLES

Ms. Dowswell presented the Cash Status Report as of February 16, 2006. She noted that the developer had been reimbursed the operating and capital expenses; however there were still \$215,451.57 in Formation & Organization expenses payable to the developer. Ms. Dowswell presented the Schedule of Payables as of February 16, 2006 totaling \$773,827.58 including checks 1650 through 1684. The Board reviewed the payables and upon motion duly made by

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Director Howell, seconded by Director Perry and an abstention from Director Hodgkinson, it was

RESOLVED to approve the February Schedules of Payables noted above, in the amounts noted above.

2005 AUDIT EXEMPTIONS

Ms. Dowswell noted that the accountant had not yet prepared the Audit Exemptions for District Nos. 2, 3 and 4, so this discussion was tabled.

MONTHLY PAYMENT CERTIFICATION

Ms. Dowswell presented the Monthly Payment Certificate for Centerra Metropolitan District No. 1 to American National Bank for January through March 2006, for administrative and operation costs in the amount of \$142,562.50. She noted this was 25% of the projected budget for 2006. Upon motion duly made by Director Howell, seconded by Director Herlihey and an abstention from Director Hodgkinson, it was

RESOLVED to approve the Payment Certificate for the 1st Quarter of 2006 in the amount noted above, and authorize Director Perry to execute the Certificate.

CONSIDER LANDSCAPE CHANGE ORDER

Mr. Shannon, District Manager, presented to the Board a change order for landscaping improvements to be completed in 2006 for the Motorplex site. He suggested a change order to Valley Crest's current CE-3B project, as the unit pricing is favorable to the District and is extension of the landscaping they are currently performing in the Motorplex. Upon motion duly made by Director Perry, seconded by Director Howell and an abstention from Director Hodgkinson, it was

RESOLVED to approve the Change Order to CE 3B for the continuation of Myers Group Landscape improvements by Valley Crest.

MANAGER'S REPORT

Mr. Shannon updated the Board regarding the Centerra Parkway North road extension, noting discussions were continuing with the railroad company regarding the crossing. He stated that there were concerns that negotiations with the railroad could cause possible delays in the schedule of opening the road in 2006. Mr. Pogue was directed to draft a two party agreement for the construction of Centerra Parkway north to Crossroads through the Crossroads Business Park development. Mr. Shannon noted that McWhinney Enterprises would be building the road extension, while the District would be installing the railroad underpass. Efforts to install drainage under US Hwy 34 have been

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stalled due to approval needed from adjacent property owners. This work needs to be done during the winter months, when the ditch is not running. Mr. Boulter noted that the infrastructure work for Myers Group was ahead of schedule and he was currently working on a railroad permit for a drainage connection to the south of the property. Mr. Shannon noted that the City of Loveland is installing the first phase of the water line, which will be a 16" line, as per the PVH annexation agreement, this spring. The final phase will be a 24" line which is slated for the spring of 2007. Mr. Shannon also noted that the City of Loveland proposed a cost sharing agreement for the water line to the tank on the east side of I-25, with a payback to the City of 5 years for a proportionate share.

LEGAL REPORT

Mr. Pogue, Legal Counsel, noted that the sculpture park follow up meeting was still to be scheduled. He noted that February 24th was the deadline for self-nominations for the May election to be submitted. Mr. Pogue kept the Board apprised of the legislative issues impacting metropolitan districts including Amendment 38, the amendment to Title 32 regarding director qualification restrictions, and the proposed prohibition of imposing fees for services not normally provided by the governmental entities. Mr. Shannon encouraged everyone to contact their legislator to express concern for any legislation that is counter productive to Districts.

Mr. Pogue noted there was a need to authorize an easement for drainage and signage at Hahns Peak Drive. Upon motion duly made by Director Herlihey, seconded by Director Perry and an abstention from Director Hodgkinson, it was

RESOLVED to approve the Easement between the District and Centerra Properties West, LLC, for drainage and signage.

CONSTRUCTION MANAGER REPORT

Mr. Dwayne Walker, Empire Management, updated the Board on the bid status of the bridge and shoe fly. Bids should be returned within the first two weeks of March. He noted that prices have increased on materials due to the products being petroleum based. Costs for paving and concrete are estimated to increase between 25% and 35%. Mr. Shannon congratulated the team for receiving Colorado Asphalt's award for Best City Project in Colorado on the Centerra Parkway project.

TAP FEE INCREASE

Director Herlihey reported that the Loveland Utility Commission had approved an increase in tap fees of almost 50%. This would increase the fees for different tap sizes up to \$25,000 - \$60,000 effective in March 2006, which will affect the costs of future District taps.

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PUBLIC
COMMENTS

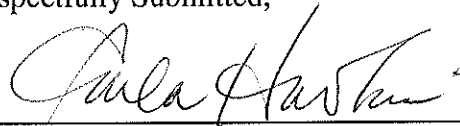
The Board opened the meeting to Public Comments. Upon receiving no comments, this portion of the meeting was closed.

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