

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
November 18, 2010

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, November 18, 2010. 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
Jay Hardy, Vice President & Assistant Secretary
Doug Hill, Treasurer & Assistant Secretary
Josh Kane, Assistant Secretary/Treasurer
Tom Hall, Secretary

Directors Absent: None

Also in Attendance:
Jim Niemczyk, McWhinney
Alan Pogue, Icenogle, Seaver & Pogue
Deborah Early, Icenogle, Seaver & Pogue
Peggy Dowswell, Pinnacle Consulting Group, Inc.
Rich Shannon, Pinnacle Consulting Group Inc.
Brendan Campbell, Pinnacle Consulting Group Inc.
Carla Hawkins, Pinnacle Consulting Group Inc.
Bonnie Steele, City of Loveland
Frank Hemen Jr., City of Loveland (departed meeting at 12:29 p.m.)
Phil Weisbach, Short Elliott Hendrickson, Inc. (departed meeting at 12:29 p.m.)

CALL TO
ORDER

The meeting was called to order at 12:06 p.m. by Director Kim Perry, 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

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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.

AGENDA

The Board reviewed the agenda. Upon motion duly made by Director Hall and seconded by Director Kane, it was unanimously

RESOLVED to approve the agenda without changes.

APPROVAL OF MINUTES

The Minutes of the October 21, 2010 regular meeting and the October 29, 2010 special meeting were presented. Ms. Hawkins noted that on page 3 – Financial Report and Approval of Payables check reference 4254 should be changed to check 4354 in the October 21st minutes. Upon motion duly made by Director Hardy and seconded by Director Hall, it was unanimously

RESOLVED to approve the minutes as amended and noted above.

There were no actions or representations of the District by the District Manager to ratify since the last Board Meeting.

I-25 INTERCHANGE UPDATES I-25 & CROSSROADS

Mr. Phil Weisbach, SEH, submitted a Monthly Project Progress Briefing and budget worksheets for I-25 & Crossroads and I-25 & US Hwy 34 Interchanges, a copy of which was submitted with the board packet. He stated that the team was continuing to work with CDOT on the final audit to determine final quantities.

I-25 & HWY 34

Mr. Weisbach reported that construction progress continues with construction being close to the schedule. The major safety improvements will be complete by Thanksgiving. As much of the aesthetic improvements as possible will be completed by then, as well. The crews will not be working during the Thanksgiving holiday and there will be no traffic closures during that time as well. Between the holidays, slope paving, bridge lighting and the installation of the arches will commence. The guard rails on the bridges will be installed after Christmas and then construction will be put

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on hold until the spring when weather will allow the remainder of the aesthetic improvements to be completed. The estimated completion date is May 15, 2011, weather permitting. He noted that he anticipates an estimated surplus of approximately \$165,000, but will know more in the next 30 days.

The Board commented on the great job the team was doing and expressed their gratitude that the construction schedule was met. It is very important that the majority of improvements be complete before Thanksgiving and the upcoming shopping season.

ITEMS FROM THE DISTRICT MANAGER

Pest Management Services

Ms. Hawkins presented the contract for pest control services. Voles are burrowing underground and are damaging the sprinkler electrical lines. Upon motion duly made by Director Hardy and seconded by Director Hall, it was unanimously

RESOLVED to approve the pest control service agreement between Centerra Metropolitan District No.1 and Pestrite. The agreement was signed by Kim Perry, as President, and Tom Hall, as Secretary.

City of Loveland City Manager

Mr. Shannon noted that he had talked with City Attorney, John Duval, in anticipation of the upcoming Public Improvement Collection Corporation (PIC) board meeting. The new City Manager, Mr. Bill Cahill, will be in attendance at that meeting. After the meetings, Mr. Shannon plans to suggest a meeting with the new City Manager and City council to brief them on the history of the Master Financing Agreement (MFA).

ITEMS FROM THE FINANCE DIRECTOR

Financial Report and Approval of Payables

Ms. Dowswell presented for approval the Schedule of Payables for October 31, 2010, in the amount of \$34,428.25; including checks 4355 and 4356 as well as November 17, 2010, in the amount of \$1,343,176.46; including checks 4357 through 4379. Upon motion duly made by Director Kane and seconded by Director Hardy, it was unanimously

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

Ms. Dowswell presented the Cash Position as of October 31, 2010, updated as of November 17, 2010, and answered questions from the Board.

Bond Issuance Update

Ms. Dowswell and Director Kane gave an update on the progress of the bond issuance. Ms. Dowswell stated that she, Mr. Shannon and Mr. Campbell had met with Mr. Tom Peltz, bond attorney with Kutak Rock. There are more new disclosure requirements on the development and District, and therefore; additional information and documentation is required. Mr. Kane mentioned that he requested of RBC that the bonds close by December 20th. He will present to the Board possible scenarios for the Board to consider and will know soon if the December 20th deadline is feasible.

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Approval of 2010 Auditor

Mr. Campbell stated that there had been a scheduling conflict which delayed the 2009 audit from the original timeline, but he had talked with the auditor and he was provided assurances that they would meet the timeline necessary to prepare the 2010 audit. The cost is the same as last year. His recommendation to the Board is to use Jaspers + Hall, P.C. for the completion of the 2010 Audit for District No. 1, the PIF Revenue Account and the PIC Corporation Audits. Upon motion duly made by Director Hardy and seconded by Director Hall, it was unanimously

RESOLVED to engage Jaspers + Hall, P.C. to prepare the 2010 Audit for the same expense as the 2009 audit expense.

2010 Amended Budget Hearing and Adoption of Resolutions

Director Perry opened the 2010 Amended Budget Hearing to the public for Centerra Metropolitan District No. 1. Mr. Pogue reported that notice of the hearing had been published on November 11, 2010 in accordance with the state budget law. Ms. Dowswell reviewed the budget with the Board and explained the required amendments due to higher than budgeted expenses in the general, debt service and capital projects funds. There being no public input, the public hearing portion of the budget was closed. Upon motion duly made by Director Hardy and seconded by Director Kane to approve the supplemental appropriations in all 3 funds, further discussion was held concerning the timing of the proposed bond issue and ability of the District to repay existing debt obligations following the close of the bond issue, all of which impact the appropriations contemplated in the 2010 Amended Budget. To allow further progress to be made on the bond issue and to clarify the timing of availability of bond proceeds, Director Hardy moved to withdraw the motion and Director Kane seconded the motion. Upon motion duly made by Director Kane and seconded by Director Hill, it was unanimously

RESOLVED to continue the 2010 Amended budget hearing to the regular Centerra Metropolitan District meeting date of December 16, 2010 at noon.

2011 Budget Hearing and Adoption of Resolutions

Director Perry opened the 2011 Budget Hearing to the public. Mr. Pogue reported that notice of the hearing had been published on November 11, 2010 in accordance with state budget law. Ms. Dowswell reviewed the budget in detail and answered questions pertaining to the mill levy, estimated revenues and expenditures, possible bond issuance, and developer advances to finance projects. The budgets by district and fund are as follows:

District No. 1, Service District:

Mill levy is 0.00 mills.

General Fund Expenditures: \$1,323,408

Debt Service Fund Expenditures: \$9,710,706

Capital Fund Expenditures: \$10,809,318

District No. 2, Financing District

Mill levy is 42.6 mills.

General Fund Expenditures: \$313,763

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District No. 2, Bond (only)
2004 Bond Series Mill levy is 6.655 mills.
2008 Bond Series Mill levy is 35.00 mills.

District No. 3, Financing District
Mill levy is 5.00 mills.
General Fund Expenditures: \$443

District No. 4, Financing District
Mill levy is 0.00 mills.
General Fund Expenditures: \$0

District No. 5, Financing District
Mill levy is 15.00 mills.
General Fund Expenditures: \$14

The Board discussed the Tax Increment Fund revenues and the potential for use of these funds for 2011 cash flow. There is still the outstanding issue of the Promenade tax protest. The Board direction was to obtain release of the funds from the trustee to allow for maximum flexibility in the use of the funds. Ms. Dowswell presented the 2011 Cash Flow worksheet for the board's review. There being no public input, the public hearing portion of the budget was closed. After further review and discussion, and upon motion duly made by Director Hill and seconded by Director Kane, it was unanimously

RESOLVED to approve the Resolutions to Adopt the 2011 Budgets, Set the Mill Levies and Appropriate budgeted funds upon final certification of value being received from the County on or before December 10, 2010, and approve all other documents related to the 2011 budget. Pinnacle Consulting Group Inc, as District Manager, is authorized to make minor modifications that may be necessary following receipt of final assessed values.

ITEMS FROM THE ATTORNEY

2011 Administrative Matters Resolution

Mr. Pogue presented for the Board's consideration and approval the 2011 Administrative Matters Resolution. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the 2011 Annual Administrative Matters Resolution.

Developer Reimbursement Agreement

Mr. Pogue presented for the Board's consideration and approval a Resolution Approving an Advance and Reimbursement Agreement, to be effective as of January 1, 2011, between Centerra Metropolitan District No. 1 and Centerra Properties West, LLC, and Issuance of Subordinate Promissory Notes as required by the Agreement. The purpose of the Agreement is to provide funding for certain capital projects planned for fiscal year 2011. Upon motion duly made by Director Hardy and seconded by Director Hill, it was unanimously

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RESOLVED to approve the Resolution Approving the Advance and Reimbursement Agreement, such agreement to be effective as of January 1, 2011, between Centerra Metropolitan District No. 1 and Centerra Properties West, LLC, and Issuance of Subordinate Promissory Notes as required by the Agreement.

Promissory Note Reissuance – Centerra Properties West, LLC

Mr. Pogue presented for the Board's consideration and approval a Resolution Approving the issuance of a Subordinate Promissory Note to Centerra Properties West, LLC, to refund the Subordinate Promissory Note issued and effective as of January 1, 2010, pursuant to the terms of the "2009 Advance and Reimbursement Agreement," entered into on May 1, 2009 by Centerra Metropolitan District No. 1 and Centerra Properties West, LLC. These are for improvements at Parcel 102, 222, 206 and 503. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the Resolution Authorizing the Issuance of a Subordinate Promissory Note to Centerra Properties West, LLC, dated and effective as of January 1, 2011 to mature on December 31, 2011, for the purpose of refunding the Subordinate Promissory Note issued to Centerra Properties West, LLC, dated as of January 1, 2010 and maturing on December 31, 2010.

Promissory Note Reissuance – SMP4 Investments, Inc

Mr. Pogue presented for the Board's consideration and approval a Resolution Approving the issuance of a Subordinate Promissory Note to SMP4 Investments, Inc., to refund the Subordinate Promissory Note issued and effective as of January 1, 2010, pursuant to the terms of the "2009 Advance and Reimbursement Agreement," entered into on May 1, 2009 by Centerra Metropolitan District No. 1 and SMP4 Investments, Inc. These are for improvements within Myers Group in the amount of \$250,000. Upon motion duly made by Director Hill and seconded by Director Hardy, it was unanimously

RESOLVED to approve the Resolution Authorizing the Issuance of a Subordinate Promissory Note to SMP4 Investments, Inc., dated and effective as of January 1, 2011 to mature on December 31, 2011, for the purpose of refunding the Subordinate Promissory Note issued to SMP4 Investments, Inc., dated as of January 1, 2010, and maturing on December 31, 2010.

IRS Ruling Regarding Board Members

Mr. Pogue stated that Board Members are subject to withholding taxes and Pinnacle will prepare and file the necessary paperwork for compliance. The District is also required to have worker's compensation, of which Centerra currently has policy through the Special District Liability Pool.

PUBLIC COMMENTS

The Board opened the meeting to Public Comments. Upon receiving none, this portion of the meeting was closed.

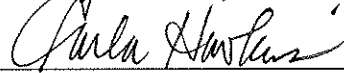
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MEETING

There being no further comments, the meeting and the Amended 2010 Budget Hearing were continued to the Regular Centerra Board Meeting on Thursday, December 16, 2010.

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

Respectfully Submitted,



Carla Hawkins, Secretary for the Meeting