RECORD OF PROCEEDINGS

MINUTES OF THE REGULAR MEETING OF

LOVELAND MIDTOWN METROPOLITAN DISTRICT HELD October 20, 2016

The Board of Directors (collectively, "Board") of the Loveland Midtown Metropolitan District, ("District") held a regular meeting, open to the public, at the offices of Pinnacle Consulting Group, Inc., 1638 E. 18th Street, Loveland, Colorado 80538; at 10:30 a.m. on Wednesday, October 20, 2016. Notice of the meeting was duly posted with the Larimer County Clerk and Recorder and in three public places within the boundaries of the District.

ATTENDANCE

Directors in Attendance:

Blaine Rappe, President
Nathan Klein, Vice President
Randy Vinding, Director
Eric Holsapple, Director (Excused)
Curtis D. Zimmerman, Secretary/Treasurer

Also in Attendance:

Deborah Early, Esq.; Icenogle Seaver Pogue, P.C.
Kammy Tinney and Amanda Castle; Pinnacle Consulting Group, Inc.
Dylan Engberg, Pinnacle Consulting Group, Inc. (Arrived at 12:15 p.m. Departed at 12:25 p.m.)

CALL TO ORDER

The meeting was called to order at 10:35 a.m. by Director Rappe, noting that a quorum was present. The directors in attendance confirmed their qualifications to serve.

CONFLICTS OF INTEREST DISCLOSURE

Ms. Early noted that conflicts of interest for Directors Rappe, Klein, and Holsapple have been filed. Ms. Early 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.

RECORD OF PROCEEDINGS

APPROVAL OF AGENDA

Ms. Tinney distributed for the Board's review and approval a proposed agenda for the meeting. Following review, upon motion duly made by Director Klein, seconded by Director Vinding and, upon vote, unanimously carried, it was,

RESOLVED to approve the agenda, as presented.

APPROVAL OF MINUTES

The Board reviewed the minutes of the June 2, 2016 special meeting. Following review, upon motion duly made by Director Klein, seconded by Director Zimmerman and, upon vote, unanimously carried, it was

RESOLVED to approve the June 2, 2016 minutes, as presented.

PUBLIC COMMENT ON NON-AGENDA ITEMS

There were no members of the public in attendance.

FINANCIAL MATTERS

Ratify Previous Claims Presented for Payment: Ms. Castle presented the check detail for the period May 1, 2016 through October 12, 2016, totaling $97,558.39 which includes check numbers 1663 - 1696, for Board review and consideration of ratification and approval.

Following review and discussion, upon motion duly made by Director Vinding seconded by Director Zimmerman and, upon vote, unanimously carried, it was

RESOLVED to ratify approval of the claims in the amounts and for the check numbers listed above.

Financial Report: Ms. Castle reviewed with the Board the unaudited Financial Statements setting forth the cash deposits, investments, budget analysis, and accounts payable vouchers for the period ending September 30, 2016. Following review and discussion, upon motion duly made by Director Zimmerman, seconded by Director Vinding and, upon vote, unanimously carried, it was

RESOLVED to accept the unaudited financial Statements for the period ending September 30, 2016, as presented.

2017 Budget Hearing: Director Rappe opened the public hearing to consider the proposed 2017 budget. Ms. Tinney noted that publication was made in a newspaper having general circulation within the District noting the date, time and location of today's public hearing. There were no written objections made prior to the hearing, and no members of the public present. There being no public present, the public portion of the budget hearing was closed.

Ms. Castle reviewed with the Board the proposed 2017 budget in detail and responded to questions from the Board. Ms. Castle reported that the District's preliminary assessed valuation increased marginally from $3,874,620 to $3,881,174 resulting in an increase in property tax revenue of $212. Ms. Castle reminded the Board that, based on the 2011 bond documents, the mill levy in the Debt Service Fund is scheduled to increase by 1.000 mill in 2017 for a total of 18.000 mills certified towards the Debt Service Fund, with a corresponding decrease of 1.000 mill in 2017 for a total of 22.000 mills certified towards the General Fund for operations in 2017. The District's budget by fund are as follows:

Operating Mill levy is 22.00 mills.
General Fund Expenditures: $94,978

Debt Service Mill levy is 18.00 mills.
Debt Service Fund Expenditures: $75,100

Ms. Castle further explained that the District's bonds were issued in two series, "Series A" and "Series B", with Series B being subordinate to Series A, and are only paid per the debt service schedule if there are sufficient funds available from the mill levy certified for that year. Interest will accrue on the Series A bonds until such time as the District has the funds available from property tax revenues.

The Board discussed the cost/benefit to the District of the imposition of an operations and maintenance fee to the property owners within the District, and additional cost saving measures that may be taken in lieu of the imposition of fees. Ms. Tinney and Ms. Castle will work with the Facilities Management staff to reduce operations and maintenance expenses as discussed.

Following review and discussion and upon motion duly made by Director Vinding, seconded by Director Zimmerman and, upon vote, it was unanimously

RESOLVED to approve the Resolution to Adopt the 2017 Budget, Certify the Mill Levies, Appropriate budgeted funds, and approve all other documents related to the 2017 budget.

MANAGEMENT MATTERS

Architectural/Covenant Control Committee Update: Ms. Tinney reviewed with the Board the Covenant Violation Tracker noting that 76 properties were contacted concerning violations to date, including the filing of liens against two properties, with one lien pending.

2016 Landscape Mainentance Status/2017 Landscape Maintenance Contract: Ms. Tinney presented an informal Bid Evaluation worksheet for 2017 Landscape Maintenance Services to the District, included with the Facilities Management report. The District's Facilities Manager, Mr. Engberg joined the meeting at this time and provided an overview of his experience with Mill Bros. during the 2016 season, and recommendations for 2017.

Following review and discussion, upon motion duly made by Director Zimmerman, seconded by Director Vinding and, upon vote, unanimously carried, it was

RESOLVED to contract with Integrity Landscape Services, based upon the informal Bid Evaluation presented.

Status of 2016 Fence Maitenance Services: Mr. Engberg reported that needed repairs to the District's fencing were completed throughout the season.

Consideration of Resolution to Exclude the Board from Workers Compenstation Insurance: Ms. Early discussed with the Board workers compensation coverage and the ability to waive said coverage if the District's directors do not receive compensation. Ms. Early suggested the Board consider adopting a Resolution to Waive Workers' Compensation coverage. Upon motion duly made by Director Klein and seconded by Director Zimmerman, it was unanimously

RESOLVED to approve the waiver of workers' compensation coverage and the proposed Workers Compensation Waiver Resolution.

LEGAL MATTERS

Consideration and Approval of 2017 Annual Administrative Matters Resolution: Attorney Early presented the 2017 Annual Administrative Matters Resolution, which sets forth certain annual administrative obligations to be performed in 2017 by the District or its designees, and provides for the annual election of officers.

Upon motion duly made by Director Zimmerman, and seconded by Director Vinding, it was unanimously

RESOLVED to elect the following officers for the District:

Blaine Rappe, President
Nathan Klein, Vice President
Curtis Zimmerman, Secretary/Treasurer
Eric Holsapple, Director
Randy Vinding, Director

Upon motion duly made by Director Zimmerman, seconded by Director Vinding, it was unanimously

RESOLVED to approve the 2017 Administrative Matters Resolution, as presented.

2017 Subordinate Promissory Note (Capital Advances): Attorney Early informed the Board that the District's Subordinate Promissory Note, issued on January 1, 2016, to Loveland Midtown Development, Inc. for the repayment of capital costs advanced to the District, matures on December 31, 2016, and that it is anticipated that the District will lack sufficient funds to pay such Note in full at maturity. Therefore, Attorney Early presented the Board with a new Subordinate Promissory Note and advised the Board that, in accordance with the District's Advance and Reimbursement Agreement dated February 1, 2006, the District must issue a new Subordinate Promissory Note to Loveland Midtown Development, Inc., now known as LC Home, Inc., with an effective date of January 1, 2017 and a maturity date of December 31, 2017, to refund the existing Subordinate Promissory Note. Upon motion duly made by Director Zimmerman, and seconded by Director Vinding, it was unanimously

RESOLVED to approve the issuance of a new Subordinate Promissory Note to Loveland Midtown Development, Inc., now known as LC Home, Inc., for the repayment of capital costs advanced to the District, with an effective date of January 1, 2017 and a maturity date of December 31, 2017, subject to final revision as discussed.

2017 Subordinate Promissory Note (Operations & Maintenance): Attorney Early informed the Board that the District's Subordinate Promissory Note, issued on January 1, 2016, to Loveland Midtown Development, Inc. for the repayment of operations and maintenance costs advanced to the District, matures on December 31, 2016, and that it is anticipated that the District will lack sufficient funds to pay such Note in full at maturity. Therefore, Attorney Early presented the Board with a new Subordinate Promissory Note and advised the Board that, in accordance with the District's Advance and Reimbursement Agreement dated February 1, 2006, the District must issue a new Subordinate Promissory Note to Loveland Midtown Development, Inc., now known as LC Home, LLC, with an effective date

of January 1, 2017 and a maturity date of December 31, 2017, to refund the existing Subordinate Promissory Note. Upon motion duly made by Director Vinding, and seconded by Director Zimmerman, it was unanimously

RESOLVED to approve the issuance of a new Subordinate Promissory Note to Loveland Midtown Development, Inc., now known as LC Home, Inc., for the repayment of operations and maintenance costs advanced to the District, with an effective date of January 1, 2017 and a maturity date of December 31, 2017.

2016 Legislative Update: Ms. Early reviewed with the Board the Summary of 2016 Legislation.

OTHER BUSINESS

There was no other business brought before the Board for consideration.

ADJOURNMENT

There being no further business to come before the Board at this time, upon motion duly made by Director Vinding, seconded by Director Zimmerman, and upon unanimous vote, the meeting was adjourned at 12:30 p.m.

Respectfully submitted,

Kammy K. Tinney,
Secretary for the Meeting

THESE MINUTES ARE APPROVED AS THE OFFICIAL MINUTES OF THE OCTOBER 20, 2016 REGULAR MEETING OF THE LOVELAND MIDTOWN METROPOLITAN DISTRICT BOARD OF DIRECTORS, BY THE DIRECTORS SIGNING BELOW:

Blaine Rappe

Nathan Klein

Randy Vinding

Eric Holsapple

Curtis D. Zimmerman