
RECORD OF PROCEEDINGS

Minutes of the Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts March 16, 2015

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, March 16, 2015, at 8:00 a.m., in the conference room at the VR offices located at 135 Benchmark Rd, Avon, Eagle County, Colorado.

Attendance

The following Directors were present:

- Karen Braden-Butz
- William Kennedy
- Michael Connell
- Frederick Hudoff
- William Simmons

Also in attendance were:

- Bill Ankele, Esq White Bear Ankele Tanaka and Waldron
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Doug Lovell, V.P. and C.O.O. Beaver Creek
- Don Odell, VR RSR Operations
- Tim Baker, VR Director of Village Operations
- Sam Sharp, DA Davidson & Co (via phone)
- Michael McGinnis, Esq. Greenburg Taurig
- Mike Miner, RSR Director of Golf Maintenance

Call to Order

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 8:00 a.m. by Director Kennedy noting a quorum was present.

Potential Conflicts

The Board noted that it has received certain written disclosures of potential conflicts of interest statements from each of the Directors more than seventy-two hours prior to the meeting, indicating the following conflicts: [William M. Kennedy](#) is Director of Land Development for Vail Resorts Development Co., a subsidiary of the Vail Corporation and an indirect operating subsidiary of Vail Resorts, Inc., all of which have significant business interests within the Districts; and [Karen Braden-Butz](#) is the Financial Analyst for Village Operations at Beaver Creek, a subsidiary of the Vail Corporation and an indirect operating subsidiary of Vail Resorts, Inc., all of which have significant business interests within the Districts.

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Minutes

The Board reviewed the minutes of the February 16, 2015 Regular Meeting. Director Connell asked for clarification as to whether negotiations with VR over the water rights and the HC promissory note interest rate were contingent on pay down of HC debt. Director Kennedy stated he did not believe so but he would need to review his notes from his phone call with Mr. Schoppett. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the February 16, 2015 Regular Meeting as revised.

Public Input

No public input was offered.

Bond Refinancing

The Board began discussion related to the bond refunding. At the last meeting the Board had determined it wished to move forward with refunding of the 2003 Bonds along with issuance of additional bond proceeds to cover 3 years worth of HCMD capital costs. Director Kennedy had met with staff and provided an estimate for capital costs of \$650,000 for the next three years. The bond parameters resolution had been prepared for consideration at today's meeting with these amounts in mind.

The District had also considered issuing additional bonds to cover the purchase of water rights. Director Connell explained the Board has repeatedly reached out to VR over the past few years to request more definite information over several matters including the potential cost of purchasing water rights as allowed through the water lease, which expires in 2017. He expressed frustration in the process pointing out the lack of response on VR's side. There are still no answers as to the necessary quantity or value of water rights, nor any clear indication as to whether VR would consider a purchase of those rights. Last year, during discussions with ERWSD over potential Wolcott services Mr. Porzak and Mr. Williamson analyzed RSR needs based on the current uses within the District. At that time a value of \$1.1 million for water rights had been verbally noted, however no formal documentation of that value has been provided to the District. It was also reported they had determined additional water rights were needed based on the change to consumptive use by the wastewater systems. Director Hudoff stated it was troubling the water lease may not provide sufficient water rights for build out. It was pointed out that if water rights were purchased the District would also need to negotiate a water distribution agreement. Considering the length of time these discussions have taken to this point it is not likely water rights negotiations would be completed in time for a bond issue in the next month. Mr. Lovell recognized the frustration caused by the lack of response and offered to follow up with VR.

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Discussion followed as to whether the Board should consider increasing the bond issuance to cover a potential purchase of water rights. Director Connell pointed out the HC subordinate promissory note still had principal available to draw on and questioned whether that would be a possible source for funding of the purchase of water rights instead of bonds. Mr. McGinnis and Mr. Sharp described a section in the bond parameters resolution that allows the District to issue additional parity bonds in the future. After discussion it was suggested this section be revised to include language that would allow up to \$1.5 million for water rights. Mr. Marchetti explained if the District chose to issue debt in two years for water rights, the cost of issuance would be similar to what the District would incur in interest if the bonds were issued now so there does not appear to be any cost savings in issuing debt for water rights at this time.

Mr. McGinnis reviewed the Bond Parameters Resolution. He noted several revisions would be made to the resolution based on discussions at today's meeting. He stated the amount of the Bond is expected to be approximately \$7.15 million with a maximum interest rate not to exceed 7%. This amount allows for the refunding of the 2003 bonds along with additional bond proceeds of \$650,000 and the cost of issuance. He explained section 15(b) will be modified as discussed above to allow future issuance of debt for water rights matters. On page 5 the first redemption date will be revised from 2024 to 2025. He reported his office was working on the draft Preliminary Limited Offering Memorandum with the help of others as needed. The offering documents are expected to be posted on March 27th, with an estimated closing date of April 16th. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the execution of the Red Sky Ranch Metropolitan District General Obligation and Improvement Bonds, Series 2015 Bond Parameters Resolution as revised per discussion.

Legal

Mr. Ankele stated there were no separate legal matters at this time.

2014 Audit

Mr. Marchetti presented the 2014 audit. He stated the District will receive a "clean opinion". Mr. Ankele reported he will be reviewing the drafts and providing any comments shortly. Upon motion duly made and seconded, it was unanimously

RESOLVED to accept the 2014 Audit subject to review by District Counsel.

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Financial Statements

Mr. Marchetti presented the preliminary February 2015 financial statements. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the preliminary February 2015 financial statement as presented.

Accounts Payable

The Accounts Payable listing was reviewed. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the accounts payable list as presented.

Future Meetings

The next regular meeting is scheduled for April 20, 2015 at 8:00 a.m. at the same time and location.

Adjourn

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the March 16, 2015 Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,
/s/ Kathy Lewensten

Kathy Lewensten
Recording Secretary