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# RECORD OF PROCEEDINGS

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## **Minutes of the Continued Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts August 5, 2014**

The Continued Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Tuesday, August 5, 2014, at 3:30 p.m., in the conference room at the Red Sky Ranch Sales Center, 0376 Red Sky Road, Wolcott, Eagle County, Colorado.

### **Attendance**

#### **The following Directors were present:**

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

#### **The following Director was absent and excused:**

- William Simmons

#### **Also in attendance were:**

- Bill Ankele, White, Bear and Ankele PC (via phone)
- Ken Marchetti, CPA Robertson & Marchetti, PC
- Kathy Lewensten, RMPC Recording Secretary
- Sam Sharp, DA Davidson (via phone)
- Alex Iskenderian, HCMD Director (via phone)

### **Call to Order**

The Continued Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 3:30 p.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; [Karen Braden-Butz](#) is the Project Accountant 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 [William Simmons](#) is Director of Village Operations for Vail Resorts Management Company, an indirect operating subsidiary of Vail Resorts, Inc., which both have significant business interests within the Districts.

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**Public Input** No public input was offered.

**Bond Refinancing** Mr. Iskenderian reported he had been working with Mr. Marchetti and Mr. Sharp to look at different scenarios for the potential restructuring of RSRMD debt. Mr. Marchetti referred to the memo that had been included in the packet. The memo summarized the course of action currently being considered and outlined steps that would need to be taken.

As presented the District would issue \$10 million in debt, this would refinance the \$6.4 million in RSR GO Bond debt and provide \$3.5 million towards repayment of the HC bond principal. In addition the District would use future surplus funds generated by the debt service mill levy up to the cap of 42 mills to repay the remaining \$4.5 million HC bond principal.

As noted at the last meeting per the current IGA HCMD may compel RSR to impose a higher debt service mill levy if the RSR debt to assessed ratio is below 50%. There is currently no cap on the mill levy increase. Mr. Iskenderian pointed out that as part of the proposed refinancing the IGA would be amended or restated to limit the debt service mill levy to a maximum of 42 mills. The current debt service mill levy is 37 mills making any potential future debt service increase a maximum of 5 mills. The subordination of the remaining HC debt would also need to be included.

Director Connell requested further discussion related to two additional outstanding issues, the acquisition of water rights and the status of the HC/VR promissory note for roughly \$4 million which has accrued interest of roughly \$2.5 million through 2013. He expressed concern over the interest rate of 6% currently being charged noting it seemed excessive for the current market conditions. He asked if there is any consideration by VR for forgiveness of this note or for negotiation of better terms. Discussion centered on the relevance of the HC note to the restructuring. Mr. Iskenderian stated the note would be junior to the restructured debt. Director Connell stated the property owners are interested in long term stability which would include knowing specifics related to future junior debt repayment and securing water rights.

Mr. Marchetti suggested a compromise may be to consider a time limit cap related to repayments towards the junior HC note. Mr. Ankele stated the renegotiated terms would need to include specific language if the remaining balance on the note were to be “discharged” at the end of the time limit cap.

Mr. Iskenderian addressed the water rights matter noting there appears to be two options, the water lease could be extended or the water rights could be

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purchased. Discussion as to options for financing the purchase of the water rights followed.

In summary, RSRMD would like VR to consider options, such as forgiveness of principal or accrued interest or a reduction in the interest rate related to the HC Note; consideration of a maximum term for the mill levy; and options for acquisition of necessary water rights.

Mr. Iskenderian offered to coordinate a meeting of the working group to further negotiate matters discussed today. There was general agreement that the market is attractive for restructuring of the debt. It is understood the homeowners are interested in the long term stability and viability of the District based on a reasonable mill levy.

### **Adjournment**

Upon motion duly made and seconded, it was unanimously

**RESOLVED** to adjourn the August 5, 2014 Continued Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,  
*/s/ Kathy Lewensten*

Kathy Lewensten  
Recording Secretary