
RECORD OF PROCEEDINGS

Minutes of the Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan Districts November 9, 2015

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, November 9, 2015, at 9:00 a.m., in the two elk conference room at 137 Benchmark Rd, Avon, Eagle County, Colorado.

Attendance

The following Directors were present:

- Karen Braden-Butz
- Michael Connell
- Frederick Hudoff

The following Director was absent and excused:

- William Kennedy
- William Simmons

Also in attendance were:

- Bill Ankele, Esq White Bear Ankele Tanaka and Waldron (via phone)
- Trisha Harris, Esq White Bear Ankele Tanaka and Waldron (via phone)
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Tim Baker, HCMD Director
- Doug Lovell, HCMD Director
- Don Odell, RSR Operations

Call to Order

The Special Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District was called to order at 9:00 a.m. by Director Connell 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 October 19, 2015 Regular Meeting. Director Connell requested a revision to the “Old business” section related to the HC promissory note term. Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the minutes of the October 19, 2015 Regular Meeting as revised.

Public Input No public input was offered.

Old Business Mr. Lovell handed out a draft term sheet related to a new water lease and option to purchase water rights. He explained this memo formally presented the same terms outlined at the last meeting. Director Connell noted the term sheet defined HC debt as the 2001 HC bonds. Director Hudoff asked whether adequate water rights were originally provided for by VR in the current lease. It was reported the current water lease was based on estimates that were developed on standards from the time and anticipated a quicker build out. The original landscaping guidelines had been for drought tolerant native grass and plantings which require minimal irrigation. Over the years the DRB guidelines have been revised for aesthetic purposes and now include grass and plantings that require more irrigation. Mr. Lovell noted in his opinion extending the lease would allow time for the District to build out and begin paying down HC debt, leaving it in a better financial position to look at funding a potential purchase of water rights. Director Connell reminded the Board the current water lease does not expire until June 2017. The option for purchase of water rights in the current agreement needs to be further analyzed. He recommended a water committee be appointed to facilitate further review. The committee appointed consists of Director Connell, Mr. Baker, Mr. Lovell, Mr. Marchetti, and Water Rights professionals. The matter was tabled.

New Business Director Connell expressed concern that Director Kennedy was not able to attend meetings, either in person or by conference call. He pointed out Director Kennedy understands the issues and has valuable historic knowledge that is missed at the meetings.

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

Financial Statements Mr. Marchetti reviewed the preliminary October 2015 financial statements which included the 2016 budget. Upon motion duly made and seconded, it was unanimously

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RESOLVED to approve the preliminary October 2015 financial statements as presented.

2016 Budget

The Board discussed the 2016 budget which was presented as part of the October preliminary financial statements. The public hearing for the 2016 budget was opened.

Director Connell explained his concerns with using excess debt service property taxes for HC debt repayment when there are upcoming capital expenses. He stated it was more appropriate to finish the road overlay to the Norman Clubhouse than to pay down the HC bond debt given that HC also needs to replenish funds spent on the unexpected costs incurred this year for repairs to the Norman drain field. Director Hudoff stated it was important to have adequate reserves for capital expenses. It was noted investments in good infrastructure are conducive to growth and build out which is in the best interest of the community. Director Connell stated it is his understanding that the additional funds provided to HC from the bonds issued earlier this year allowed RSR to meet its capital obligations for the next three years. Discussion followed on the contractual obligation of RSR related to the debt ratio formula included in the Master IGA. Mr. Baker stated he would like to better understand the ratio trigger before discussing the budget further.

The Board tabled further discussion requesting a special meeting be scheduled for Thursday, December 10th. The public hearing was continued to December 10, 2015.

Accounts Payable

Upon motion duly made and seconded, it was unanimously

RESOLVED to approve the accounts payable listing as presented.

Meeting Schedule

As requested a special meeting will be scheduled for Thursday, December 10, 2015 at 2:00 p.m. in the same location.

Adjourn

Upon motion duly made and seconded, it was unanimously

RESOLVED to adjourn the November 9, 2015 Special Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,
/s/Kathy Lewensten
Recording Secretary