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# RECORD OF PROCEEDINGS

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

The Regular Meeting of the Board of Directors of the Red Sky Ranch Metropolitan District, Eagle County, Colorado, was held Monday, February 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 (via phone)
- Ken Marchetti, CPA, Marchetti & Weaver LLC
- Kathy Lewensten, Recording Secretary
- Doug Lovell, V.P. and C.O.O. Beaver Creek
- Don Odell, VR Operations
- Tim Baker, VR Director of Village Operations

### 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.

### Minutes

The Board reviewed the minutes of the January 19, 2015 Regular Meeting. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the minutes of the January 19, 2015 Regular Meeting as presented.

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

**Bond Refinancing** Mr. Ankele reported on progress made towards appropriate disclosure language for a potential refinancing that has been under discussion for some time. The obligation related to the maximum mill levy for IGA services had been added to the disclosure language. It was reported rates remain favorable.

He stated based on the current interpretation of the Master IGA if RSR chooses to issue an amount over the current principal due on the 2003 bonds, upon closing RSR would need to transfer any additional proceeds to HCMD. HCMD would then be solely responsible for making the decision as to how the funds would be used.

Director Kennedy reported he met with Mr. Schoppett, Sr. V.P., Controller and C.A.O. of VR as requested. He reported Mr. Schoppett had indicated VR's preference that any additional bond proceeds be used to pay down HC debt. They discussed water right matters, Mr. Schoppett indicated VR is open to negotiating the terms of extending the water lease for three to five years but he did not provide any proposals for consideration. They also discussed the HC promissory note, Mr. Schoppett stated VR was not likely to forgive the debt but would consider negotiations to lower the interest rate to a market rate. Director Kennedy reported he had also met with Ms. Orla Bannan, Assistant General Counsel of VR. She requested a written communication regarding water rights matters to which VR can respond.

Director Hudoff asked about the probability of the 50% debt to assessed value equation becoming relevant in the next few years. Mr. Ankele explained HC would need to have upcoming capital costs directly related to any HC request to RSR to provide funding based on the equation. He noted the long range financial plan which part of the amended service plan does not reflect any upcoming capital costs in the next few years.

Director Connell noted the interest rate for refinancing only the current RSR bonds starts in the range of 5%. As the principal amount increases for additional funds so does the interest rate which then reduces the benefit to the District. He pointed out HC debt is the least expensive debt, referring to the low variable rate and LOC fees, noting the costs are reimbursed by VR. He suggested separating out the water rights matter based on Director Kennedy's discussions. He made a motion to refinance only the RSR debt. After discussion, Director Hudoff asked to amend the motion to include additional funds that would preclude the potential for the Master IGA HC equation to be

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implemented for the next several years. He asked if it would be possible to estimate that amount. Mr. Marchetti responded the additional amount would not likely exceed \$500,000. The additional amount can be based on estimated assessed valuation increases and potential upcoming capital expenditures. He offered to work with Director Kennedy to review upcoming capital needs to better define the additional amount for consideration.

Mr. Marchetti asked if the Board wished to re-engage Mr. McGinnis as bond counsel. The Board agreed. He then reviewed a preliminary time line estimating a 45 to 60 day closing. It is expected a bond parameters resolution will be available for consideration at the March meeting. A request was made to allow RSR property owners the opportunity to purchase bonds prior to offering them to the open market.

In summary the Board directed moving forward with a bond issue as follows:

- In the amount necessary to redeem \$6,070,000 of the 2003 bonds (the District will contribute the funds needed for the 12/1/2015 principal payment plus the accrued interest through the date of closing)
- To cover cost of issuance
- For upcoming capital costs to be incurred by Holland Creek that are legally required to be funded by the District.

Upon motions duly made and seconded, it was unanimously

**RESOLVED** to authorize the engagement of Mr. McGinnis of Greenburg Traurig LLP as bond counsel subject to receipt of an acceptable engagement letter by Director Kennedy, and

**FURTHER RESOLVED** to direct Mr. Sharp along with staff and bond professionals to proceed with preparing documentation related to issuance of debt as described above.

The Board returned to discussion of water rights matters. It was pointed out last year Mr. Iskenderian had provided an estimated value of \$1.1 million for the necessary water rights. After hearing Director Kennedy's report on his meetings with VR representatives the Board directed Mr. Kennedy to request in writing a proposal from VR regarding either extension of the current lease or purchase of the water rights.

### Legal

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

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### **Financial Statements**

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

**RESOLVED** to approve the preliminary January 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.

### **MWLLC Engagement Letter**

The Board considered the MWLLC engagement letter. Upon motion duly made and seconded, it was unanimously

**RESOLVED** to approve the engagement letter with Marchetti & Weaver LLC.

### **Future Meetings**

The next regular meeting is scheduled for March 16, 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 February 16, 2015 Regular Meeting of the Red Sky Ranch Metropolitan District Board of Directors.

Respectfully submitted,  
*/s/ Kathy Lewensten*

Kathy Lewensten  
Recording Secretary