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August 17, 2017

Christopher J. Lau  
Lorri D. Lau  
505 River Drive  
Salida, Colorado 81201

Via registered mail

RE: Salida Natural Resources Center Development Corporation ("NRCDC");

Development Agreement between the NRCDC and the City of Salida dated July 7, 2010 (as amended, the "Development Agreement");

Ordinance 2011-14 dated August 16, 2011;

NRCDC Divestiture Resolution 2016-97 dated December 19, 2016;

Special Warranty Deed & Exhibit A (Chaffee County Clerk and Recorder Reception No. 435589 (7/12/17) (the "SWD").

Dear Mr. and Mrs. Lau:

As you know, I represent the City of Salida (the "City") with respect to the NRCDC and the Vandaveer Ranch property.

The purpose of this letter is to memorialize your past and ongoing notice of the City's title interests in Lot No. 1 as referenced in the SWD that was the subject of your recent transaction with the NRCDC ("Lot 1").

The City has a number of remaining real property interests in the Vandaveer Ranch, including Lot 1. (Ex. A, City – NRCDC Correspondence (5/8/17).) In addition, the City has open demands to the NRCDC with respect to contractual indemnity and reimbursement obligations. (Id.) Please review the attached correspondence and the materials referenced therein. (Id.)

The SWD and attached Title Commitment evidence that you were well aware of the title uncertainties and risks involved in the July 12, 2017 transaction, when you assumed the NRCDC's limited real property interest in Lot 1. Indeed, both the Title Commitment and the SWD itself contain the following exception:

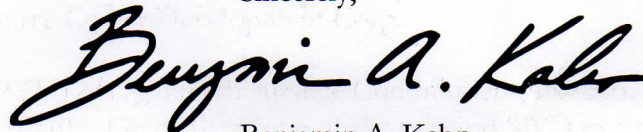
Any right, title, or interest of the City of Salida, Colorado or those claiming by, through, or under that said city as disclosed by public statements made by said City Officials and written demands for indemnification from the City to Salida Natural Resource Center Development Corp.

(SWD, Ex. A, Exception 12 (7/12/17); Title Insurance Commitment, File No. 209631, Schedule B, Part II(12) (undated).) Given the scope of the title and SWD exception and traditional transactional due diligence and disclosure efforts, we assume that you already are in possession of the City's indemnity demands to the NRCDC dated June 10, 2016, December 5, 2016 and March 6, 2017.

The City's disassociation from the NRCDC and its lender financed debt does not present a viable opportunity for private third party buyers to acquire clean title to Lot 1 or any other Vandaveer Ranch land without municipal consent and compensation. The City's taxpayers have invested millions of dollars in the Vandaveer Ranch, and we trust you recognize that the City will not just walk away from those municipal real property assets.

In any case, please provide the City with a copy of the actual Title Policy that you secured including any Schedule B, Part II or other exceptions for municipal rights. In the meantime, the City reserves all of its municipal rights with respect to Lot 1 and please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Benjamin A. Kahn". The signature is fluid and cursive, with the first name being the most prominent.

Benjamin A. Kahn

cc: Jim LiVecchi, City of Salida Mayor



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May 8, 2017

Natural Resource Center Development Corporation  
c/o Michael D. Scott  
Scott2 Law, LLC  
332 ½ West Sackett  
Salida, Colorado 81201

Via email to: [michaeldscottlaw@gmail.com](mailto:michaeldscottlaw@gmail.com)

RE: Salida Natural Resources Center Development Corporation ("NRCDC");

Development Agreement between the NRCDC and the City of Salida dated July 7, 2010 (as amended, the "Development Agreement");

Ordinance 2011-14 dated August 16, 2011;

NRCDC Divestiture Resolution 2016-97 dated December 19, 2016.



Dear Mike:

As you know, I represent the City of Salida (the "City") with respect to the Salida Natural Resource Center Subdivision, the Vandaveer Ranch property, and any Projects associated with the SNRCDC (collectively, "Vandaveer").

The purpose of this letter is to respond to the NRCDC's correspondence regarding remaining municipal rights in the NRCDC and/or the Vandaveer Ranch property dated March 17, 2017. Your letter blends real property and corporate entity organization issues with unrelated contractual indemnity and reimbursement demand considerations. The City has responded to that portion of your correspondence related to contractual indemnity and reimbursement demand considerations under separate cover.

## **I. The City's Remaining Interests in the NRCDC**

Your March 17, 2017 letter contains several puzzling defenses to an alleged threat of municipal control over the NRCDC corporate entity. In particular, you contend that the City approached an involved title company and claimed "that the City still retains rights and control over the NRCDC." (NRCDC Indemnity Response (3/17/17).) You then argue that the City lost any rights and control over the NRCDC corporate entity through the NRCDC Divestiture Resolution and the City's termination of the Development Agreement. (Id.)

Rest assured, the City has not asserted post-divestiture any ongoing rights over the NRCDC corporate entity. The City does not control the NRCDC Board or the NRCDC organization and takes no responsibility for the actions of the NRCDC or the NRCDC Board. Those issues, however, have nothing to do with the City's ongoing interests in the Vandaveer Ranch property.

## **II. The City's Remaining Interests in the Vandaveer Ranch Property**

The City's belief that it continues to have legal interests in the Vandaveer Ranch property is no secret. The City continues to post on its website the City's December 31, 2016 version of its Statement of Facts and Relevant Considerations related to the NRCDC and the City's December 16, 2016 Response to the NRCDC's Motion for Preliminary Injunction in Chaffee County District Court Case No. 2016CV30041 – and both of those documents include significant detail on why the City believes that it maintains a legal interest in the Vandaveer Ranch property to this day.

Moreover, the Development Agreement, Ordinance 2011-14, and Resolutions 2011-50, 2011-59, and 2016-97 all speak for themselves. The City believes that the real property title issues related to those Resolutions, that Ordinance and the Development Agreement given C.R.S. §31-15-713(1) and Colorado law are self-evident based on the form and timing of the involved documents.

For these reasons, the City specifically reserved its rights under the Development Agreement and Ordinance 2011-14 as part of NRCDC Divestiture Resolution 2016-97. (NRCDC Divestiture Resolution 2016-97 at §8.) Likewise, Central Colorado Title would not issue a title commitment to the City for the Vandaveer Ranch property without including exceptions related to satisfaction of the terms of Ordinance 2011-14, two related Resolutions and the Development Agreement. (Title Commitment at §§29, 30, 32 and 39 (1/31/17).) The City rejects the NRCDC's assertion that the City is somehow precluded from obtaining one or more title commitments for land that the City believes it may have an ownership or other interest in. (NRCDC Indemnity Response (3/17/17).)



The City most recently considered the real property issues associated with its divestiture from the NRCDC and termination of the Development Agreement during Executive Sessions on March 7, 2017 and March 21, 2017. (City Council Meeting Agenda at §VII (3/7/17; 3/21/17).) The Minutes and video related to the March 21, 2017 Executive Session reflect that the City was prepared to execute quit claim deeds for Lot 2 and the Outlot at that time. (City Council Meeting Minutes (3/21/17).) The Minutes and video also reflect that in response to City Attorney advisement on Vandaveer Ranch real property and title issues, the City decided to retain Lee Phillips as special counsel for any related claims analysis and any potential defense and/or prosecution purposes. (*Id.*) The City subsequently retained Mr. Phillips, and he intends on making a presentation to the City Council, Mayor and City Attorney in Executive Session in June with respect to any municipal real property rights related to the Vandaveer Ranch property. It is possible that I will have more direction from the City shortly thereafter with respect to the Vandaveer Ranch property.

In the meantime, the City reserves all of its rights under Ordinance 2011-14 and the Development Agreement with respect to its potential title interests in the Vandaveer Ranch property. The City will not release or waive the constricting limitations associated with the NRCDC's awkward title scope to the defined Property, *i.e.*, a "special warranty deed pursuant to the Development Agreement." (Ordinance 2011-14.) Further, the City cannot waive statutory requirements for the transfer of other municipal real property. (C.R.S. §31-15-713(1).)

\* \* \*

The City has no interest in clouding NRCDC title or interfering with NRCDC land sales. If the NRCDC can establish clean title to the Vandaveer Ranch or find a title company or buyer willing to assume the risks of a land sale that does not involve the City, the NRCDC should proceed unfettered and with all involved parties fully aware of the sale circumstances. But given the correspondence exchange you folks have initiated, the NRCDC is now on actual notice of the City's potential real property title interests in the Vandaveer Ranch property for disposition disclosure purposes.

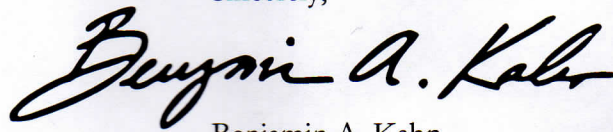
Irrespective, the City has every right to engage in real property title due diligence efforts and/or to consider the release or assignment of any municipal real property interests in the Vandaveer Ranch. While the City certainly has divested itself of the NRCDC corporate transmogrification, the City never released or otherwise abandoned any residual or reversionary title interests in the Vandaveer Ranch property pursuant to Ordinance 2011-14 and the Development Agreement.

The NRCDC appears to be shopping a limited special warranty deed title interest subject to any of the City's outstanding rights under the Development Agreement and Ordinance 2011-14, instead of coming to terms with the City's ongoing rights or the City's voluminous expenditures on the NRCDC's behalf over the last decade.

While it would be peculiar for the NRCDC to sue the City over real property title issues related to the Vandaveer Ranch property if it could actually transfer clean title to a third party buyer, we understand that the NRCDC is prepared "to take legal action" to prevent the City from engaging in further real property title due diligence or negotiation efforts related to any municipal interests in the Vandaveer Ranch property. (NRCDC Indemnity Response (3/17/17).) If the NRCDC decides to sue the City (again), please keep in mind that the NRCDC itself will in fact compromise title by doing so and will undermine Vandaveer Ranch property sale prospects in the process. Further, please allow the City's counsel notice of and an opportunity to participate in any judicial proceedings this time.

In any case, let's just touch base soon with respect to the respect to the parties' efforts regarding the solar panels, the Outlot and NRCDC corporate records.

Sincerely,

A handwritten signature in black ink, reading "Benjamin A. Kahn". The signature is written in a cursive, flowing style.

Benjamin A. Kahn

cc: Jim LiVecchi, City of Salida Mayor