

TELLURIDE SKI AREA EXPANSION APPROVAL AGREEMENT

This Telluride Ski Area Expansion Approval Agreement (this "Agreement") is entered into this ~~3~~¹³ of August, 1999, by the Telluride Ski & Golf Company, LLLP, a Colorado limited liability limited partnership ("Telski"), the Town of Mountain Village, a Colorado home rule municipality ("Mountain Village"), Telluride Mountain Village Resort Company, Inc., a Colorado non-profit corporation, d.b.a. Mountain Village Metropolitan Services, Inc. ("Metro Services") and the Town of Telluride, a Colorado home rule municipality ("Telluride").

RECITALS

- A. The United States Forest Service ("Forest Service") issued its Record of Decision ("ROD") regarding the Telluride Ski Area Expansion on June 22, 1999.
- B. Telluride desires to construct a parking facility in the location of the existing Coonskin Parking Lot or on the parcel of land commonly referred to as the Pearl Property and/or the impound lot, or other location within a short walking distance of Lift 7, that will provide a minimum of 225 parking spaces in addition to the number of parking spaces (i.e., 340) that currently exist in the Coonskin Parking Lot. Said parking facility shall be either a parking structure or parking lot that is hard surfaced with either concrete or at least a two inch depth of asphalt. A parking facility meeting all of the parameters set forth in this paragraph shall be hereinafter referred to as the "Parking Facility."
- C. Telski hereby acknowledges the Parking Facility is an allowed use on Lot L, Backman Village Subdivision, Town of Telluride.
- D. Telluride desires to have Telski contribute to the cost of the Parking Facility as a mitigation measure for existing and expansion related impacts from skiers.
- E. Mountain Village has expressed its unequivocal support for the ROD.
- F. Telski has agreed to contribute a portion of the cost of the Parking Facility, subject to the terms and conditions set forth below.
- G. Telluride currently commits one-half cent per dollar of taxable sales receipts within Telluride to be used for purposes related to employee housing.
- H. Telluride has requested that Mountain Village and Metro Services commit one-half cent per dollar of taxable sales receipts within Mountain Village to be used for purposes related to affordable employee housing.
- I. Mountain Village and Metro Services have consented to commit one-half cent per dollar of taxable sales receipts within Mountain Village to be used for purposes related to

affordable employee housing, subject to the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and the mutual promises contained herein, the parties hereto agree as follows:

1. First Phase Parking Facility Payments. Telski shall make one payment of One Hundred Twenty-Five Thousand and No/100 Dollars (\$125,000.00) (the "First Phase Payment") on the first June 1 following the fulfillment of the following condition:

- a) the approval by Telluride of the Parking Facility, including funding for its construction;

Second Phase Parking Facility Payments. On the next June 1 following the payment of the First Phase Payment and following the latter of the following events, Telski shall pay One Hundred Twenty-Five Thousand and No/100 Dollars (\$125,000.00) annually for each of three consecutive years ("Second Phase Payments"), for a total of Three Hundred Seventy-Five Thousand and No/100 Dollars (\$375,000.00) in Second Phase Payments:

- a) the initiation of construction and diligent pursuit of the completion of the Parking Facility; and
- b) the fulfillment by Telluride of its obligations set forth in Sections 3, 4, and 5 below.

Third Phase Parking Facility Payments. On the next June 1 following the last payment of the Second Phase Payments and following the latter of the following events, Telski shall pay One Hundred Twenty-Five Thousand and No/100 Dollars (\$125,000.00) annually for each of 11 consecutive years ("Third Phase Payments") for a total of One Million Three Hundred Seventy-Five Thousand and No/100 Dollars (\$1,375,000.00) in Third Phase Payments:

- a) the completion of the construction of the Parking Facility; or
- b) Telski's receipt of the final approval from the Forest Service for the actual construction of one or more lifts in the Telluride Ski Area Expansion.

2. User Parity. Skiers, guests, invitees and licensees of the Telluride ski resort (collectively, "Skiers") shall have the right to use the Parking Facility on a basis equivalent to that enjoyed by the general public. Skiers shall be charged for use of the Parking Facility at a rate no higher than that charged to the general public. Additionally, parking rates for the

Parking Facility shall not be structured in a manner that discriminates against skiers.

3. Transportation Systems. Telski shall have no responsibility for costs of providing any transportation system related to, or necessitated by, the development of the Parking Facility.
4. Support for Telluride Ski Area Expansion. Within two days after the full execution of this Agreement, Telluride will deliver a letter to the Forest Service expressing its support for the Telluride Ski Area Expansion. The form of said letter is attached hereto as Exhibit T-1. The foregoing notwithstanding, nothing herein shall be construed to prevent Mountain Village or Telluride from, time to time, making comments in response to various Telski Applications pertaining to the expansion provided that neither Mountain Village nor Telluride shall take any action that would serve to defeat ultimate development of the Telluride Ski Area Expansion as currently proposed.
5. No Appeals. Neither Mountain Village nor Telluride shall file an administrative or judicial appeal to the ROD.
6. Affordable Employee Housing. Mountain Village and Metro Services hereby commit a total of one-half cent per dollar of taxable sales, but not use tax, receipts within Mountain Village, with such proceeds to be collected and expended exclusively to fund the development and preservation of affordable employee housing, as defined by Mountain Village, including the acquisition of land therefor. Such proceeds shall be deposited and maintained by Mountain Village or Metro Services in a special "Affordable Employee Housing Fund". Such dedication of taxes for employee housing shall commence January 1, 2000, and be maintained by Mountain Village or Metro Services so long as Telluride maintains its existing dedicated one-half cent per dollar sales tax, but not use tax, for affordable housing purposes. Mountain Village and Metro Services shall use best efforts to obtain consent of the bondholders of the Telluride Gondola Transit Company Revenue Bonds Series 1995 for this commitment prior to the execution of this Agreement. In the event that consent cannot be obtained prior to the execution of this Agreement, Metro Services agrees to appropriate, from general funds, an amount, annually, equal to the revenue generated from a one-half cent sales tax, and deposit that amount in the Affordable Employee Housing Fund, until consent is obtained or no longer required.
7. Letter Regarding Ski Area Permit Boundary. Telski, Mountain Village and Telluride shall jointly send a letter to the Forest Service requesting that the ski area permit boundary remain in its current alignment in the vicinity of Bald Mountain. In the event the Forest Service fails to return the boundary to its original location, Telski agrees that it will not construct any lift off the top of Bald Mountain to the west or south.
8. Headings. The headings used in this Agreement are for convenience of reference only

and shall not be deemed to limit, characterize or in any way affect the interpretation of any provision of this Agreement.

9. Entire Agreement. This Agreement contains the entire agreement and understanding of the parties with respect to the subject matter hereof, and no other representations, promises, agreements or understandings regarding the subject matter hereof shall be of any force or effect unless in writing, executed by the party to be bound thereby and dated on or after the date hereof.
10. Modifications and Waivers. No change, modification or waiver of any provision of this Agreement shall be valid or binding unless it is in writing, dated subsequent to the date hereof and signed by each of the parties hereto. No waiver of any breach, term or condition of this Agreement by any party shall constitute a subsequent waiver of the same or any other breach, term or condition.
11. Counterparts and Facsimile Copies. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile copies of any party's signature hereon shall be deemed an original for all purposes of this Agreement.
12. Severability. In case any one or more of the provisions contained herein for any reason shall be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of this Agreement, provided the remaining provisions can be construed in substance to constitute the agreement which the parties intended to enter into in the first instance. In the event that the remaining provisions cannot be so construed, then the parties agree that the party(ies) intended to be benefited by any unfulfilled provision(s) shall be awarded damages equal to the value to it (them) of said provision(s).
13. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Colorado.
14. Waiver of Right to a Jury Trial. Each party hereto waives its right to a jury trial.
15. Remedies. The parties to this Agreement shall have all rights available at law or in equity to enforce the terms of this Agreement, including the right to specific performance.
16. Not a Joint Venture. The parties, by this Agreement, do not intend to establish a joint venture, partnership or agency relationship for any purpose, including, without limitation, the construction of the Parking Facility, and the parties acknowledge and agree that Telluride shall have sole authority therefor, except as specifically provided in this Agreement.

17. Binding Effect. This Agreement shall inure to the benefit of, and be binding upon, the parties hereto and their successors, representatives and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement intending that it be effective as of the date first written above.

TELLURIDE SKI & GOLF COMPANY, LLLP

By: The Mountain Village, Inc., a Colorado corporation, a general partner

By: Ronald D. Allred
Ronald D. Allred, Chief Executive Officer

ATTEST: Kim Montgomery
Kim Montgomery, Secretary

TOWN OF MOUNTAIN VILLAGE

By: _____
William A. Hanley, III, Mayor

ATTEST: _____
Linda Check, Town Clerk

SIGNATURES CONTINUED ON NEXT PAGE

8-13-1999 2:26AM

FROM MERICANA_CORPORATION 9707289509

Telluride Ski Area Expansion Approval Agreement
Page 5 of 6

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By: _____
Ronald D. Albred, Chief Executive Officer

ATTEST: _____
Kim Montgomery, Secretary


TOWN OF MOUNTAIN VILLAGE

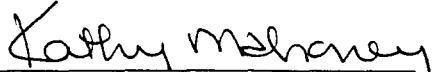
By: William A. Hanley, III
William A. Hanley, III, Mayor

ATTEST: Linda S. Check
Linda Check, Town Clerk

SIGNATURES CONTINUED ON NEXT PAGE

TELLURIDE MOUNTAIN VILLAGE RESORT COMPANY, INC.,
a Colorado non-profit corporation, d.b.a. **MOUNTAIN VILLAGE METROPOLITAN SERVICES, INC.**

By: 
David C. Flatt, Vice President

ATTEST: 
Kathy Mahoney, Assistant Secretary

TOWN OF TELLURIDE

By: _____
Elaine R.C. Fischer, Mayor

ATTEST: _____
Mary Jo Schillaci, Town Clerk

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By: _____
David C. Flatt, Vice President

ATTEST: _____
Kathy Mahoney, Assistant Secretary

TOWN OF TELLURIDE

By: Elaine R.C. Fischer
Elaine R.C. Fischer, Mayor

ATTEST: Mary Jo Schillaci
Mary Jo Schillaci, Town Clerk

EXHIBIT T-1

August 16, 1999

Mr. Robert Storch, Forest Supervisor
United States Forest Service
2250 Highway 50
Delta, CO 81416

Dear Mr. Storch:

The Town of Telluride wishes to express its full support for the Telluride ski area expansion presently under review by the USFS.

The Town, through an agreement negotiated with Telski and the Mountain Village, has settled upon certain mitigation measures which address concerns Telluride has had with regard to the impacts of expansion. The satisfactory resolution of these issues now enables the Town to state its support for ski area expansion.

We urge the USFS to proceed to finalize all approvals necessary to permit its occurrence.

Sincerely,

Elaine R.C. Fischer

cc: Telluride Town Council
Mr. Ron Allred, Telluride Ski and Golf Company

August 12, 1999

Mr. Robert Storch
Forest Supervisor
United States Forest Service
2250 Highway 50
Delta, CO 81416

Re: Revised Telluride Ski Area Boundary

Dear Mr. Storch:

Due to the concerns of a number of individuals in the Telluride regional community regarding the potential connection of future development property to the proposed ski area boundary adjacent to Bald Mountain, the undersigned parties respectfully request that the ski area boundary in said location go back to its original boundary.

Thank you for your attention to this matter.

TELLURIDE SKI & GOLF COMPANY, LLLP

By: The Mountain Village, Inc., a Colorado corporation, a general partner

By: Ronald D. Allred
Ronald D. Allred, Chief Executive Officer

TOWN OF MOUNTAIN VILLAGE

By: _____
William A. Hanley, III, Mayor

TOWN OF TELLURIDE

By: Elaine R.C. Fischer
Elaine R.C. Fischer, Mayor

8-13-1999 2:26AM FROM M. CANA_CORPORATION 9707289509

08/13/99 16:18 FAX

MAN TELLURIDE

001

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Forest Supervisor
United States Forest Service
2250 Highway 50
Delta, CO 81416

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By: Ronald D. Allred, Chief Executive Officer

TOWN OF MOUNTAIN VILLAGE

By: William A. Hamley, III, Mayor

TOWN OF TELLURIDE

By: Elaine R.C. Fischer, Mayor



Box 397 Telluride, CO 81435 (970) 728-3071
FAX (970) 728-3078

August 16, 1999

Mr. Robert Storch, Forest Supervisor
United States Forest Service
2250 Highway 50
Delta, CO 81416

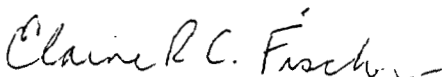
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Sincerely,


Elaine R.C. Fischer
Mayor

cc: Telluride Town Council
Mr. Ron Allred, Telluride Ski and Golf Company