

ACTIVE

EXHIBIT C

FIRST AMENDED AND RESTATED GONDOLA OPERATING AGREEMENT

THIS FIRST AMENDED AND RESTATED GONDOLA OPERATING AGREEMENT is made and entered into this 28th day of July, 1999, by and between TELLURIDE SKI & GOLF COMPANY, a Colorado limited liability limited partnership ("Telski"), TELLURIDE MOUNTAIN VILLAGE RESORT COMPANY, INC., a Colorado non-profit corporation, doing business as MOUNTAIN VILLAGE METROPOLITAN SERVICES, INC. ("Metro Services"), TELLURIDE GONDOLA TRANSIT COMPANY, a Colorado non-profit corporation ("TGTC"), MOUNTAIN VILLAGE METROPOLITAN DISTRICT, a quasi-municipal corporation ("Metro District"), the TOWN OF MOUNTAIN VILLAGE, COLORADO, a Colorado home rule municipality (the "Town") and SAN MIGUEL COUNTY, COLORADO, a body corporate and politic (the "County").

RECITALS

A. Telski, Metro Services, TGTC, Metro District, the Town, and the County acknowledge and agree that the operation of the gondola transportation facility (the "Gondola") is important to the economic health of the Mountain Village while at the same time providing an efficient, free public transportation system between the Town and the Town of Telluride.

B. Telski is directly affected by the operation of the Gondola in that in addition to providing a free public transportation system, the Gondola also functions as a ski lift during ski area hours of operation, which function creates a positive effect on the number of skier days.

C. Metro Services is directly affected by the operation of the Gondola in that the increased economic development of the Mountain Village resulting from said operation will provide additional revenues from Civic Assessments which are used to fund the operations of Metro Services.

D. TGTC is directly affected by the operation of the Gondola in that the increased economic development of the Mountain Village resulting from said operation will provide additional revenues from Real Estate Transfer Assessments which are pledged to pay debt service on the Gondola bonds and Gondola operating costs and, after defeasance of the bonds, will fund Gondola operating costs.

E. Metro District is directly affected by the operation of the Gondola in that the increased economic development of the Mountain Village resulting from said operation will provide additional revenues from tap fees, service fees and ad valorem taxes which are used to fund the operations of and the services provided by Metro District.

F. The Town is directly affected by the operation of the Gondola in that the increased economic development to the Mountain Village community resulting from said operation will provide additional revenues from permit fees, use taxes, ad valorem taxes, sales taxes, and lodging taxes which are used to fund the operations of and the services provided by the Town.

G. The County is directly affected by the operation of the Gondola in that it provides an efficient free public transportation system without impacting air quality and generally contributes to the economic well being of the County.

H. In recognition of the benefits to be derived by the respective parties as set forth herein, Telski, Metro Services, TGTC, Metro District, the Town and the County believe that it is in the best interests of each entity, the Mountain Village community, and the region as a whole, to enter into this Agreement to insure the future operation of the Gondola.

I. The Parties are entering into this Agreement for among other reasons the settlement of Case No. 97-CV-133 pending in the District Court, San Miguel County, State of Colorado (the "Lawsuit") and pursuant to the terms of the Settlement Stipulation ("Stipulation") and Stipulated Settlement Order ("Settlement Order") filed therein.

NOW THEREFORE, in consideration of the mutual benefits to be derived herefrom, the agreement of the parties to settle Case No. 97-CV-133 pending in the District Court, San Miguel County, State of Colorado, and the consent of the parties to the assignment of rights and delegation of duties provided for herein, the parties covenant and agree as follows:

DURATION OF AGREEMENT

1. This Agreement, and the respective rights, duties and obligations of the parties hereto, shall commence upon entry by the Court of the Settlement Order and shall terminate on December 31, 2027.

TGTC OBLIGATIONS

2. Until the payment, redemption or defeasance of the Telluride Gondola Transit Company Revenue Bonds, Series 1995 (the "1995 Bonds"), and Metro District's acceptance of the assignment by TGTC of all of TGTC's right, title and interest in and to the Gondola, TGTC, as owner of the Gondola shall operate, manage and maintain the Gondola as a free public transportation system. In connection with its obligation to operate, manage and maintain the Gondola, TGTC shall:

(a) Hire and supervise (and to the extent it deems necessary, discharge) operating and maintenance personnel, security guards and such other employees and agents as it deems in its judgment are desirable or necessary in connection with the performance of its duties and obligations hereunder;

(b) Cause the Gondola to be operated and maintained in good condition and repair, and in accordance with applicable law and any operating schedule that may be in place from time to time;

(c) (i) Keep the operation of the Gondola in compliance with all statutes, regulations and orders relating to occupational safety and health or environmental protection, (ii) maintain all records and file all reports or returns required to be maintained or filed pursuant to the provisions of

any applicable statute, regulation or order and (iii) obtain all applicable consents, permits, licenses and approvals of all governmental bodies the obtaining of which is of material importance to, or the failure to obtain which may have a material adverse effect on, the ownership or operation of the Gondola;

(d) Take such action as may be necessary to comply promptly with any orders or requirements affecting the Gondola imposed by any federal, state or local government having jurisdiction over the Gondola and any property on which the Gondola is located or which is used in connection with the Gondola;

(e) Maintain a tally of ridership of the Gondola during operation thereof and make such information available to the public;

(f) Increase the capacity of the Gondola facilities from time to time from its initial capacity to its ultimate capacity as necessary to meet demand.

(g) Operate the Gondola as a free transportation service for a scheduled minimum of sixteen (16) hours per day for a number of days such that the Gondola operates a total of not less than four thousand four hundred (4,400) scheduled hours per calendar year, (subject to, mechanical, lightning, wind, and other weather related shutdowns) which is the equivalent of sixteen (16) hours per day times two hundred seventy-five (275) days per calendar year. All consecutive hours of operation in excess of sixteen (16) shall be counted at one and one-half (1 1/2) times actual. Notwithstanding the foregoing, in no event shall the Gondola be operated for less than sixteen (16) actual hours per day for at least two hundred fifty (250) days per calendar year (subject to, mechanical, lightning, wind, and other weather related shutdowns).

3. Notwithstanding the foregoing obligations of TGTC, TGTC may retain a manager to operate, manage and maintain the Gondola and to carry out its obligations set forth herein.

4. Upon the payment, redemption or defeasance of the 1995 Bonds, or any subsequent bonds, TGTC shall assign all of its right, title and interest in and to the Gondola and delegate all of its duties with respect to the Gondola to Metro District.

5. In performance of TGTC's obligations set forth herein, TGTC may use shuttle vans or buses during periods of Gondola shutdown due to emergencies, including, but not limited to, adverse weather conditions, repairs, or power outages (but not including periods of low use or demand). Notwithstanding the above restriction, the Gondola operator may in its sole discretion elect to substitute shuttle vans or buses for Leg 3 (Station Mountain Village to Station Parking) of the Gondola during hours when the ski area is not operating.

6. In performance of TGTC's obligations set forth herein, TGTC shall exercise the care, skill and diligence as would be exercised by a prudent person

engaged in the ownership, operation and maintenance of a gondola transportation system.

METRO DISTRICT OBLIGATIONS

7. Upon the payment, redemption or defeasance of the 1995 Bonds, or any subsequent bonds, and Metro District's acceptance of the assignment by TGTC of all of TGTC's right, title and interest in and to the Gondola, and the delegation of all of TGTC's obligations with respect to the Gondola, Metro District shall immediately assume and be responsible for all of the obligations of TGTC set forth in Paragraph 2(a)-(g) hereof with respect to the operation, management and maintenance of the Gondola as a free public transportation system until December 31, 2027.

8. Notwithstanding the foregoing obligation of Metro District to assume the obligations of TGTC, Metro District may retain a manager to operate, manage and maintain the Gondola and to carry out its assumed obligations.

9. In performance of Metro District's obligations set forth herein, Metro District may use shuttle vans or buses during periods of Gondola shutdown due to emergencies, including, but not limited to, adverse weather conditions, repairs, or power outages (but not including periods of low use or demand). Notwithstanding the above restriction, Metro District may, in its sole discretion elect to substitute shuttle vans or buses for Leg 3 (Station Mountain Village to Station Parking) of the Gondola during hours when the ski area is not operating.

10. In performance of Metro District's obligations set forth herein, Metro District shall exercise the care, skill and diligence as would be exercised by a prudent person engaged in the ownership, operation and maintenance of a gondola transportation system.

METRO SERVICES OBLIGATIONS

11. Metro Services shall pay to TGTC, sufficient funds necessary to fund the operation and maintenance of the Gondola as a free public transportation system for a scheduled minimum of sixteen (16) hours per day for a number of days such that the Gondola operates a total of not less than four thousand four hundred (4,400) scheduled hours per calendar year, (subject to mechanical, lightning, wind, and other weather related temporary shutdowns) which is the hourly equivalent of sixteen (16) hours per day times two hundred seventy-five (275) days per year (the "Metro Services Financial Obligation"). All consecutive hours in excess of sixteen (16) shall be counted at one and one-half (1 1/2) times actual. Notwithstanding the foregoing, in no event shall Metro Services Financial Obligation in any calendar year be less than is necessary for the maintenance and operation of the Gondola for at least sixteen (16) actual hours per day for at least two hundred fifty (250) days per year (subject to, mechanical, lightning, wind and other weather related temporary shutdowns).

12. Prior to the payment, redemption or defeasance of the 1995 Bonds, the Metro Services Real Estate Transfer Assessment ("RETA") shall remain pledged to the lender on the 1995 Bonds and shall be deposited with the 1995 Bonds Trustee on a monthly basis for the payment of the debt service on the 1995 Bonds and operations.

Upon payment, redemption or defeasance of the 1995 Bonds, Metro Services shall pay or cause to be paid to Metro District, on a monthly basis, sufficient funds necessary to fund the operation and maintenance of the Gondola as a free public transportation system, as provided in paragraphs 2 and 11 hereof, and Metro Services hereby pledges its full faith and credit to the support of such payment obligations.

13. Subject to its obligations arising under the Series 1995 Gondola Funding Agreement dated November 30, 1995, the Telluride Mountain Village Resort Company Second Assignment of Real Estate Transfer Assessments dated November 30, 1995, the Guaranty Agreement dated November 30, 1995, and any other obligation of Metro Services in connection with the 1995 Bonds or any refinancing or refunding thereof, Metro Services hereby pledges, for the term of this Agreement, RETA revenues to fund the operation and maintenance of the Gondola as a free public transportation system, as provided in paragraph 11.

14. If, during any calendar year during the term of this Agreement, Metro Services shall have insufficient revenues, whether from RETA or other revenue sources, to fund the operation and maintenance of the Gondola as a free public transportation system in accordance with paragraphs 2 and 11 hereof, Metro Services shall levy a special assessment in accordance with its bylaws and the General Declaration for the Telluride Mountain Village, in an amount sufficient to perform its obligations hereunder.

TELSKI OBLIGATIONS

15. Telski shall pay, on a monthly basis, an amount equal to one percent (1%) of all gross revenues from the date hereof until December 31, 2027, from the sale of ski lift tickets for the Telluride Ski Area (the "Telski Surcharge Amount") for the immediately preceding month. For purposes of this section, "gross revenues" shall mean the gross selling price of all ski lift tickets whether for cash or credit, whether made by Telluride Ski Area or Telski personnel or by machines, and whether in the form of gift certificates or like vouchers, but excluding therefrom the following: (a) revenues received from the sale of season ski passes for the Telluride Ski Area; and (b) the sale of discount cards such as the Telluride Card, but gross revenues shall include the revenues from the sale of daily ski lift tickets purchased utilizing such discount cards.

16. Prior to the payment, redemption or defeasance of the 1995 Bonds, Telski shall deposit the Telski Surcharge Amount, on a monthly basis, into the Project Account as defined and set forth in the Amended and Restated Funding Agreement dated November 30, 1995, between Metro Services, TGTC, Metro District and Telski. Upon payment, redemption or defeasance of the 1995 Bonds, Telski shall remit the Telski Surcharge Amount directly to Metro District or to such other entity operating the Gondola as Metro District may direct.

COOPERATION BETWEEN THE PARTIES

17. Each of the parties hereto agrees to cooperate with each other to assure the safe and efficient operation of the Gondola.

DEFAULT AND ENFORCEMENT RIGHTS

18. In the event any party to this Agreement defaults in the performance of its respective obligations arising hereunder, any one or all of the non-defaulting parties shall deliver written notice of such default to the defaulting party. In the event the defaulting party fails to cure such default within ten (10) days after receipt of said written notice, this Agreement and the respective obligations of the defaulting party shall be enforceable by an order of specific performance or injunctive relief upon motion therefore brought by one or all of the non-defaulting parties against the defaulting party. Additionally, any non-defaulting party may seek the recovery of actual damages but may not seek to recover consequential or special damages.

NO THIRD PARTY BENEFICIARIES

19. There are no third party beneficiaries to this Agreement and nothing contained herein shall in any way be construed to give any rights to any third party.

NOTICE

20. Notice shall be by certified mail, return receipt requested, or by personal delivery. The addresses of the parties for the delivery of any notices authorized by this Agreement are:

Telluride Ski & Golf Company
565 Mountain Village Blvd.
Mountain Village, CO 81435

Mountain Village Metropolitan Services, Inc.
113 Lost Creek Lane, Suite A
Mountain Village, CO 81435

Telluride Gondola Transit Company
113 Lost Creek Lane, Suite A
Mountain Village, CO 81435

Mountain Village Metropolitan District
113 Lost Creek Lane, Suite A
Mountain Village, CO 81435

Town of Mountain Village
113 Lost Creek Lane, Suite A
Mountain Village, CO 81435

San Miguel County, Colorado
P.O. Box 1170
Telluride, CO 81435

Notice shall be considered delivered, if sent by certified mail, on the date indicated upon the return receipt; or, upon receipt if delivered in person.

INTEGRATION

21. This Agreement and the Settlement Order constitute the full, complete, and integrated understanding of the parties hereto, and no prior or contemporaneous promise, representation, term, condition, or understanding, of any party regarding the subject matter specified herein, shall be of any legal force or effect unless embodied herein in writing, or in a subsequent written amendment to this Agreement mutually agreed to by the parties.

BINDING EFFECT

22. This Agreement shall be binding upon and shall inure to the benefit of any successors to or assigns of the parties hereto.

REPLACEMENT OF GONDOLA OPERATING AGREEMENT

23. This Agreement supersedes and replaces in its entirety the Gondola Operating Agreement dated the 27th day of October, 1998.

REPRESENTATIONS AND WARRANTIES OF THE PARTIES

24. Each person signing for a party represents and warrants that such party (i) has not assigned any rights or delegated any obligations which are the subject of this Agreement; (ii) that all required authorizations and approvals for a party to enter into this Agreement have been duly and lawfully given; (iii) that each person signing for a party has authority to sign this Agreement as a binding obligation of such party; and (iv) that each party intends for this Agreement to be enforceable according to its terms.

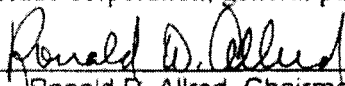
COUNTERPARTS

25. This Agreement may be executed in counterparts, all of which together shall constitute one and the same Agreement.

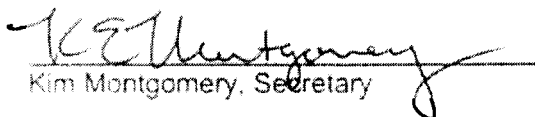
IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized officers on the date first appearing above.

**TELLURIDE SKI & GOLF COMPANY, LLLP, a
Colorado limited liability limited partnership**

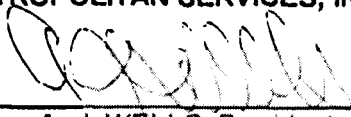
By: **THE MOUNTAIN VILLAGE, INC., a
Colorado corporation, general partner**

By: 
Ronald D. Allred, Chairman

ATTEST:


Kim Montgomery, Secretary

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

By: 
A. J. WELLS, President

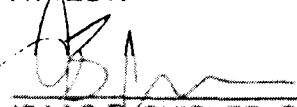
ATTEST:


RUTHANN K. RUSSELL, Secretary

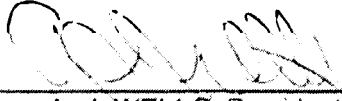
TELLURIDE GONDOLA TRANSIT COMPANY, a
Colorado non-profit corporation

By: 
A. J. WELLS, President

ATTEST:


ISAAC B. SHISLER, Secretary

MOUNTAIN VILLAGE METROPOLITAN DISTRICT, a quasi-municipal corporation

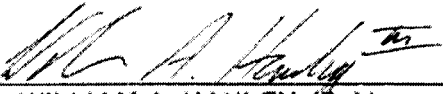
By: 
A. J. WELLS, President

ATTEST:

DAVID C. FLATT, Secretary



**TOWN OF MOUNTAIN VILLAGE, COLORADO, a
Colorado home rule municipality**

By 
WILLIAM A. HANLEY III, Mayor

ATTEST:


LINDA L. CHECK, Town Clerk



**BOARD OF COUNTY COMMISSIONERS OF SAN
MIGUEL COUNTY, COLORADO**

By 
ART GOODTIMES, Chairman

ATTEST: 
GAY CAPPIS, County Clerk and Recorder

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