

CHONDOLA OPERATING AGREEMENT

THIS CHONDOLA OPERATING AGREEMENT (this "Agreement") is entered into this 21st day of December, 2002, by and between the Telluride Ski & Golf Company, LLLP ("Telski"), a Colorado limited liability limited partnership and Telluride Mountain Village Resort Company, a Colorado non-profit corporation, doing business as Mountain Village Metropolitan Services, Inc. ("Metro Services").

RECITALS

WHEREAS, Telski owns and operates the Telluride Ski Area in and adjacent to the towns of Telluride and Mountain Village, Colorado (the "Ski Area");

WHEREAS, Metro Services has recognized the need for providing transportation to the public between the Meadows area of the Town of Mountain Village and the Village Core.

WHEREAS, the Meadows Chair Lift #1 ("Lift #1") is located in the Town of Mountain Village and provides skier and snowboarder lift access from the Meadows area to the Village Core;

WHEREAS, Metro Services previously commissioned and engaged Telski to modify its Lift #1 to allow for pedestrian public transportation between the Meadows area and the Village Core, through the installation of gondola cars on Lift #1 (Lift #1 as modified is referred to herein as the "Chondola");

WHEREAS, Telski funded and constructed the Chondola with a public transportation adaptation for the purpose of transporting the public between the Meadows area and the Village Core;

WHEREAS, the parties have agreed Metro Services shall assume the incremental operating costs of the Chondola associated with transporting the public between the Meadows area and the Village Core;

WHEREAS, Telski and Metro Services entered into that certain Mountain Village Chondola Funding Agreement dated November 26, 1997 ("Chondola Funding Agreement");

WHEREAS, the operating hours of the Chondola outside of the operating hours of the ski area have increased since the parties entered into the Chondola funding Agreement;

WHEREAS, Telski and Metro Services desire this Agreement to fully replace and supersede the Chondola Funding Agreement; and any and prior agreements

WHEREAS, Telski and Metro Services desire that this Agreement be retroactive to May 1, 2002.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises, covenants, and conditions set forth herein, the undersigned parties agree as follows:

1. Allocation of Operating, Maintenance and Repair Costs. Telski shall be responsible for the costs of the operation, maintenance and repair of the Chondola during the operating hours of the Ski Area. Metro Services shall be responsible for the costs of the operation of the Chondola during all other times of the Chondola's operation. The Chondola operating, maintenance and repair costs shall be paid as follows:

1.1 Labor Costs. Metro Services and Telski shall each pay directly for its respective labor costs related to the operation, maintenance and repair of the Chondola. To the extent that Telski operates the Chondola during hours that the Ski Area is not in operation, Metro Services shall reimburse Telski for all of its labor costs associated with such operations, maintenance and repair during such periods.

1.2 Direct Costs. Direct costs shall include all other costs such as gas and oil, parts and supplies, postage and freight, , utilities and subcontracts that are directly related to the operation and routine repair and maintenance of the Chondola. Telski shall pay all direct costs as they are incurred, and Metro Services shall reimburse Telski for the Metro Services' portion of the direct costs in accordance with the following provisions. An estimated "standard" monthly rate will be mutually agreed upon by Telski and Metro Services at the beginning of each annual term. Telski will invoice Metro Services at the end of each month, and Metro Services shall make payment within 30 days after receipt of the invoice. At the end of each annual term, there will be an adjustment to actual cost, with the difference settled out through the next billing. Metro Services' portion of the actual cost will be 50%.

1.3 Capital Lease Costs. Telski finances the Chondola through a capital lease (the "Capital Lease"). Metro shall reimburse Telski for 16 percent of the Capital Lease costs. This percentage is based on the ratio of original capital costs of the public transportation adaptations divided by the total capital costs of the Chondola system. The Chondola Lease Payment shall be billed to Metro Services by Telski on a monthly basis and shall be due thirty days after Metro Services' receipt of an invoice.

1.4. Evacuation/Medical Service Costs. Except as provided in Section 3, each of Telski and Metro Services shall directly pay any costs associated with evacuation or medical service incurred during its respective period of responsibility for operation.

1.5 Maintenance. During their respective maintenance periods each of Telski and Metro Services shall cause the Chondola to be maintained in good condition and repair, in compliance with Telski's maintenance procedures and in accordance with applicable law. Metro

Chondola Operating Agreement

Page 3 of 6

Services shall provide all labor necessary to perform all customary and routine evening and nighttime maintenance on the Chondola, as well as to perform all maintenance during the hours that Metro Service is responsible for operation of the Chondola. Telski shall provide all labor to perform any necessary maintenance during the summer months that the Chondola is not in operation, as well as to perform all labor necessary during the hours that Telski is responsible for operation of the Chondola.

1.6 Insurance. Telski shall incur all insurance premium costs associated with the Chondola, except to the extent that additional insurance premiums are due because of the use of the Chondola during the hours that Metro Services is responsible for the operation of the Chondola. The insurance deductible amount for any claim will be paid for by the entity operating the Chondola at the time of the claim incident.

1.7 Vandalism. Repairs due to vandalism will be paid 100 percent by the entity responsible for operating the Chondola at the time of the vandalism. If vandalism occurs when neither entity is operating the Chondola, the repair costs shall be allocated between Telski and Metro Services on the same percentage basis as the allocation of Direct Costs.

1.8 New Chondola Cabins. Metro Services and Telski will share equally the cost of all new Chondola cabins required under the County/TELSKI Telluride Ski Area Expansion Approval Agreement dated August 26, 1999. Such cost must be approved by both parties prior to be incurred.

✓ 1.9 Extraordinary Costs. Costs beyond normal operations and ordinary repair and maintenance shall be deemed extraordinary costs and shall be allocated between Telski and Metro Services equally (50%/50%). Such costs must be approved by both parties prior to being incurred.

1.10 Miscellaneous Cost Items. Each party shall pay its own costs for uniforms and administration and other in-house general overhead costs.

2. Licensee of Record. Metro Services recognizes that Telski is the licensee of record with the Colorado Passenger Tramway Safety Board and agrees to operate the Chondola in accordance with Telski's operating procedures.

3. Staffing. The Chondola shall be staffed by Telski from 7:00 AM to 4:30 PM, seven days a week during the ski season. Because Telski's hours of operation are normally only from 9:00 AM to 4:30 PM seven days a week during the ski season, Metro Services shall reimburse Telski or pay for all costs associated with the first two hours of operation each day of the ski season, including costs associated with maintenance, repair, evacuation, medical service and vandalism. Metro Services shall staff and operate the Chondola during all other hours of the Chondola's operation.

4. Indemnification.

4.1 To the full extent permitted by law, Telski shall indemnify Metro Services and its officers, directors, agents, and employees, and shall protect, defend, save and hold them harmless from and against all liabilities, costs and expenses (including, without limitation, attorneys' fees, court costs and other expenses of litigation) incurred by or asserted against Metro Services as a result of the use and operation of the Chondola, to the extent that such liabilities, losses, damages, penalties, claims, demands, actions, costs and expenses arise out of or result from the negligence or willful misconduct of, or material breach of this Agreement by Telski or its officers, directors, shareholders, agents, and employees.

4.2 To the full extent permitted by law, Metro Services shall indemnify Telski and its officers, directors, agents, and employees, and shall protect, defend, save and hold them harmless from and against all liabilities, costs and expenses (including, without limitation, attorneys fees, court costs and other expenses of litigation) incurred by or asserted against Telski as a result of the use and operation of the Chondola, to the extent that such liabilities, losses, damages, penalties, claims, demands, actions, costs and expenses arise out of or result from the negligence or willful misconduct of, or material breach of this Agreement by Metro Services or its officers, directors, shareholders, agents, and employees.

5. Term. The initial term of this Agreement shall be for the period of one year and shall automatically renew for additional unlimited one year terms unless written notice of termination is provided by either party no less than 60 days prior to the end of the then current term.

6. Notices. All notices or other communications required or permitted by this Agreement shall be in writing and shall be deemed to have been duly received (a) if given by telecopier, when transmitted and the appropriate telephonic confirmation received if transmitted on a business day and during normal business hours of the recipient, and otherwise on the next business day following transmission, (b) if given by certified or registered mail, return receipt requested, postage prepaid, seven (7) business days after being deposited in the U.S. mails and (c) if given by courier or other means, when received or personally delivered, and in any such case, addressed as follows:

If to Telski:

Telluride Ski & Golf Company, LLLP
565 Mountain Village Boulevard
Telluride, CO 81435
Attn: Jeff Proteau
Facsimile: 970-728-7582

with a copy to:

Telluride Ski & Golf Company, LLLP
565 Mountain Village Boulevard
Telluride, CO 81435
Attn: Isaac B. Shisler
Facsimile: 970-728-7368

If to Metro Services:

Mountain Village Metropolitan Services, Inc.
113 Lost Creek Lane
Telluride, CO 81435
Attn: Kathy Mahoney
Facsimile: 970-728-7577

or to such other addresses as may be specified by either party to the other party pursuant to notice given in accordance with the provisions herein.

7. Entire Agreement. This Agreement contains the entire understanding and agreement between the parties respecting the subject matter and supersedes any and all prior agreements or understandings.

8. 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 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.

9. Governing Law/Venue. **Metro Services consents and agrees that all legal proceedings relating to the subject matter of this Agreement shall be maintained in state courts sitting in San Miguel County, Colorado or federal district courts sitting in the District of Colorado, and Metro Services consents and agrees that jurisdiction and venue for such proceedings shall lie exclusively with such courts.**

10. Severability. If 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, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision or provisions had never been contained herein.

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 document. Facsimile copies of any party's signature hereon shall be deemed an original for all purposes of this Agreement.

12. Attorney's Fees. In the event that any action is filed in relation to this Agreement, the non-prevailing party in the action shall pay to the prevailing party, in addition to all sums that either party may be called upon to pay, a reasonable sum for the prevailing party's attorneys' fees and costs of litigation.

13. 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.

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

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

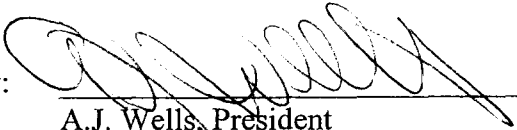
By: Telski Operations, Inc., a Colorado corporation,
a general partner

By: 

Name: John M Steves

Title: COO

TELLURIDE MOUNTAIN VILLAGE RESORT COMPANY,
a Colorado non-profit corporation, doing business as
MOUNTAIN VILLAGE METROPOLITAN SERVICES, INC.

By: 
A.J. Wells, President