

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

For the quarterly period ended April 30, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION B OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM \_\_\_\_\_ TO \_\_\_\_\_

COMMISSION FILE NUMBER: 1-9614

VAIL RESORTS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of  
incorporation or organization)

51-0291762

(I.R.S. Employer  
Identification No.)

POST OFFICE BOX 7

VAIL, COLORADO

(Address of principal executive office)

81658

(Zip Code)

Registrant's telephone number, including area code: (970) 476-5601

-----  
Former Name, Former Address and Former Fiscal Year,  
If Changed Since Last Report.

None

Indicate by check mark whether the registrant: (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days. Yes  No

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As of June 2, 1998, 34,308,320 shares of common stock were issued and  
outstanding, of which 7,439,834 shares were Class A Common Stock and 26,868,486  
shares were Common Stock.

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PART I

ITEM 1. FINANCIAL STATEMENTS

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VAIL RESORTS, INC.  
CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per share amounts)

	April 30, 1998	September 30, 1997
	----- (Unaudited)	-----
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents.....	\$ 11,682	\$ 14,703
Receivables.....	27,776	22,107
Inventories.....	10,313	10,789
Deferred income taxes.....	29,674	24,500
Other current assets.....	5,265	4,253
	-----	-----
Total current assets.....	84,710	76,352
Property, plant, and equipment, net.....	500,900	411,117
Real estate held for sale.....	134,940	154,925
Deferred charges and other assets.....	13,734	13,290
Intangible assets.....	199,683	200,265
	-----	-----
Total assets.....	\$933,967	\$855,949
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued expenses.....	\$ 58,431	\$ 70,171
Income taxes payable.....	325	325
Rights payable to stockholders.....	-	5,707
Long-term debt due within one year (Note 3).....	1,731	1,715
	-----	-----
Total current liabilities.....	60,487	77,918
Long-term debt (Note 3).....	246,607	263,347
Other long-term liabilities.....	23,274	23,281
Deferred income taxes.....	126,619	85,737
Commitments and contingencies (Note 5)		
Stockholders' equity (Note 1)		
Preferred stock, \$.01 par value 25,000,000 shares authorized, no shares issued and outstanding.....	-	-
Common stock-		
Class A Common Stock, \$.01 par value, 20,000,000 shares authorized, 11,439,834 shares issued and outstanding as of April 30, 1998 and September 30, 1997, respectively.....	114	116
Common Stock, \$.01 par value, 80,000,000 shares authorized, 22,863,586, and 21,765,815 shares issued and outstanding as of April 30, 1998 and September 30, 1997, respectively..	229	218
Additional paid-in capital.....	399,137	385,634
Retained earnings.....	77,500	19,698
	-----	-----
Total stockholders' equity.....	476,981	405,666
	-----	-----
Total liabilities and stockholders' equity.....	\$933,967	\$855,949
	=====	=====

See accompanying notes to consolidated financial statements.

VAIL RESORTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except share and per share amounts)  
(Unaudited)

	Three months ended April 30, 1998	Three months ended April 30, 1997
	-----	-----
Net revenues:		
Resort.....	\$170,051	\$144,705
Real estate.....	3,912	3,607
	-----	-----
Total net revenues.....	173,963	148,312
Operating expenses:		
Resort.....	82,413	67,453
Real estate.....	3,292	4,133
Corporate expense.....	1,544	1,766
Depreciation and amortization.....	11,488	9,781
	-----	-----
Total operating expenses.....	98,737	83,133
	-----	-----
Income from operations.....	75,226	65,179
Other income (expense):		
Investment income.....	570	696
Interest expense.....	(4,869)	(7,344)
Gain (loss) on sale of fixed assets.....	378	(10)
Other.....	(101)	410
	-----	-----
Income before income taxes.....	71,204	58,931
Provision for income taxes (Note 2).....	(29,541)	(24,456)
	-----	-----
Net income.....	\$ 41,663	\$ 34,475
	=====	=====
Net income per common share (Notes 2 and 5):		
Basic.....	\$ 1.21	1.05
	=====	=====
Diluted.....	\$ 1.20	\$ 1.01
	=====	=====

See accompanying notes to consolidated financial statements

VAIL RESORTS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except share and per share amounts)  
(Unaudited)

	Seven months ended April 30, 1998	Seven months ended April 30, 1997
	-----	-----
Net revenues:		
Resort.....	\$310,244	\$229,177
Real estate.....	55,305	53,638
	-----	-----
Total net revenues.....	365,549	282,815
Operating expenses:		
Resort.....	179,427	121,547
Real estate.....	47,501	47,460
Corporate expense.....	3,207	2,840
Depreciation and amortization.....	25,036	18,129
	-----	-----
Total operating expenses.....	255,171	189,976
Income from operations.....	110,378	92,839
Other income (expense):		
Investment income.....	1,275	863
Interest expense.....	(12,962)	(12,719)
Gain (loss) on sale of fixed assets.....	378	(35)
Other.....	(321)	(150)
	-----	-----
Income before income taxes.....	98,748	80,798
Provision for income taxes (Note 2).....	(40,946)	(33,640)
	-----	-----
Net income.....	\$ 57,802	\$ 47,158
	=====	=====
Net income per common share (Notes 2 and 5):		
Basic.....	\$1.69	\$1.75
	=====	=====
Diluted.....	\$1.67	\$1.69
	=====	=====

See accompanying notes to consolidated financial statements.

VAIL RESORTS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Seven Months ended April 30, 1998	Seven Months ended April 30, 1997
	-----	-----
Cash flows from operating activities:		
Net income.....	\$ 57,802	\$ 47,158
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	25,036	18,129
Noncash cost of real estate sales.....	37,966	38,338
Noncash compensation related to stock grants...	209	157
Deferred financing costs amortized.....	308	173
(Gain) loss on disposal of fixed assets.....	(378)	35
Changes in assets and liabilities:		
Deferred income taxes.....	40,946	33,640
Accounts receivable, net.....	(5,627)	(7,763)
Inventories.....	1,085	1,777
Accounts payable and accrued expenses.....	(14,504)	(9,432)
Other assets and liabilities.....	(389)	7,192
	-----	-----
Net cash provided by operating activities...	142,454	129,404
Cash flows from investing activities:		
Cash paid in resort acquisition, net of cash acquired.....	-	(149,259)
Cash paid in hotel acquisitions, net of cash acquired.....	(54,637)	-
Resort capital expenditures.....	(64,815)	(26,845)
Investments in real estate.....	(10,495)	(28,367)
	-----	-----
Net cash used in investing activities.....	(129,947)	(204,471)
Cash flows from financing activities:		
Proceeds from initial public offering.....	-	98,150
Refund of development bond reserve fund (Note 3)...	3,297	-
Proceeds from the exercise of stock options.....	6,919	-
Payments under Rights.....	(5,707)	(42,175)
Proceeds from borrowings under long-term debt.....	291,016	192,500
Payments on long-term debt.....	(311,053)	(134,184)
	-----	-----
Net cash (used in) provided by financing activities	(15,528)	114,291
	-----	-----
Net (decrease) increase in cash and cash equivalents..	(3,021)	39,224
Cash and cash equivalents:		
Beginning of period.....	14,703	12,712
	-----	-----
End of period.....	\$ 11,682	\$ 51,936
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:		
Issuance of common stock in resort acquisition....	\$ --	151,088
Assumption of liabilities in resort acquisition....	\$ --	\$ 91,480
	=====	=====
Option exercise price exchanged for Rights payment.	\$ --	\$ 2,740
	=====	=====
Assumption of liabilities in hotel acquisitions....	\$ 3,272	\$ --
	=====	=====
Issuance of shares under restricted stock grants...	\$ 288	\$ --
	=====	=====

See accompanying notes to consolidated financial statements.

VAIL RESORTS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

Vail Resorts, Inc. ("Vail Resorts") is organized as a holding company and operates through various subsidiaries. Vail Resorts and its subsidiaries (collectively, the "Company") currently operate in two business segments, mountain resorts and real estate development. Vail Associates, Inc., a wholly-owned subsidiary of Vail Resorts, and its subsidiaries (collectively, "Vail Associates") operate four of the world's largest skiing facilities on Vail, Breckenridge, Keystone and Beaver Creek mountains in Colorado. The Breckenridge and Keystone mountain resorts (collectively, the "Acquired Resorts"), together with the Arapahoe Basin mountain resort and significant related real estate interests and developable land, were acquired by the Company on January 3, 1997 (the "Acquisition"). The Company divested the Arapahoe Basin mountain resort on September 5, 1997. Vail Resorts Development Company ("VRDC"), a wholly-owned subsidiary of Vail Associates, Inc., conducts the Company's real estate development activities. The Company's mountain resort business, which is primarily composed of ski operations and related amenities, is seasonal in nature with a typical ski season beginning in mid-October and continuing through mid-May.

On November 5, 1997, the Company announced the change of its fiscal year end from September 30 to July 31. Accordingly, the Company's fiscal year 1998 will end on July 31, 1998 and consist of ten months. For fiscal 1998, the Company filed a transitional interim report for the four months ended January 31, 1998 and will file this quarterly report for the three months ended April 30, 1998 and an annual report for the ten months ended July 31, 1998, all on a comparative basis with the prior year. This quarterly report for the three months ended April 30, 1998 includes statements of financial position as of April 30, 1998, and September 30, 1997, comparative results of operations for the three and seven month periods ended April 30, 1998, and comparative statements of cash flows for the seven months ended April 30, 1998.

In the opinion of the Company, the accompanying consolidated financial statements reflect all adjustments necessary to present fairly the Company's financial position, results of operations and cash flows for the interim periods presented. All such adjustments are of a normal recurring nature. Results of the Acquired Resorts have been included for the period from January 4 to April 30 in fiscal 1997 and for the full seven month period in fiscal 1998. The assets and liabilities, and results of operations of Arapahoe Basin, which the Company divested in September 1997, have been excluded from the accompanying financial statements for all periods presented. Results for interim periods are not indicative of the results for the entire year. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 1997 included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation--The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Investments in joint ventures are accounted for under the equity method. All significant intercompany transactions have been eliminated.

Income Taxes--The Company accounts for income taxes using the liability method required by Statement on Financial Accounting Standards No. 109, 'Accounting for Income Taxes'. The Company has provided for income taxes in the accompanying interim statements of operations at the estimated effective income tax rates for fiscal 1998 and 1997, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--(CONTINUED)

Earnings Per Common Share-- In accordance with Statement on Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share", the Company computes earnings per share on both the basic and diluted basis.

Reclassifications-- Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation.

3. LONG-TERM DEBT

Long-term debt as of April 30, 1998 and September 30, 1997 is summarized as follows (in thousands):

	APRIL 30, 1998 -----	SEPTEMBER 30, 1997 -----
Industrial Development Bonds (a)..	\$ 64,560	\$ 61,263
Credit Facilities (b).....	182,000	202,000
Other.....	1,778	1,799
	-----	-----
	248,338	265,062
Less-current maturities.....	1,731	1,715
	-----	-----
	\$246,607	\$263,347
	=====	=====

(a) At September 30, 1997 the Company had \$41.2 million of outstanding Industrial Development Bonds issued by Eagle County, Colorado which accrued interest at 8% per annum and matured on August 1, 2009. Interest was payable semi-annually on February 1 and August 1. The Company provided the holder of these bonds a debt service reserve fund of \$3.3 million, which was netted against the principal amount for financial reporting purposes. The Industrial Development Bonds were secured by the stock of the subsidiaries of Vail Associates and the United States Forest Service permits. On April 9, 1998, the Industrial Development Bonds issued by Eagle County, Colorado were refinanced. Under the terms of the new agreement interest accrues at 6.95% per annum and the \$41.2 million bond principal amount matures on August 1, 2019. Interest is payable semi-annually on February 1 and August 1. The previous debt service fund of \$3.3 million was refunded to the company. The bonds are secured by the Vail and Beaver Creek United States Forest Service Permits.

(b) At September 30, 1997, the Company's Credit Facilities consisted of (i) a \$175 million Revolving Credit Facility, (ii) a \$115 million Tranche A Term Loan Facility and (iii) a \$50 million Tranche B Term Loan Facility (together with Tranche A, the "Term Loan Facilities") thereby providing for aggregate debt financing of \$340 million. The Revolving Credit Facility would have matured on April 15, 2003 and the Term Loan Facilities required minimum amortization payments ranging from \$11.5 to \$41.0 million annually from 1998 to 2004. On December 19, 1997, the Company amended its Credit Facilities to provide an increase in aggregate debt financing from \$340.0 million to \$450.0 million and to eliminate the required minimum amortization payments under the Term Loan Facilities. All amounts outstanding under the Revolving Credit Facility and the Term Loan Facilities at December 19, 1997 were refinanced under a single revolving credit facility maturing on December 19, 2002. Interest on outstanding borrowings under the new Revolving Credit Facility is payable at rates based upon either LIBOR (5.66% at April 30, 1998) plus a margin ranging from .50% to 1.25% or prime (8.5% at April 30, 1998) plus a margin of up to .125%. The Company also pays a quarterly unused commitment fee ranging from .125% to .30%. The interest margins fluctuate based upon the ratio of Funded Debt to the Company's Resort EBITDA (as defined in the underlying Credit Agreement).

#### 4. COMMITMENTS AND CONTINGENCIES

Smith Creek Metropolitan District ("SCMD") and Bachelor Gulch Metropolitan District ("BGMD") were organized in November 1994 to cooperate in the financing, construction and operation of basic public infrastructure serving the Company's Bachelor Gulch Village development. SCMD was organized primarily to own, operate and maintain water, street, traffic and safety, transportation, fire protection, parks and recreation, television relay and translation, sanitation and certain other facilities and equipment of the BGMD. SCMD is comprised of approximately 150 acres of open space land owned by the Company and members of the Board of Directors of the SCMD. In two planned unit developments, Eagle County has granted zoning approval for 1,395 dwelling units within Bachelor Gulch Village, including various single family homesites, cluster home and townhome, and lodging units. As of April 30, 1998, the Company has sold 101 single family homesites and has entered into contracts for the sale of 5 parcels to developers for the construction of various types of dwelling units. Currently, SCMD has outstanding \$44.5 million of variable rate revenue bonds maturing on October 1, 2035, which have been enhanced with a \$47.2 million letter of credit issued against the Company's Revolving Credit Facility. It is anticipated that as the Bachelor Gulch community expands, BGMD will become self supporting and that within 25 to 30 years will issue general obligation bonds, the proceeds of which will be used to retire the SCMD revenue bonds. Until that time, the Company has agreed to subsidize the interest payments on the SCMD revenue bonds. The Company has estimated that the present value of this aggregate subsidy to be \$15.8 million at April 30, 1998. The Company has allocated \$9.5 million of that amount to the Bachelor Gulch Village single family homesites which were sold as of April 30, 1998 and has recorded that amount as a liability in the accompanying financial statements. The total subsidy incurred as of April 30, 1998 and 1997 was \$2.8 million and \$1.3 million, respectively.

At April 30, 1998, the Company had various other letters of credit outstanding in the aggregate amount of \$17.3 million.

#### 5. EARNINGS PER SHARE

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share" ("EPS") effective for periods ending after December 15, 1997, including interim periods. SFAS No. 128 establishes standards for computing and presenting earnings per share. SFAS No. 128 requires the dual presentation of basic (replaces primary EPS) and diluted EPS on the face of the income statement and requires a reconciliation of numerators (net income) and denominators (weighted average shares outstanding) for both basic and diluted EPS in the footnotes. Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted average shares outstanding. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised resulting in the issuance of common shares that would then share in the earnings of the Company. The Company has adopted the requirements of SFAS No. 128 for the three and seven month periods ended April 30, 1998. Pro forma presentation and disclosure requirements are supplied for prior period comparisons in accordance with the statement.

	FOUR MONTHS ENDED JANUARY 31, 1998 -----	THREE MONTHS ENDED APRIL 30, 1998 -----	SEVEN MONTHS ENDED APRIL 30, 1998 -----
Basic EPS Computation:			
Net income.....	\$ 16,139	\$ 41,663	\$ 57,802
Weighted average shares outstanding..	34,010,887	34,303,082	34,183,916
Basic EPS.....	\$ 0.47	\$ 1.21	\$ 1.69
=====			
Diluted EPS Computation:			
Net income.....	\$ 16,139	\$ 41,663	\$ 57,802
Weighted average shares outstanding..	34,010,887	34,303,082	34,183,916
Effect of dilutive stock options.....	623,856	479,985	457,496
Total shares.....	34,634,743	34,783,067	34,641,412
Diluted EPS.....	\$ 0.47	\$ 1.20	\$ 1.67
=====			



5. EARNINGS PER SHARE--(CONTINUED)

	FOUR MONTHS ENDED JANUARY 31, 1997	THREE MONTHS ENDED APRIL 30, 1997	SEVEN MONTHS ENDED APRIL 30, 1997
	-----	-----	-----
Basic EPS Computation:			
Net income.....	\$ 12,683	\$ 34,475	\$ 47,158
	-----	-----	-----
Weighted average shares outstanding..	22,335,526	32,967,899	26,908,078
	-----	-----	-----
Basic EPS.....	\$ 0.57	\$ 1.05	\$ 1.75
	=====	=====	=====
Diluted EPS Computation:			
Net income.....	\$ 12,683	\$ 34,475	\$ 47,158
	-----	-----	-----
Weighted average shares outstanding..	22,335,526	32,967,899	26,908,078
Effect of dilutive stock options.....	1,034,368	1,037,219	1,037,218
	-----	-----	-----
Total shares.....	23,369,894	34,005,118	27,945,296
	-----	-----	-----
Diluted EPS.....	\$ 0.54	\$ 1.01	\$ 1.69
	=====	=====	=====

6. Acquisition

On January 3, 1997, the Company acquired from Ralston Foods, Inc. 100% of the stock of Ralston Resorts, Inc., the owner and operator of the Breckenridge, Keystone and Arapahoe Basin mountain resorts located in Summit County, Colorado, for a total purchase price, including direct costs, of \$297.3 million. In connection with the Acquisition, the Company refinanced \$139.7 million of indebtedness, issued 7,554,406 shares of Common Stock valued at \$151.1 million to Ralston Foods, Inc., assumed liabilities of \$59.8 million and incurred \$9.0 million in acquisition costs. Pursuant to a Consent Decree with the United States Department of Justice and the Attorney General of the State of Colorado, the Company sold the assets constituting the Arapahoe Basin mountain resort on September 5, 1997, for a sum of \$4.0 million.

The Acquisition was accounted for as a purchase combination. Under purchase accounting, the acquisition cost was allocated to the assets and liabilities of the Acquired Resorts based on their relative fair values.

The following unaudited pro forma results of operations of the Company for the seven months ended April 30, 1997 assume that the Acquisition occurred on October 1, 1996. The unaudited pro forma results of operations include the effects of the Company's initial public offering only from its effective date of February 7, 1997. These pro forma results are not necessarily indicative of the actual results of operations that would have been achieved nor are they necessarily indicative of future results of operations. The unaudited pro forma financial information below excludes the results of Arapahoe Basin, which the Company divested. The unaudited summarized financial information for the seven months ended April 30, 1998 are provided for comparative purposes.

	SEVEN MONTHS ENDED APRIL 30, 1998	(PRO FORMA) SEVEN MONTHS ENDED APRIL 30, 1997
	-----	-----
(dollars in thousands, except per share amounts)		
Resort revenue.....	\$ 310,244	\$ 261,696
Real estate revenue.....	55,305	54,975
Total revenues.....	365,549	316,671
Net income.....	57,802	46,328
Basic net income per common share....	1.69	1.53
Diluted net income per common share..	1.67	1.48



ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis of financial condition and results of operations of the Company should be read in conjunction with the September 30, 1997, annual report on Form 10-K and the consolidated interim financial statements as of April 30, 1998 and September 30, 1997, and for the three and seven month periods ended April 30, 1998 and 1997, included in Part I, Item 1 of this Form 10-Q, which provide additional information regarding financial condition and operating results.

This Management's Discussion and Analysis contains information regarding Resort Cash Flow. Resort Cash Flow is defined as revenue from resort operations less resort operating expenses, excluding depreciation and amortization. Resort Cash Flow is not a term that has an established meaning under generally accepted accounting principles. The Company has included information concerning Resort Cash Flow because management believes it is an indicative measure of a resort company's operating performance and is generally used by investors to evaluate companies in the resort industry. Resort Cash Flow does not purport to represent cash provided by operating activities and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles. Furthermore, Resort Cash Flow is not available for the discretionary use of management and, prior to the payment of dividends, the Company uses Resort Cash Flow to meet its capital expenditures and debt service requirements.

On January 3, 1997, the Company acquired the Breckenridge, Keystone and Arapahoe Basin mountain resorts as well as significant related real estate interests and developable land. Pursuant to a consent decree with the United States Department of Justice, the Company divested the Arapahoe Basin Mountain Resort on September 5, 1997. The Breckenridge and Keystone mountain resorts are referred to herein as the "Acquired Resorts."

During fiscal 1998, the Company changed its fiscal year end from September 30 to July 31. Accordingly, the Company's fiscal year 1998 will end on July 31, 1998 and consist of ten months. This Management's Discussion and Analysis compares actual results for the three and seven months ended April 30, 1998 and 1997. Supplemental pro forma comparisons are presented for the seven and nine month periods ended April 30, 1998 and 1997. Seven month comparisons are presented to conform with the actual seven month transitional period, while nine month comparisons are presented to compare year to date results for the Company's new third quarter ended April 30, 1998 and 1997.

THREE MONTHS ENDED APRIL 30, 1998 VERSUS THREE MONTHS ENDED APRIL 30, 1997

	THREE MONTHS ENDED APRIL 30, 1998	THREE MONTHS ENDED APRIL 30, 1997	INCREASE	PERCENTAGE INCREASE
	-----	-----	-----	-----
	(unaudited)			
	(dollars in thousands)			
Resort Revenue.....	\$170,051	\$144,705	\$25,346	17.5%
Resort Operating Expenses..	82,413	67,453	14,960	22.2%
Resort Cash Flow.....	87,638	77,252	10,386	13.4%

Resort Revenue. Resort Revenue for the three months ended April 30, 1998 and 1997 are presented by category as follows:

	THREE MONTHS ENDED APRIL 30, 1998	THREE MONTHS ENDED APRIL 30, 1997	INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
	(dollars in thousands)			
Lift Tickets.....	\$ 82,523	\$ 75,955	\$ 6,568	8.6%
Ski School.....	22,115	20,256	1,859	9.2%
Dining.....	23,769	20,570	3,199	15.6%
Retail/Rental.....	10,136	8,880	1,256	14.1%
Hospitality.....	19,709	13,540	6,169	45.6%
Other.....	11,799	5,504	6,295	114.4%
	-----	-----	-----	-----
Total Resort Revenue..	\$170,051	\$144,705	\$25,346	17.5%
	=====	=====	=====	=====
Total Skier Visits....	2,565	2,698	(133)	(4.9)%
	=====	=====	=====	=====
ETP.....	\$32.17	\$28.15	\$4.02	14.3%
	=====	=====	=====	=====

Lift ticket revenue increased due to a 14.3% increase in ETP (effective ticket price is defined as total lift ticket revenue divided by total skier visits "ETP") partially offset by a 4.9% decline in the number of total skier visits. The increase in ETP is primarily due to increases in lead ticket prices at each resort, a less aggressive ticket discounting strategy, and improvement in the proportion of destination skier visits to total skier visits. The increase in lead ticket prices and less aggressive discounting is consistent with the Company's strategy to provide a high quality guest experience at a premium price. The improvement in the proportion of destination skier visits was driven by an increase in destination skier visits and a decline in local and Front Range (Denver/Colorado Springs) skier visits (non-destination skier visits). The Company attributes the increase in destination guests to the Company's new and innovative marketing and loyalty programs. The decline in local and Front Range skier visits is primarily attributable to unusual weather patterns and below average snowfall at the Company's resorts.

Ski school revenue increased primarily due to price increases and an increase in the number of lessons sold. The number of lessons increased due to an increase in the number of destination skiers who have a greater tendency to purchase lessons than do local and Front Range guests. Additionally, the Beaver Creek children's program has continued its success due to a number of initiatives designed to increase participation. Demand continued to be strong for snowboarding and private lessons driven by the popularity of snowboarding and the increase in destination guests.

Dining revenue increased as a result of strong performance from existing operations, the addition of several new dining operations, and dining operations acquired in three hotel acquisitions. Five dining operations were new to Vail Mountain in fiscal 1998, including the addition of two fine dining facilities from the Lodge at Vail acquisition, and two facilities in the newly renovated and expanded Golden Peak base facility, resulting in an overall seating capacity increase of 10%. Beaver Creek opened seven new operations, six of which are located in the recently completed Beaver Creek Village core, thereby increasing seating capacity by 29%. Four dining operations were new to Breckenridge and Keystone resorts during fiscal 1998 including the operations acquired in the acquisitions of the Great Divide Lodge (formerly the Breckenridge Hilton) and the Inn at Keystone, and two new on mountain operations.

Retail and rental revenues increased due to strong performance from existing operations and the addition of three new operations. Increases in existing operations were led by the completion of the Beaver Creek Village core which provided a complimentary balance of retailers in Beaver Creek Village making it an attractive retail shopping destination, and the newly renovated and expanded Golden Peak facility at the base of Vail Mountain. Two new rental operations were opened in Beaver Creek Village and one new retail/rental operation was opened in a strategic location at the base of Peak 8 in Breckenridge where the company formerly had no presence in the retail/rental market. The Company's retail and rental business also benefited from continuing improvements in inventory management and store product mix.

Hospitality revenue increased due to an increasing base of property management services, growth in the travel and reservations businesses, and the acquisitions of The Lodge at Vail, the Great Divide Lodge (formerly the Breckenridge Hilton), and the Inn at Keystone. Property management services contributed toward the growth over fiscal 1997 due to an increase in occupancy and average daily rate (defined as revenue divided by room nights) at Beaver Creek Resort driven by the increase in skier visits and number of rooms under management.

Other revenue increased as a result of the increased popularity of the Adventure Ridge activities center at the top of Vail Mountain, expanded contract services for Beaver Creek, Bachelor Gulch, and Arrowhead Villages, the expansion of the Beaver Creek Club, and increases in brokerage and commercial leasing revenue.

Resort Operating Expenses. Resort Operating Expenses were \$82.4 million for the three months ended April 30, 1998, compared to \$67.5 million for the three months ended April 30, 1997. As a percentage of Resort Revenue, Resort Operating Expenses increased from 46.6% to 48.5% in the three months ended April 30, 1998. The overall increase in Resort Operating Expenses is attributable to increased variable expenses resulting from the increased level of Resort Revenue derived from non-lift businesses such as dining, retail/rental and hospitality operations. These operations tend to have a greater level of variable operating expenses proportionate to revenues.

Resort Cash Flow. Resort Cash Flow was \$87.6 million for the three months ended April 30, 1998, compared to \$77.3 million for the three months ended April 30, 1997. Resort Cash Flow as a percentage of Resort Revenue decreased from 53.4% to 51.5% in the three months ended April 30, 1998. The increase in Resort Cash Flow is due primarily to the growth in Resort Revenue and diversification into non-lift businesses such as dining, retail/rental, and hospitality operations. The reduction in Resort Cash Flow as a percentage of Resort Revenue is due to a greater proportion of Resort Revenue being derived from non-lift ticket businesses which tend to have a greater level of variable operating expenses proportionate to revenues.

Real Estate Revenue. Revenue from real estate operations for the three months ended April 30, 1998 was \$3.9 million, an increase of \$0.3 million, compared to the three months ended April 30, 1997. Revenue for the three months of fiscal 1998 consists primarily of the sales of 1 single family homesite and 1 residential condo. Revenue for the three months of fiscal 1997 consisted primarily of the sales of 2 residential condos.

Real Estate Operating Expenses. Real estate operating expenses for the three months ended April 30, 1998 were \$3.3 million, a decrease of \$0.8 million, compared to the three months ended April 30, 1997. Real estate cost of sales for the three months of fiscal 1998 consists primarily of the cost of sales and real estate commissions associated with the sale of 1 single family homesite and 1 residential condo. Real estate cost of sales for the three months of fiscal 1997 consisted primarily of the cost of sales and real estate commissions associated with the sale of 2 residential condos. Real estate operating expenses include the selling, general and administrative expenses associated with the Company's real estate operations.

Corporate expense. Corporate expense decreased by \$222,000 for the three months ended April 30, 1998 as compared to the three months ended April 30, 1997. Corporate expense includes certain executive salaries, directors' and officers' insurance, investor relations expenses and tax, legal, audit, transfer agent, and other consulting fees.

Depreciation and Amortization. Depreciation and amortization expense increased by \$1.7 million for the three months ended April 30, 1998. The increase was primarily attributable to the inclusion of depreciation and amortization associated with the three hotel acquisitions discussed above and an increased fixed asset base due to fiscal 1997 capital improvements.

Interest expense. During the three months ended April 30, 1998 and the three months ended April 30, 1997, the Company recorded interest expense of \$4.8 million and \$7.3 million, respectively. The \$2.5 million decrease was attributable to a one time contractual redemption premium, incurred in March 1997, on the early redemption of the Senior Subordinated Notes.

#### SEVEN MONTHS ENDED APRIL 30, 1998 VERSUS SEVEN MONTHS ENDED APRIL 30, 1997

The actual results of the seven months ended April 30, 1998 versus the actual results of the seven months ended April 30, 1997, discussed below are not comparable due to the acquisition of the Acquired Resorts by the Company on January 3, 1997. Accordingly, the usefulness of the comparisons presented below is limited as the seven months ended April 30, 1997, includes the results of the Acquired Resorts for the period from January 4 to April 30 while the seven months ended April 30, 1998 includes the results of the Acquired Resorts for the full seven month period. Please see pro forma Results of Operations included elsewhere in this Management's Discussion and Analysis.

Resort Revenue. Resort Revenue for the seven months ended April 30, 1998 was \$310.2 million, an increase of \$81.1 million, or 35.4%, compared to the seven months ended April 30, 1997. The increase was primarily attributable to the inclusion of the results of the Acquired Resorts for the full seven month period in fiscal 1998 but only for the period from January 4 to April 30 of fiscal 1997, and increases in lift ticket, ski school, dining, retail and rental, hospitality and other revenues at all four resorts during fiscal 1998.

Resort Operating Expenses. Resort Operating Expenses were \$179.4 million for the seven months ended April 30, 1998, an increase of \$57.9 million, or 47.9%, as compared to the seven months ended April 30, 1997. The increase in Resort Operating Expenses is attributable to the inclusion of the results of the Acquired Resorts for the full seven months in fiscal 1998 but only for the period from January 4 to April 30 of fiscal 1997, and increased variable expenses resulting from the increased level of non-lift Resort Revenue in the seven months ended April 30, 1998.

Resort Cash Flow. Resort Cash Flow was \$130.8 million for the seven months ended April 30, 1998, an increase of \$23.2 million, or 21.5%, as compared to the seven months ended April 30, 1997. The increase in Resort Cash Flow is due primarily to the inclusion of the results of the Acquired Resorts for the full seven months in fiscal 1998 but only for the period from January 4 to April 30 of fiscal 1997, and the increased level of Resort Revenue, partially offset by increased expenses as described above.

Real Estate Revenue. Revenue from real estate operations for the seven months ended April 30, 1998 was \$55.3 million, an increase of \$1.7 million, compared to the seven months ended April 30, 1997. Revenue for the first seven months of fiscal 1998 consists primarily of the sales of 36 single family homesites in the Bachelor Gulch Village development (\$30.0 million), and the sale of four luxury residential condominiums at the Golden Peak base area of Vail Mountain (\$18.7 million). Revenue for the first seven months of fiscal 1997 consisted primarily of the sales of 63 single family homesites in the Bachelor Gulch Village development (\$46.6 million) and 8 residential condos.

Real Estate Operating Expenses. Real estate operating expenses for the seven months ended April 30, 1998 were \$47.5 million, an increase of \$0.1 million, compared to the seven months ended April 30, 1997. Real estate cost of sales for the first seven months of fiscal 1998 consists primarily of the cost of sales and real estate commissions associated with the sale of 36 single family homesites in the Bachelor Gulch Village development and four luxury residential condominiums at the Golden Peak base area of Vail Mountain. Real estate cost of sales for the first seven months of fiscal 1997 consisted primarily of the cost of sales and real estate commissions associated with the sale of 63 single family homesites in the Bachelor Gulch Village development and 8 residential condos.

Corporate expense. Corporate expense increased by \$367,000 for the seven months ended April 30, 1998, as compared to the seven months ended April 30, 1997. Corporate expense includes certain executive salaries, directors' and officers' insurance, investor relations expenses and tax, legal, audit, transfer agent, and other consulting fees. The increase over fiscal 1997 is primarily attributable to an increase in investor relations costs, transfer agent fees and public reporting.

Depreciation and Amortization. Depreciation and amortization expense increased by \$6.9 million for the seven months ended April 30, 1998. The increase was primarily attributable to the inclusion of depreciation expense and amortization of goodwill for the Acquired Resorts for the full seven month period in fiscal 1998 but only for the period from January 4 to April 30 of fiscal 1997, and capital expenditures made in fiscal 1997 at all four resorts.

Interest expense. During the seven months ended April 30, 1998, and the seven months ended April 30, 1997, the Company recorded interest expense of \$13.0 million and \$12.7 million, respectively. Interest expense related primarily to the Credit Facilities and the Industrial Development Bonds in fiscal 1998 and fiscal 1997, as well as the Senior Subordinated Notes in fiscal 1997. The Company maintained a higher average balance outstanding under its Credit Facilities in fiscal 1998 due to amounts drawn for the hotel acquisitions, resort capital expenditures and investments in real estate. The higher interest on the Credit Facilities in fiscal 1998 was partially offset by the interest incurred on the \$165 million in debt assumed in the acquisition of Ralston Resorts, higher interest rates on the Senior Subordinated Notes, which were outstanding until March 1997, and the one time contractual redemption premium on the early redemption of the Senior Subordinated Notes.

PRO FORMA RESULTS OF OPERATIONS--SEVEN MONTHS ENDED APRIL 30, 1998 VERSUS SEVEN MONTHS ENDED APRIL 30, 1997

The following unaudited pro forma results of operations of the Company for the seven months ended April 30, 1997, assume the Acquisition occurred on October 1, 1996. These pro forma results are not necessarily indicative of the actual results of operations that would have been achieved nor are they necessarily indicative of future results of operations. The unaudited pro forma financial information below excludes the results of Arapahoe Basin which the Company divested in September 1997. The unaudited summarized information for the seven months ended April 30, 1998, are provided for comparative purposes.

	(PRO FORMA)			
	SEVEN MONTHS ENDED APRIL 30, 1998	SEVEN MONTHS ENDED APRIL 30, 1997	INCREASE	PERCENTAGE INCREASE
	-----	-----	-----	-----
	(unaudited)			
	(dollars in thousands)			
Resort Revenue.....	\$310,244	\$261,696	\$48,548	18.6%
Resort Operating Expenses..	179,427	149,302	30,125	20.2%
Resort Cash Flow.....	130,817	112,394	18,424	16.4%

Resort Revenue. Pro forma Resort Revenue for the seven months ended April 30, 1998 and 1997 are presented by category as follows:

	(PRO FORMA)			
	SEVEN MONTHS ENDED APRIL 30, 1998	SEVEN MONTHS ENDED APRIL 30, 1997	INCREASE (DECREASE)	PERCENTAGE INCREASE (DECREASE)
	----- (dollars in thousands) -----			
Lift Tickets.....	\$146,463	\$134,955	\$11,508	8.5%
Ski School.....	38,654	34,439	4,215	12.2%
Dining.....	41,847	34,725	7,122	20.5%
Retail/Rental.....	18,901	16,577	2,324	14.0%
Hospitality.....	35,056	24,551	10,505	42.8%
Other.....	29,323	16,449	12,874	78.3%
	-----	-----	-----	-----
Total Resort Revenue.....	\$310,244	\$261,696	\$48,548	18.6%
	=====	=====	=====	=====
Total Skier Visits.....	4,706	4,838	(132)	(2.7)%
	=====	=====	=====	=====
ETP.....	\$31.12	\$27.89	\$3.23	11.6%
	=====	=====	=====	=====

Lift ticket revenue increased due to a 11.6% increase in ETP (effective ticket price is defined as total lift ticket revenue divided by total skier visits "ETP") partially offset by a 2.7% decline in the number of total skier visits. The increase in ETP is primarily due to increases in lead ticket prices at each resort, a less aggressive ticket discounting strategy, and improvement in the proportion of destination skier visits to total skier visits. The increase in lead ticket prices and less aggressive discounting is consistent with the Company's strategy to provide a high quality guest experience at a premium price. The improvement in the proportion of destination skier visits was driven by an increase in destination skier visits and a decline in local and Front Range (Denver/Colorado Springs) skier visits (non-destination skier visits). The Company attributes the increase in destination guests to the Company's new and innovative marketing and loyalty programs. The decline in local and Front Range skier visits is primarily attributable to unusual weather patterns and below average snowfall at the Company's resorts.

Ski school revenue increased primarily due to price increases and an increase in the number of lessons sold. The number of lessons increased due to an increase in the number of destination skiers who have a greater tendency to purchase lessons than do local and Front Range guests. Additionally, the Beaver Creek children's program has continued its success due to a number of initiatives designed to increase participation. Demand continued to be strong for snowboarding and private lessons driven by the popularity of snowboarding and the increase in destination guests.

Dining revenue increased as a result of strong performance from existing operations, the addition of several new dining operations, and dining operations acquired in three hotel acquisitions. Five dining operations were new to Vail Mountain in fiscal 1998, including the addition of two fine dining facilities from the Lodge at Vail acquisition, and two facilities in the newly renovated and expanded Golden Peak base facility, resulting in an overall seating capacity increase of 10%. Beaver Creek opened seven new operations, six of which are located in the recently completed Beaver Creek Village core, thereby increasing seating capacity by 29%. Four dining operations were new to Breckenridge and Keystone resorts during fiscal 1998 including the operations acquired in the acquisitions of the Great Divide Lodge (formerly the Breckenridge Hilton) and the Inn at Keystone, and two new on mountain operations.

Retail and rental revenues increased due to strong performance from existing operations and the addition of three new operations. Increases in existing operations were led by the completion of the Beaver Creek Village core which provided a complimentary balance of retailers in Beaver Creek Village making it an attractive retail shopping destination, and the newly renovated and expanded Golden Peak facility at the base of Vail Mountain. Two new rental operations were opened in Beaver Creek Village and one new retail/rental operation was opened in a strategic location at the base of Peak 8 in Breckenridge where the company formerly had no presence in the retail/rental market. The Company's retail and rental business also benefited from continuing improvements in inventory management and store product mix.

Hospitality revenue increased due to an increasing base of property management services, growth in the travel and reservations businesses, and the acquisitions of The Lodge at Vail, the Great Divide Lodge (formerly the Breckenridge Hilton), and the Inn at Keystone. Property management services contributed toward the growth over fiscal 1997 due to an increase in occupancy and average daily rate (defined as revenue divided by room nights) at Beaver Creek Resort driven by the increase in skier visits and number of rooms under management.

Other revenue increased as a result of the increased popularity of the Adventure Ridge activities center at the top of Vail Mountain, expanded contract services for Beaver Creek, Bachelor Gulch, and Arrowhead Villages, the expansion of the Beaver Creek Club, licensing and sponsorship revenue growth, and increases in brokerage and commercial leasing revenue.

Resort Operating Expenses. Resort Operating Expenses were \$179.4 million for the seven months ended April 30, 1998, compared to \$149.3 million for the seven months ended April 30, 1997. As a percentage of Resort Revenue, Resort Operating Expenses increased from 57.1% to 57.8% in the seven months ended April 30, 1998. The overall increase in Resort Operating Expenses is attributable to increased variable operating expenses resulting from the increased level of Resort Revenue derived from non-lift businesses such as dining, retail/rental and hospitality operations.

Resort Cash Flow. Resort Cash Flow was \$130.8 million for the seven months ended April 30, 1998, compared to \$112.4 million for the seven months ended April 30, 1997. Resort Cash Flow as a percentage of Resort Revenue decreased from 42.9% to 42.2% in the seven months ended April 30, 1998. The increase in Resort Cash Flow is due primarily to the growth in Resort Revenue and diversification into non-lift businesses such as dining, retail/ rental and hospitality operations. The reduction in Resort Cash Flow as a percentage of Resort Revenue is due to a greater proportion of Resort Revenue being derived from non-lift ticket businesses which tend to have a greater level of variable operating expenses in proportion to revenues.

PRO FORMA RESULTS OF OPERATIONS--NINE MONTHS ENDED APRIL 30, 1998 VERSUS NINE MONTHS ENDED APRIL 30, 1997

The following unaudited pro forma results of operations of the Company for the nine months ended April 30, 1997 assume the Acquisition occurred on August 1, 1996. These pro forma results are not necessarily indicative of the actual results of operations that would have been achieved nor are they necessarily indicative of future results of operations. The unaudited pro forma financial information below excludes the results of Arapahoe Basin which the Company divested in September 1997. The unaudited summarized information for the nine months ended April 30, 1998 are provided for comparative purposes.

	(PRO FORMA)			
	NINE MONTHS ENDED APRIL 30, 1998	NINE MONTHS ENDED APRIL 30, 1997	INCREASE	PERCENTAGE INCREASE
	-----			
	(unaudited)			
	(dollars in thousands)			
Resort Revenue.....	\$324,195	\$272,793	\$51,402	18.8%
Resort Operating Expenses..	200,552	168,823	31,729	18.8%
Resort Cash Flow.....	123,643	103,970	19,673	18.9%

Resort Revenue. Pro forma Resort Revenue for the nine months ended April 30, 1998 and 1997 are presented by category as follows:

	(PRO FORMA)			
	NINE MONTHS ENDED APRIL 30, 1998	NINE MONTHS ENDED APRIL 30, 1997	INCREASE	PERCENTAGE INCREASE
	-----			
	(dollars in thousands)			
Lift Tickets.....	\$146,458	\$134,954	\$11,504	8.5%
Ski School.....	38,639	34,436	4,203	12.2%
Dining.....	45,972	38,234	7,738	20.2%
Retail/Rental.....	19,727	16,417	3,310	20.2%
Hospitality.....	39,057	28,680	10,377	36.2%
Other.....	34,342	20,072	14,270	71.1%
	-----	-----	-----	-----
Total Resort Revenue..	\$324,195	\$272,793	\$51,402	18.8%
	=====	=====	=====	=====
Total Skier Visits....	4,706	4,838	(132)	(2.7%)
	=====	=====	=====	=====
ETP.....	\$31.12	\$27.89	\$3.23	11.6%
	=====	=====	=====	=====

Lift ticket revenue increased due to a 11.6% increase in ETP (effective ticket price is defined as total lift ticket revenue divided by total skier visits "ETP") partially offset by a 2.7% decline in the number of total skier visits. The increase in ETP is primarily due to increases in lead ticket prices at each resort, a less aggressive ticket discounting strategy, and improvement in the proportion of destination skier visits to total skier visits. The increase in lead ticket prices and less aggressive discounting is consistent with the Company's strategy to provide a high quality guest experience at a premium price. The improvement in the proportion of destination skier visits was driven by an increase in destination skier visits and a decline in local and Front Range (Denver/Colorado Springs) skier visits (non-destination skier visits). The Company attributes the increase in destination guests to the Company's new and innovative marketing and loyalty programs. The decline in local and Front Range skier visits is primarily attributable to unusual weather patterns and below average snowfall at the Company's resorts.



Ski school revenue increased primarily due to price increases and an increase in the number of lessons sold. The number of lessons increased due to an increase in the number of destination skiers who have a greater tendency to purchase lessons than do local and Front Range guests. Additionally, the Beaver Creek children's program has continued its success due to a number of initiatives designed to increase participation. Demand continued to be strong for snowboarding and private lessons driven by the popularity of snowboarding and the increase in destination guests.

Dining revenue increased as a result of strong performance from existing operations, the addition of several new dining operations, and dining operations acquired in three hotel acquisitions. Five dining operations were new to Vail Mountain in fiscal 1998, including the addition of two fine dining facilities from the Lodge at Vail acquisition, and two facilities in the newly renovated and expanded Golden Peak base facility, resulting in an overall seating capacity increase of 10%. Beaver Creek opened seven new operations, six of which are located in the recently completed Beaver Creek Village core, thereby increasing seating capacity by 29%. Four dining operations were new to Breckenridge and Keystone resorts during fiscal 1998 including the operations acquired in the acquisitions of the Great Divide Lodge (formerly the Breckenridge Hilton) and the Inn at Keystone, and two new on mountain operations.

Retail and rental revenues increased due to strong performance from existing operations and the addition of three new operations. Increases in existing operations were led by the completion of the Beaver Creek Village core which provided a complimentary balance of retailers in Beaver Creek Village making it an attractive retail shopping destination, and the newly renovated and expanded Golden Peak facility at the base of Vail Mountain. Two new rental operations were opened in Beaver Creek Village and one new retail/rental operation was opened in a strategic location at the base of Peak 8 in Breckenridge where the company formerly had no presence in the retail/rental market. The Company's retail and rental business also benefited from continuing improvements in inventory management and store product mix.

Hospitality revenue increased due to an increasing base of property management services, growth in the travel and reservations businesses, and the acquisitions of The Lodge at Vail, the Great Divide Lodge (formerly the Breckenridge Hilton), and the Inn at Keystone. Property management services contributed toward the growth over fiscal 1997 due to an increase in occupancy and average daily rate (defined as revenue divided by room nights) at Beaver Creek Resort driven by the increase in skier visits and number of rooms under management.

Other revenue increased as a result of the increased popularity of the Adventure Ridge activities center at the top of Vail Mountain, expanded contract services for Beaver Creek, Bachelor Gulch, and Arrowhead Villages, the expansion of the Beaver Creek Club, licensing and sponsorship revenue growth, and increases in brokerage and commercial leasing revenue.

Resort Operating Expenses. Resort Operating Expenses were \$200.5 million for the nine months ended April 30, 1998, compared to \$168.8 million for the nine months ended April 30, 1997. As a percentage of Resort Revenue, Resort Operating Expenses were 61.9 % for the nine months ended April 30, 1998 and 1997. The overall increase in Resort Operating Expenses is attributable to increased variable expenses resulting from the increased level of Resort Revenue derived from non-lift businesses such as dining, retail/rental and hospitality operations.

Resort Cash Flow. Resort Cash Flow was \$123.6 million for the nine months ended April 30, 1998, compared to \$104.0 million for the nine months ended April 30, 1997. Resort Cash Flow as a percentage of Resort Revenue was 38.1% for the nine months ended April 30, 1998 and 1997. The increase in Resort Cash Flow is due primarily to the growth in Resort Revenue and diversification into non-lift businesses such as dining, retail/ rental, and hospitality operations.

## LIQUIDITY AND CAPITAL RESOURCES

The Company has historically provided for operating expenditures, debt service, capital expenditures and acquisitions through a combination of cash flow from operations, short-term and long-term borrowings and sales of real estate.

The Company's cash flows from investing activities have historically consisted of payments for acquisitions, resort capital expenditures, and investments in real estate. During the seven month period ended April 30, 1998, the Company made payments of \$54.6 million for the acquisition of three hotel properties, \$64.8 million for resort capital expenditures, and \$10.5 million for investments in real estate.

During the seven months ended April 30, 1998, the Company acquired three hotel properties. On October 1, 1997, the Company purchased the assets constituting the Great Divide Lodge (f/k/a Breckenridge Hilton) for a total purchase price of \$18.6 million. The Great Divide Lodge is a 208-room full service hotel, located at the base of Breckenridge Mountain, and includes dining, conference and fitness facilities. On October 7, 1997, the Company purchased 100% of the outstanding stock of Lodge Properties, Inc., a Colorado corporation ("LPI"), for a purchase price of \$30.9 million. LPI owns and operates The Lodge at Vail (the "Lodge"), a 59-room hotel located at the Vail Village base area of Vail Mountain, and provides management services to an additional 40 condominiums. The Lodge includes restaurant and conference facilities as well as other amenities. In addition to the hotel property, LPI owns a parcel of developable land strategically located at the primary base area of Vail Mountain. In addition to the cash purchase price, the Company incurred approximately \$8.0 million during the seven months ended April 30, 1998 to substantially complete a new wing of the hotel. The wing directly fronts Vail Mountain and includes premium conference facilities, 18 luxury lodging units, and a penthouse apartment. The Company has contracted to sell the penthouse apartment for \$3.3 million. On January 15, 1998 the Company purchased the assets constituting the Inn at Keystone for a total purchase price of \$9.2 million. The Inn at Keystone is a 103-room full service hotel, located near Keystone Mountain, and includes dining, conference and spa facilities. All acquisitions were accounted for as purchase combinations and funded with cash from operations or proceeds from the Revolving Credit Facility.

Resort capital expenditures for the seven months ended April 30, 1998 were \$64.8 million. Investments in real estate for that period were \$10.5 million, which included \$2.0 million of mountain improvements, including ski lifts and snowmaking equipment, which are related to real estate development but which will also benefit resort operations. The primary projects included in resort capital expenditures were (i) trail and infrastructure improvements at Keystone Mountain, (ii) terrain and facilities improvements at Breckenridge Mountain, (iii) expansion of the grooming fleet at Vail and Beaver Creek mountains, (iv) retail/rental and restaurant additions in Beaver Creek Village, (v) new quad chair lifts at Breckenridge and Keystone Mountains, (vi) upgrades to back office and front line information systems, and (vii) the addition of a new wing at the Lodge at Vail. The primary projects included in investments in real estate were (i) continuing infrastructure related to Beaver Creek, Bachelor Gulch and Arrowhead Villages, (ii) golf course development, and (iii) investments in developable land at strategic locations at all four mountain resorts.

The Company estimates that it will make resort capital expenditures totaling between \$10 and \$20 million during the remainder of fiscal 1998. The primary projects which are anticipated to begin during the final quarter of fiscal 1998 include (i) a new high speed quad chair lift and additional snowmaking at Keystone, (ii) completion of the Keystone Lodge remodel and renovation of the Great Divide Lodge, (iii) expansion of the children's ski school at Beaver Creek, (iv) addition of a new restaurant on Breckenridge Mountain, and (v) infrastructure for the Category III expansion on Vail Mountain. Investments in real estate during the remainder of fiscal 1998 are expected to total between \$5 and \$10 million. The primary projects which are anticipated to begin during the final quarter of fiscal 1998 include (i) infrastructure related to Bachelor Gulch and Arrowhead Villages, (ii) golf course development, and (iii) investments in developable land at strategic locations at all four resorts. The Company plans to fund capital expenditures and investments in real estate for the remainder of fiscal 1998 with cash flow from operations and borrowings under its Revolving Credit Facility.

During the seven months ended April 30, 1998, the Company used \$15.5 million in cash for its financing activities consisting of net repayments on its Revolving Credit Facility of \$20 million, payments of \$5.7 million due under the Rights (as defined below), the refund of a bond reserve fund of \$3.3 million, and \$6.9 million received from the exercise of employee stock options.

At September 30, 1997 the Company had \$41.2 million of outstanding Industrial Development Bonds issued by Eagle County, Colorado which accrued interest at 8% per annum and matured on August 1, 2009. Interest was payable semi-annually on February 1 and August 1. The Company provided the holder of these bonds a debt service reserve fund of \$3.3 million, which was netted against the principal amount for financial reporting purposes. The Industrial Development Bonds were secured by the stock of the subsidiaries of Vail Associates and the United States Forest Service permits. On April 9, 1998, the Industrial Development Bonds issued by Eagle County, Colorado were refinanced. Under the terms of the new agreement interest accrues at 6.95% per annum and the \$41.2 million bond principal amount matures on August 1, 2019. Interest is payable semi-annually on February 1 and August 1. The previous debt service fund of \$3.3 million was refunded to the company. The bonds are secured by the Vail and Beaver Creek United States Forest Service Permits.

At September 30, 1997, the Company's Credit Facilities consisted of (i) a \$175 million Revolving Credit Facility, (ii) a \$115 million Tranche A Term Loan Facility and (iii) a \$50 million Tranche B Term Loan Facility (together with Tranche A, the "Term Loan Facilities") thereby providing for aggregate debt financing of \$340 million. The Revolving Credit Facility would have matured on April 15, 2003 and the Term Loan Facilities required minimum amortization payments ranging from \$11.5 to \$41.0 million annually from 1998 to 2004. On December 19, 1997, the Company amended its Credit Facilities to provide an increase in aggregate debt financing from \$340.0 million to \$450.0 million and to eliminate the required minimum amortization payments under the Term Loan Facilities. All amounts outstanding under the Revolving Credit Facility and the Term Loan Facilities at December 19, 1997 were refinanced under a single revolving credit facility maturing on December 19, 2002. Interest on outstanding borrowings under the new Revolving Credit Facility is payable at rates based upon either LIBOR (5.66% at April 30, 1998) plus a margin ranging from .50% to 1.25% or prime (8.5% at April 30, 1998) plus a margin of up to .125%. The Company also pays a quarterly unused commitment fee ranging from .125% to .30%. The interest margins fluctuate based upon the ratio of Funded Debt to the Company's Resort EBITDA (as defined in the underlying Credit Agreement).

On September 25, 1996, the Company declared a right to receive up to \$2.44 per share of common stock (the "Rights") to all stockholders of record on October 11, 1996, with a maximum aggregate amount payable under the Rights of \$50.5 million. As of September 30, 1997, the Company had satisfied \$44.8 million of its obligation under the Rights. On October 31, 1997, the Company paid all remaining amounts due under the Rights.

During the seven months ended April 30, 1998, 889,511 employee stock options were exercised at exercise prices ranging from \$6.85 to \$10.75. Additionally, 8,260 shares were issued to management under the restricted stock plan.

Based on current levels of operations and cash availability, management believes the Company is in a position to satisfy its working capital, debt service, and capital expenditure requirements.

Statements in this Form 10-Q, other than statements of historical information, are forward looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date hereof. Such risks and uncertainties include, but are not limited to, general business and economic conditions, competitive factors in the ski and resort industry, and the weather.

PART II

ITEM 1. LEGAL PROCEEDINGS.

None.

ITEM 2. CHANGES IN SECURITIES.

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY-HOLDERS.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

(a) Index to Exhibits

The following exhibits, with the exception of exhibit 10, are incorporated by reference to the documents indicated in parentheses which have previously been filed with the Securities and Exchange Commission.

Exhibit Number -----	Description -----	Sequentially Numbered Page -----
3.1	Restated Certificate of Incorporation of the Company. (Incorporated by reference to Exhibit 3.1 of the Registration Statement on Form S-2 of Vail Resorts, Inc. (Registration No. 333-5341)).	
3.2	Restated By-Laws of the Company. (Incorporated by reference to Exhibit 3.2 of the Registration Statement on Form S-2 of Vail Resorts, Inc. (Registration No. 333-5341)).	
10	Sports and Housing Facilities Financing Agreement among the Vail Corporation (d/b/a "Vail Associates, Inc.") and Eagle County, Colorado, dated April 1, 1998.	
10.1	Eagle County, Colorado To U.S. Bank National Association, As Trustee, Trust Indenture Dated as of April 1, 1998.	

(b) Reports on Form 8-K

None

SIGNATURES

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THE REGISTRANT HAS DULY CAUSED THIS REPORT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED ON JUNE 15, 1998.

VAIL RESORTS, INC.

By        /s/        JAMES P. DONOHUE  
-----  
                 James P. Donohue  
                 Senior Vice President and Chief  
                 Financial Officer

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, THIS REPORT HAS BEEN SIGNED BELOW BY THE FOLLOWING PERSONS ON BEHALF OF THE REGISTRANT AND IN THE CAPACITIES INDICATED ON MARCH 17, 1998.

SIGNATURE -----	TITLE -----
/s/ JAMES P. DONOHUE -----	
James P. Donohue	Senior Vice President and Chief Financial Officer

SPORTS AND HOUSING FACILITIES FINANCING AGREEMENT

BETWEEN

EAGLE COUNTY, COLORADO

AND

THE VAIL CORPORATION,  
D/B/A VAIL ASSOCIATES, INC.

-----

DATED AS OF APRIL 1, 1998

=====  
RELATING TO THE ISSUANCE OF  
EAGLE COUNTY, COLORADO  
SPORTS AND HOUSING FACILITIES REVENUE REFUNDING BONDS  
(VAIL ASSOCIATES PROJECT)

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THIS SPORTS AND HOUSING FACILITIES FINANCING AGREEMENT dated as of April 1, 1998 (the "AGREEMENT") is entered into between EAGLE COUNTY, COLORADO, a political subdivision of the State of Colorado and a body corporate and politic (the "ISSUER") and THE VAIL CORPORATION, d/b/a VAIL ASSOCIATES, INC., a corporation organized and existing under the laws of the State of Colorado (the "COMPANY"). Any capitalized terms used but not defined herein shall have the respective meanings given them in the Indenture (as hereinafter defined) or in SCHEDULE C hereto.

I. BACKGROUND, REPRESENTATIONS AND FINDINGS

SECTION 1.1 BACKGROUND. The Issuer is duly organized and existing

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under the Constitution and laws of the State of Colorado. Pursuant to the County and Municipality Development Revenue Bond Act (the "ACT"), the Issuer is authorized and empowered to issue its revenue bonds to provide funds to finance and refinance certain improvements, including sports and recreational facilities and housing facilities, suitable for commercial and business enterprises for the public purposes of promoting industry and developing trade, maintaining employment opportunities and securing and maintaining a balanced and stable economy in the State of Colorado.

The Company has asked the Issuer to undertake a project (the "PROJECT") consisting of the refunding of the Issuer's Sports and Housing Facilities Revenue Refunding Bonds (Vail Associates Project), Series 1992 originally issued in the aggregate principal amount of \$21,600,000, and the Issuer's Sports Facilities Revenue Refunding Bonds (Beaver Creek Associates Project), Series 1992 originally issued in the aggregate principal amount of \$19,600,000 (collectively, the "PRIOR BONDS"). The Prior Bonds were issued to refinance various projects consisting of facilities, additions and improvements owned by the Company designed for use as public recreation, sports and housing facilities for the Company's skiing and mountain related operations on Vail and Beaver Creek Mountains in the White River National Forest (such facilities, additions and improvements, including any additions, deletions and changes made by the Company from time to time pursuant to Section 2.2 of this Agreement, being referred to collectively as the "PROJECT FACILITIES"). Substantially all the land on which the Project Facilities are located and used is owned by the United States of America, and is used by the Company or its Affiliates pursuant to United States Forest Service Term Special Use Permits and Special Use Permits, with respect to Vail Mountain, dated November 23, 1993, and with respect to Beaver Creek Mountain, dated January 29, 1980, as amended (such permits, together with any similar agreements, as modified or amended from time to time being hereafter referred to collectively as the "SPECIAL USE PERMITS"). The Project Facilities are generally described in SCHEDULE A to this Agreement, which Schedule may be modified and supplemented as hereafter provided.

In order to provide benefits for the Bonds (as hereinafter defined) and assure payment of the obligations of the Company under the Promissory Note referred to below, the Company and Beaver Creek Associates, Inc. ("BCA") have each executed and delivered an Agreement Regarding Forest Service Special Use Permit (as amended, amended and restated,

supplemented or otherwise modified from time to time, the "PERMIT AGREEMENTS") among the Company, the United States Forest Service, and U.S. Bank National Association, as Trustee under the Indenture referred to below (together with any successors in such capacity, the "TRUSTEE") with respect to the Special Use Permit for Vail Mountain, and among BCA, the United States Forest Service and the Trustee with respect to the Special Use Permits for Beaver Creek Mountain.

The Issuer proposes to loan the proceeds of the Bonds to the Company pursuant to this Agreement to refund the Prior Bonds. The Issuer and the Company intend that the Issuer's bonds issued to refinance the Project Facilities will constitute a current refunding issue for the purposes of Section 1313(a) of the Tax Reform Act of 1986, so that interest on such Bonds will not be included in the gross income of the holders thereof under the Internal Revenue Code of 1986, as amended (the "CODE").

SECTION 1.2 COMPANY REPRESENTATIONS. The Company represents that:

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(a) It is a corporation duly organized and existing in good standing under the laws of the State of Colorado, with full power and legal right to enter into this Agreement, the Permit Agreements, and the Note (as hereinafter defined) and to perform its obligations hereunder and thereunder. The making and performance of this Agreement, the Permit Agreements, and the Note on the Company's part have been duly authorized by all necessary action and approved by all necessary governmental authorities and will not violate or conflict with the Company's Articles of Incorporation, By-Laws or any material provision of any agreement, indenture or other instrument, regulation or order by which the Company or its properties are bound. This Agreement, the Permit Agreements, and the Note constitute the legal, valid and binding obligations of the Company, enforceable in accordance with their terms, subject to state and federal bankruptcy and insolvency laws and equitable principles affecting the enforcement of creditors' rights.

(b) The Company intends to continue to operate the Project Facilities as a commercial or business enterprise and sports and recreational facilities or housing facilities for persons of low and middle income, being available for use by members of the general public either as participants or spectators and will not use the Project Facilities, or allow them to be used, in violation of the Act or the Code.

(c) The Project Facilities consist of land or property of a character subject to allowance for depreciation under Section 167 of the Code.

(d) The refinancing of the Project Facilities, as provided under this Agreement, will tend to promote the public health, welfare, safety, convenience and prosperity of the inhabitants of Colorado and its citizens by promoting industry and developing trade and other economic activity through the inducement of the Company to maintain its operations in Eagle County, mitigating the threat of unemployment and

securing and maintaining a balanced and stable economy in Eagle County and in Colorado.

(e) The aggregate principal amount of the Bonds will not exceed the outstanding principal amount of the Prior Bonds on the date hereof.

(f) The Company has acquired all permits (including the Special Use Permits) and licenses and has satisfied other material requirements necessary for the acquisition, construction and operation of the Project Facilities.

(g) The Project Facilities are located wholly within the boundaries of Eagle County, Colorado.

(h) The Company is in compliance in all material respects with all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, codes, injunctions, permits, and licenses, relating to emissions, discharges or releases of pollutants, contaminants, hazardous substances or wastes into the environment including without limitation ambient air, surface water, ground water or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, hazardous substances or wastes or the clean-up or other remediation thereof (collectively "ENVIRONMENTAL LAWS") except where failure to comply would not be a Material Adverse Event.

(i) To the knowledge of the Company, no member of the Board of County Commissioners of the Issuer nor any member of his or her immediate family is an employee or holder of more than a 5% interest in the Company or otherwise has a personal financial interest in the sale of the Bonds or in the acquisition or construction of the Project.

SECTION 1.3 ISSUER FINDINGS AND REPRESENTATIONS. The Issuer hereby:  
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(a) Confirms its findings that the Project Facilities constitute a "project" for purposes of the Act in that they consist of properties, other than inventories, raw materials or other working capital, suitable or to be used for or in connection with a commercial or business enterprise as sports and recreational facilities or housing facilities for persons of low and middle income.

(b) Confirms its findings that the Issuer's refinancing of the Project Facilities will promote the public purposes of the Act and the public health, welfare, safety, convenience and prosperity of the inhabitants of Colorado by promoting industry and developing trade through the inducement of the Company to maintain its operations in Eagle County, mitigating the threat of unemployment and securing and maintaining a balanced and stable economy in Eagle County and in Colorado.

(c) Represents that the Issuer has the necessary power under the Act, and has duly taken all action on its part required, to execute and deliver this Agreement and to

undertake the refinancing of the Project Facilities through the issuance of its revenue bonds. The execution and performance of this Agreement by the Issuer will not violate or conflict with any instrument by which the Issuer or its properties are bound. This Agreement constitutes the legal, valid and binding obligation of the Issuer, enforceable in accordance with its terms, subject to state and federal laws and equitable principles affecting the enforcement of creditors' rights.

(d) As required by the Act, this Agreement and the Note require payments by the Company in amounts sufficient to pay when due the principal of and interest, when due, on all Bonds issued by the Issuer for the Company with respect to the Project.

## II. THE PROJECT FACILITIES

### SECTION 2.1 TITLE TO PROJECT FACILITIES. As between the Issuer and

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the Company, the Company shall be the sole owner of the Project Facilities and the Issuer shall have no title thereto. Subject to the provisions of the Permit Agreements, as between the Issuer and the Company, the Company will be entitled to physical possession and control of the Project Facilities at all times and will be liable at all such times for all risk, loss and damages with respect to such Project Facilities.

### SECTION 2.2 ADDITIONS AND CHANGES TO THE PROJECT FACILITIES. Subject

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to the provisions of the Permit Agreements, the Company may further improve and equip or cause to be further improved or equipped, the Project Facilities with additional facilities, beyond the improvements and equipment financed or refinanced from the proceeds of the Prior Bonds. Subject to Section 3.2 hereof and the Permit Agreements, the Company may, at its option and at its own cost and expense, at any time and from time to time, make or cause to be made such improvements, additions and changes to the Project Facilities as it may deem desirable for its uses and purposes, provided that the Company complies with the requirements of Section 3.2 and 5.2 hereof.

### SECTION 2.3 NO JOINT VENTURE. In no event is this Agreement intended

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to give rise to, nor shall it be construed as giving rise to, a joint venture between the Issuer and the Company, and all actions taken by the Company hereunder shall be only as a borrower and independent contractor and not as a partner or agent of the Issuer.

## III. REFINANCING THE PROJECT FACILITIES

### SECTION 3.1 ISSUANCE OF BONDS. In order to refund the Prior Bonds,

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the Issuer, upon request of the Company, will issue its Sports and Housing Facilities Revenue Refunding Bonds (Vail Associates Project), Series 1998 (the "BONDS") in the aggregate principal amount of \$41,200,000. The principal amount of the Bonds shall be deemed to be loaned to the Company in accordance with Section 4.1 hereof. The Bonds will be issued under a Trust Indenture dated as of April 1, 1998 (as amended, amended and restated, supplemented or otherwise modified

from time to time, the "INDENTURE") between the Issuer and the Trustee. Such Bonds will be payable solely from the Revenues of the Issuer as such term is defined in the Indenture.

SECTION 3.2 RESTRICTION ON USE OF PROJECT FACILITIES. The Company

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shall not use or direct the use of the Project Facilities in any way, or take or omit to take any other action, which would cause the interest on any of the Bonds to become included in gross income under the Code. The Company confirms that (i) the proceeds of the Prior Bonds were not used to provide land or facilities prohibited under Sections 147(c), (d) or (e) of the Code, and (ii) substantially all of the proceeds (as defined in Treasury Regulation Section 1.103-8(a)) of the Prior Bonds were used to provide sports facilities, housing facilities or other exempt facilities under Section 103(b)(4) of the Internal Revenue Code of 1954 constituting land or depreciable property so that interest on the Bonds will not be included in gross income under the Code.

SECTION 3.3 BONDS NOT TO BECOME ARBITRAGE BONDS. (a) The Issuer and

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the Company hereby covenant for the benefit of the holders of the Bonds that, notwithstanding any other provision of this Agreement or any other instrument, they shall neither make nor instruct the Trustee to make any investment or other use of the proceeds of the Bonds which would cause the Bonds to be arbitrage bonds under Section 148(a) or 103(b)(2) of the Code and the regulations thereunder, and that they shall comply with the requirements of such Section and regulations throughout the term of the Bonds, including, without limitation, rebating all required amounts, if any, to the United States government, at the times, in the manner, and in accordance with the provisions of Section 148(f) of the Code. The foregoing covenants shall extend throughout the term of the Bonds, to all funds created under the Indenture and all moneys on deposit to the credit of any such fund, and to any other amounts which are Bond proceeds for purposes of Section 148 of the Code.

(b) The Company shall determine the amount of the required arbitrage rebate, if any, payable to the United States government under Section 148(f) of the Code or shall cause such amount to be determined and shall make or cause to be made any required payments beginning not later than 60 days after the end of the fifth anniversary of the date of issue of the Bonds and 60 days after the retirement of the Bonds, regardless of whether there are any remaining proceeds or other funds attributable to the Bonds that are available for that purpose. Except for amounts held in the Bond Fund and the Bond Redemption Fund (if spent within one year of deposit), the Company shall not permit any proceeds of the Bonds to be invested at a yield materially higher than the Bond yield.

IV. LOAN AND REPAYMENT

SECTION 4.1 AMOUNT AND SOURCE OF LOAN. By issuance of the Bonds in

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exchange for the Prior Bonds, as described in the Indenture, the Issuer shall, upon the terms and conditions of this Agreement, be deemed to have lent to the Company an amount equal to the aggregate principal amount of the Bonds for refunding the Prior Bonds. Any accrued interest received by the Issuer upon the sale of the Bonds shall be deposited into the Bond Fund under the Indenture and shall be applied to the first interest due on the Bonds, with a corresponding credit on the amounts otherwise due under the Note.

SECTION 4.2 REPAYMENT OF LOAN. The Company agrees to repay the loan

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made by the Issuer in installments which, as to amount, shall correspond to the payments of principal of and premium, if any, and interest on the Bonds, whether at maturity, upon redemption or acceleration, or otherwise, in accordance with the terms of the Indenture; provided that such amount shall be reduced to the extent that other moneys on deposit with the Trustee are available for such purpose, and a credit in respect thereof has been granted pursuant to the Indenture. All such repayments of the loan will be made in funds which will be available to the Trustee no later than the corresponding principal or interest payment date of the Bonds. The Company shall deliver the Note to the Trustee to evidence its obligation to pay such amounts.

SECTION 4.3 COMPANY NOTE. Concurrently with the issuance of the

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Bonds, the Company shall execute and deliver the Note, the form of which is attached hereto as SCHEDULE B (as amended or replaced from time to time, the "NOTE"). The Trustee, as holder of the Note, shall have the benefits of the Permit Agreements.

SECTION 4.4 ACCELERATION OF PAYMENT TO REDEEM BONDS. (a) The Issuer

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shall redeem the Bonds or portions thereof upon the occurrence of an event which gives rise to any mandatory redemption specified therein and in accordance with the provisions of the Indenture. Whenever any Bonds are subject to optional redemption, the Issuer shall, but only upon request of the Company, redeem the same in accordance with such request. In either event, the Company shall pay or cause to be paid an amount equal to the applicable redemption price as a prepayment of the Note, together with interest accrued to the date of redemption, unless the Company is purchasing the Bonds as provided in Section 4.8 hereof, and subject to the provisions of Section 6.06 of the Indenture. In the case of an extraordinary optional redemption of the type described in the Section of the form of the Bond captioned "EXTRAORDINARY OPTIONAL REDEMPTION IN WHOLE", the Company's request shall be made, if at all, within nine months following the occurrence of the event giving rise to such redemption.

(b) In the event that the Company receives notice from the Trustee pursuant to the Indenture that a proceeding which could lead to a final Determination of Taxability and special mandatory redemption of Bonds as contemplated by the Indenture is instituted against a Bondholder, the Company shall promptly notify the Trustee and the Issuer as to whether it intends to contest such proceeding. In the event that the Company chooses to so contest, it shall act in good faith to obtain a prompt final determination or decision in such proceeding or litigation and shall keep the Trustee and the Issuer informed of the progress of any such proceeding or litigation.

SECTION 4.5 NO DEFENSE OR SET-OFF. The obligations of the Company

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to make payments due under this Agreement and under the Note shall be absolute and unconditional without defense or setoff by reason of any default by the Issuer under this Agreement or under any other agreement between the Company and the Issuer or for any other reason, including without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project Facilities, commercial frustration of purpose, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty,

liability or obligation arising out of or connected with this Agreement, it being the intention of the parties that the payments required hereunder will be paid in full when due without any delay or diminution whatsoever.

SECTION 4.6 ASSIGNMENT OF ISSUER'S RIGHTS. As the source of payment  
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for its Bonds, the Issuer shall assign to the Trustee the Note and the interest of the Issuer in and to the Permit Agreements and all the Issuer's rights under this Agreement (except rights to receive payments and other rights under Sections 5.4, 5.5, 5.6, 5.7, and 6.2 hereof). The Company consents to such assignment and agrees to make payments on the Note and interest thereon directly to the Trustee without defense or setoff by reason of any dispute between the Company and the Trustee.

SECTION 4.7 PERMIT SUBSTITUTION. The Company anticipates obtaining a  
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new forty year unified permit (the "NEW BC PERMIT") to be issued by the United States Forest Service in replacement of the existing Beaver Creek Term Special Use Permit and the existing Beaver Creek Special Use Permit, each as subject to the Permit Agreement with respect to the Beaver Creek Permits. Upon receipt from the Company of notice that the United States Forest Service has agreed to issue the New BC Permit and that the Company elects to exercise its rights under this Section 4.7, the Trustee shall release or cause to be released to the Company or (if so requested by the Company) to the United States Forest Service directly all instruments in the Trustee's possession or control constituting the existing Beaver Creek Special Use Permit and Term Special Use Permit. The Trustee shall also execute and deliver or cause to be executed and delivered any and all releases, termination agreements or other similar agreements requested by the United States Forest Service or reasonably requested by the Company in connection therewith. Upon receipt of such instruments and releases and similar agreements, the Company shall deliver to the Trustee, or cause the United States Forest Service to deliver to the Trustee, the New BC Permit relating thereto, together with a standard United States Forest Service Permit Agreement (or amendment) related thereto. In addition, the Company shall have the right from time to time to substitute for any Forest Service Permit another permit, license or grant of right if (x) the Company shall determine that such substitution is in the best interests of the Company and its Subsidiaries, (y) such substitute permit, license or grant (i) contains terms no less beneficial to the Company and its Subsidiaries than those contained in the existing Forest Service Permit or Permits which it is intended to replace and (ii) is otherwise substituted on terms substantially identical to those set forth above with respect to the New BC Permit and (z) such substitution does not impair in any material respect the rights of the Issuer, the Trustee or the Bondholders.

SECTION 4.8 COMPANY'S RIGHT TO PURCHASE CERTAIN BONDS IN LIEU OF  
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REDEMPTION. The Issuer hereby grants, consents and acknowledges to the Company  
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or its designee (named by the Company in a written notice delivered to the Trustee) that, with respect to any Bonds delivered (or deemed delivered) to the Trustee for redemption prior to maturity pursuant to the Extraordinary Mandatory Redemption provisions of the Bonds (as described in Section 6.06 of the Indenture), the Company or its designee shall have the right and option hereunder and under the Indenture, in lieu of making prepayments hereunder and on the Note for the redemption of such Bonds, to instead purchase (with funds other than those in the Bond

Fund) from the owner or owners thereof on the applicable redemption date all or any part (in integral multiples of \$5,000, selected in such manner as may be designated by the Trustee) of the Bonds so delivered (or deemed delivered) for redemption on such date at the Extraordinary Mandatory Purchase Price equal to 105% of the principal amount thereof plus interest accrued on such Bonds to the date of purchase. The Company or its designee shall exercise the right and option to purchase such Bonds on the Extraordinary Mandatory Redemption Date by (i) giving written notice to the Trustee prior to the purchase date, stating its intention to purchase Bonds on the Extraordinary Mandatory Redemption Date in lieu of redemption and specifying the principal amount of the Bonds to be so purchased, and (ii) depositing or causing to be deposited with the Trustee for payment into the Bond Fund as provided in the Indenture concurrently with the giving of such notice, an amount of money or Government Obligations (as defined in the Indenture) which will be sufficient to effect the purchase of the Bonds being purchased without any reinvestment thereof. Amounts paid to the Trustee pursuant to this Section 4.8 shall be used and applied to the purchase of the Bonds being purchased and not for the payment or redemption of such Bonds (said Bonds to remain Outstanding within the meaning of the Indenture). No purchase described in this Section 4.8 shall operate to extinguish, diminish or discharge the obligation of the Company to make any repayment installments or to pay other amounts due hereunder, including under Section 4.2 hereof, or on the Note.

#### V. COVENANTS OF THE COMPANY

##### SECTION 5.1 CORPORATE EXISTENCE. So long as the Bonds are

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outstanding as determined under the Indenture, the Company will maintain its corporate existence, except that it may dissolve or otherwise dispose of all or substantially all of its assets and may consolidate with or merge into another entity or permit one or more entities to consolidate or merge into it, if the surviving, resulting or transferee entity, if other than the Company, assumes in writing all of the obligations of the Company hereunder and under the Note and the Permit Agreements and is an entity organized under one of the states of the United States of America, qualified to transact business in Colorado.

##### SECTION 5.2 MAINTENANCE OF PROJECT FACILITIES; INSURANCE. Subject to

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any restrictions of the Special Use Permits and public authorities, the Company, in accordance with the Company's prior practice, will maintain or cause to be maintained the Project Facilities in good and safe repair and operating condition, subject to normal wear and tear, and will operate, at all reasonable times during the ski season, the Project Facilities during their useful life or as otherwise required to meet the public purposes of the Act, but the Company is not required to operate any portion of any property after it is no longer economical and feasible, and the Company may sell, encumber or lease or obtain a release of any lien on all or any portion of the Project Facilities. The Issuer and the Company agree that the useful life of the 1981 Housing Project identified on SCHEDULE A hereto may end, and the Company may discontinue maintenance and operation thereof, at any time after May 1, 1999. The Company, at its expense, shall procure and maintain, or cause to be procured and maintained, to the extent available at commercially reasonable premiums, continuously during the term of this Agreement, insurance policies with respect to the Project Facilities against such risks (including business interruption

insurance and all liability for injury to persons or property arising from the operation of the Project Facilities) and in such amounts as property of a similar character is usually insured by corporations similarly situated and operating like properties.

SECTION 5.3 PAYMENT OF TRUSTEE'S COMPENSATION AND EXPENSES. The

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Company shall pay the Trustee's reasonable compensation, including but not limited to the Trustee's fees and expenses under the Indenture, including all extraordinary Trustee's fees and expenses and costs of redeeming Bonds thereunder and the reasonable compensation to any Bond Registrar or co-paying agent appointed in respect of the Bonds, and shall indemnify the Trustee against any claims arising out of the exercise and performance of its powers and duties under the Indenture in good faith and without negligence. The Company also agrees to pay upon demand all reasonable out-of-pocket expenses (including reasonable attorneys' fees and other legal expenses) incurred by the registered owners holding not less than a majority in aggregate principal amount of Bonds then outstanding in connection with the preparation and review of amendments, consents or waivers to this Agreement, the Indenture, the Permit Agreements, or any related document, the consideration of legal questions relevant hereto and thereto or to any restructuring or "workout" relating to the Note or the Bonds or the enforcement of any remedies pursuant to this Agreement, the Note, the Bonds, the Indenture, the Permit Agreements, or any other related document. The obligations of the Company under this paragraph shall survive any termination of this Agreement.

SECTION 5.4 PAYMENT OF ISSUER'S EXPENSES. The Company shall pay the

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Issuer's bond issuance fee, if any, and all reasonable expenses, including legal and accounting fees, incurred by the Issuer in connection with the issuance of the Bonds and the performance by the Issuer of any and all of its functions and duties under this Agreement or the Indenture, whether in the ordinary course of business or upon the occurrence of extraordinary circumstances, including, but not limited to, all duties which may be required of the Issuer by the Trustee and the Bondholders.

SECTION 5.5 INDEMNITY AGAINST CLAIMS. (a) The Company shall

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indemnify the Issuer, its officers, agents and employees, past, present and future, and the Trustee, its officers, agents and employees, past, present and future, against any and all claims arising out of the Issuer's undertaking of the financing or refinancing of the Project Facilities other than claims arising from willful misconduct in the case of the Issuer, and from willful misconduct or negligence in the case of the Trustee. If any such claim is asserted, the Issuer or the Trustee, as the case may be, shall give prompt notice to the Company and the Company shall assume the defense thereof, with full power to litigate, compromise or settle the same in its sole discretion. If the Issuer or the Trustee, as the case may be, so elects, either may participate in the defense of such claims, and may be represented by counsel of its own choice, at its own expense.

(b) In addition to, but without duplication of, its obligations under subsection (a) above, the Company shall indemnify and hold harmless the Issuer, the Trustee, the Initial Owner of the Bonds, and their respective officers, agents and employees, past, present and future, from and against any and all liabilities, losses, damages, costs and expenses (including reasonable fees and disbursements of counsel) of any such indemnified party arising out of, in

respect of or in connection with or relating to the business, assets, activities or operations of the Company which arise under or relate to matters covered by Environmental Laws.

SECTION 5.6 PAYMENTS IN LIEU OF TAXES. If, for any reason related to

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the Issuer's involvement in the financing of the Project Facilities, the Project Facilities are not considered to be taxable property, the Company shall nevertheless pay to the State of Colorado, to the applicable political subdivisions thereof or other taxing entities in which the Project Facilities are located amounts equal to the taxes that would be otherwise due and payable if the Project Facilities were not financed or refinanced by the Issuer. Such amounts in lieu of taxes shall be payable by the Company directly to the applicable political subdivisions or other taxing entities in which the property is located; provided, however, the Company may refuse to pay such amount in lieu of taxes so long as (i) the validity thereof shall be contested in good faith by appropriate legal proceedings, and (ii) the basis for such contest is not related to the Issuer's interest or involvement with the Project.

SECTION 5.7 AGREEMENT REGARDING REFUNDING. The Company agrees to

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provide all funds necessary for the purpose of effecting the refunding of the Prior Bonds to the extent such funds are not available from the proceeds of the Bonds, including the payment of the costs of refunding. Without limiting the generality of the foregoing, such costs of refunding may include the reasonable initial or acceptance fees of the Trustee and other reasonable fees and expenses of the Trustee, any prior trustees and their counsel, the Issuer's bond issuance fee, if any, reasonable expenses incurred in connection with the authorization, sale, issuance and delivery of the Bonds, and reasonable financial, legal and accounting fees attributable thereto. No more than 2% of the proceeds of the sale of the Bonds shall be used to pay costs of issuance of the Bonds within the meaning of the Code.

SECTION 5.8 FINANCIAL STATEMENTS AND INFORMATION, ETC. The Company

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shall furnish to the Trustee and to any Bondholder requesting the same: (a) within 120 days after the close of each of the Company's fiscal years, an audit report of independent certified public accountants, including consolidated balance sheets of the Company and its Subsidiaries as of the end of such fiscal year and related consolidated statements of earnings and cash flows, in comparative form for such year and the preceding year, and (b) within 60 days after the end of each fiscal quarter, similar financial statements, including comparative balance sheets and statements of earnings and cash flows, certified by the chief financial officer of the Company. The Company shall deliver to the Issuer and the Trustee, within 60 days after the end of each fiscal quarter (or within 120 days after the end of each quarter which is the end of a fiscal year), a certificate signed by an authorized representative of the Company stating that a review of the activities of the Company and its Subsidiaries during the preceding fiscal quarter has been made under the supervision of the signing representative with a view to determining whether the Company has kept, observed, performed and fulfilled, in all material respects, its obligations under this Agreement and the Permit Agreements, and further stating that to his knowledge, after due inquiry, the Company has kept, observed, performed and fulfilled in all material respects each and every covenant contained in this Agreement and the Permit Agreements and is not in default in any material respect in the performance or observance of any of the terms, provisions and conditions hereof and of the Permit Agreements (or, if any Events of Default shall have

occurred, describing all such Events of Default of which he may have knowledge and what action the Company is taking or proposes to take with respect thereto).

SECTION 5.9 COVENANT TO COOPERATE; RECORDING. (a) In the event it  
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may be necessary, for the proper performance of this Agreement, on the part of the Issuer or the Company, that any application or applications for any permit or license to do or to perform certain things be made to any governmental or other agency by the Company or the Issuer, the Company and the Issuer each agree to cooperate in such matters; provided, however, that the Issuer and the Company are bound to the agreement of this paragraph only in the case of reasonable requests for assistance and the Issuer shall not be bound to take any action involving its governmental discretion.

(b)(1) The Company shall execute and file or record, or cause others to execute and file or record, such documents, and take such other actions as may be necessary to create, perfect, protect and preserve the rights and interests of the Trustee intended to be created under the Permit Agreements.

(2) The Company shall furnish to the Issuer and the Trustee promptly after the execution and delivery of the Indenture and of each supplemental indenture or other instrument of further assurance executed in accordance with the provisions of Section 7.04 of the Indenture, an opinion of counsel to the Company stating that, in the opinion of such counsel, the Indenture and all such supplemental indentures and other instruments of further assurance have been properly recorded, registered and filed to the extent necessary to make effective the lien and pledge intended to be created by the Indenture and the rights and interests of the Trustee under the Permit Agreements, and reciting the details of such action or referring to prior opinions of counsel to the Company in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the security interests of the Bondholders and the Trustee under the Indenture and the rights and interests of the Trustee under the Permit Agreements, or stating that, in the opinion of such counsel, no such action is necessary to make such lien and pledge effective.

SECTION 5.10 COVENANTS TO NOTIFY IN EVENT OF BANKRUPTCY. The Company  
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covenants that from the date of the execution and delivery of this Agreement and for 180 days after payment of the Bonds in full has been made or duly and validly provided for, it shall immediately notify the Issuer and the Trustee in writing of the filing of a petition commencing a case under the United States Bankruptcy Code by or against the Company.

SECTION 5.11 EMPLOYEE BENEFIT PLANS. (a) The Company shall maintain  
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and cause each ERISA Affiliate, if any, to maintain each Plan (other than a Multiemployer Plan), if any, in compliance in all material respects with the applicable provisions of ERISA and the regulations and published interpretations thereunder, the failure to comply with which could subject the Company to material tax or penalty.

(b) As soon as possible and in any event within 15 days after the Company or any of its ERISA Affiliates knows or has reason to know that any Termination Event with

respect to any Plan has occurred, the Company shall furnish to the Issuer and to the Trustee a written statement of the chief financial officer of the Company describing such Termination Event and the action which the Company or such Affiliate proposes to take with respect thereto.

(c) Promptly after receipt thereof by the Company or any of its ERISA Affiliates from the Pension Benefit Guaranty Corporation, the Company shall furnish to the Issuer and to the Trustee copies of each notice received by the Company or such ERISA Affiliates of such corporation's intention to terminate any Plan or to have a trustee appointed to administer any such Plan.

SECTION 5.12 NOTICE OF MATERIAL LITIGATION. The Company shall

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promptly notify the Trustee of the existence and status of any litigation which individually or in the aggregate could, in the event of an unfavorable outcome, have a Material Adverse Effect on the Company and its Subsidiaries taken as whole.

SECTION 5.13 DEFAULTS. The Company shall promptly notify the Trustee

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of the occurrence of any event, which with the giving of notice or the lapse of time, or both, would result in an Event of Default, and the action that the Company proposes to take with respect thereto. The cure by the Company of any underlying default the giving of notice of which is contemplated herein shall be deemed to effect a cure of any default by the Company under this Section 5.13.

SECTION 5.14 OFFERING OF BONDS. The Company shall comply or cause

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compliance with all federal and state securities laws applicable to the offering or reoffering of the Bonds, including the provision to the purchasers of adequate disclosure of material facts. The Company shall be considered the "issuer" of the Bonds and shall be responsible for assuring that it and any other "obligated person" with respect to the Bonds comply with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934.

SECTION 5.15 ENVIRONMENTAL COMPLIANCE. The Company shall comply in

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all material respects with all Environmental Laws applicable to the Company and its Subsidiaries and their respective businesses to the extent that the Company's failure to so comply would have a Material Adverse Effect on the Company and its Subsidiaries taken as a whole.

SECTION 5.16 ADDITIONAL COMPANY DEBT; RESTRICTIONS ON PARITY DEBT.

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Nothing in this Agreement is intended to restrict the Company's ability or the ability of its Affiliates to issue or otherwise incur any Debt, Parity Debt or Senior Debt, except that the Company and its Affiliates (i) shall not issue or incur any Debt that is entitled to senior or superior rights with respect to the Special Use Permits to those granted under the Permit Agreements to the Trustee in respect of the Note and (ii) shall not issue or incur any Parity Debt, the principal amount of which when added to the principal amount of the Bonds and all other Parity Debt then outstanding, exceeds an aggregate of \$250,000,000, unless the Company complies with the provisions of this Section 5.16 and Section 6.06 of the Indenture. If the Company or any of its Affiliates intends to issue or incur Parity Debt that exceeds such aggregate principal amount, the Company shall give notice of such intent to the Trustee and the Initial

Owner of the Bonds, such notice to indicate the principal amount of Parity Debt to be issued or incurred, the expected maturity of such Parity Debt and the date on which the Company expects such Parity Debt to be issued or incurred (which shall be not less than 35 days from the date such notice is given). The Company shall cooperate with the Trustee in determining a redemption date and providing information to owners of the Bonds in connection with such events. If (a) the Initial Owner no longer owns at least 25% in aggregate principal amount of the Bonds then Outstanding, and (b) the adjustment of the interest rate on the Bonds to the Adjusted Interest Rate would cause the loss of tax-exempt status of the interest thereon for federal income tax purposes, Parity Debt as described in part (ii) of this Section 5.16 may be issued or incurred without restriction and without redeeming the Bonds or adjusting the interest rate thereon. Otherwise, such Parity Debt shall not be issued or incurred until either (x) the Company has made provision for redemption of the Bonds or such redemption has been waived by the Initial Owner, or (y) the interest rate thereon has been adjusted, all in accordance with Section 6.06 of the Indenture.

#### VI. EVENTS OF DEFAULT AND REMEDIES

##### SECTION 6.1 EVENTS OF DEFAULT. Each of the following events is

hereby defined as, and is declared to be and to constitute, an "EVENT OF DEFAULT":

(a) failure by the Company to make any payment on the Note as required to be made pursuant to Section 4.2 or 4.4 hereof when the same is due; or

(b) failure by the Company to observe and perform any other covenant, condition or agreement on its part to be observed or performed under this Agreement, in either Permit Agreement, or under the Note for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, given to the Company by the Trustee; provided if such failure is of such nature that it can be corrected (as agreed to by the Trustee, which agreement shall not be withheld unreasonably), but not within such period, the same shall not constitute an Event of Default so long as the Company institutes prompt corrective action and is diligently pursuing same; or

(c) if the Company

(1) admits in writing its inability to pay its debts generally as they become due, or

(2) files a petition in bankruptcy to be adjudicated a voluntary bankrupt in bankruptcy or files a similar petition under any insolvency act, or

(3) makes an assignment for the benefit of its creditors, or

(4) consents to the appointment of a receiver of itself or of the whole or any substantial part of its property; or

(d) if the Company files a petition or answer seeking its reorganization or arrangement under the federal bankruptcy laws or any other applicable law or statute; or

(e) if the Company, on a petition in bankruptcy filed against it, is adjudicated a bankrupt or if a court of competent jurisdiction shall enter an order or decree appointing, without the consent of the Company, a receiver or trustee of the Company or of the whole or substantially all of the property of either, or approving a petition filed against it seeking reorganization or arrangement of the Company under the federal bankruptcy laws or any other applicable law or statute, and such adjudication, order or decree shall not be vacated or set aside or stayed within 90 days from the date of the entry thereof; or

(f) failure by the Company to renew, or revocation or termination by the United States Forest Service of, the Special Use Permits or any similar lease, agreement or license relating to the Vail and Beaver Creek ski areas, the result of which is the cessation of the skiing and mountain operations of the Company on Vail and Beaver Creek mountain, provided that the Company shall have 60 days after such cessation to renew or replace such Special Use Permits or similar lease, agreement or license; or

(g) subject to the last sentence of this Section 6.1, if there shall have occurred any acceleration of Senior Debt; or

(h) if for any reason the Bonds shall be declared due and payable by acceleration in accordance with Section 8.02 of the Indenture.

Following the occurrence of an Event of Default and in each and every such case and during the continuance thereof, the Trustee, by notice in writing to the Company, may declare all sums which the Company is obligated to pay hereunder and under the Note to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable if concurrently with or prior to such notice the unpaid principal amount of the Bonds has been declared to be due and payable.

In case such declaration shall have been annulled in accordance with Section 8.02 of the Indenture, or in case the Issuer or the Trustee shall have proceeded to enforce any right under this Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Issuer or the Trustee, then and in every such case the Company, the Issuer and the Trustee shall be restored to their respective positions and rights hereunder, and all rights, remedies and powers of the Company, the Issuer and the Trustee shall continue as though no such proceeding had been taken, but subject to the limitations of any such adverse determination. Notwithstanding the foregoing, unless the principal of the Bonds shall have been declared immediately due and payable in accordance with Section 8.02 of the Indenture, in the case of any Event of Default pursuant to clause (g) above, if the acceleration referred to therein is rescinded, the Event of Default hereunder shall be deemed to have been cured.

SECTION 6.2 PAYMENT ON DEFAULT; SUIT THEREFOR. The Company covenants

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that, in case default shall be made in the payment of any amount due under this Agreement or under the Note as and when the same shall become due and payable, whether at maturity or by declaration of acceleration or otherwise, then, upon demand of the Issuer or the Trustee, the Company shall pay to the Trustee the whole amount of the Note that then shall have become due and payable with interest at the rates provided in the Bonds; and, in addition thereto, such further amount as shall be sufficient to cover the reasonable costs and expenses of collection, including reasonable compensation to the Trustee, its agents and attorneys and any expenses or liabilities incurred by the Issuer or the Trustee other than through its negligence or bad faith.

In case the Company shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any actions or proceedings at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect in the manner provided by law out of the property of the Company the moneys adjudged or decreed to be payable; provided, that without the necessity

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of any enforcement action being taken by the Trustee, the Issuer may, upon notice to but without the consent of the Trustee, directly take whatever action at law or in equity which may appear necessary or desirable to collect the payments due to the Issuer or to enforce performance and observance of any other obligation, agreement or covenant under Sections 5.4, 5.5, 5.6, 5.7, or 5.14, but without exercising any remedy resulting in acceleration of the Bonds or Note or termination of this Agreement.

In case there shall be pending proceedings for the bankruptcy or for the reorganization of the Company under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Company or in the case of any other similar judicial proceedings relative to the Company, or to the creditors or property of the Company, the Issuer or the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole unpaid amount of the Note and interest owing and unpaid in respect thereof and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Issuer or the Trustee allowed in such judicial proceedings relative to the Company, its creditors, or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute the same after the deduction of its charges and expenses, including but not limited to the Trustee's extraordinary fees; and any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee any amount due it for compensation and expenses, including counsel fees incurred by it up to the date of such distribution.

SECTION 6.3 CUMULATIVE RIGHTS. No remedy conferred upon or reserved

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to the Issuer or the Trustee by this Agreement, the Permit Agreements or the Note is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement, the Note, the Permit Agreements, or now or hereafter existing at law or in equity or by statute. No waiver

by the Issuer or the Trustee of any breach by the Company of any of its obligations, agreements or covenants hereunder or under the Note shall be a waiver of any subsequent breach, and no delay or omission to exercise any right or power shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

VII. MISCELLANEOUS.

SECTION 7.1 NOTICES. Notice hereunder shall be given in writing,

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either by certified mail, to be deemed effective four days after mailing unless earlier received, by telegram, by facsimile, or by telephone, confirmed in writing, addressed as follows:

The Issuer - Board of County Commissioners  
Eagle County Courthouse  
P.O. Box 850  
Eagle, Colorado 81631  
Attention: County Attorney  
Facsimile: 970/328-7207

The Company -

In the case of delivery via special courier:

The Vail Corporation  
d/b/a Vail Associates, Inc.  
137 Benchmark Road  
Avon, Colorado 81620  
Attention: General Counsel  
Facsimile: 970/845-2912

In the case of delivery via U.S. mail:

The Vail Corporation  
d/b/a Vail Associates, Inc.  
P.O. Box 7  
Vail, CO 81658  
Attention: General Counsel

The Trustee - U.S. Bank National Association  
950 17th Street, Suite 650  
Denver, Colorado 80202  
Attention: Corporate Trust Department  
Facsimile: 303/585-6865

or such other address as may be filed in writing with the parties to this Agreement and with the Trustee.

SECTION 7.2 DISCLAIMER; LIMITATION OF LIABILITY OF THE ISSUER.

NEITHER THE ISSUER NOR THE TRUSTEE MAKES ANY REPRESENTATION OR WARRANTY, EITHER EXPRESS OR IMPLIED, AS TO THE ACTUAL OR DESIGNED CAPACITY OF THE PROJECT FACILITIES, AS TO THE SUITABILITY OF THE PROJECT FACILITIES FOR THE PURPOSES SPECIFIED IN THIS AGREEMENT, AS TO THE CONDITION OF THE PROJECT FACILITIES, OR THAT THE PROJECT FACILITIES WILL BE SUITABLE FOR THE COMPANY'S PURPOSES OR NEEDS. IN THE EVENT OF ANY DEFAULT BY THE ISSUER HEREUNDER, THE LIABILITY OF THE ISSUER TO THE COMPANY SHALL BE ENFORCEABLE ONLY OUT OF ITS INTEREST UNDER THIS AGREEMENT AND THERE SHALL BE NO OTHER RECOURSE BY THE COMPANY AGAINST THE ISSUER, ITS OFFICERS, AGENTS AND EMPLOYEES, PAST, PRESENT OR FUTURE, OR ANY OF THE PROPERTY NOW OR HEREAFTER OWNED BY IT OR THEM. NO OBLIGATION OF THE ISSUER HEREUNDER OR UNDER THE BONDS SHALL BE DEEMED TO CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OR TAXING POWER OF THE ISSUER, THE STATE OF COLORADO OR OF ANY POLITICAL SUBDIVISION THEREOF.

SECTION 7.3 ASSIGNMENTS. This Agreement may not be assigned by

either party without the consent of the other, except that the Issuer may assign rights to the Trustee pursuant to Section 4.6 hereof. Notwithstanding the foregoing, no merger, sale of assets or consolidation permitted under Section 5.1 hereof shall be deemed to be an assignment for purposes of this Section 7.3.

SECTION 7.4 ILLEGAL; ETC. PROVISIONS DISREGARDED. In case any

provision of this Agreement shall for any reason be held invalid, illegal or unenforceable in any respect, this Agreement shall be construed as if such provision had never been contained herein.

SECTION 7.5 APPLICABLE LAW. This Agreement shall be deemed to be

governed by, and interpreted under, the laws of the State of Colorado.

SECTION 7.6 AMENDMENTS. This Agreement may not be amended except in

accordance with the Indenture and by an instrument in writing signed by the parties and consented to by the Trustee for the Bondholders in accordance with the Indenture.

SECTION 7.7 AMOUNTS REMAINING IN BOND FUND. It is agreed by the

parties that any amounts remaining in the Bond Fund established under the Indenture upon expiration or sooner termination of the term of this Agreement, as provided in this Agreement, after payment in full of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) and of the fees, charges and expenses of the Trustee and the Issuer in accordance with the Indenture, shall belong to and be paid to the Company by the Trustee as overpayment of the amounts due under the Note.

SECTION 7.8 TERM OF AGREEMENT. This Agreement shall become effective

upon its delivery and shall continue in effect until all Bonds have been paid or provision for such payment has been made in accordance with the Indenture.

SECTION 7.9 COUNTERPARTS. This Agreement may be executed in any

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number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 7.10 SURVIVING OBLIGATIONS. The obligations of the Company

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under Sections 5.4, 5.5, and 5.6 shall survive expiration or earlier termination of this Agreement.

SECTION 7.11 ENTIRE AGREEMENT. This Agreement is the entire

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agreement between the parties hereto, and there are no oral agreements between the parties.

IN WITNESS WHEREOF, the parties hereto, in consideration of the mutual covenants set forth herein and intending to be legally bound, have caused this Agreement to be executed and delivered as of the date first above written.

EAGLE COUNTY, COLORADO

[SEAL]

Attest: \_\_\_\_\_  
County Clerk and Recorder

By: \_\_\_\_\_  
Chair, Board of County Commissioners

[SEAL]

THE VAIL CORPORATION,  
d/b/a VAIL ASSOCIATES, INC.

Attest: \_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Senior Vice President

JOINDER BY BEAVER CREEK ASSOCIATES, INC.

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BEAVER CREEK ASSOCIATES, INC., hereby joins in the foregoing Sports and Housing Facilities Financing Agreement for the purpose of Article V and covenants that while any Bonds remain outstanding, it will observe or perform each of the covenants or conditions set forth therein to the extent that the Act requires such covenants to be observed or performed by Beaver Creek Associates, Inc. as the "user" of the Project Facilities as defined in the Act.

BEAVER CREEK ASSOCIATES, INC.

By: \_\_\_\_\_  
Senior Vice President

SCHEDULE A

1981 HOUSING PROJECT FACILITIES

The 1981 Housing Project Facilities consist of two buildings, containing 60 Employee Housing Units, 30 one-bedroom and 30 two-bedrooms located on approximately 3.46 acres near Beaver Creek Mountain. The buildings are two-story wood frame construction with a combination of stucco and cedar channel-lock siding with stone veneer. The Housing Project also includes 125 spaces of paved parking, 15% covered, plus laundry and storage facilities. In view of the probable obsolescence of the Housing Project and the availability of other facilities meeting the same public purpose, use of the Housing Project may be discontinued after May 1, 1999.

1984 Vail Project Facilities

The 1984 Vail Project Facilities consist of (i) certain ski lifts and trails for use on Vail Mountain, (ii) land improvements, (iii) utilities, (iv) snowmaking equipment, (v) certain new buildings located on Vail Mountain, and (vi) equipment. The following is an itemization of the 1984 Vail Project Facilities:

SKI LIFTS

Vista Bahn Express Lift #16  
Northwoods Express Lift #11  
Game Creek Express Lift #7  
Mtn Top Express Lift #4  
Chair 4 to 3 Move  
Quad Completion  
Special Lift Equipment  
Tower Machinery  
Gearbox #4 Motor Room  
Lift Demolition  
Brakes, Ropes, Sheaves, Grips, Etc.

SKI TRAILS

Transmontane Trail  
Game Creek Trails  
Northwoods Trails  
Riva Trailwork  
Powerline Trail  
Hunky Dory Hump  
Nastar Move  
Children's Mtn S & T  
New Lift Areas Dirt Work, Mazes,  
Dozing, Culverts, Platforms  
Express Terminal Drainage  
USFS Projects, Revegetation  
Road, Mudslide, Drainage Repairs  
Race Courses

SNOWMAKING

Snowmaking - Riva  
Snowmaking - Lionshead  
Snowmaking - Vail, GP  
Pumphouse Crossover  
Powder Makers  
Snow Central Bldg Mtce

BUILDING

Mid-Vail Remodel/Retrofit  
Golden Peak Renovation  
Wildwood Restrooms  
Wildwood Remodel  
Far East Remodel  
Vail Shop Modification  
Roof Repairs  
Trailers - Golf, GP Nursery, Tin City  
Ticket Offices  
LH Locker room Addition  
Mtn BBQ Decks  
Lionshead Center Remodel

EQUIPMENT

Snowcats/Sleds  
Trucks  
Radios  
Snowmobiles  
Lift Status Boards  
Race Equipment

LAND IMPROVEMENTS  
- -----  
Vista Bahn Landscape  
Gore Creek Pump House Landscape  
Mid-Vail Well

UTILITIES  
- -----  
Holy Cross Electric Phase 2  
Utilities - Vail  
Mid-Vail Energy Mgt Plan  
  
Lift Telephone Moves

Bus Ski Racks  
Bus Repower  
Dump Truck, Van, Denver Truck  
Ozone Disinfection  
Signs  
Mtn Toilets  
New Carpet  
Food Service Equipment  
Ski School Reservation System  
Vail Express Card  
  
TV Cable - Races

1986 VAIL PROJECT FACILITIES  
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The 1986 Vail Project Facilities consist of the following snowmaking equipment for Vail Mountain:

SNOWMAKING  
- -----

Pipe  
Pumps  
Compressors  
Pump Building  
Reservoir

1980 BEAVER CREEK PROJECT FACILITIES  
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The 1980 Beaver Creek Project Facilities consist of (i) certain ski lifts and ski trails, (ii) certain roads and skiways, (iii) certain snowmaking improvements, (iv) certain new buildings located on Beaver Creek Mountain, (v) skier parking for such Mountain, and (vi) utilities and related improvements. The following is an itemization of the 1980 Beaver Creek Project Facilities:

SKI LIFTS  
- -----  
Haymeadow Chairlift #1  
Drink of Water Chairlift #5  
Lower Horseshoe Chairlift #6  
Upper Horseshoe Chairlift #7  
Stump Park Chairlift #8  
Westfall Chairlift #9

SKI TRAILS  
- -----  
Haymeadow Trails:  
Haymeadow  
Assay  
Drink of Water Trails:  
Red Buffalo  
Booth Gardens  
Powell

SNOWMAKING SYSTEM  
-----  
  
BUILDINGS  
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Elk Track Maintenance Complex  
Spruce Saddle Restaurant  
Patrol Headquarters Building  
East Lot Reception Center  
West Lot Prater Road

SKIER PARKING  
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UTILITIES  
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Water System  
Sewage System  
Natural Gas  
Electric Power  
Telephone System

Lower Horseshoe Trails:

Bear Trap  
Buckboard  
1876  
Dally

EQUIPMENT

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Trucks

Upper Horseshoe Trails:

Latigo  
Gold Dust  
Half Hitch  
Double Diamond

Snow Cats

Food Service Equipment

Mountain Equipment (Radios, Etc.)

Stump Park Trails:

Centennial  
Flat Tops  
Cinch  
Sheephorn

ROADS AND SKIWAYS

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Upper Westfall Road

Beano Road Extension

Lower Eastfall Road

Beaver Creek Skiway

Westfall Trails:

Peregrine  
Golden Eagle  
Goshawk

1984 BEAVER CREEK PROJECT FACILITIES

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The 1984 Beaver Creek Project Facilities consist of (i) certain new buildings located on Beaver Creek Mountain, (ii) certain ski lifts for use on such Mountain, and (iii) snowmaking equipment, (iv) skier parking, (v) utilities and (vi) equipment. The following is an itemization of the 1984 Beaver Creek Project Facilities:

SKI LIFTS

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Centennial Express Chairlift #6  
Larkspur Chairlift #11  
Orient Express Chairlift #21  
Surface Chairlift #14  
Chair #6 to Vail #4 Move  
Chairlift #7 Walkways, Ramps & Drives  
Safety Bars, Lifting Frames, Beams & Pads

SNOWMAKING

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Snowmaking - Pitchfork  
Snowmaking - Booster Pumphouse  
Snowmaking - Chair 1,  
Retail & Centennial  
Snowmaking - Water Tap Fee  
B Building Pump  
Snowmaking - Peregrine  
Snowmaking - Haymeadow, Buckboard  
Fools Gold

SLOPES AND TRAILS

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Larkspur Trails:

Larkspur  
Yarrow  
Primrose  
Lupine  
S Star  
Loco  
Paintbrush  
Bluebell

Chairlift #14 Trails:

Home Run  
Home Comfort  
McCoy Skiway

Stone Creek Trails

Nastar Pay-to-Race Course

SKIER PARKING/LAND IMPROVEMENTS

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Skier Drop Off/Skier Bridge  
Upper Bond  
North Parking Lot  
Lot Paving

BUILDING

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Spruce Saddle Mezzanine  
Spruce Saddle Rafters Move  
Skier Basket Storage  
Mountain Storage Building  
Cross Country Buildings  
Park Plaza Children's Center  
Race Buildings

Lift Dirt Work, Line Clearing  
Skiways to Creekside & Charter  
Redtail Modification  
Cross Country/Summer Trails  
BC/Arrowhead Connector  
McCoy Skier Bridge  
Tree Removal, Mudslide Cleanup  
USFS Projects, Revegetation  
Race Courses - Men's Downhill, Giant  
Slalom, etc.

Village Hall Fire Panels & Lockers

UTILITIES

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Holy Cross Electric Loop  
Spruce Saddle Energy Plan

EQUIPMENT

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Snowcats/Sleds  
Trucks  
TV Cable  
Snowmobiles  
Haul Ca/Van  
Signs  
Food Service Equipment  
Telephone Switch  
Race Equipment

1986 BEAVER CREEK PROJECT FACILITIES

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The 1986 Beaver Creek Project Facilities consist of (i) certain ski lifts and ski trails on Beaver Creek Mountain, and (ii) certain snowmaking equipment for such Mountain.

SKI LIFTS

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Strawberry Park Chairlift #12

SKI TRAILS

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Beano's Trace  
Pitchfork  
Stacker

SNOWMAKING

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Pipe  
Pumps  
Compressors

SCHEDULE B

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THE VAIL CORPORATION,  
D/B/A VAIL ASSOCIATES, INC.  
SPORTS FACILITIES NOTE  
(EAGLE COUNTY, COLORADO)  
SERIES 1998

THE VAIL CORPORATION, d/b/a VAIL ASSOCIATES, INC. (the "COMPANY"), a corporation organized and existing under the laws of the State of Colorado, for value received, promises to pay to U.S. BANK NATIONAL ASSOCIATION (together with any successors, the "TRUSTEE"), as Trustee under the Trust Indenture dated as of April 1, 1998 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "INDENTURE") of Eagle County, Colorado (the "ISSUER"), relating to the Issuer's Sports and Housing Facilities Revenue Refunding Bonds (Vail Associates Project), Series 1998 (the "SERIES 1998 BONDS"), the principal sum of \$41,200,000 on August 1, 2019. The Company shall pay interest on the outstanding principal of this Note at the rate of 6.95% per annum (subject to adjustment to the Adjusted Interest Rate as provided in the Indenture) from the date hereof on February 1 and August 1 of each year, commencing August 1, 1998, until the payment of said principal amount has been made or duly provided for. TERMS NOT OTHERWISE DEFINED IN THIS NOTE SHALL HAVE THE RESPECTIVE MEANINGS ASCRIBED TO THEM IN THE INDENTURE.

This Note is subject to prepayment at the option of the Company, in whole or in part, on August 1, 2008 or any date thereafter, upon 70 days prior written notice to the Trustee, at prepayment prices (expressed as percentages of the principal amount of this Note or portion thereof prepaid), as set forth below, plus interest accrued to the date of prepayment:

Redemption Period -----	Optional Redemption Price -----
August 1, 2008 through July 31, 2009	110%
August 1, 2009 through July 31, 2010	109%
August 1, 2010 through July 31, 2011	108%
August 1, 2011 through July 31, 2012	107%
August 1, 2012 through July 31, 2013	106%
August 1, 2013 through July 31, 2014	105%
August 1, 2014 through July 31, 2015	104%
August 1, 2015 through July 31, 2016	103%
August 1, 2016 through July 31, 2017	102%
August 1, 2017 through July 31, 2018	101%
August 1, 2018 and thereafter	100%

This Note is also subject to prepayment in whole at any time, without premium but with interest accrued to the date of prepayment, at the option of the Company, upon 70 days prior written notice to the Trustee, following the occurrence of any of the following events:

(a) The damage or destruction of all or substantially all of the Project Facilities or the skiing facilities at which the Project Facilities are located, to such extent that, in the reasonable opinion of the Company, the repair and restoration thereof would not be economical; or

(b) The condemnation of all or substantially all of the Project Facilities or the skiing facilities at which the Project Facilities are located or the taking by condemnation of, use or control of all or any part of the Project Facilities or such skiing facilities as to render it or them unsatisfactory to the Company for its intended use; or

(c) In the Company's reasonable opinion, unreasonable burdens or excessive liabilities shall have been imposed upon the Company with respect to the Project Facilities or the skiing facilities at which the Project Facilities are located or the operation thereof, including, but without being limited to, loss of Special Use Permits (as defined in the Agreement) relating to the Project Facilities or the imposition of Federal, state or other ad valorem, property, income or other taxes, not being imposed on the date of the Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project Facilities.

The Company's request to prepay the Note following the occurrence of one of the foregoing events must be made, if at all, within nine months following the occurrence of such event.

If an event has occurred which makes the Series 1998 Bonds subject to Special Mandatory Redemption or Extraordinary Mandatory Redemption as provided therein, the Company shall, on or before the proposed applicable redemption date for the Series 1998 Bonds, pay to the Trustee the whole or appropriate portion of the unpaid principal amount of this Note plus the applicable premium thereon with interest accrued to the proposed redemption date, subject to the Company's right to cancel the redemption or to purchase the Series 1998 Bonds in lieu of Extraordinary Mandatory Redemption as provided in Section 4.8 of the Agreement and Section 6.06 of the Indenture. In the event that the Company receives notice from the Trustee pursuant to Section 6.05 of the Indenture that a proceeding which could lead to a final determination that interest on the Series 1998 Bonds is taxable and Special Mandatory Redemption of Series 1998 Bonds as contemplated by such Section has been instituted against a bondholder, the Company shall promptly notify the Trustee and the Issuer whether or not it intends to contest such proceeding. In the event that the Company chooses to so contest, it will act in good faith to obtain a prompt final determination or decision in such proceeding or litigation and will keep the Trustee and the Issuer informed of the progress of any such proceeding or litigation.

IF, FOR ANY REASON, THE AMOUNTS SPECIFIED ABOVE ARE NOT SUFFICIENT TO MAKE CORRESPONDING PAYMENTS OF PRINCIPAL OR REDEMPTION PRICE OF, AND INTEREST ON, ALL OF THE SERIES 1998 BONDS WHEN SUCH PAYMENTS ARE DUE, THE COMPANY SHALL PAY AS ADDITIONAL AMOUNTS DUE HEREUNDER, THE AMOUNTS REQUIRED FROM TIME TO TIME TO MAKE UP ANY SUCH

DEFICIENCY. WHENEVER PAYMENT OR PROVISION THEREFOR HAS BEEN MADE IN RESPECT OF THE PRINCIPAL OR REDEMPTION PRICE OF AND INTEREST ON ALL SUCH BONDS IN ACCORDANCE WITH THE INDENTURE, THIS NOTE SHALL BE DEEMED PAID IN FULL AND THE TRUSTEE SHALL CANCEL AND RETURN THIS NOTE TO THE COMPANY PROMPTLY UPON SUCH SATISFACTION.

All payments of principal, prepayment, premium, if any, and interest shall be made to the Trustee at its principal operations office in Saint Paul, Minnesota, in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. All payments shall be in the full amount required hereunder unless the Trustee notifies the Company that it is entitled to a credit under the Agreement or the Indenture.

This Note is issued pursuant to a certain Sports and Housing Facilities Financing Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time, the "AGREEMENT") dated as of April 1, 1998 between the Issuer and the Company relating to the refinancing of certain recreational, sports and housing facilities located on Vail and Beaver Creek Mountains in the unincorporated area of Eagle County, Colorado (the "PROJECT FACILITIES"). To provide additional rights and benefits to the Trustee, the Company and Beaver Creek Associates, Inc. have executed and delivered those certain Agreements Regarding Forest Service Special Use Permit (the "PERMIT AGREEMENTS"). The obligations of the Company to make the payments required hereunder shall be absolute and unconditional without defense or set-off by reason of any default by the Issuer under the Agreement or under any other agreement between the Company and the Issuer or for any other reason, including without limitation, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project Facilities, commercial frustration of purpose, or failure of the Issuer to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement, it being the intention of the Company and the Issuer that the payments hereunder shall be paid in full when due without any delay or diminution whatsoever.

In case one or more of the Events of Default specified in Section 6.1 of the Agreement shall have occurred and be continuing, then and in each and every such case, the Trustee, by notice in writing to the Company, may declare the unpaid balance of this Note to be due and payable immediately, if concurrently with or prior to such notice the unpaid principal amount of the Series 1998 Bonds has been declared to be due and payable, and upon any such declaration the same shall become and shall be immediately due and payable.

In case the Trustee shall have proceeded to enforce its rights under this Note, the Permit Agreements, or the Agreement and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, then and in every such case the Company and the Trustee shall be restored to their respective positions and rights hereunder and thereunder, and all rights, remedies and powers of the Company and the Trustee shall continue as though no such proceeding had been taken.

In case the Company shall fail forthwith to pay all amounts due hereunder and under the Agreement upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Company and collect, in the manner provided by law out of the property of the Company, the moneys adjudged or decreed to be payable.

This Note shall at all times be and remain part of the trust estate under the Indenture, and no assignment or transfer by the Trustee of its rights hereunder shall be effective other than (i) a transfer made after an Event of Default under the Indenture in the course of the Trustee's exercise of its rights and remedies consequent upon such Event of Default, or (ii) a transfer required in the performance of the Trustee's duties under the Indenture.

IN WITNESS WHEREOF, the Company has caused this Note to be duly executed and delivered.

Dated: April 9, 1998

THE VAIL CORPORATION,  
d/b/a VAIL ASSOCIATES, INC.

By \_\_\_\_\_  
Senior Vice President

B-4

SCHEDULE C

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CERTAIN DEFINITIONS

"AFFILIATE" means, when used with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified. For this purpose, the term "control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ownership of voting securities or partnership interests, by contract or otherwise.

"DEBT" of any Person means at any date, without duplication (and calculated in accordance with GAAP), any obligation for borrowed money (whether as a direct obligation or a promissory note, bond, zero coupon bond, debenture or similar instrument, or as an unfilled reimbursement obligation on a drawn letter of credit or similar instrument, or otherwise).

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" means any member (whether or not incorporated) of a group which is under common control (within the meanings of the regulations under Section 414 of the Code) and of which the Company is a member.

"GAAP" means generally accepted accounting principles as in effect from time to time.

"MATERIAL ADVERSE EFFECT" means any (a) material impairment of the ability of the Company to perform its payment or other material obligations under this Agreement, the Note or the Permit Agreements or material impairment of the ability of the Issuer or the Trustee to enforce any of the material obligations of the Company under this Agreement, the Note or the Permit Agreements or (b) material and adverse effect on the financial condition of the Company and its Subsidiaries taken as a whole.

"MULTIEMPLOYER PLAN" means an employee benefit plan (as defined in Section 3(37) of ERISA) to which contributions are or have been required to be made by the Company or any ERISA Affiliate.

"PARITY DEBT" means Debt issued or incurred by the Company or its Affiliates, which Debt is entitled to the same rights and privileges as are created under either or both of the Permit Agreements as those granted to the Trustee in respect of the Note.

"PERSON" means any individual, corporation, business, trust, joint venture, partnership, or unincorporated association or any government or agency or political subdivision thereof.

"PLAN" means any employee benefit plan or other plan maintained for employees of the Company or any ERISA Affiliate or to which contributions are made on behalf of such employees and covered by Title IV of ERISA.

"SENIOR DEBT" means any secured or unsecured Debt of the Company (a) having a principal amount outstanding at the time in question equal to or in excess of (i) \$15,000,000 with respect to an individual loan or Debt outstanding under a single agreement, or (ii) \$50,000,000 with respect to the aggregate of all such Debt, and (b) which Debt is not subordinated in right of payment to the Note and (c) which Debt is recourse to the Company or Vail Resorts, Inc. or any material subsidiary of Vail Resorts, Inc.

"SUBSIDIARY" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the total voting power entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person or a combination thereof.

"TERMINATION EVENT" means either a "reportable event" as defined in Section 4043(b) of ERISA, the filing of a notice of intent to terminate under Section 4041 of ERISA or any other event or condition which might constitute grounds under Section 4042 of ERISA for the termination of, or for the appointment of a trustee to administer any Plan.

EAGLE COUNTY, COLORADO

TO

U.S. BANK NATIONAL ASSOCIATION,

AS TRUSTEE

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TRUST INDENTURE  
DATED AS OF APRIL 1, 1998

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SECURING SPORTS AND HOUSING FACILITIES REVENUE REFUNDING BONDS  
(VAIL ASSOCIATES PROJECT)

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THIS TRUST INDENTURE (the "INDENTURE") dated as of April 1, 1998, is entered into between EAGLE COUNTY, COLORADO (the "ISSUER"), a Colorado political subdivision, and U.S. BANK NATIONAL ASSOCIATION, as Trustee (together with any successors, the "TRUSTEE"), a national banking association organized and existing under the laws of the United States and being qualified to accept and administer the trusts hereby created.

RECITALS:

A. In furtherance of the statutory purposes of the Colorado County and Municipality Development Revenue Bond Act, as amended (the "ACT"), the Issuer has entered into a Sports and Housing Facilities Financing Agreement dated as of April 1, 1998 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "AGREEMENT") with The Vail Corporation, d/b/a Vail Associates, Inc. (the "COMPANY") providing for the refinancing by the Issuer of several projects (collectively, the "PROJECT") consisting of the acquisition, construction and installation of certain sports and recreational facilities (collectively, including any additions, deletions and changes made by the Company from time to time pursuant to Section 2.2 of the Agreement, the "PROJECT FACILITIES") located in the unincorporated area of Eagle County on or near Vail and Beaver Creek Mountains in the White River National Forest. The Issuer has found that the refinancing of the Project will promote the public purposes of the Act by promoting the public health, welfare, safety, convenience and prosperity of the inhabitants of Colorado.

B. The Agreement provides that to refinance the Project, the Issuer will issue and sell \$41,200,000 aggregate principal amount of its Sports and Housing Facilities Revenue Refunding Bonds (Vail Associates Project), Series 1998 (the "BONDS") and will loan the proceeds thereof to the Company to be applied to the refunding of \$21,600,000 aggregate principal amount of the Issuer's Sports and Housing Facilities Revenue Refunding Bonds (Vail Associates Project), Series 1992 and \$19,600,000 aggregate principal amount of the Issuer's Sports Facilities Revenue Bonds (Beaver Creek Associates Project), Series 1992 (collectively, the "PRIOR BONDS"), with such loan to be repaid by the Company in installments equal to payments of the debt service on the Bonds.

C. To provide for the refunding of the Prior Bonds, the Issuer has duly authorized the issuance and delivery of the Bonds, which will be exchanged for the Prior Bonds by the owner thereof.

D. In order to evidence its obligation to repay the loan and further secure the payment of the Bonds, the Company has delivered to the Trustee its Promissory Note in the principal amount of \$41,200,000 (as amended or replaced from time to time, the "NOTE"), with respect to the payment of which the Trustee is entitled to the benefit of those certain Agreements Regarding Forest Service Special Use Permit (as amended, amended and restated, supplemented or otherwise modified from time to time, the "PERMIT AGREEMENTS") delivered by the Company and Beaver Creek Associates, Inc., respectively, to the Trustee.

E. The execution and delivery of this Indenture have been in all respects duly and validly authorized by resolution duly adopted by the Board of County Commissioners of the Issuer.

F. The Bonds will be issued in fully registered form in denominations of \$5,000 or integral multiples thereof and (including the certificate of authentication of the Trustee to be inscribed thereon) are to be in substantially the following form:

[FORM OF BOND]

CEDE & CO., HAS AN INTEREST HEREIN: UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY ("DTC") TO THE ISSUER OR THE BOND REGISTRAR FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC, ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY OTHER PERSON IS WRONGFUL.

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No. R-

UNITED STATES OF AMERICA  
STATE OF COLORADO

EAGLE COUNTY, COLORADO

SPORTS AND HOUSING FACILITIES REVENUE REFUNDING BONDS  
(VAIL ASSOCIATES PROJECT)  
SERIES 1998

Interest Rate Per Annum -----	Maturity Date -----	Original Date -----	CUSIP -----
6.95% (subject to adjustment)	August 1, 2019	April 9 , 1998	269480 AA7

Registered Owner:  
Principal Sum:

EAGLE COUNTY, COLORADO (the "ISSUER"), a political subdivision of the State of Colorado duly organized and validly existing under the Constitution and laws of the State of Colorado, for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the Registered Owner (specified above), or registered assigns, the Principal Sum (specified above) on the Maturity Date (specified above), unless this Bond shall have been duly called for previous redemption in whole or in part and payment of the redemption price shall have been duly made or provided for, upon surrender hereof, and to pay, solely from the sources hereinafter mentioned, to the person in whose name this Bond is registered at the close of business on the regular record date for such interest, which shall be the fifteenth day of January or July next preceding an interest payment date (the "REGULAR RECORD DATE"), by check mailed to such person at his address as it appears on the registration books of the Issuer, interest on said principal sum at the

per annum Interest Rate (specified above, subject to adjustment to the Adjusted Interest Rate as provided in Section 6.06 of the Indenture, as herein defined); provided that at the written request of any owner of at least \$1,000,000 aggregate principal amount of Bonds received by the Bond Registrar at least one business day prior to the Regular Record Date, interest hereon shall be payable in immediately available funds by wire transfer within the United States. Interest in respect of this Bond shall accrue from the interest payment date next preceding the date of authentication to which interest shall have been paid, (i) unless such date of authentication is an interest payment date to which interest shall have been paid, in which case, from such authentication date, or (ii) unless authenticated after a Regular Record Date and prior to an interest payment date with respect to such Regular Record Date, in which case from such interest payment date, or (iii) unless this Bond is authenticated prior to the first interest payment date, in which case interest in respect of this Bond shall accrue from its Original Date (specified above). Payments of interest hereunder shall be payable semi-annually on February 1 and August 1 in each year, commencing August 1, 1998, at the per annum Interest Rate (specified above, subject to adjustment to the Adjusted Interest Rate as provided in Section 6.06 of the Indenture), until payment of said principal sum and (to the extent payment of such interest shall be legally enforceable) on any overdue installment of interest. Any such interest not so punctually paid shall forthwith cease to be payable to the registered owner on such Regular Record Date, and may be paid to the person in whose name this Bond is registered at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice whereof being given to Bondholders not more than 15 nor less than 10 days prior to such special record date, or may be paid at any time in any other lawful manner not inconsistent with the requirements of any securities exchange on which the Bonds may be listed and upon such notice as may be required by such exchange, all as more fully provided in the Indenture, as herein defined. Interest is computed on the basis of a 360-day year of twelve 30-day months. The principal and any premium due in connection with the redemption of this Bond shall be payable at the principal operations office of U.S. BANK NATIONAL ASSOCIATION (the "PAYING AGENT"), currently located at U.S. Bank Trust National Association in Saint Paul, Minnesota. Principal, premium, if any, and interest shall be paid in any coin or currency of the United States of America which, at the time of payment, is legal tender for the payment of public and private debts.

If the Company has notified the Trustee that the Company or any of its Affiliates intends to issue or incur Parity Debt, which when added to the principal amount of the Bonds and all other Parity Debt then outstanding, would exceed \$250,000,000, and at least 25% in aggregate principal amount of the Bonds then Outstanding is owned by the Initial Owner, the interest rate on the Bonds shall be increased to 7.45% per annum (the "ADJUSTED INTEREST RATE") upon the failure of the Initial Owner to exercise the option to cause the Bonds to be redeemed in the manner provided in Section 6.06 of the Indenture. If less than 25% in aggregate principal amount of the Bonds is owned by the Initial Owner, the Adjusted Interest Rate shall take effect automatically upon such issuance or incurrence of Parity Debt

unless such adjustment would adversely affect the exclusion of the interest on the Bonds from gross income for federal income tax purposes, in which event, such adjustment shall not occur, and the issuance or incurrence of such Parity Debt shall be permitted and shall have no effect on the interest rate on the Bonds, on the redemption provisions, or otherwise.

The Issuer has established a book-entry only system of registration for the Bonds (the "BOOK-ENTRY SYSTEM"). Except as specifically provided otherwise in the Indenture, the Securities Depository (as defined in the Indenture) (or its nominee) will be the Registered Owner of this Bond. By acceptance of a confirmation of purchase, delivery or transfer, the Beneficial Owner of this Bond shall be deemed to have agreed to this arrangement. The Securities Depository (or its nominee), as Registered Owner of this Bond, shall be treated as its owner for all purposes.

This Bond is one of a duly authorized series (the "BONDS") limited in aggregate principal amount to \$41,200,000 issued under a Trust Indenture dated as of April 1, 1998 (as amended, amended and restated, supplemented or otherwise modified from time to time, the "INDENTURE") between the Issuer and the U.S. Bank National Association, as Trustee (together with any successors, the "TRUSTEE"), to accomplish the public purposes of the County and Municipality Development Revenue Bond Act (the "ACT") by refinancing several projects consisting of the acquisition, construction and installation of certain sports, recreational and housing facilities located on or near Vail and Beaver Creek Mountains in Eagle County, Colorado (the "PROJECT FACILITIES") for The Vail Corporation, d/b/a Vail Associates, Inc. (the "COMPANY").

AS REQUIRED BY THE ACT, THIS BOND SHALL BE A SPECIAL, LIMITED OBLIGATION OF EAGLE COUNTY, PAYABLE SOLELY FROM THE REVENUES DERIVED FROM THE PROJECT, AND SHALL NEVER CONSTITUTE THE DEBT OR INDEBTEDNESS OF THE COUNTY OR THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF WITH THE MEANING OF ANY PROVISION OR LIMITATION OF THE COLORADO CONSTITUTION OR STATUTES, AND SHALL NOT CONSTITUTE NOR GIVE RISE TO A PECUNIARY LIABILITY OR FINANCIAL OBLIGATION OF THE COUNTY OR A CHARGE AGAINST ITS GENERAL CREDIT OR TAXING POWERS.

REFERENCE IS MADE TO THE FURTHER PROVISIONS OF THIS BOND SET FORTH ON THE ANNEX HERETO OR THE REVERSE HEREOF. SUCH FURTHER PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

THIS BOND IS SUBJECT TO REDEMPTION PRIOR TO MATURITY AS DESCRIBED ON THE REVERSE HEREOF OR ANNEX HERETO.

If an Event of Default (as defined in the Indenture) occurs and is continuing, the principal of all Bonds issued under the Indenture may be declared due and payable upon the conditions and in the manner and with the effect provided in the Indenture.

NO RECOURSE SHALL BE HAD FOR THE PAYMENT OF THE PRINCIPAL OR REDEMPTION PRICE OF, OR PREMIUM OR INTEREST ON, THIS BOND, OR FOR ANY CLAIM BASED HEREON OR ON THE INDENTURE, AGAINST ANY MEMBER, OFFICER OR EMPLOYEE, PAST,

PRESENT OR FUTURE, OF THE ISSUER OR OF ANY SUCCESSOR BODY, AS SUCH, EITHER DIRECTLY OR THROUGH THE ISSUER OR ANY SUCH SUCCESSOR BODY, OR OF THE TRUSTEE OR ANY SUCCESSOR TRUSTEE, AS SUCH, EITHER DIRECTLY OR THROUGH THE TRUSTEE OR ANY SUCH SUCCESSOR TRUSTEE, UNDER ANY CONSTITUTIONAL PROVISION, STATUTE OR RULE OF LAW, OR BY THE ENFORCEMENT OF ANY ASSESSMENT OR BY ANY LEGAL OR EQUITABLE PROCEEDING OR OTHERWISE.

This Bond is not valid unless the Trustee's Certificate of Authentication endorsed hereon is duly executed.

IN WITNESS WHEREOF, the Issuer has caused this Bond to be executed in its name by the manual or facsimile signature of the Chair of the Board of County Commissioners and its corporate seal to be affixed hereto or printed hereon and attested by the manual or facsimile signature of its County Clerk and Recorder.

EAGLE COUNTY, COLORADO

[Issuer Seal]  
Attest:

\_\_\_\_\_  
County Clerk and Recorder

\_\_\_\_\_  
Board of County Commissioners

Chair,

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds described in the within mentioned Indenture. Annexed hereto or printed on the reverse hereof is a true and correct copy of the text of the opinion of Bond Counsel, Hogan & Hartson L.L.P., a signed original of which is on file with the undersigned.

Date of Authentication: \_\_\_\_\_ U.S. Bank National Association,  
as Trustee

By: \_\_\_\_\_  
Authorized Officer

[TEXT OF ANNEX OR REVERSE]

The Bonds are payable solely from payments on the Company's promissory note (as amended or replaced from time to time, the "NOTE") delivered by the Company pursuant to a Sports and Housing Facilities Financing Agreement dated as of April 1, 1998 between the Company and the Issuer (as amended, amended and replaced, supplemented or otherwise modified from time to time, the "AGREEMENT") and from any other moneys held by the Trustee under the Indenture for such purpose, and there shall be no other recourse against the State of Colorado or the Issuer or any other property now or hereafter owned by either the State of Colorado or the Issuer. The Trustee, as holder of the Company's Note, has been granted certain rights and benefits under the terms of those certain Agreements Regarding Forest Service Special Use Permit (as amended, amended and restated, supplemented or otherwise modified from time to time, the "PERMIT AGREEMENTS") delivered by the Company

and Beaver Creek Associates, Inc., respectively, to the Trustee. Except as otherwise specified in the Indenture, this Bond is entitled to the benefits of the Indenture equally and ratably both as to principal (and redemption price) and interest with all other Bonds issued under the Indenture, to which reference is made for a description of the rights of the holders of the Bonds; the rights and obligations of the Issuer; the rights, duties and obligations of the Trustee; and the provisions relating to amendments to and modifications of the Indenture, the Agreement, the Note and the Permit Agreements. THE HOLDER OF THIS BOND SHALL HAVE NO RIGHT TO ENFORCE THE PROVISIONS OF THE INDENTURE, THE NOTE, THE AGREEMENT, OR THE PERMIT AGREEMENTS, OR TO INSTITUTE ACTION TO ENFORCE THE COVENANTS THEREOF OR RIGHTS OR REMEDIES THEREUNDER EXCEPT AS PROVIDED IN THE INDENTURE.

OPTIONAL REDEMPTION IN WHOLE OR IN PART  
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The Bonds are subject to redemption prior to maturity at the option of the Company, in whole or in part, on August 1, 2008, or on any date thereafter, from the Bond Fund established under the Indenture and from moneys otherwise available for such purpose, and if in part, by lot, such redemptions to be made at the applicable Optional Redemption Price shown below as a percentage of the principal amount to be redeemed, plus interest accrued to the redemption date:

Redemption Period	Optional Redemption Price
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August 1, 2008 through July 31, 2009	110%
August 1, 2009 through July 31, 2010	109%
August 1, 2010 through July 31, 2011	108 %
August 1, 2011 through July 31, 2012	107%
August 1, 2012 through July 31, 2013	106%
August 1, 2013 through July 31, 2014	105%
August 1, 2014 through July 31, 2015	104%
August 1, 2015 through July 31, 2016	103%
August 1, 2016 through July 31, 2017	102%
August 1, 2017 through July 31, 2018	101%
August 1, 2018 and thereafter	100%

EXTRAORDINARY OPTIONAL REDEMPTION  
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The Bonds are subject to redemption prior to maturity at the option of the Company, in whole on any date, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the redemption date, following the occurrence of any of the following events:

- (a) The damage or destruction of all or substantially all of the Project Facilities or the skiing facilities at which the Project Facilities are located, to such extent that, in the reasonable opinion of the Company, the repair and restoration thereof would not be economical; or
- (b) The condemnation of all or substantially all of the Project Facilities or the skiing facilities at which the Project Facilities are located or the taking by condemnation of, use or control of all or any part of the Project Facilities

or such skiing facilities as to render it or them unsatisfactory to the Company for its intended use; or

(c) In the Company's reasonable opinion, unreasonable burdens or excessive liabilities shall have been imposed upon the Company with respect to the Project Facilities or the skiing facilities at which the Project Facilities are located or the operation thereof, including, but without being limited to, loss of Special Use Permits (as defined in the Agreement) relating to the Project Facilities or the imposition of Federal, state or other ad valorem, property, income or other taxes, not being imposed on the date of the Agreement other than ad valorem taxes presently levied upon privately owned property used for the same general purpose as the Project Facilities.

The Company's request to redeem the Bonds following the occurrence of one of the foregoing events must be made, if at all, within nine months following the occurrence of such event.

#### SPECIAL MANDATORY REDEMPTION IN WHOLE OR IN PART

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The Bonds are subject to special mandatory redemption by the Issuer prior to maturity in whole or in part on the earliest practicable date selected by the Trustee pursuant to the Indenture, but in no event later than the later of 180 days following the occurrence of, or within 60 days following the receipt by the Trustee of notice of the occurrence of, a Determination of Taxability (as hereinafter defined). The redemption price in such event shall be equal to 100% of the aggregate principal amount of the Bonds then outstanding to be redeemed at the time of a Determination of Taxability plus accrued interest to the redemption date, without premium. All or a portion of the Bonds outstanding on the redemption date shall be redeemed by the Issuer on such date, except that Bonds maturing on or prior to the redemption date but after the selection of a redemption date as aforesaid, shall be retired on their maturity date at the same price as if they had been called for redemption on the redemption date with accrued interest to the date of maturity or redemption, and Bonds for the payment or redemption of which sufficient moneys or investments are held by the Trustee shall be redeemed on the redemption date, or paid at earlier maturity, in accordance with the preceding and not otherwise.

As used herein and in the Indenture, a "DETERMINATION OF TAXABILITY" shall mean one of the following determinations to the effect that, by reason of any action or inaction by the Issuer or the Company, any violation by the Issuer or the Company of any of its covenants in the Agreement, or any misrepresentation by the Issuer or the Company in any certificate furnished in connection with the issuance, sale or delivery of the Bonds, the interest payable on the Bonds is includable in the gross income of the owners of the Bonds (other than an owner who is a "substantial user" or "related person" within the meaning of Section 147 of the Internal Revenue Code of 1986, as amended) to the extent not otherwise includable on the date of the issuance, sale and delivery of the Bonds: (i) a final determination, decision or decree by the Commissioner or any District Director of Internal Revenue, or by any court of competent jurisdiction, which is not subject to further review, in a proceeding in which the Company was afforded the opportunity to contest the issues involving federal income tax treatment of interest on the Bonds, either directly or in

the name of the Bondholder, at the Company's expense, or (ii) an opinion of nationally recognized bond counsel furnished by the Company to the Trustee; provided, that if it is finally determined that the interest on an amount less

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than all the Bonds is so includable in the gross income of the owner, then only such amount need be redeemed, the Bonds to be redeemed or portion thereof to be selected as specified in the determination or as provided hereinbelow. If such redemption shall occur in accordance with the terms hereof, then such action, inaction, violation or misrepresentation on the part of the Issuer or the Company shall not in and of itself constitute an Event of Default under the Agreement or the Indenture.

EXTRAORDINARY MANDATORY REDEMPTION OR PURCHASE  
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If at least 25% in aggregate principal amount of the Bonds is owned by the Initial Owner, the Bonds are subject to extraordinary mandatory redemption or purchase prior to maturity in whole on any date (the "EXTRAORDINARY MANDATORY REDEMPTION DATE") selected by the Company pursuant to the Indenture at a redemption price equal to 105% of the principal amount of the Bonds then Outstanding plus accrued interest to the Extraordinary Mandatory Redemption Date (the "EXTRAORDINARY MANDATORY REDEMPTION PRICE") following receipt by the Trustee of notice from the Company that it or one of its Affiliates intends to issue or incur Parity Debt, which when added to the aggregate principal amount of the Bonds and all other Parity Debt then outstanding, would exceed \$250,000,000. No such redemption shall be made if following such notice by the Company, such Initial Owner does not elect such redemption in lieu of increasing the interest rate on the Bonds to the Adjusted Interest Rate or prior to the Extraordinary Mandatory Redemption Date, the Company notifies the Trustee that such Parity Debt will not be issued or incurred. The Trustee is required to cause notice of such events to be given to all Bondholders, but final notice of the Extraordinary Mandatory Redemption Date may be given at any time on or prior to such Date. In addition to other information, such notice is required to state (i) that all Bonds must be delivered to the Trustee for redemption or purchase no later than the Extraordinary Mandatory Redemption Date, and (ii) that all Bonds not delivered to the principal operations office of the Trustee by 3:00 p.m. New York time, on the Extraordinary Mandatory Redemption Date will be deemed to have been delivered on such day and will be redeemed or purchased as provided in the Indenture.

On the Extraordinary Mandatory Redemption Date, the Company or its designee (named by the Company in a written notice delivered to the Trustee) has the right and option to purchase all or any part (in integral multiples of \$5,000) of any Bonds delivered (or deemed delivered) to the Trustee for redemption at a purchase price equal to the Extraordinary Mandatory Redemption Price, plus accrued interest thereon. If the Company or its designee exercises such option, any Bonds so delivered (or deemed delivered) to the Trustee for redemption as hereinabove provided shall be purchased by the Company at the Extraordinary Mandatory Purchase Price in lieu of redemption. THE OWNER OF EACH BOND DELIVERED FOR PURCHASE, OR DEEMED DELIVERED FOR PURCHASE, BY THE COMPANY IN LIEU OF REDEMPTION AS HEREINABOVE PROVIDED AGREES, BY THE DELIVERY OF SUCH BOND TO THE TRUSTEE OR BY THE FAILURE TO PHYSICALLY DELIVER SUCH BOND, TO SELL

SUCH BOND TO THE COMPANY OR ITS DESIGNEE ON THE EXTRAORDINARY MANDATORY REDEMPTION DATE AT THE EXTRAORDINARY MANDATORY PURCHASE PRICE IN LIEU OF REDEMPTION. Payments to an owner delivering Bonds or to an owner whose Bonds have been deemed delivered shall be made by check mailed by the Trustee to the address appearing on the registration records of the Trustee. Any Bond delivered or deemed delivered and purchased in lieu of redemption shall remain Outstanding under the Indenture and may be held, resold, delivered to the Trustee for cancellation or otherwise disposed of by the Company or its designee upon the terms and conditions established by the Company or its designee.

Any moneys deposited and held by the Trustee for the benefit of claimants, if any, for three years after the redemption or maturity date shall be repaid to the Company or its assigns, and thereupon and thereafter such claimants shall be limited to a claim against the Company.

Except as otherwise provided in Section 6.06 of the Indenture in connection with an Extraordinary Mandatory Redemption, any redemption of the Bonds, either in whole or in part, shall be made upon not less than 30 days' nor more than 60 days' prior notice by first class mail to all owners whose Bonds are to be redeemed and shall be made in the manner and under the terms and conditions provided in the Indenture. On the date designated for redemption, notice having been given as provided in the Indenture, the Bonds or portions of Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds or such portions thereof on such date, and, if moneys for payment of the redemption price and the accrued interest are held by the Trustee as provided in the Indenture, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions hereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture, and the owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payment of the redemption price thereof and the accrued interest so held by the Trustee.

If less than all of the Bonds then outstanding shall be called for redemption, the particular Bonds or portions of Bonds shall be redeemed by lot or by such other equitable method as the Trustee shall deem fair and appropriate.

The Bonds are issuable in the form of fully registered bonds without coupons in denominations of \$5,000 or integral multiples thereof. This Bond is registered as to both principal and interest on the bond register to be kept for that purpose at the designated office of U.S. BANK NATIONAL ASSOCIATION (the "BOND REGISTRAR") and principal, premium, if any, and interest on this Bond shall be payable only to the registered owner hereof. This Bond may be transferred or exchanged only in accordance with the provisions of the Indenture; no transfer hereof shall be valid unless made at said office by the registered owner in person or by its duly authorized attorney in fact and noted hereon. The Issuer, the Trustee, the Paying Agent, and the Bond Registrar may treat the registered owner of this Bond as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and they shall not be affected by any notice to the contrary.

[FORM OF ASSIGNMENT]

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ (Tax Identification Number or Social Security Number \_\_\_\_\_) the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to register the transfer of the said Bond on the Bond Register, with full power of substitution in the premises.

Dated: \_\_\_\_\_ Signature: \_\_\_\_\_

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever; NOTICE: Signature(s) must be guaranteed by a financial institution that is a member of the Securities Transfer Agents Medallion Program ("STAMP"), the Stock Exchange Medallion Program ("SEMP") or the New York Stock Exchange, Inc. Medallion Signature Program ("MSP").

Signature guaranteed:

\_\_\_\_\_



Act	Note
Agreement	Permit Agreements
Bonds	Prior Bonds
Company	Project
Determination of Taxability	Project Facilities
Issuer	

In addition, the following terms shall have the meanings specified in this Article, unless the context otherwise requires:

"ADJUSTED INTEREST RATE" means the rate of 7.45% per annum upon the occurrence of the events described in Section 6.06 hereof.

"AUTHENTICATING AGENT" means the person or entity identified in Section 2.05 hereof to perform the duties of authenticating agent with respect to the Bonds.

"AUTHORIZED NEWSPAPER" means a newspaper in English carrying financial news and generally circulated each business day in the Borough of Manhattan, City and State of New York. When successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

"BENEFICIAL OWNER" has the meaning specified in Section 2.02 hereof.

"BONDHOLDER" or "OWNER OF BONDS" or "OWNER" means the registered owner of any Bond on the registration records maintained by the Bond Registrar.

"BOND FUND" means the fund so designated which is established pursuant to Section 4.02 hereof.

"BOND PURCHASE ACCOUNT" means the account within the Bond Fund which may be established pursuant to Section 6.06 hereof.

"BOND REDEMPTION FUND" means the fund so designated which is established pursuant to Section 6.04 hereof.

"BOND REGISTRAR" or "REGISTRAR" means the person or entity at the time acting as registrar for the Bonds in accordance with Section 2.02 hereof.

"BOOK-ENTRY SYSTEM" means the system maintained by the Securities Depository and described in Section 2.02 hereof.

"BUSINESS DAY" means any day other than (i) a Saturday or Sunday or legal holiday or a day on which banking institutions in any of the cities in which the principal offices of the Trustee or any Paying Agent are located are authorized by law to close or (ii) a day on which the New York Stock Exchange is closed.

"CERTIFIED RESOLUTION" means a copy of one or more resolutions or ordinances or other appropriate action certified by the Board of County Commissioners of the Issuer under its seal to have been duly adopted by the Issuer and to be in full force and effect on the date of such certification.

"CODE" means the Internal Revenue Code of 1986, as amended.

"COST" or "COSTS" means any cost in respect of any project permitted under the Act. Without limiting the generality of the foregoing, such costs may include: (i) amounts payable to contractors and suppliers (including, without limitation, fees for designing the Project Facilities where the designs are provided by the contractor or supplier); (ii) costs of labor, services, materials, supplies and equipment furnished by the Company (including, without limitation, shipping costs) plus the Company's

standard overhead charge; (iii) architectural, engineering, legal and other professional fees; (iv) costs of financing and refinancing a project; and (v) costs and administrative expenses associated with refundings.

"COUNSEL" means an attorney at law or law firm reasonably satisfactory to the Trustee, who or which may be counsel for the Issuer or the Company (which counsel may be an employee of the Company).

"DEFAULTED INTEREST" has the meaning specified in Section 2.08 hereof.

"EVENT OF DEFAULT" has the meaning specified in Section 8.01 hereof.

"EXTRAORDINARY MANDATORY PURCHASE PRICE," "EXTRAORDINARY MANDATORY REDEMPTION DATE," and "EXTRAORDINARY MANDATORY REDEMPTION PRICE" have the meanings specified in Section 6.06 hereof.

"GOVERNMENT OBLIGATIONS" means (i) direct obligations of, or obligations the principal of and the interest on which are unconditionally guaranteed by, the United States of America, or (ii) any certificates or other evidences of an ownership in obligations or in specified portions thereof (which may consist of specified portions of the principal thereof or the interest thereon) of the character described in (i).

"INDENTURE" means this Indenture as amended or supplemented at the time in question.

"INITIAL OWNER" means the person or persons (if affiliated) initially owning (directly or beneficially) the Bonds and who acquired beneficial interests in the Bonds through the assistance of the underwriter of the Bonds on the original date of issuance shown on the Bonds.

"INTEREST PAYMENT DATE" means the payment date of an installment of interest on the Bonds.

"OUTSTANDING" or "OUTSTANDING" in connection with Bonds means, as of the time in question, all Bonds authenticated and delivered under this Indenture, except:

- A. Bonds theretofore cancelled or required to be cancelled under Section 2.09 hereof;
- B. Bonds for the payment or redemption of which the necessary amount shall have been or shall concurrently be deposited with the Trustee or provision for the payment of which shall have been made in accordance with Section 12.01 hereof; provided that, if such Bonds are being redeemed prior to maturity, the ----- required notice of redemption shall have been given or provisions satisfactory to the Trustee for the giving of such notice shall have been made;
- C. Bonds in exchange for or in substitution for which other Bonds have been authenticated and delivered pursuant to Article 11 hereof; and
- D. For purposes of any consent or other action to be taken by the owners of a majority or a specified percentage of Bonds hereunder or under the Agreement, Bonds held by or for the account of the Issuer, the Company, or any person controlling, controlled by or under common control with any of them.

"PARITY DEBT" has the meaning specified in the Agreement.

"PARTICIPANT" means one of the entities which deposit securities, directly or indirectly, in the Book-Entry System.

"PAYING AGENT" means any paying agent for the Bonds appointed in accordance with Section 7.01 hereof.

"REGULAR RECORD DATE" means the fifteenth day (whether or not a Business Day) of January or July next preceding each Interest Payment Date.

"REVENUES" means (i) all amounts payable by the Company in respect of the Note and other moneys paid to the Trustee under the Agreement or the Permit Agreements, (ii) any proceeds of Bonds originally deposited with the Trustee for the payment of accrued interest on the Bonds, (iii) amounts on deposit in the Bond Fund created hereunder, and (iv) investment income in respect of any moneys held by the Trustee (except for amounts required to be paid to the United States pursuant to Section 148 of the Code).

"SECURITIES DEPOSITORY" means The Depository Trust Company, New York, New York, or its nominee and the successors and assigns of such nominee, or any successor appointed under Section 2.02.

"SPECIAL RECORD DATE" has the meaning specified in Section 2.08 hereof.

"TRUSTEE" means U.S. Bank National Association, and its successor for the time being in the trust hereunder. The words "hereof," "herein," "hereto," "hereby" and "hereunder" (except in the form of Bond) refer to the entire Indenture.

Every "request," "order," "demand," "application," "appointment," "notice," "statement," "certificate," "consent" or similar action hereunder by the Issuer shall, unless the form thereof is specifically provided, be in writing signed on behalf of the Issuer by the Chair of its Board of County Commissioners or its County Clerk and Recorder.

ARTICLE II.  
THE BONDS

Section 2.01. AMOUNTS AND TERMS. Except as provided in Section 2.06 hereof,

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the Bonds shall be limited to \$41,200,000 in aggregate principal amount and shall contain substantially the terms recited in the form of Bond above. Principal, premium, if any, and interest on the Bonds shall be payable solely from the Revenues. The Issuer may cause a copy of the text of the opinion of recognized bond counsel to be printed on the Bonds, and, upon request of the Issuer and deposit with the Trustee of an executed counterpart of such opinion, the Trustee shall certify to the correctness of the copy appearing on the Bonds by manual or facsimile signature. The Bonds shall be issued in denominations of \$5,000 or integral multiples thereof. Pursuant to the recommendations promulgated by the Committee on Uniform Security Identification Procedures, "CUSIP" numbers may be printed on the Bonds. The Bonds may bear such other endorsement or legend not unsatisfactory to the Trustee as may be required to conform to usage or law with respect thereto.

The Bonds shall mature, subject to prior redemption as provided in the form thereof, on August 1, 2019, and shall bear interest at the rate of 6.95% per annum, subject to adjustment to the Adjusted Interest Rate as provided in Section 6.06 hereof.

The Bonds shall be dated and interest shall accrue from their Original Date of issuance as shown on the form of Bond. After August 1, 1998, interest shall be payable from the interest payment date next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an interest payment date to which interest shall have been paid, in which case, from such authentication date, or unless authenticated after a record date and prior to an interest payment date with respect to such record date, in which case from such interest payment date. Interest shall be payable semi-annually on February 1 and August 1 in each year, commencing August 1, 1998, until payment of said principal sum and (to the extent payment of such interest shall be legally enforceable) on any overdue installment of interest. Interest on the Bonds shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. Each Bond shall bear interest on overdue principal and, to the extent permitted by law, on overdue interest at the rate borne by such Bond.

ALL BONDS SHALL PROVIDE THAT THE BOND IS BEING ISSUED UNDER THE PROVISIONS OF THE ACT AND THAT IN NO EVENT SHALL THE BOND CONSTITUTE AN INDEBTEDNESS OR FINANCIAL OBLIGATION OF THE ISSUER WITHIN ANY CONSTITUTIONAL OR STATUTORY LIMITATION. THE BONDS SHALL NOT BE GENERAL OBLIGATIONS OF THE ISSUER AND THE PRINCIPAL OR REDEMPTION PRICE THEREOF, INTEREST OR PREMIUM, IF ANY, THEREON AND OTHER EXPENSES IN CONNECTION THERETO SHALL BE PAYABLE SOLELY FROM THE REVENUES DERIVED FROM THE PROJECT AND SHALL NOT CONSTITUTE AN INDEBTEDNESS OF OR GIVE RISE TO A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS OF THE ISSUER, THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF.

SECTION 2.02. BOOK-ENTRY SYSTEM; BOND REGISTRAR AND BOND REGISTER. All Bonds

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shall be issued in fully registered form and shall initially be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), initial Securities Depository for the Bonds in accordance with the terms of a Letter of Representations from the Issuer to DTC. The Bonds shall be registered upon subsequent transfer or exchange as provided in this Indenture.

A single Bond shall be issued and delivered to the Securities Depository. The actual purchasers of the Bonds (the "BENEFICIAL OWNERS") will not receive physical delivery of Bonds except as provided herein. So long as there exists a Securities Depository as provided herein, all transfers of beneficial ownership interests in the Bonds shall be made by book-entry only, and no person purchasing, selling or otherwise transferring beneficial ownership interests in the Bonds will be permitted to receive, hold or deliver any Bond. The Issuer, the Company and the Trustee shall treat the Securities Depository or its nominee as the sole and exclusive Bondholder for all purposes, including payments of principal of, premium, if any, and interest on the Bonds, receipt of notices and voting.

The Issuer and the Trustee covenant and agree, so long as DTC shall continue to serve as Securities Depository for the Bonds, to meet the requirements of DTC with respect to required notices and other provisions of the Letter of Representations.

The Issuer, the Trustee and the Company may conclusively rely upon (i) a certificate of the Securities Depository as to the identity of the Participants in the Book-Entry System with respect to the Bonds and (ii) a certificate of any such Participant as to the

identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners.

Whenever beneficial ownership of Outstanding Bonds must be determined by the books of the Securities Depository, the requirements in this Indenture for holding, delivering, tendering or transferring Bonds shall be deemed modified to require the appropriate person to meet the requirements of the Securities Depository with respect to such actions to produce the same effect. Any provision hereof permitting or requiring delivery of Bonds shall, while the Bonds are in the Book-Entry System, be satisfied by notation on the books of the Securities Depository in accordance with state law.

The Trustee and the Issuer, at the direction and expense of the Company, may from time to time appoint a successor Securities Depository and enter into any agreement with such Securities Depository to establish procedures with respect to the Bonds not inconsistent with the provisions of this Indenture. Any successor Securities Depository shall be a "clearing agency" registered under Section 17A of the Securities Exchange Act of 1934, as amended.

None of the Issuer, the Company, or the Trustee, shall have any responsibility or obligation to any Securities Depository, any Participant in the Book-Entry System or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the Securities Depository or any Participant; (ii) the payment by the Securities Depository or by any Participant of any amount due to any Beneficial Owner in respect of the principal amount (including premium) or redemption or purchase price of, or interest on, any Bonds; (iii) the delivery of any notice by the Securities Depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; or (v) any other action taken by the Securities Depository or any Participant in connection with the Bonds.

Bonds shall be delivered to and registered in the name of the Beneficial Owners only under the following circumstances:

(a) The Securities Depository determines to discontinue providing its service with respect to the Bonds and no successor Securities Depository is appointed as described above. Such a determination may be made at any time by giving reasonable notice to the Issuer or the Trustee and discharging its responsibilities with respect thereto under applicable law.

(b) The Company determines not to continue the Book-Entry System through any Securities Depository.

The Issuer hereby designates U.S. Bank National Association, as Bond Registrar for the Bonds. The Issuer shall cause to be kept at an office of the Bond Registrar a Bond Register in which, subject to such reasonable regulations as it may prescribe, the Issuer shall provide for the registration of the Bonds and for the registration of transfer of such Bonds. The Trustee, as Bond Registrar, hereby designates its principal operations office at U.S. Bank Trust National Association in Saint Paul, Minnesota, as the location where it will maintain the Bond Register for the Bonds. If the Bond Registrar is replaced, the Issuer shall cause any replacement Bond Registrar to designate, by a written notification to the Trustee, a specific office

location (which may be changed from time to time, upon similar notification) at which the Bond Register is kept.

The Bond Registrar for the Bonds shall, in any case where it is not also the Trustee in respect of the Bonds, forthwith following each Regular Record Date in respect of the Bonds and at any other time as may be reasonably requested by the Trustee, certify and furnish to the Trustee, and to any Paying Agent for the Bonds as the Trustee shall specify, the names, addresses, and holdings of Bondholders and any other relevant information reflected in the Bond Register, and the Trustee and any such Paying Agent shall for all purposes be fully entitled to rely upon the information so furnished to it and shall have no liability or responsibility in connection with the preparation thereof.

SECTION 2.03. REGISTRATION, TRANSFER AND EXCHANGE. Upon surrender for

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registration of transfer of any Bond at the office of the Bond Registrar designated in or pursuant to Section 2.02 of this Indenture, the Issuer shall execute and the Trustee (or Authenticating Agent) shall authenticate and deliver in the name of the designated transferee or transferees one or more new Bonds of authorized denomination of a like aggregate principal amount.

At the option of the Owner, Bonds may be exchanged for other Bonds of any authorized denomination, of a like aggregate principal amount, upon surrender of the Bonds to be exchanged at any such office. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute, and the Trustee (or Authenticating Agent) shall authenticate and deliver in the name of the Owner requesting such exchange, one or more new Bonds of any authorized denomination of a like aggregate principal amount.

All Bonds presented for registration of transfer, exchange, redemption or payment (if so required by the Issuer, the Bond Registrar or the Trustee), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature reasonably satisfactory to the Trustee, duly executed by the registered owner or by his duly authorized attorney in fact.

No service charge shall be made to the Bondholder for any exchange or registration of transfer of Bonds, but the Issuer and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto.

New Bonds delivered upon any registration of transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and entitled to all of the rights, remedies and security hereunder to the same extent as the Bonds surrendered.

Neither the Issuer nor the Bond Registrar on behalf of the Issuer shall be required (i) to issue, register the transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to register the transfer or exchange any Bond so selected for redemption in whole or in part.

SECTION 2.04. EXECUTION. The Bonds shall be executed in the name of and on

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behalf of the Issuer by the manual or facsimile signature of the Chair of its Board of County Commissioners, and the corporate seal of the Issuer or a facsimile thereof shall be affixed, imprinted, lithographed or reproduced thereon and shall be attested by the manual or facsimile signature of the County Clerk and Recorder.

Bonds executed as above provided may be issued and shall, upon request of the Issuer, be authenticated by the Trustee (or the Authenticating Agent) in accordance with Section 2.05 of this Indenture, notwithstanding that any officer signing such Bonds or whose facsimile signature appears thereon shall have ceased to hold office at the time of issuance or authentication or shall not have held office at the date of the Bond.

SECTION 2.05. AUTHENTICATION. No Bond shall be valid for any purpose until the

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certificate of authentication shall have been duly executed by the Trustee by the manual signature of its authorized representative, and such authentication shall be conclusive proof that such Bond has been duly authenticated and delivered under this Indenture and that the owner thereof is entitled to the benefit of the trust hereby created.

In case the Bond Registrar is other than the Trustee, the Trustee may appoint the Bond Registrar as an Authenticating Agent with the power to act on the Trustee's behalf and subject to its direction in the authentication and delivery of Bonds in connection with registration of transfers, exchanges and redemptions under Section 2.03 and Article VI of this Indenture, and the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section shall, for all purposes of this Indenture, be deemed to be the authentication and delivery by the Trustee. The Trustee shall, however, itself authenticate all Bonds upon their initial issuance and any Bonds issued in substitution for other Bonds pursuant to Sections 2.06, 2.07 or 6.07 hereof.

The Trustee shall be entitled to be reimbursed for payments made to any Authenticating Agent as reasonable compensation for its services.

SECTION 2.06. MUTILATED, DESTROYED, LOST OR STOLEN BONDS.

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(a) If any Bond shall become mutilated, lost, stolen or destroyed, the affected Bondholder shall be entitled to the issuance of a substitute Bond only as follows:

(i) in the case of a destroyed, lost or stolen Bond, the Bondholder shall provide notice of the loss to the Issuer and the Trustee within a reasonable time after the Bondholder receives notice of the loss;

(ii) in the case of a destroyed, lost or stolen Bond, the Bondholder shall request the issuance of a substitute Bond before the Issuer receives notice of the transfer of the original Bond to a bona fide purchaser for value without notice;

(iii) in all cases, the Bondholder shall provide indemnity against any and all claims arising out of or otherwise related to the issuance of substitute Bonds pursuant to this Section 2.06 satisfactory to the Issuer, the Trustee and the Company;

(iv) in the case of a mutilated Bond, the Bondholder shall surrender the Bond to the Trustee for cancellation; and

(v) in the case of a destroyed, lost or stolen Bond, the Bondholder shall provide evidence, satisfactory to the Issuer and the Trustee, of the ownership and the destruction, loss or theft of the affected Bond.

Upon compliance with the foregoing, a new Bond of like tenor and denomination, executed by the Issuer, shall be authenticated by the Trustee and delivered to the Bondholder, all at the expense of the Bondholder to whom the substitute Bond is delivered. Notwithstanding the foregoing, the Trustee shall not be required to authenticate and deliver any substitute for a Bond which has been called for redemption or which has matured or is about to mature and, in any such case, the principal or redemption price then due or becoming due shall be paid by the Trustee in accordance with the terms of the mutilated, destroyed, lost or stolen Bond without substitution therefor.

(b) Every substituted Bond issued pursuant to this Section 2.06 shall constitute an additional contractual obligation of the Issuer and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder unless the Bond alleged to have been mutilated, destroyed, lost or stolen shall be at any time enforceable by a bona fide purchaser for value without notice. In the event the Bond alleged to have been destroyed, lost or stolen shall be enforceable by anyone, the Issuer may recover the substitute Bond from the Bondholder to whom it was issued or from anyone taking under the Bondholder except a bona fide purchaser for value without notice.

(c) All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies, notwithstanding any law or statute existing or hereafter enacted to the contrary with respect to the replacement or payment of negotiable instruments or investment or other securities without their surrender.

SECTION 2.07. TEMPORARY BONDS. Pending preparation of definitive Bonds, or by  
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agreement with the purchasers of all Bonds, the Issuer may issue and, upon its request, the Trustee shall authenticate in lieu of definitive Bonds, one or more temporary printed or typewritten Bonds in denominations of \$5,000 and integral multiples thereof of substantially the tenor recited above, with such changes in text as may be caused by the absence of a face and reverse of the Form of Bond. Upon request of the Issuer, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, the owners of temporary Bonds shall have the same rights, remedies and security hereunder as the owners of definitive Bonds.

SECTION 2.08. PAYMENT OF PRINCIPAL AND INTEREST; INTEREST RIGHTS PRESERVED.  
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The principal of and premium, if any, on any Bond shall be payable, upon surrender of such Bond, at the principal corporate trust office of the Trustee. On each Interest Payment Date, interest on any Bond shall be payable by check prepared by the Trustee and mailed to the address of the registered Owner entitled

thereto at such address as shall appear in the Bond Register; provided that at the written request of any registered Owner of at least \$1,000,000 aggregate principal amount of Bonds received by the Bond Registrar at least one Business Day prior to the Regular Record Date, interest on such Bonds shall be payable in immediately available funds by wire transfer within the United States.

Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such interest. The rate of interest on the Bonds may not exceed the maximum amount of interest permitted by applicable law.

Any interest on any Bond which is payable, but is not punctually paid or provided for, on any Interest Payment Date (herein called "DEFAULTED INTEREST") shall forthwith cease to be payable to the registered Owner on the relevant Regular Record Date, and such Defaulted Interest shall be paid, pursuant to Section 2.10 hereof, to the registered Owner in whose name the Bond is registered at the close of business on a special record date to be fixed by the Trustee, such Date to be not more than 15 nor less than 10 days (whether or not a Business Day) prior to the date of proposed payment (the "SPECIAL RECORD DATE"). The Trustee, at the expense of the Issuer, shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each such registered Owner, at his address as it appears in the Bond Register, not less than 10 days prior to such Special Record Date, and may, in its discretion, cause a similar notice to be published once in an Authorized Newspaper, but such publication shall not be a condition precedent to the establishment of such Special Record Date.

Subject to the foregoing provisions of this Section 2.08, each Bond delivered under this Indenture upon transfer of or exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bond.

SECTION 2.09. CANCELLATION AND DESTRUCTION OF SURRENDERED BONDS. Bonds

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surrendered for payment, redemption, registration of transfer, or exchange, and Bonds purchased from any fund established under this Indenture, shall, if surrendered to any Bond Registrar or Paying Agent other than the Trustee, be delivered to the Trustee and, if not already cancelled, shall be promptly cancelled by it.

SECTION 2.10. PERSONS DEEMED OWNERS. The Issuer, the Trustee, any Paying

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Agent, the Bond Registrar, and any Authenticating Agent may deem and treat the person in whose name any Bond is registered as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, the Paying Agent, the Bond Registrar or the Authenticating Agent) for the purpose of receiving payment of or on account of the principal of and premium, if any, and (subject to Section 2.08 hereof) interest on, such Bond, and for all other purposes, and none of the Issuer, the Trustee, the Paying Agent, the Bond Registrar or the Authenticating Agent shall be affected by any notice to the contrary. All such

payments so made to any such registered owner, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

ARTICLE III.  
ISSUE OF BONDS

Section 3.01. ISSUE OF BONDS. The Issuer may issue the Bonds following the execution of this Indenture, and the Trustee shall, at the Issuer's request and upon receipt by the Trustee of the Note and the Permit Agreements, authenticate such Bonds and deliver them to the Initial Owner in exchange for and upon cancellation of the Prior Bonds, all as specified in such request.

SECTION 3.02. DISPOSITION OF PROCEEDS OF BONDS. There shall be set aside with the Trustee, as Revenues in the Bond Fund, an amount representing any accrued interest received on the sale of the Bonds.

ARTICLE IV.  
REVENUES AND APPLICATION THEREOF

Section 4.01. REVENUES TO BE PAID OVER TO TRUSTEE. The Issuer has directed that the Revenues be paid directly to the Trustee. If, notwithstanding these arrangements, the Issuer receives any payments pursuant to the Note or the Agreement (other than payments to and rights of the Issuer under Sections 5.4, 5.5, 5.6, 5.7 and 6.2 thereof or moneys representing payments to be made to the United States government pursuant to Section 148(f) of the Code pertaining to arbitrage rebate), the Issuer shall immediately pay over the same to the Trustee to be held as Revenues.

SECTION 4.02. BOND FUND. There is hereby established with the Trustee a Bond Fund, to which the Trustee shall deposit amounts paid on the Note and which the Trustee shall make available to the Paying Agent or agents to pay the principal of and premium, if any, on the Bonds as and when they mature or are called for redemption, upon surrender of such Bonds, and the interest on the Bonds as it becomes payable. When Bonds are redeemed or purchased, the amount, if any, in the Bond Fund representing interest thereon shall be applied to the payment of accrued interest in connection with such redemption or purchase. Whenever the amount in the Bond Fund is sufficient to redeem all of the Outstanding Bonds and to pay interest accrued to the redemption date, the Issuer will, upon request of the Company, cause the Trustee to redeem all such Bonds on the applicable redemption date specified by the Company. Any amounts remaining in the Bond Fund after payment (or provision for payment) in full of the principal of and premium, if any, and interest on all the Bonds and the reasonable fees, charges and expenses of the Issuer, the Trustee and any paying agents, shall be paid to the Company.

SECTION 4.03. REVENUES TO BE HELD FOR ALL BONDHOLDERS; CERTAIN EXCEPTIONS. Revenues and investments thereof shall, until applied as provided in this Indenture, be held by the Trustee for the benefit of the owners of all outstanding Bonds, except that any portion of the Revenues in the Bond Fund representing principal of and premium, if any, or interest on any matured Bonds, or any Bonds previously called for redemption in accordance with Article VI of this Indenture, shall be held for the benefit of the owners of such Bonds only.

ARTICLE V.  
INVESTMENT OR DEPOSIT OF FUNDS

Section 5.01. DEPOSITS AND SECURITY THEREFOR. Except as hereinafter provided,

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all moneys received by the Trustee under this Indenture shall be deposited with the Trustee, until or unless invested or deposited as provided in Section 5.02. All deposits with the Trustee (whether original deposits under this Section 5.01 or deposits or re-deposits in time accounts under Section 5.02) shall, to the extent not insured, be secured by a pledge of securities if required by applicable law for such trust deposits. All deposits in any other depository in excess of the amount covered by insurance (whether under this Section or under Section 5.02 as aforesaid) shall, to the extent permitted by law, be secured by a pledge of direct obligations of the United States of America having an aggregate market value, exclusive of accrued interest, at all times at least equal to the balance so deposited. Such security shall be deposited with a Federal Reserve Bank or with the trust department of the Trustee as authorized by law with respect to trust funds.

SECTION 5.02. INVESTMENT OR DEPOSIT OF FUNDS. The Trustee shall, at the

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written request and direction of the Company, invest moneys held in the Bond Fund in obligations which are authorized investments under the Act and under this Indenture or deposit such moneys in time accounts (including accounts evidenced by time certificates of deposit), which may be maintained with the commercial department of the Trustee, secured as provided in Section 5.01 above and under the terms permitted by applicable law. However, all such investments shall mature or be subject to redemption at the option of the owner at not less than the principal amount thereof or the cost of acquisition, whichever is lower, and all deposits in time accounts shall be subject to withdrawal not later than the date when the amounts will foreseeably be needed for purposes of this Indenture. In making any investment permitted under this Section, the Trustee may effect such investment through its investment department. The investments permitted hereunder shall include: (i) Government Obligations, (ii) bonds, debentures or notes issued by any of the following Federal agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Banks, Export-Import Bank of the United States, Government National Mortgage Association, Federal Land Banks or Federal National Mortgage Association (including participation certificates issued by such Association), (iii) all other obligations issued or unconditionally guaranteed as to principal and interest by an agency or person controlled or supervised by and acting as an instrumentality of the United States of America pursuant to authority granted by the Congress, (iv) time deposits, certificates of deposit or similar arrangements with the Trustee or any bank organized under the laws of the United States of America or any state thereof which is a member of the Federal Deposit Insurance Corporation having reported capital and surplus of not less than \$50,000,000 and reported deposits of not less than \$250,000,000, fully secured in the manner provided in Section 5.01 hereof, (v) bankers' acceptances (other than by the Company or its affiliates) drawn on and accepted by any commercial bank (including the Trustee) organized under the laws of the United States of America or any state thereof which is a member of the Federal Deposit Insurance Corporation

having reported capital and surplus of not less than \$50,000,000 and reported deposits not less than \$250,000,000, (vi) master repurchase and repurchase agreements (including repurchase agreements with the Trustee) with respect to any of the investments or securities referred to in subsection (i), (ii), (iii) or (iv) above (provided that the Trustee has a perfected first security interest in such obligations, the Trustee or its agent has possession of the obligations and the obligations are free and clear of claims by third parties), (vii) money market funds registered as investment companies under the federal "Investment Company Act of 1940," as amended, whose investment policies include seeking to maintain a constant share price and which invest exclusively in the investments or securities referred to in subsection (i), (ii), (iii) or (iv) above, (viii) commercial paper of any corporation (including the Trustee) other than the Company, and its affiliates, whose commercial paper has the highest credit rating issued by Moody's Investors Service, Inc. or Standard & Poor's Ratings Services or any other nationally recognized rating agency and (ix) bonds, debentures, notes and other obligations of any corporation, other than the Company, and its affiliates, or obligations issued by a governmental entity the interest on which is exempt from federal income tax, which are rated in the "A" category (or such other rating which at the time is the equivalent of the "A" category) or higher by Moody's Investors Service, Inc., Standard & Poor's Ratings Services or any other nationally recognized rating agency.

The interest and other income received upon such investments of the Bond Fund and any profit or loss resulting from the sale of any investment, shall be added or charged to such Fund. In the case of interest or other income received with respect to investments held in the Bond Fund, there shall be a corresponding credit against the Company's obligation to make payments under the Note and the Agreement to the extent such income is available to pay principal of or premium, if any, and interest on the Bonds.

Neither the Trustee nor the Issuer shall be responsible or liable for any loss resulting from the investment of the Bond Fund. The Trustee shall have no responsibility for determining whether the investments it is instructed to make will comply with the requirements of the Code and the regulations thereunder.

If at any time the investment earnings on the proceeds of the Bonds become subject to arbitrage rebate under Section 148(f) of the Code, the Issuer covenants to comply with all requirements of the Code and the regulations thereunder pertaining thereto, and to comply at all times with Section 3.3 of the Agreement.

ARTICLE VI.  
REDEMPTION OF BONDS

Section 6.01. BONDS SUBJECT TO REDEMPTION; SELECTION OF BONDS TO BE CALLED FOR  
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REDEMPTION. The Bonds are subject to redemption prior to maturity as provided  
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in the form of Bonds hereinbefore recited. If less than all the Bonds are to be redeemed, the particular Bonds to be called for redemption shall be selected by the Trustee by lot or by such other equitable method as the Trustee shall deem fair and appropriate. In the case of any Bond of a denomination greater than \$5,000, the Trustee shall treat each such Bond as representing such number of separate Bonds each of the denomination of \$5,000 as is obtained by dividing the actual

principal amount of such Bond by \$5,000. The Issuer shall direct the Trustee to call the Bonds for optional redemption when and only when it shall have been notified by the Company to do so and the Company has itself notified the Trustee of a corresponding prepayment under the Note.

SECTION 6.02. NOTICE OF REDEMPTION. Except as otherwise provided under Section

6.06 hereof, when required to redeem Bonds under any provision of this Indenture or when directed to do so by the Issuer, the Trustee shall give notice of such redemption by first class mail, postage prepaid, to each holder of Bonds to be redeemed at such holder's address as it appears in the Bond Register, mailed not less than 30 or more than 60 days prior to the redemption date, to the Issuer and also to The Bond Buyer, Standard & Poor's Ratings Services and Moody's

Investors Service, Inc., or their successors, if any. In addition, the Trustee shall send a copy of such notice by registered or certified mail or overnight delivery service, return receipt requested, postage prepaid at the expense of the Company, to each registered securities depository and one nationally recognized information service that disseminates redemption information, sent at least two Business Days in advance of the mailing of notice to Bondholders or the publication date.

The notice of redemption shall be given in the name of the Issuer and shall contain the following information: the maturity of the Bonds to be redeemed (and, in the case of partial redemption of any Bonds, the respective numbers and principal amounts thereof to be redeemed); the date of such notice; the redemption date; the redemption price and the name and address of the redemption agent; shall further identify the Bonds by date of issue, interest rate, and maturity date; and shall further state that after the redemption date, if sufficient moneys are then held by the Trustee for such purpose, interest on the Bonds called for redemption will cease to accrue. The Trustee shall use the "CUSIP" numbers in such notice as a convenience to Bondholders, provided that,

any such notice shall state that no representation is made as to the correctness of "CUSIP" numbers as printed on the Bonds or as contained in any notice of redemption.

Failure to mail any notice or defect in the mailed notice or in the mailing thereof in respect of any Bond shall not affect the validity of the redemption proceedings in respect of any other Bond. If at the time of mailing notice of redemption there shall not have been deposited with the Trustee moneys sufficient to redeem all of the Bonds called for redemption, such notice may state that it is conditional in that it is subject to the deposit of the redemption moneys with the Trustee not later than the redemption date, and such notice and the redemption to which such notice relates shall be of no effect unless such moneys are so deposited.

SECTION 6.03. PAYMENT OF REDEMPTION PRICE. If (a) unconditional notice of

redemption has been duly given or duly waived by the owners of all Bonds called for redemption or (b) conditional notice of redemption has been so given or waived and sufficient redemption moneys have been duly deposited with the Trustee, then in either case the Bonds so called for redemption shall be payable on the redemption date at the applicable redemption price. Payment of the redemption price and accrued interest shall be made by the Trustee to or upon the order of the owners of the Bonds called for redemption upon surrender of such Bonds. The redemption

price shall be paid out of the Bond Fund or from other moneys which the Issuer makes available for such purpose. Accrued interest shall be paid out of the Bond Fund.

SECTION 6.04. BOND REDEMPTION FUND FOR REFUNDING ISSUES. Whenever the Issuer

issues bonds to refund the Bonds, the Issuer may, by the Certified Resolution authorizing such refunding bonds, direct the Trustee to establish a separate bond redemption fund under this Indenture (the "BOND REDEMPTION FUND") and to deposit therein the proceeds of any such refunding bonds. The Certified Resolution shall specify the investment and application of amounts so deposited including, without limitation, the transfer thereof to any other fiscal or escrow agent or trustee of the Issuer and the time and conditions for such transfer.

SECTION 6.05. SPECIAL MANDATORY REDEMPTION OF BONDS. The Bonds (or portion

thereof) shall be redeemed if a Determination of Taxability (as defined in the form of Bond hereinbefore recited) occurs, the date and price for such redemption to be determined in accordance with the provisions therefor contained in such form of Bond. If the Trustee receives written notice from any Bondholder to the effect that (i) the owner has been notified in writing by the Internal Revenue Service that it proposes to include the interest on any Bond in the gross income of such Bondholder, or any other proceeding has been instituted against such Bondholder which may lead to a Determination of Taxability, and (ii) such Bondholder will afford the Company the opportunity to contest the same, either directly or in the name of the Bondholder, and until a conclusion of any appellate review, if sought, and the Trustee has no reason to believe that such information is not accurate, then the Trustee shall promptly give notice thereof to the Company and the Issuer, and to the owner of each Bond then outstanding. The Trustee shall thereafter coordinate any similar requests or notices it may have received from other Bondholders and shall from time to time request the Company to advise it of the progress of any administrative proceedings or litigation.

If the Trustee receives notice from any source that a Determination of Taxability has occurred, the Trustee shall forthwith consult with the Issuer and the Company and thereafter proceed to enforce payments under the Note, and the Agreement in respect of the necessary redemption price and to redeem the Bonds (or portions thereof) at the earliest practicable date, but in no event later than the later of (i) 180 days following the occurrence of the Determination of Taxability and (ii) 60 days following the receipt by the Trustee of notice of the occurrence of a Determination of Taxability. In making any determination in respect of the occurrence of a Determination of Taxability or a redemption relating thereto, the Trustee may obtain at the reasonable expense of the Company and rely on an opinion of Counsel.

Unless actually notified of the occurrence of a Determination of Taxability, the Trustee shall not be responsible or liable for the giving of notice or processing of a special mandatory redemption.

SECTION 6.06. EXTRAORDINARY MANDATORY REDEMPTION OR PURCHASE OF BONDS;

ADJUSTMENT OF INTEREST RATE. The Bonds shall be redeemed or purchased prior to maturity in whole on a date selected by the Company (the "EXTRAORDINARY

MANDATORY REDEMPTION DATE"), at a redemption price equal to 105% of the principal amount thereof plus accrued interest to such Extraordinary Mandatory Redemption Date (the "EXTRAORDINARY MANDATORY REDEMPTION PRICE"), if (i) the Company notifies the Trustee that it or one of its Affiliates intends to issue or incur certain Parity Debt and (ii) the Initial Owner of the Bonds then owns at least 25% in aggregate principal amount of the Bonds then Outstanding and the Initial Owner elects to have the Bonds so redeemed in lieu of adjusting the interest rate on the Bonds to the Adjusted Interest Rate, all in accordance with the provisions therefor and subject to the limitations thereon contained in this Section 6.06 and in the form of Bond recited above.

If the Trustee receives written notice from the Company to the effect that the Company or one of its Affiliates intends to issue or incur Parity Debt, which when added to the aggregate principal amount of the Bonds and all other Parity Debt then outstanding, would exceed \$250,000,000, the Trustee shall, within five Business Days, give notice thereof to the Issuer and to the owner of each Bond then Outstanding. The Trustee shall also notify the Issuer and the owners of the Bonds that the interest rate on the Bonds shall be adjusted to the Adjusted Interest Rate as of the date the Company or one of its Affiliates issues or incurs such Parity Debt unless (i) the adjustment of the interest rate on the Bonds to the Adjusted Interest Rate would adversely affect the exclusion of the interest on the Bonds from gross income for purposes of federal income tax, (ii) at least 25% in aggregate principal amount of the Bonds then Outstanding is owned by the Initial Owner and (iii) the Initial Owner elects, within 10 Business Days of the date of the Trustee's notice, to require that the Bonds be redeemed at the Extraordinary Mandatory Redemption Price. The Trustee shall thereafter coordinate requests for information or notices it may receive from Bondholders and shall from time to time advise the Company of such notices and requests.

If either (i) the Initial Owner no longer owns at least 25% in aggregate principal amount of the Bonds then Outstanding or (ii) the Initial Owner does not elect, within 10 Business Days of the date of the Trustee's notice, to have the Bonds redeemed, the interest rate on the Bonds shall be adjusted to the Adjusted Interest Rate in lieu of redemption, effective as of the date the Company or one of its Affiliates issues or incurs such Parity Debt, unless the change to the Adjusted Interest Rate would adversely affect the exclusion from gross income of interest on the Bonds for purposes of federal income tax. The Trustee shall notify the Issuer, the Company and owners of the Bonds of the date upon which the interest rate on the Bonds has been changed to the Adjusted Interest Rate and may also place a legend on the Bonds to such effect.

If the change to the Adjusted Interest Rate would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income tax and the Initial Owner then owns at least 25% in aggregate principal amount of the Bonds then Outstanding, the Bonds shall be redeemed on the Extraordinary Mandatory Redemption Date selected by the Company at the Extraordinary Mandatory Redemption Price, unless the Initial Owner waives such redemption by written instrument delivered to the Trustee within 10 Business Days of the date of the

Trustee's original notice. If the change to the Adjusted Interest Rate would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income tax and the Initial Owner then owns less than 25% in aggregate principal amount of the Bonds then Outstanding, in which case the issuance or incurrence of such Parity Debt shall not be restricted in any way under the Agreement and shall have no effect on the interest rate on the Bonds, on the redemption requirements or otherwise.

If the Trustee receives notice from the Initial Owner (who then owns at least 25% in aggregate principal amount of the Bonds) that it elects to have the Bonds redeemed, the Trustee shall forthwith consult with the Issuer and the Company and thereafter shall give notice of redemption and proceed to enforce payments under the Note and the Agreement in respect of the necessary Extraordinary Mandatory Redemption Price and to redeem the Bonds on the Extraordinary Mandatory Redemption Date selected by the Company, but (i) in no event earlier than 30 days following the Trustee's initial notice to owners of the Bonds, and (ii) in no event later than 60 days following the election of the Initial Holder to have the Bonds redeemed; provided that the Company may, at any time prior to the Extraordinary Mandatory Redemption Date, notify the Trustee that such Parity Debt will not be issued or incurred, in which case the proceedings for redemption shall be terminated.

Notwithstanding the foregoing, if the Company or its Affiliate still intends to issue or incur the Parity Debt, but the Parity Debt is not yet issued or incurred and the Company fails to pay amounts required to redeem the Bonds within the time required under this Section 6.06, the Trustee shall notify owners of the Bonds of such events, and the Initial Owner (if then owning at least 25% in aggregate principal amount of the Bonds then Outstanding) shall have 10 Business Days to elect to have the interest rate on the Bonds adjusted to the Adjusted Interest Rate or to have the Bonds redeemed at the Extraordinary Mandatory Redemption Price, following which the Trustee shall follow the provisions of this Section 6.06 until the Bonds are redeemed or the Adjusted Interest Rate becomes effective, as the case may be, unless the Company thereafter notifies the Trustee that such Parity Debt will not be issued or incurred. The Company's failure to pay amounts required to redeem the Bonds by any Extraordinary Mandatory Redemption Date shall not constitute an event of default by the Company under the Agreement.

In making any determination in respect of the events under this Section 6.06 or a redemption relating thereto, the Trustee may obtain at the reasonable expense of the Company and rely upon an opinion of Counsel.

The Company or its designee (named by the Company in a written notice delivered to the Trustee) is granted the right and option under the Agreement and hereunder, in lieu of making prepayments under the Agreement and Note to provide for the redemption of the Bonds on the Extraordinary Mandatory Redemption Date, to instead purchase from the owner or owners thereof on the Extraordinary Mandatory Redemption Date all or any part (in integral multiples of \$5,000, selected by lot in such manner as may be determined by the Trustee) of the Bonds so delivered, or deemed delivered, for redemption on such date at a purchase price (the "EXTRAORDINARY MANDATORY PURCHASE PRICE") equal to the Extraordinary

Mandatory Redemption Price of such Bond or portion thereof. If the Company or its designee exercises such option, the owner of each Bond delivered or deemed delivered for redemption as hereinabove provided agrees, by the delivery of such Bond to the Trustee, or by the failure to physically deliver such Bond, to sell such Bond to the Company or its designee on the Extraordinary Mandatory Redemption Date at the Extraordinary Mandatory Purchase Price in lieu of redemption.

The Company or its designee shall exercise the right and option to purchase such Bonds on the Extraordinary Mandatory Redemption Date by (i) giving written notice to the Trustee prior to the Extraordinary Mandatory Redemption Date of its intention to purchase Bonds on such date in lieu of redemption and specifying the principal amount of Bonds to be so purchased, and (ii) depositing or causing to be deposited with the Trustee for payment into the Bond Fund, concurrently with the giving of such notice, moneys or Government Obligations which together with other money then available in the Bond Fund for such purpose, will be sufficient (without any reinvestment thereof) to effect the purchase of Bonds being purchased by the Company or its designee. For the purpose of identifying funds paid into the Bond Fund for such purchase, the Trustee is authorized to establish a special account (the "BOND PURCHASE ACCOUNT") within the Bond Fund.

On the Extraordinary Mandatory Redemption Date, the Trustee shall, if the Company has provided or caused to be provided adequate funds, (i) pay the Extraordinary Mandatory Purchase Price to the owners of the Bonds being purchased on such date and deliver the Bonds so purchased to the Company or its designee, and (ii) redeem as provided herein all Bonds which have not been purchased by the Company or its designee. In either case, payment to any owner whose Bonds are subject to redemption will be made by check mailed by the Trustee on the date of redemption or purchase to the address appearing in the Bond Register. The purchase of a Bond by the Company or its designee shall not excuse the Company from its obligation to pay into the Bond Fund an amount of money sufficient to effect the redemption of Bonds not purchased by the Company or its designee.

SECTION 6.07. REDEMPTION OF PORTION OF BONDS. In case part but not all of an

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Outstanding Bond shall be selected for redemption as described in the form of Bond hereinbefore recited, the owner thereof or his attorney in fact or legal representative shall present and surrender such Bond to the Trustee for payment of the principal amount thereof so called for redemption, and the Issuer shall execute and the Trustee shall authenticate and deliver to or upon the order of such owner, his attorney in fact or legal representative, without charge therefor, for the unredeemed portion of the principal amount of the Bond so surrendered, a new Bond or Bonds of any denomination or denominations authorized by this Indenture.

ARTICLE VII.  
COVENANTS OF THE ISSUER

Section 7.01. PAYMENT OF PRINCIPAL OF AND INTEREST ON BONDS. The Issuer shall

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promptly pay or cause to be paid the principal of premium, if any, and interest on every Bond issued hereunder according to the terms thereof, but shall be required to make such payment solely from Revenues. The Issuer shall appoint one

or more Paying Agents for such purpose, each such agent to be a national banking association, a bank, a bank and trust company or a trust company organized under the laws of one of the states of the United States. The Issuer hereby appoints U.S. Bank National Association to act as a Paying Agent, and designates the principal operations office of such agent, currently located at U.S. Bank Trust National Association in Saint Paul, Minnesota, as the place of payment, such appointment and designation to remain in effect until notice of change is filed with the Trustee.

SECTION 7.02. CORPORATE EXISTENCE; COMPLIANCE WITH LAWS. The Issuer shall

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maintain its corporate existence; shall use its best efforts to maintain and renew all its rights, powers, privileges and franchises; and shall comply with all valid and applicable laws, acts, charter provisions, rules, regulations, permits, orders, requirements and directions of any legislative, executive, administrative or judicial body.

SECTION 7.03. ENFORCEMENT OF AGREEMENT; PROHIBITION AGAINST AMENDMENTS; NOTICE

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OF DEFAULT. The Agreement, a duly executed counterpart of which has been filed

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with the Trustee, sets forth the covenants and obligations of the Issuer and the Company, including a provision in Section 7.6 thereof that the Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with this Indenture, and reference is hereby made to the Agreement for a detailed statement of said covenants and obligations of the Company under the Agreement, and the Issuer agrees that the Trustee, subject to the provisions of the Agreement and this Indenture reserving certain rights to the Issuer and respecting actions by the Trustee in its name or in the name of the Issuer, may enforce all rights of the Issuer and all obligations of the Company under and pursuant to the Agreement for and on behalf of the owners of the Bonds whether or not the Issuer is in default hereunder. The Issuer shall cooperate with the Trustee in enforcing the payment of all amounts payable under the Note and the Agreement and in requiring the Company to perform its other obligations thereunder. So long as no Event of Default hereunder shall have occurred and be continuing, the Issuer may exercise all its rights under the Agreement, as amended or supplemented from time to time, except that it shall not amend the Note or the Agreement without the consent of the Trustee pursuant to Section 11.03 hereof. However, the Issuer may at any time exercise its rights under Sections 5.4, 5.5, 5.6, 5.7 and 6.2 of the Agreement with respect to the payment of fees, charges and expenses, to indemnity and to any amounts payable to the United States government. Prior to making any amendment or supplement, the Issuer shall file with the Trustee (i) a copy of the proposed amendment or supplement and (ii) an opinion of nationally recognized bond counsel to the effect that such amendment or supplement will not have an adverse effect on the exclusion of interest on the outstanding Bonds from gross income for purposes of federal income taxation under the Code; and, if applicable, to the further effect that such amendment or supplement will not otherwise adversely affect the interests of the Bondholders. The Issuer shall give prompt notice to the Trustee of any default known to the Issuer under the Note or the Agreement or any amendment or supplement thereto.

SECTION 7.04. FURTHER ASSURANCES. Except to the extent otherwise provided in

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this Indenture, the Issuer shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

SECTION 7.05. BONDS NOT TO BECOME ARBITRAGE BONDS. The Issuer covenants with

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the Trustee and with the owners of the Bonds that, notwithstanding any other provision of this Indenture or any other instrument, it will neither make nor cause to be made any investment or other use of the proceeds of the Bonds which would cause the Bonds to be arbitrage Bonds under Section 148(a) of the Code, and it further covenants that it will comply with the requirements of such Section, including, without limitation, rebating all required amounts, if any, to the United States government, at the times, in the manner, and in accordance with the provisions of Section 148(f) of the Code. The foregoing covenants shall extend throughout the term of the Bonds, to all funds created under this Indenture and all moneys on deposit to the credit of any such fund, and to any other amounts which are Bond proceeds for purposes of Section 148 of the Code.

SECTION 7.06. FINANCING STATEMENTS. The Company has caused this Indenture or a

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financing statement relating thereto to be filed, in such manner and at such places as may be required by law fully to protect the security of the owners of the Bonds and the right, title and interest of the Trustee in and to the trust estate or any part thereof. From time to time, the Trustee may, but shall not be required to, obtain an opinion of Counsel setting forth what, if any, actions by the Issuer or Trustee should be taken to preserve such security. The Issuer shall execute or cause to be executed any and all further instruments as shall reasonably be requested by the Trustee for such protection of the interests of the Trustee and the Bondholders, and shall, upon request of the Trustee and at the Company's expense, furnish satisfactory evidence to the Trustee of filing and refiling of such instruments and of every additional instrument which shall be necessary to preserve and protect the lien of this Indenture upon the trust estate or any part thereof until the principal of and premium, if any, and interest on the Bonds issued hereunder shall have been paid. The Trustee shall execute or join in the execution of any such further or additional instrument and file or join in the filing thereof at such time or times and in such place or places as it may be advised by an opinion of Counsel will preserve and protect the lien of this Indenture upon the trust estate or any part thereof until the aforesaid amounts shall have been paid.

ARTICLE VIII.  
EVENTS OF DEFAULT AND REMEDIES

Section 8.01. EVENTS OF DEFAULT DEFINED. Each of the following shall be an

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"EVENT OF DEFAULT" hereunder:

A. If payment of the principal or redemption price of, or premium, if any, on any Bond is not made when it becomes due and payable at maturity or upon prior redemption; or

B. If payment of any installment of interest on any Bond is not made when it becomes due and payable; or

C. If an "Event of Default" under the Agreement occurs and is continuing.

SECTION 8.02. ACCELERATION AND ANNULMENT THEREOF. If any Event of Default

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occurs and is continuing beyond the time periods specified in Section 6.1 of the Agreement, the Trustee may in its discretion, or upon request of the Owners of 25% in aggregate principal amount of the Bonds then Outstanding, the Trustee shall, by notice in writing to the Issuer and the Company, declare the principal of all Bonds then Outstanding to be immediately due and payable; and upon such declaration the said principal and interest accrued thereon, shall become due and payable immediately at the place of payment provided therein, anything in the Indenture or in said Bonds to the contrary notwithstanding. Upon any declaration of acceleration hereunder, the Trustee shall immediately exercise such rights as it may have under the Note, the Permit Agreements, and the Agreement to declare all payments thereunder to be immediately due and payable.

If, after the principal of said Bonds has been so declared to be due and payable and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, all arrears of interest upon the Bonds (and interest on overdue installments of interest at the rate borne by the Bonds to the extent permitted by applicable law) are paid or caused to be paid by the Issuer, and the Issuer also performs or causes to be performed all other things in respect to which it may have been in default hereunder and pays or causes to be paid the reasonable charges of the Trustee, the Bondholders and any trustee appointed under the Act, including extraordinary trustee fees and reasonable attorney's fees, and every other default known to the Trustee in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in this Indenture (other than a default in the payment of the principal of such Bonds then due and payable only because of a declaration under this Section) shall have been remedied to the satisfaction of the Trustee, then and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then outstanding, by notice to the Issuer and to the Trustee, may annul such declaration and its consequences and such annulment shall be binding upon the Trustee and upon all Owners of Bonds issued hereunder; but no such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon.

SECTION 8.03. OTHER REMEDIES. If any Event of Default occurs and is

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continuing, the Trustee, before or after declaring the principal of the Bonds immediately due and payable, may enforce each and every right granted to the Issuer or the Trustee under the Note, the Agreement, the Permit Agreements, or any supplements or amendments thereto (except as to Sections 5.4, 5.5, 5.6 and 5.7 of the Agreement, which shall be independently exercised by the Issuer as provided therein). In exercising such rights and the rights given the Trustee under this Article VIII, the Trustee shall take such action, as in the judgment of the Trustee, applying the standards described in Section 9.06 hereof, would best serve the interests of the Bondholders.

SECTION 8.04. LEGAL PROCEEDINGS BY TRUSTEE. If any Event of Default has

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occurred and is continuing, the Trustee in its discretion may, and upon the written

request of the Owners of 25% in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall, in its own name:

A. By mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondholders, including the right to require the Issuer to enforce any rights under Note and the Agreement and to require the Issuer to carry out any other provisions of this Indenture for the benefit of the Bondholders and to perform its duties under the Act;

B. Bring suit upon the Bonds and the Note and by mandamus, or other suit, action or proceeding at law or in equity, enforce the Permit Agreements;

C. By action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Bondholders; and

D. By action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

SECTION 8.05. DISCONTINUANCE OF PROCEEDINGS BY TRUSTEE. If any proceeding

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taken by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, then the Issuer, the Company, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder as though no such proceeding had been taken, but subject to the limitations of any such adverse determination. In the case of any Event of Default based on an event of default under Section 6.1(h) of the Agreement, if the acceleration or legal proceedings referred to therein are rescinded or discontinued, respectively, the Event of Default hereunder shall be deemed to have been cured unless the principal of Bonds shall have been declared immediately due and payable in accordance with Section 8.02 hereof.

SECTION 8.06. BONDHOLDERS MAY DIRECT PROCEEDINGS. The Owners of a majority in

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aggregate principal amount of the Bonds outstanding hereunder shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee hereunder and all rights of the Trustee under the Permit Agreements, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall not be required to comply with any such direction which it deems to be unlawful or unjustly prejudicial to Bondholders not parties to such direction.

SECTION 8.07. LIMITATIONS ON ACTIONS BY BONDHOLDERS. No Bondholders shall have

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any right to pursue any remedy hereunder or under the Note, the Agreement or the Permit Agreements, unless:

- (a) the Trustee shall have been given written notice of an Event of Default,
- (b) the Owners of at least 25% in aggregate principal amount of the Bonds outstanding shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names,
- (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and
- (d) the Trustee shall have failed to comply with such request within a reasonable time;

provided, however, that nothing herein shall affect or impair the right of any Owner of any Bond to enforce payment of the principal thereof or premium, if any, and interest thereon at and after the maturity thereof, or the obligation of the Issuer to pay such principal, premium, if any, and interest to the respective owners of the Bonds at the time and place, from the source and in the manner expressed herein and in the Bonds.

SECTION 8.08. TRUSTEE MAY ENFORCE RIGHTS WITHOUT POSSESSION OF BONDS. All

rights under this Indenture and the Bonds may be enforced by the Trustee without the possession of any Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceedings instituted by the Trustee shall be brought in its name for the ratable benefit of the Owners of the Bonds.

SECTION 8.09. DELAYS AND OMISSIONS NOT TO IMPAIR RIGHTS. No delay or omission

in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default and every remedy given by this Article may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.10. APPLICATION OF MONEYS IN EVENT OF DEFAULT. Any moneys received

by the Trustee under this Article VIII shall be applied:

FIRST: to the payment of the reasonable fees and expenses of the Trustee, including extraordinary trustee fees and reasonable attorneys' fees, any disbursements of the Trustee with interest thereon and its reasonable compensation;

SECOND: to the payment of principal, premium, if any, and interest then owing on the Bonds, including any interest on overdue interest, and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or premium, if any, and interest ratably, without preference or priority of one over another or of any installment of interest over any other installment of interest; and

THIRD: to the payment of reasonable expenses of the Issuer, including reasonable attorneys' fees, incurred in connection with the Event of Default.

The surplus, if any, shall be paid to the Company or the person lawfully entitled to receive the same as a court of competent jurisdiction may direct.

SECTION 8.11. TRUSTEE AND BONDHOLDERS ENTITLED TO ALL REMEDIES UNDER ACT;

REMEDIES NOT EXCLUSIVE. It is the purpose of this Article to provide to the

Trustee and the Bondholders all rights and remedies as may be lawfully granted under the provisions of the Act; but should any remedy herein granted be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every remedy permitted by the Act. It is further intended that, insofar as lawfully possible, the provisions of this Article shall apply to and be binding upon any trustee or receiver appointed under the Act.

No remedy herein conferred is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

SECTION 8.12. TRUSTEE'S RIGHT TO RECEIVER. As provided by the Act, the Trustee

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shall be entitled as of right to the appointment of a receiver; and the Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as may be contained in or permitted by the Act.

SECTION 8.13. TRUSTEE MAY FILE CLAIM IN BANKRUPTCY. In case of the pendency of

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any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other similar judicial proceeding relative to the Issuer or the Company or to property of the Issuer or the Company or the creditors of either of them, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the Company for the payments equal to over due principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(i) to file and prove a claim for the whole amount of principal, and premium, if any, and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and Counsel) and of the Bondholders allowed in such judicial proceeding; and

(ii) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same; and any receiver, custodian, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Bondholder to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondholders, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under Section 9.04 hereof.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondholder any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any Bondholder in any such proceeding.

SECTION 8.14. WAIVER OF DEFAULTS. The holders of not less than a majority in

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principal amount of the Bonds then outstanding may on behalf of the holders of all the Bonds waive any past default hereunder and its consequences, except a default specified in subsections (A) or (B) of Section 8.01 hereof.

Upon such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured, for every purpose of this Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

SECTION 8.15. UNDERTAKING FOR COSTS. All parties to this Indenture agree, and

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each holder of any Bond by his acceptance thereof shall be deemed to have agreed,

that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding more than 10% in principal amount of the Bonds then outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the respective payment dates therefor expressed in such Bond (or, in the case of redemption, on or after the applicable redemption date).

ARTICLE IX.  
THE TRUSTEE

Section 9.01. ACCEPTANCE OF TRUST. The Trustee accepts and agrees to execute

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the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto and the Bondholders agree, and no implied covenants or obligations shall be read into this Indenture against the Trustee.

SECTION 9.02. NO RESPONSIBILITY FOR RECITALS, ETC. The recitals, statements

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and representations in this Indenture or in the Bonds, save only the Trustee's Certificate of Authentication upon the Bonds, have been made by the Issuer in reliance in applicable part on the representations of the Company and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof. The Trustee shall not be responsible for insuring the Project Facilities or collecting any insurance moneys or for the validity of the execution by the Issuer of this Indenture or of any supplements or amendments hereto or instruments of further assurance, or for the sufficiency or the security for the Bonds issued hereunder or intended to be secured hereby, or for the value of or title to the Project Facilities, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the Issuer or the Company, except as hereinafter set forth or as may be set forth in the Agreement; but the Trustee may require of the Issuer and the Company full information and advice as to the performance of the covenants, conditions and agreements as to the condition of the Project Facilities contained herein and in the Agreement. The Trustee shall have no obligation to perform any of the duties of the Issuer or the Company. All moneys received by the Trustee hereunder need not be segregated from other moneys except to the extent required by this Indenture or law and the Trustee shall not be liable or responsible for any loss suffered in connection with any investment of funds made by the Trustee in accordance with Section 5.02 hereof nor shall the Trustee be liable for interest on any moneys received hereunder. The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall be answerable for other than its negligence or misconduct, subject to Section 9.01 of this Article IX. The Trustee shall not be required to give any bond or surety in

respect of the execution of the trusts and powers granted hereunder or otherwise in respect of the Project Facilities. The Trustee shall not be obligated to advance any funds in the exercise of its rights or duties hereunder nor required to lend the Issuer or the Company money for the Project Facilities.

SECTION 9.03. TRUSTEE MAY ACT THROUGH AGENTS; ANSWERABLE ONLY FOR WILLFUL

MISCONDUCT OR NEGLIGENCE. The Trustee may exercise any powers hereunder and

perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder. The Trustee may act upon such advice of Counsel and shall not be responsible for any loss or damage resulting from any action or nonaction taken by or omitted to be taken in good faith in reliance upon such advice of counsel. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only its own willful misconduct or negligence or that of its agents, officers and employees.

SECTION 9.04. COMPENSATION AND INDEMNITY. The Company has undertaken to pay

the Trustee reasonable compensation, including but not limited to extraordinary trustee fees, for its services hereunder, and also all its reasonable expenses and disbursements. The Company has agreed under Section 5.5 of the Agreement to indemnify the Trustee against any claims arising out of the exercise and performance of its powers and duties hereunder in good faith and without negligence. Prior to taking any action under Article VIII hereof, the Trustee may require that reasonable indemnity be furnished to it for the reimbursement of all expenses which it may incur and to protect it against all liability, except liability which may result from its negligence or misconduct, by reason of any action so taken.

SECTION 9.05. NOTICE OF DEFAULT; RIGHT TO INVESTIGATE. The Trustee shall,

within 30 days after the occurrence of a default as hereinafter defined, give written notice by first class mail to registered owners of Bonds of all defaults known to any officer in the corporate trust department of the Trustee and send a copy of such notice to the Issuer and the Company, unless such defaults have been remedied (the term "DEFAULTS" for purposes of this Section and Section 9.06 hereof being defined to include the events specified in clauses A through C of Section 8.01 hereof, not including any notice or periods of grace provided for therein); provided, however, that the Trustee shall give notice to the Issuer

and the Company as soon as practicable of any default involving the nonpayment of money. The Trustee shall not be deemed to have notice of any default under Clause C of Section 8.01 hereof (other than a default under Section 6.1(a) of the Agreement) unless an officer of the corporate trust department of the Trustee has actual knowledge thereof or the Trustee has been notified in writing of such default by the Owners of at least 25% in aggregate principal amount of the Bonds then Outstanding. The Trustee may, however, at any time require full information as to the performance of any covenant hereunder; and, if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made an investigation into the affairs related to this Indenture and the properties covered hereby.

SECTION 9.06. OBLIGATION TO ACT ON DEFAULTS. The Trustee, prior to the

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occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. If any Event of Default shall have occurred and be continuing, the Trustee shall exercise such of the rights and remedies vested in it by this Indenture and shall use the same degree of care in their exercise as a prudent trustee under a corporate mortgage; provided, that if in the opinion of the Trustee such action may tend to involve

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expense or liability, it shall not be obligated to take such action unless it is furnished with indemnity satisfactory to it.

SECTION 9.07. RELIANCE ON REQUISITION, ETC. The Trustee may act on any

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requisition, Certified Resolution, notice, telegram, telecopy, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed or signed by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture or the Agreement; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement. Any action taken by the Trustee pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bonds shall be conclusive and binding upon all future owners of the same Bonds and upon Bonds issued in place thereof. In determining whether Bonds are held by or for the account of the Issuer, the Company, or any person controlling, controlled by or under common control with any of them, the Trustee may rely on a certificate from the Issuer or the Company, as the case may be, and shall be under no duty to make any investigation with respect to such a certification. As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to demand (but shall not be required to demand) a certificate signed on behalf of the Issuer or the Company, as the case may be, and to rely upon such certificate as sufficient evidence of the facts therein contained, and prior to the occurrence of a default of which the Trustee has been notified as provided in Section 9.05 of this Article IX, or of which by said section it is deemed to have notice, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. Nothing in the foregoing provisions, however, shall relieve the Trustee from liability for its own negligence or willful misconduct.

SECTION 9.08. TRUSTEE MAY OWN BONDS. The Trustee may in good faith buy, sell,

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own and hold any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the Issuer, the Company or any affiliate of the Issuer or the Company, provided that if the Trustee determines that any such

relation is in conflict with its duties under this Indenture, it shall eliminate the conflict or resign as Trustee.

SECTION 9.09. CONSTRUCTION OF AMBIGUOUS PROVISIONS. The Trustee may construe  
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any ambiguous or inconsistent provisions of this Indenture, and any such construction by the Trustee shall be binding upon the Bondholders.

SECTION 9.10. RESIGNATION OF TRUSTEE. The Trustee may resign and be discharged  
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of the trusts created by this Indenture by written resignation filed with the County Clerk and Recorder of the Issuer not less than 60 days before the date when it is to take effect, with copies of such notice to the Company. Such resignation shall take effect only upon the appointment of a successor Trustee. However, if a successor trustee shall not have been appointed within 60 days from the date of such notice of resignation, the resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor trustee.

SECTION 9.11. REMOVAL OF TRUSTEE. Any Trustee hereunder may be removed at any  
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time by an instrument appointing a successor to the Trustee so removed, executed by the owners of a majority in aggregate principal amount of the Bonds then Outstanding and filed with the Trustee, the Issuer and the Company. The Company, upon 30 days' notice to the Issuer and the Trustee, may remove any Trustee by an instrument appointing a successor to the Trustee so removed if, in the reasonable opinion of the Company, the Trustee is unable or unwilling to perform its duties hereunder; provided that such removal by the Company may not occur when an Event of Default exists hereunder.

SECTION 9.12. APPOINTMENT OF SUCCESSOR TRUSTEE. If the Trustee or any  
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successor trustee resigns or is removed (other than pursuant to Section 9.11 hereof) or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Issuer at the direction of the Company shall appoint a successor. If the Issuer fails to make such appointment within 60 days after the date notice of resignation is filed, the Owners of a majority in principal amount of the Bonds then Outstanding may do so.

SECTION 9.13. QUALIFICATION OF SUCCESSOR. A successor trustee shall be a  
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national bank with trust powers or a bank, a bank and trust company or a trust company organized under the laws of one of the states of the United States, in each case having capital and surplus of at least \$50,000,000, if there be one able and willing to accept the trust on reasonable and customary terms.

SECTION 9.14. INSTRUMENTS OF SUCCESSION. Any successor trustee shall execute,  
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acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder; and thereupon such successor trustee, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor trustee all moneys held by it hereunder; and, upon request of the successor trustee, the Trustee ceasing to act and the Issuer shall execute and deliver an instrument transferring to the successor trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to

act. The Company shall be provided with a copy of each instrument mentioned herein.

SECTION 9.15. MERGER OF TRUSTEE. Any corporation into which any Trustee

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hereunder may be merged or with which it may be consolidated, or to which all or substantially all of its corporate trust assets may be transferred, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 9.16. NO TRANSFER OF NOTE; EXCEPTIONS. Except as required to effect an

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assignment to a successor trustee, and except to effect an exchange in connection with a bankruptcy, reorganization, insolvency, or similar proceeding involving the Company, the Trustee shall not sell, assign or transfer the Note held by it, and the Trustee is authorized to enter into an agreement with the Company to such effect.

SECTION 9.17. APPOINTMENT OF CO-TRUSTEE. In case the Trustee deems that by

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reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, the Trustee may appoint an additional individual or institution as a separate or Co-Trustee, the identity of which shall be subject to the Company's approval except in the case of a continuing Event of Default hereunder, in which event each and every remedy, right, claim, cause of action, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in the Trustee with respect thereto shall be exercisable by and rest in such separate or Co-Trustee but only to the extent necessary to enable such separate or Co-Trustee to exercise such rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or Co-Trustee shall run to and be enforceable by either of them. In case any separate or Co-Trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate or Co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate or Co-Trustee.

SECTION 9.18. INTERVENTION BY TRUSTEE. In any judicial proceeding to which the

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Issuer or the Company is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of holders of the Bonds, the Trustee may intervene on behalf of Bondholders and shall do so if requested in writing by the holders of at least 25% in aggregate principal amount of Bonds then Outstanding and furnished satisfactory indemnity. The rights and obligations of the Trustee under this Section are subject to the approval of a court of competent jurisdiction.

SECTION 9.19. PRIVILEGES AND IMMUNITIES OF PAYING AGENT AND AUTHENTICATING

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AGENT. The Paying Agents and the Authenticating Agents shall, in the exercise  
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of their duties hereunder, be afforded the same rights, discretions, privileges and immunities as the Trustee in the exercise of such duties.

SECTION 9.20. EXPENDITURE OF TRUSTEE FUNDS. No provision of this Indenture

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shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. If it shall have reasonable grounds for believing that repayment of advanced funds or adequate indemnity against such risk or liability is reasonably assured to it, the Trustee may, in its sole discretion, expend its own funds in the performance of any of its duties hereunder.

Section 9.21. APPLICATION OF ARTICLE IX. Whether or not therein expressly so

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provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

Section 9.22. CONSULTATION WITH COUNSEL. The Trustee may consult with counsel,

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and the written advice of such counsel or any opinion of Counsel or Bond Counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

ARTICLE X.  
ACTS OF BONDHOLDERS

Section 10.01. ACTS OF BONDHOLDERS. Any action to be taken by Bondholders may

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be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Bondholders in person or by agent appointed in writing. The fact and date of the execution by any person of any such instrument may be proved by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the owner of any Bond shall bind all future owners of the same Bond or Bonds issued in place thereof in respect of anything done or suffered by the Issuer or the Trustee in pursuance thereof.

ARTICLE XI.  
AMENDMENTS AND SUPPLEMENTS

Section 11.01. AMENDMENTS AND SUPPLEMENTS WITHOUT BONDHOLDERS' CONSENT. This

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Indenture may be amended or supplemented at any time and from time to time, without notice to or the consent of the Bondholders by a supplemental indenture authorized by a Certified Resolution filed with the Trustee, if consented to in writing by the Company, for one or more of the following purposes:

(a) to add additional covenants of the Issuer or to surrender any right or power herein conferred upon the Issuer;

(b) for any purpose not inconsistent with the terms of this Indenture or to cure any ambiguity or to correct or supplement any provision contained herein or in any supplemental indenture which may be defective or inconsistent with any other provision contained herein or in any supplemental indenture, or to make such other provisions in regard to matters or questions arising under this Indenture which shall not be inconsistent with the provisions of this Indenture and which in all cases shall not adversely affect the interests of the holders of the Bonds, including the appointment and duties of a co-paying agent, co-trustee, bond registrar and authenticating agent;

(c) to modify, eliminate or add to the provisions of this Indenture to such extent as shall be necessary to effect the qualification of this Indenture under the Trust Indenture Act of 1939 or under any similar federal statute hereafter enacted, and to add to this Indenture such other provisions as may be expressly permitted by the Trust Indenture Act of 1939;

(d) to grant to or confer or impose upon the Trustee for the benefit of the owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed and which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(e) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to this Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature;

(f) to modify, alter, supplement or amend this Indenture to comply with changes in the Code affecting the status of interest on the Bonds as excluded from gross income for federal income tax purposes or the obligations of the Issuer or the Company in respect of Section 148 of the Code; and

(g) to make any amendments appropriate or necessary in connection with or to provide for any insurance policy, irrevocable transferable letter of credit, guaranty, surety bond, line of credit, revolving credit agreement or other agreement or security device delivered to the Trustee and providing for (i) payment of the principal and interest on the Bonds or a portion thereof, or (ii) payment of the purchase or redemption price of the Bonds, or (iii) both (i) and (ii).

Before the Issuer and the Trustee shall enter into any supplemental indenture pursuant to this Section 11.01 or Section 11.02, there shall have been delivered to the Trustee an opinion of nationally recognized bond counsel stating that such amended or supplemental indenture is authorized or permitted by the Act and is authorized under this Indenture, that such amended or supplemental indenture will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes. In addition, so long any of the Bonds are owned by the Initial Owner, no supplemental indenture shall be effective unless consented to by the Initial Owner.

SECTION 11.02. AMENDMENTS WITH BONDHOLDERS' CONSENT. This Indenture may be

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amended from time to time with prior written consent of the Company, by a supplemental indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then outstanding; provided, however, that nothing herein contained shall permit, or be construed as permitting, (1) an extension of the time for the payment of the principal of or the interest on any Bond, (2) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, (3) the creation of any lien or security interest with respect to the Agreement or the payments thereunder or under the Note, other than the lien created by this Indenture and the Permit Agreements, (4) a preference or priority of

any Bond or Bonds over any other Bond or Bonds, or (5) a reduction in the aggregate principal amount of the Bonds required for consent to the execution of such supplemental indenture hereunder; and provided, further that no amendment shall be made which adversely affects one or more but less than all of the Bonds without the consent of the Owners of at least a majority in aggregate principal amount of all the Outstanding Bonds so affected. This Indenture may be amended with respect to the matters enumerated in clauses (1) to (5) of the preceding sentence only with the unanimous consent of all Bondholders and the Company.

SECTION 11.03. AMENDMENT OF AGREEMENT, PERMIT AGREEMENTS AND NOTE. If the

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Company proposes to amend the Agreement, the Permit Agreements, or the Note, the Trustee shall have the right to consent thereto; provided, that if any such proposal to which the Trustee is entitled to consent as provided above would amend the Agreement, the Permit Agreements, or the Note in such a way as would materially adversely affect the interests of the Bondholders, the Trustee shall notify Bondholders of the proposed amendment and shall consent thereto only with the consent of the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding; provided, that without the consent of each affected Bondholder, no amendment shall be consented to by the Trustee which would (1) decrease the amounts of principal, prepayment premium and interest payable under the Agreement or the Note, (2) change the date of payment or prepayment provisions of the Agreement or the Note, or (3) change any provisions with respect to amendment; and further provided, that no amendment shall be consented to which adversely affects one or more but less than all the Bonds without the consent of the Owners of at least a majority in aggregate principal amount of all the Outstanding Bonds so affected. Notwithstanding the foregoing, either or both of the Permit Agreements may be amended, restated or supplemented at any time, and the Trustee shall consent thereto and may enter into any amendment, restatement or supplement thereto or related intercreditor agreement, so long as the purpose of such amendment, restatement, supplement or intercreditor agreement is (i) to cure any ambiguity or formal defect in the Permit Agreements, (ii) to grant to the Trustee additional rights, remedies or security under the Permit Agreements or this Indenture, (iii) to substitute a New BC Permit as contemplated by Section 4.7 of the Agreement, or (iv) to grant to other creditors of the Company equal or subordinate rights to those of the Trustee under the Permit Agreements, subject to the provisions of Section 5.16 of the Agreement relating to Parity Debt.

SECTION 11.04. TRUSTEE AUTHORIZED TO JOIN IN AMENDMENTS AND SUPPLEMENTS;

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RELIANCE ON COUNSEL. The Trustee is authorized to join with the Issuer in the  
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execution and delivery of any supplemental indenture or amendment permitted by this Article XI and in so doing shall be fully protected by an opinion of Counsel that such supplemental indenture or amendment is so permitted and has been duly authorized by the Issuer and that all things necessary to make it a valid and binding agreement have been done.

ARTICLE XII.  
DEFEASANCE

SECTION 12.01. DEFEASANCE. When the principal of and premium, if any, and

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interest on all Bonds issued hereunder have been paid, or provision has been made for payment of the same, together with all other sums payable hereunder by the Issuer, the Trustee's right, title and interest in the Agreement, the Permit Agreements and the Note and the moneys payable thereunder shall thereupon cease and the Trustee, on demand of the Issuer or the Company, shall release this Indenture in respect thereto and shall execute such documents to evidence such release as may be reasonably required by the Issuer or the Company and shall turn over to the Company or its assigns all balances then held by it hereunder not required for the payment of the Bonds and such other sums.

Without limiting the generality of the foregoing, provision for the payment of any Bond or any portion thereof shall be deemed to have been made (a) upon the delivery to the Trustee of (i) cash in an amount sufficient to pay the principal of and interest and premium, if any, on such Bond or such portion, or (ii) non-callable Government Obligations which shall not contain provisions permitting the redemption thereof other than at the option of the holder, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which shall be sufficient to pay when due the principal of and premium, if any, and interest due and to become due on such Bond or portion thereof on or prior to the redemption date or maturity date thereof, as the case may be, or (iii) any combination of cash and such obligations; and (b) when any Bond or portion thereof to be redeemed prior to maturity shall have been duly called for redemption or irrevocable instructions to call such Bond or portion thereof for redemption shall have been given to the Trustee and in either event, if said Bond (or portion) does not mature and is not to be redeemed within the next succeeding 60 days, the Issuer shall have given the Trustee irrevocable instructions to give, as soon as practicable, a notice to the holder of said Bond by certified mail, first class, postage prepaid, stating that the deposit of moneys required by this Section has been made with the Trustee and that said Bond (or portion) is deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal of and premium, if any, and interest on such Bond (or portion). The Trustee shall also receive an opinion of Bond Counsel to the effect that such deposit will not adversely affect the exclusion from gross income of the interest on any of the Bonds or cause any of the Bonds to be classified as "arbitrage bonds" within the meaning of the Code and evidence satisfactory to it that the cash and Government Obligations delivered will be sufficient to provide for the payment of the Bonds as aforesaid. Neither the obligations nor moneys deposited with the Trustee pursuant to this Section shall be withdrawn or used for any purpose other than, and shall be segregated and held in trust for, the payment of the principal of and premium, if any, and interest on the Bonds.

ARTICLE XIII.  
MISCELLANEOUS PROVISIONS

SECTION 13.01. NO PERSONAL RECOURSE. No recourse shall be had for any claim

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based on this Indenture or the Bonds, including but not limited to the payment of the principal of or premium, if any, or interest on the Bonds, against any member, officer, agent or employee, past, present or future, of the Issuer or of any successor body, as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute, rule of law, or charter provision or by the enforcement of any assessment or penalty or by any legal or equitable proceeding or otherwise, and all such liability of any such member, officer, employee, or agent as such is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and the Agreement, and the issuance of the Bonds.

SECTION 13.02. DEPOSIT OF FUNDS FOR PAYMENT OF BONDS. If there are on deposit

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with the Trustee funds (including proceeds of Government Obligations as provided in Section 12.01) sufficient to pay the principal of any Bonds becoming due, either at maturity or upon prior redemption or otherwise, and premium, if any, and all interest accruing thereon to the due date, all interest on such Bonds shall cease to accrue on the due date and all liability of the Issuer with respect to such Bonds shall likewise cease, except as hereinafter provided. Thereafter the Owners of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds and the Trustee shall hold such funds in trust for such Owners.

Moneys (including proceeds of Government Obligations as provided in Section 12.01) so deposited with the Trustee which remain unclaimed three years after the date payment thereof becomes due shall, if the Issuer is not at the time, to the knowledge of the Trustee, in default with respect to any covenant in this Indenture or the Bonds, be paid to the Company upon receipt by the Trustee of indemnity satisfactory to it, and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Company; provided, however, that the Trustee, before making payment to the Company, may cause a notice to be published once in an Authorized Newspaper at the expense of the Company, stating that the moneys remaining unclaimed will be returned to the Company after a specified date.

SECTION 13.03. NO RIGHTS CONFERRED ON OTHERS. Except as specifically provided

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herein with respect to the Company, nothing herein contained shall confer any right upon any person other than the parties hereto and the Owners of the Bonds.

SECTION 13.04. ILLEGAL, ETC. PROVISIONS DISREGARDED. In case any provision in

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this Indenture or the Bonds shall for any reason be held invalid, illegal or unenforceable in any respect, this Indenture shall be construed as if such provision had never been contained herein.

SECTION 13.05. SUBSTITUTE NOTICE. If for any reason it shall be impossible to

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make publication of any notice required hereby in an Authorized Newspaper, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

SECTION 13.06. NOTICES. Any notice to or demand upon the Trustee may be

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served, presented or made by certified United States mail, overnight express mail or telecopy to the corporate trust office of the Trustee located at 950 17th Street, Denver, Colorado, 80202 Attention: Corporate Trust Department. Any notice to or demand upon the Issuer shall be deemed to have been sufficiently given or served by the Trustee for all purposes by being sent by certified United States mail, overnight express mail or telecopy to the Board of County Commissioners, P.O. Box 850, Eagle, Colorado 81631, Attention: County Attorney or such other address as may be filed in writing by the Issuer with the Trustee. Copies of any notice hereunder shall be provided to the Company in the same manner at 137 Benchmark Road, Avon, Colorado 81620, Attention: General Counsel, or at such other address as may be filed in writing by the Company with the Issuer and the Trustee.

SECTION 13.07. SUCCESSORS AND ASSIGNS All the covenants, promises and

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agreements in this Indenture contained by or on behalf of the Issuer, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 13.08. HEADINGS FOR CONVENIENCE ONLY. The descriptive headings in this

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Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

SECTION 13.09. COUNTERPARTS. This Indenture may be executed in any number of

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counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

SECTION 13.10. CREDITS ON NOTE. In addition to any credit, payment or

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satisfaction expressly provided for under the provisions of this Indenture in respect of the Note, the Trustee shall make credits against amounts otherwise payable in respect of the Note in an amount corresponding to (a) the principal amount of (and all accrued interest on) any Bond surrendered to the Trustee by the Company or the Issuer, or purchased by the Trustee, for cancellation and (b) the amount of money held by the Trustee and available and designated for the payment of principal or redemption price of, and/or interest on, the Bonds, regardless of the source of payment to the Trustee of such moneys.

SECTION 13.11. PAYMENTS DUE ON SATURDAYS, SUNDAYS AND HOLIDAYS. In any case

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where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be a Saturday or Sunday or a legal holiday or a day on which banking institutions in the city of payment are authorized by law to close, then payment of interest or principal or redemption price need not be made on such date but may be made on the next succeeding business day with the same force and effect as if made on the date of maturity or the date fixed for redemption, and no interest on such payment shall accrue for the period after such date.

SECTION 13.12. APPLICABLE LAW. This Indenture shall be governed by and

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construed in accordance with the laws of the State of Colorado.

SECTION 13.13. INFORMATION UNDER COMMERCIAL CODE. The following information is

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stated in order to facilitate filings under the Uniform Commercial Code:

The secured party is U.S. Bank National Association, Trustee. Its address from which information concerning the security interest may be obtained is 950 17th Street, Denver, Colorado 80202, Attention: Corporate Trust Department. The debtor is Eagle County, Colorado. Its mailing address is P. O. Box 850, Eagle, Colorado 81631, Attention: County Attorney.

SECTION 13.14. LIMITATION OF LIABILITY OF ISSUER AND ITS OFFICERS, EMPLOYEES

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AND AGENTS. No covenant, provision or agreement of the Issuer herein or in the  
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Bonds or in any other document executed by the Issuer in connection with the issuance, sale and delivery of the Bonds, or any obligation herein or therein imposed upon the Issuer or breach thereof, shall give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers or shall obligate the Issuer financially in any way except with respect to this Indenture and the application of revenues therefrom and the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant or agreement therein shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charges except to the extent that the same can be paid or recovered from the Agreement or Revenues therefrom or proceeds of the Bonds. No execution on any claim, demand, cause of action or judgment shall be levied on or collected from the general credit, general funds or taxing powers of the Issuer. In making the agreements, provisions and covenants set forth herein, the Issuer has not obligated itself except with respect to the Agreement and the application of revenues hereunder as hereinabove provided. The Bonds constitute special, limited obligations of the Issuer, payable solely from the Revenues pledged to the payment thereof pursuant to the Agreement and this Indenture, and do not now and shall never constitute an indebtedness, a financial obligation, or a loan of the credit of the Issuer, the State of Colorado or any political subdivision thereof or a charge against general taxing powers within the meaning of any constitutional or statutory provision whatsoever. It is further understood and agreed by the Company and the Holders that the Issuer shall incur no pecuniary liability hereunder and shall not be liable for any expenses related hereto, all of which the Company agrees to pay. If, notwithstanding the provisions of this Section, the Issuer incurs any expense, or suffers any losses, claims or damages or incurs any liabilities, the Company will indemnify and hold harmless the Issuer from the same and will reimburse the Issuer for any legal or other expenses incurred by the Issuer in relation thereto and this covenant to indemnify, hold harmless and reimburse the Issuer shall survive delivery of and payment for the Bonds. The liability of the Issuer is further restricted as provided in the Act.

IN WITNESS WHEREOF, EAGLE COUNTY, COLORADO has caused this Indenture to be executed by its Chair of the Board of County Commissioners and its corporate seal to be hereunto affixed and attested by its County Clerk and Recorder, and U.S. BANK NATIONAL ASSOCIATION has caused this Indenture to be executed by one of its Vice Presidents, and its seal to be hereunto affixed and attested by one of its duly authorized officers, all as of the day and year first above written.

EAGLE COUNTY, COLORADO

[SEAL]

Attest:

By \_\_\_\_\_  
Chair,  
Board of County Commissioners

\_\_\_\_\_  
County Clerk and Recorder

U.S. BANK NATIONAL ASSOCIATION  
as Trustee

[SEAL]

Attest:

By \_\_\_\_\_  
Assistant Vice President

\_\_\_\_\_  
Assistant Secretary

STATE OF COLORADO :  
                          : ss:  
COUNTY OF EAGLE   :

On this, the \_\_\_\_ day of April, 1998, before me, the undersigned notary public, personally appeared JAMES E. JOHNSON, JR., who acknowledged himself to be Chair of the Board of County Commissioners of EAGLE COUNTY, COLORADO, and that he as such officer, being authorized to do so, executed the foregoing instrument for the purposes therein contained by signing the name of said Issuer by himself as such officer.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

[NOTARIAL SEAL]

STATE OF COLORADO      :  
                          : ss:  
CITY AND COUNTY OF DENVER  :

On this, the \_\_\_\_ day of April, 1998, before me, the undersigned notary public, personally appeared GRETCHEN L. MIDDENTS, who acknowledged herself to be an Assistant Vice-President of U.S. BANK NATIONAL ASSOCIATION, and that she as such officer, being authorized to do so, executed the foregoing instrument for the purpose therein contained by signing the name of said bank by herself as such officer.

I hereby certify that I am not a director or officer of the above named bank.  
IN WITNESS WHEREOF, I hereunto set my hand and official seal.

\_\_\_\_\_  
Notary Public

My Commission Expires: \_\_\_\_\_

[NOTARIAL SEAL]



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1,000

	7-MOS	
	JUL-31-1998	
	OCT-01-1997	
	APR-30-1998	
		11,682
		0
		27,776
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		10,313
		84,710
		500,900
		0
		933,967
60,487		
		0
0		
		0
		343
		476,637
933,967		
		0
		365,549
		255,171
		0
		1,332
		0
		12,962
		98,748
		40,946
		0
		0
		0
		0
		0
		57,802
		1.69
		1.67

Operating Expenses  
Other Income  
Basic