

**PUBLIC IMPROVEMENT DISTRICT NO. 2007-1
LOCATED IN ANGEL FIRE, NEW MEXICO**

DEVELOPMENT AGREEMENT

This Public Improvement District Development Agreement (this “Agreement”) is entered into as of the Effective Date (as defined below) by and among the Village of Angel Fire, New Mexico, a New Mexico municipal corporation (the “Village”), Angel Fire Resort Operations, LLC, a New Mexico limited liability company (“Petitioner”), and Public Improvement District No. 2007-1, located in Angel Fire, New Mexico, a political subdivision of the State of New Mexico (the “District”). The Association of Angel Fire Property Owners, Incorporated, a New Mexico nonprofit corporation (“AAFPO”), is a party to this Agreement only with respect to the provisions of the Recitals, Section 3(B)(ii) and (iii), Section 4(A)(ii), (iii) and (iv), Section 5(D), Section 11(B) and Sections 12, 13 and 14.

RECITALS

A. In the bankruptcy proceeding Cause No. 11-93-12176 RA (U.S. Bankruptcy Court for the District of New Mexico), the owners of particular lots in Angel Fire asserted that they were owed certain infrastructure improvements that had been promised by the bankruptcy debtors. The bankruptcy case concluded with the court’s approval of an Amended Joint Plan of Reorganization, filed on April 20, 1995 (the “Plan”). The Plan specified a mechanism under which certain infrastructure would be provided to particular lots within the Village (the “Infrastructure Claim Lots”).

B. Under the Plan, the purchaser of the debtors’ business assets (i.e., Petitioner’s predecessor in interest) was to deposit up to \$2,000,000 into an Infrastructure Improvement Fund (the “Infrastructure Improvement Fund”). This sum, however, comprises only a small portion of what would be needed to provide the specified infrastructure to the Infrastructure Claim Lots. The Plan accordingly further directed that the remainder of the necessary amount would be obtained through the formation of a special assessment district, and that the Infrastructure Improvement Fund monies would be expended only to the extent that they were matched by owners of the Infrastructure Claim Lots.

C. Since the adoption of the Plan, the New Mexico legislature has adopted the Public Improvement District Act (§§5-11-1 to 5-11-27 NMSA 1978) (the “Act”). The Act provides a means to produce substantially the same result as a special assessment district, but offers more flexibility than does the special assessment district statute (Ch. 3, Art. 33 NMSA 1978), including ways to significantly reduce costs. This purpose of this Agreement therefore is to satisfy the requirements of the Plan through the formation and implementation of a public improvement district (“PID”), as opposed to a special assessment district formed under Chapter 3, Article 33.

D. The District consists of 850 existing lots within the boundaries of the Village of Angel Fire (the “PID Lots”). All but 32 of the PID Lots are Infrastructure Claim Lots. The PID Lots

that are not Infrastructure Claim Lots (the “Additional Lots”) are included in the PID because they will directly benefit from improvements to Back Basin Road, which they front. Conversely, a small number of the Infrastructure Claim Lots are excluded from the District because they have acquired or have been furnished infrastructure in the interim, and being included in the District would subject such lots to assessments that would not provide them any benefit.

E. Petitioner, which is the owner of 314 of the PID Lots, has submitted to the Village a petition for the formation of the District (the “Petition”). The Petition includes a general plan (the “General Plan”), which includes a list of the PID Lots and maps showing the PID Lots in their various subdivisions. Pursuant to Section 5-11-3(A) of the Act, Petitioner warrants that the PID Lots that it owns comprise more than 25% of the total assessed value of all of the PID Lots.

F. Under the General Plan, the District will be formed and operated for the purpose of financing the construction and installation of various combinations of road improvements, water and sewer lines, and electric and telephone lines (the “PID Improvements”), together with related engineering and administration costs, to serve the PID Lots in conformity with all relevant plans, specifications, requirements and standards of the Village.

G. Village Resolution 2001-17 (the “PID Resolution”) requires a petitioner for the formation of a PID and the Village to enter into a development agreement to establish the obligations of the developer and the Village concerning the administration of the public improvement district.

H. The Village and Petitioner intend that the District will construct the PID infrastructure improvements, as more fully described in the General Plan (the “Improvements”).

I. The Village and Petitioner anticipate that the Improvements will be financed by the Infrastructure Improvement Fund and the District’s issuance of public improvement district bonds as provided in the Act (the “Bonds”). As provided by Section 5-11-20 of the Act, the Bonds will be payable by the imposition of a special levy (the “Special Levy”) upon the PID Lots. The Village and Petitioner anticipate that the District will be responsible for imposing the Special Levy as provided in the Act, and that the cost of administering the Special Levy will be an operating cost of the District which will be payable from the Special Levy.

J. Since the PID Lots are owned by different persons, the formation of the District will require both (i) the Village’s adoption of a formation resolution (the “Formation Resolution”) pursuant to Section 5-11-6(A) of the Act, and (ii) the subsequent approval of the formation of the District by the residents and owners of the PID Lots in an election (the “Formation Election”) as provided in Sections 5-11-6 and 5-11-7 of the Act. The Village adopted the Formation Resolution (Village Resolution _____) on _____, 2008, but the Formation Election will occur after the execution of this Agreement by all parties other than the District.

AGREEMENT

Section 1. District Formation a Condition Precedent.

A. Effective Date. This Agreement shall be executed by the Village, Petitioner and AAFPO as soon as practicable after the adoption of the Formation Resolution, but is conditioned upon the approval by the electors of the formation of the District in the Formation Election. The Agreement shall become effective upon the date of delivery (the “Effective Date”) by the Village to the Colfax County Assessor of the Formation Resolution following the Formation Election as provided in Section 5-11-8(A) NMSA 1978. In the event that the Formation Election is not successful, this Agreement shall not take effect and each party shall have no further rights, obligations or liabilities hereunder.

B. District a Party to Agreement. Pursuant to the Formation Resolution, upon formation of the District the District shall become a party to this Agreement and shall be bound to the obligations set forth herein. The Chairman of the District shall execute this Agreement promptly after the formation of the District.

Section 2. District Boundaries. The District shall include the real property described in Exhibit B to the General Plan. The boundaries of the District may be amended as provided in Section 5-11-13 of the Act.

Section 3. District Infrastructure Improvements.

A. Improvements to Comply with Village Requirements. The District shall cause the design and construction of the Improvements, as more fully described and in the approximate locations depicted in the General Plan, in accordance with all applicable Village standards for the design and construction of public improvements.

B. Design/Build Contract; No Village Liability.

i. The Village shall not be liable for the financing or the completion of any of the Improvements, or any other obligation, whatsoever, of the District. The District shall take all necessary actions to ensure that all Improvements designated in the General Plan are constructed solely with funds available to the District from the Infrastructure Improvement Fund, the Bonds and other sources, if any, excluding the Village. In order to ensure that the funds available for financing the Improvements are sufficient for the purpose, the District shall enter into a guaranteed, maximum price contract with a contracting entity utilizing design professionals licensed in New Mexico (which contract shall be conditioned upon the availability of District financing) for the design and construction of the Improvements (the “Design/Build Contract”) prior to the issuance of the Bonds. The Design/Build Contract shall, to the extent practicable and without limitation, include an industry standard public works AIA liquidated delay damages provision and incentives for early completion.

ii. The Village shall not incur any financial obligation associated with the procurement of the Design/Build Contract. Petitioner and AAFPO agree that the costs associated with procuring

the Design/Build Contract may be paid in whole or in part from monies in the Infrastructure Improvement Fund.

iii. If the issuance of the Bonds will not generate sufficient proceeds, in combination with other available funding, to pay the Design/Build Contract price, then the District shall not issue the Bonds until sufficient additional funding is available. If the District is unable for any reason to obtain sufficient funds to pay the Design/Build Contract price, then the District shall terminate the Design/Build Contract, and shall take one or more of the following actions: (i) seek additional funding, which may include holding an additional election for authority to increase the maximum special levy and the total principal amount for which the Bonds may be issued, (ii) revise the procurement process or criteria in an attempt to obtain a Design/Build Contract with a lower guaranteed, maximum price, which revision shall be subject to review and approval by the Village Council, or (iii) dissolve the District, including if necessary making application to a court of appropriate jurisdiction for an order of dissolution. In the event that the District is dissolved, the Infrastructure Improvement Fund and any monies remaining therein shall be returned to custody of the Petitioner and shall remain subject to the provisions of the Plan. The District shall in no event enter into a Design/Build Contract for the design and construction of (i) less than all of the Improvements as described in the General Plan, or (ii) Improvements that do not meet the requirements of the Village at the time that the contract is entered into.

C. Performance Bond. The District shall require the design/build contractor to provide (i) a performance bond covering all of the contractor's obligations of performance under the Design/Build Contract, and in an amount of at least one hundred ten percent (110%) the maximum contract price, and (ii) a payment bond, also in an amount of at least one hundred ten percent (110%) of the maximum contract price, covering the contractor's payment obligations to mechanics and materialmen. The bonds shall be payable solely to the District, and shall be issued by a surety or sureties that is listed in Circular 570 of the U.S. Treasury Department or on the Treasury Department's corresponding website at <http://www.fms.treas.gov/c570>.

D. Consulting Engineer. Prior to commencement of the procurement of the Design/Build Contract or the issuance of the District's Bonds, the District shall, with the concurrence of the Village, hire a consulting engineer (the "Consulting Engineer"), which shall be an engineering firm with substantial experience in both (i) the design and construction management of civil engineering projects involving improvements similar in nature and scale to the Improvements, and (ii) design/build procurements. The Consulting Engineer shall be the District's agent and representative, and shall be independent of the design/build contractor. Among other duties, the Consulting Engineer shall assist the District in the procurement of the services of the design/build contractor, including the preparation of bidding packages and requests for proposals, and the evaluation of bids or proposals.

E. Construction Committee. The District Board may establish a "Construction Committee", consisting of at least two Board members, and assisted by a representative of the Consulting Engineer, to review and approve periodic invoices, review change orders under and proposed amendments to the Design/Build Contract and recommend action concerning change orders and proposed amendments to the District Board, and perform such other tasks as the Board may

reasonably delegate and which the Board shall specify from time to time in one or more resolutions.

F. Petitioner Information. Petitioner shall make available to the District copies of all documents, records, surveys, and data, in paper or electronic form, that Petitioner has in its possession and that it has a legal right to convey to the District, pertaining to engineering studies for, or design work concerning, the PID Lots and the Improvements, and concerning the existence and nature of utility improvements adjacent to the PID Lots, and to which certain of the Improvements may be connected. Petitioner shall answer such inquiries, and provide such information (to the extent that it is in Petitioner's knowledge) as the District may from time to time request; provided, however, that such actions do not require Petitioner to incur material unreimbursed expense, and do not expose Petitioner to material liability or risk. In the event of any conflict between this subsection and Section 5, the provisions of Section 5 shall control.

G. Clerical Assistance. The Village may, to the extent requested by the District, and to the extent that the District provides such reasonable payment as the Village may require, provide administrative assistance to the District with respect to matters such as the mailing or filing of notices, the publication of notices, the deposit or investment of monies other than bond proceeds, the provision of meeting spaces, the taking of meeting notes and preparation of minutes, and similar matters.

Section 4. District Financing of Improvements. The parties agree that the District costs allowable under the Act, including but not limited to the costs of development, planning, financing, engineering, construction, and administration (collectively, the "District Costs"), shall be paid from the proceeds of the Bonds, the Special Levy, and any other sources available to the District, which sources do not include Village funds. District Costs may be paid from the Bond proceeds, the Special Levy, the Infrastructure Improvement Fund (as provided in subsection (A) of this Section 4) or other sources, as the District determines in its discretion; provided, however, that such expenditures shall be consistent with (i) the terms of the General Plan, the Formation Resolution, this Agreement, (ii) limitations under the Internal Revenue Code pertaining to the expenditure of proceeds of tax-exempt bonds, and (iii) other legal limitations, if any, including the provisions of the Act.

A. Infrastructure Improvement Fund. Within ten days after the District is formed and a Notice of Imposition of Special Levy has been recorded against the PID Lots, Petitioner shall transfer the Infrastructure Improvement Fund and all monies therein, less the \$800,000 partial reimbursement retained by the Petitioner under Subsection 5(A), to the District.

i. The parties intend that a Notice of Imposition of Special Levy shall be recorded as soon as practicable following the canvass of the District formation election and determination that the requisite number of votes was cast in favor of formation of the District.

ii. Petitioner shall indemnify and hold harmless the Village and the District for liabilities, legal fees and other costs to the Village and the District arising from any claims that expenditures of the Infrastructure Improvement Fund monies in accordance with the

General Plan and this Development Agreement violate Section 4.7 of the Plan (the "Limited Indemnity Obligation"), and AAFPO hereby waives any such claim. This express Limited Indemnity Obligation shall be effective as of the date that the Infrastructure Improvement Fund is transferred to the District and shall terminate upon the issuance of the Bonds; provided further, however, that nothing stated herein shall constitute a waiver, release, or limitation upon any right or claim the Village may otherwise have now, or may acquire in the future, either at law or in equity, including but not limited to any right under the Public Infrastructure District Reimbursement Agreement, by and between the Petitioner and the Village, dated July 24, 2006, against the Petitioner or any other third party, in the event that the Village is sued or joined in a suit raising claims against the Village related either to the issuance of the PID Bonds or to the Resolution to Form the Public Improvement District 2007-1 or to the claims referenced hereinabove, if such claims are asserted against the Village subsequent to the issuance of the Bonds and prior to the Village's acceptance of the PID Infrastructure. Petitioner's obligation to indemnify the Village and District as provided herein shall not be satisfied from any monies in the Infrastructure Improvement Fund.

iii. The monies in the Infrastructure Improvement Fund shall be applied, consistent with the Plan, to any District Costs, including costs related to the procurement of the Design/Build Contract and the reimbursement of costs incurred by Petitioner as provided in Section 5 of this Agreement.

iv. No Infrastructure Improvement Fund monies shall be used for construction of Improvements for the benefit of the Additional Lots, or for Improvements, identified in the General Plan, that are not specified in the Plan (i.e., road Improvements for Group 4B of Angel Fire Village North, sewer Improvements for Groups 3, 4 and 5 of Angel Fire West Village, and sewer Improvements for Subgroup 4B of Country Club 1 & 2 Amended/Reamended).

B. Bonds. The District shall issue Bonds in a total par amount not to exceed \$ _____, in one or more series, the proceeds of which shall be used to defray District Costs. Under no circumstances will the Village be responsible for the construction of the Improvements or the payment of the Bonds or any other financial obligations of the District. All of the Bonds shall state that the owners of the Bonds shall have no recourse to the taxing power of the Village or to any Village property, credit, funds or resources.

C. Special Levy. Subject to the provisions of the Act, the Special Levy shall be imposed in an amount sufficient to pay the Bonds and administrative expenses of the District. The revenues of the Special Levy shall be pledged as security to pay the debt service on the Bonds, but provisions shall be made in the indenture to allow excess revenues to be used to pay other allowable expenses of the District. Promptly following the Effective Date, the District shall take all actions necessary to impose the Special Levy at the soonest practicable date. The Special Levy shall be levied upon the PID Lots pursuant to Section 5-11-20(F) of the Act and as set forth in the General Plan, and shall be due and payable at the first possible time that the Special Levy can be included on the property tax bills for the PID Lots following imposition of the Special Levy. The Special Levy shall be imposed as provided in the General Plan and the "Rate and Method of Apportionment of Special Levy" included as Exhibit 2 to the Petition. If

Bonds are not issued, for whatever reason, funds generated by the Special Levy shall be refunded as provided in the General Plan.

Section 5. Reimbursement of Petitioner. The parties acknowledge that Petitioner has incurred and will incur various District Costs pertaining to activities undertaken prior to the Effective Date, including without limitation planning, engineering, legal, appraisal and other professional fees and amounts paid to the Village pursuant to that certain Public Infrastructure District Reimbursement Agreement dated July 24, 2006 between Petitioner and the Village (collectively, the “Pre-formation Expenses”); that the District will incur potentially substantial costs in connection with procurement of the Design/Build Contract and other initial activities of the District; and that the Infrastructure Improvement Fund represents the only source of funding available to the District prior to the collection and remittance of special levy revenue and the issuance of District Bonds. The parties acknowledge that as of the effective date of this Agreement, Petitioner has incurred Pre-formation Expenses totaling approximately \$1,000,000. Subject to the provisions of Subsection 5(C) hereof, Petitioner shall be reimbursed the full amount of the Pre-formation Expenses incurred by Petitioner up to the Effective Date, to the extent permitted by applicable state and federal law, as follows:

A. Initial Reimbursement Installment. Petitioner shall withhold, as partial reimbursement of the Pre-formation Expenses, \$800,000 of the Infrastructure Improvement Fund. The remainder of the Infrastructure Improvement Fund monies shall be transferred to the District pursuant to Subsection 4(A) hereof.

B. Subsequent Reimbursement Installment. If, after the Design/Build Contract has been awarded, the District determines, in its sole and absolute discretion, that there are sufficient monies remaining on deposit in the Infrastructure Improvement Fund to fund District Costs anticipated by the District to be incurred before special levy revenues become available to pay such costs, the District may authorize a subsequent reimbursement payment to Petitioner in an amount not to exceed the remaining unreimbursed eligible Pre-formation Expenses.

C. Final Reimbursement Installment; Payment of Remaining Pre-formation Expenses. Any Pre-formation Expenses remaining unreimbursed to Petitioner at the time the District has received proceeds of the Bonds shall be reimbursed at that time from either monies on deposit in the Infrastructure Improvement Fund or from proceeds of the Bonds, to the extent that the available proceeds are sufficient, after paying costs of issuance and providing for full payment of the Design/Build Contract, to pay such unreimbursed Pre-formation Expenses. The principal amount of the Bonds shall be the lesser of (i) an amount that is sufficient to pay, in addition to other District Costs, all unreimbursed Pre-formation Expenses, or (ii) the maximum principal amount that the District is authorized to issue.

D. Failure to Award Design/Build Contract. Following a determination by the District that it is impracticable to enter into a Design/Build Contract, the District shall return the Infrastructure Improvement Fund and any monies remaining on deposit therein to the custody of Petitioner, and this Agreement shall terminate. Following their conveyance to Petitioner, the Infrastructure Improvement Fund and any monies remaining on deposit therein shall remain subject to the provisions of the Plan.

E. Nothing in this Agreement, including, without limitation, the provisions of Sections 4 and 5 hereof, shall be construed as rescinding or diminishing Petitioner's obligations pursuant to that certain Public Infrastructure District Reimbursement Agreement by and between Petitioner and the Village dated July 24, 2006.

F. The parties acknowledge that Petitioner and AAFPO are committed to the success of the PID. If the District experiences a lack of available funds prior to receiving monies from the special levy or the Bonds, the Petitioner may advance the District up to \$100,000. Such advance shall be treated as a Pre-formation Expense, and shall be reimbursed as provided in this Section 5.

Section 6. Delinquency; Foreclosure. Pursuant to Sections 5-11-20(G) and 5-11-23(F) of the Act and Section _____ of the Formation Resolution, the District shall establish foreclosure and redemption procedures for delinquent Special Levies in substantially the following form:

A. The District may foreclosure on a delinquent Special Levy after six months following written notice of the delinquency to the owner of the real property to which the delinquency applies.

B. Any delinquent Special Levy shall be foreclosed in the manner provided by law for the foreclosure of mortgages on real estate.

C. In any action seeking the foreclosure of a Special Levy lien after any Bonds have been issued, if there is no other purchaser for the real property having a delinquent Special Levy, the District or other trustee of the funds from which the Bonds are to be paid, may (i) purchase the real property sold at the foreclosure sale, and (ii) bid, in lieu of cash, the amount of the Special Levy, interest, penalties, attorneys' fees, and costs found by the court to be due and payable under the resolution creating the lien and any cost taxed by the court in the foreclosure proceedings against the property ordered sold. Upon the purchase of the real property, title to the tract or parcel of land, subject to the right of redemption provided by Subsection D of this Section 6, shall vest in the trustee of the fund from which the Bonds are payable.

D. No real property shall be sold to satisfy a delinquent assessment until at least fifteen days after the date of the order, judgment or decree of the court, within which time the owner of the tract or parcel of land may pay off the decree and avoid the sale. After the expiration of the fifteen-day period, the property may be sold at a public or private sale subject to the right of redemption. Any property sold under any order, judgment, or decree of court to satisfy the Special Levy lien may be redeemed at any time within one year of the date of sale by the owner or mortgage holder or other person having an interest, or their assigns, by repaying to the purchaser or his assignee the amount paid plus interest from the date of purchase at a rate of twelve percent per year.

E. The proceeds of the sale of the foreclosed real property at either a public or private sale shall be applied as follows:

1. First, to the payment of costs in giving notice of the sale and of conducting the sale;
2. Second, to costs and fees taxed against the real estate in the foreclosure proceedings;
3. Third, on a pro rata basis, to the indebtedness claimed under the Special Levy lien and any other lien on the property that has a priority coequal to the Special Levy lien; and
4. Fourth, after all costs, liens, assessments, and taxes are paid, to the former owner, mortgage holder or other parties having an interest in the real estate, upon the foregoing person's providing satisfactory proof to the court of the interest and upon approval of the court.

F. Receipts for the satisfaction of the indebtedness claimed under the Special Levy lien shall be paid into the proper District fund for payment of debt service on the Bonds.

G. No public rights of way or public property shall be subject to foreclosure pursuant to this Agreement.

Section 7. District Bond Financing Requirements. The District's issuance of Bonds shall be subject to the following requirements and limitations:

A. The transaction shall include a reasonably required debt service reserve funded from bond proceeds or other legally available sources;

B. The Special Levies shall be in amounts equal to or greater than 125% of the sum of (i) the annual debt service requirements of all Bonds outstanding and proposed to be issued in each year; and (ii) the budgeted annual administrative costs of the District;

C. The value to lien ratio (i.e. the total value of the PID Lots, including the Improvements) compared to the aggregate principal amount of the Bonds) shall be at least 3.0 to 1; and

D. Such other provisions as shall be mutually agreed upon by the Village, the District and Petitioner.

Section 8. Plan of Finance. The District shall implement the District finance plan in accordance with the Formation Resolution.

Section 9. District Operating Levy. A charge sufficient for District administration and trustee fees from time to time shall be included in the annual Special Levy within the District.

Section 10. District Governance. The District's five-member governing body (the "District Board ") shall be appointed by the Village Council. The District Board shall initially consist of the following persons: _____ . Within six years following the

Effective Date, the District shall either hold an election of District Board members or governance of the District shall revert to the Village Council as provided in Section 5-11-9(C) NMSA 1978. Prior to the sixth anniversary of the formation of the District, the Village Council shall appoint any new members required to fill vacant positions on the District Board.

Section 11. Dedication of Improvements.

A. Village Requirements. As early as practicable during the procurement process, and in any event no later than the time that the District solicits proposals for design and construction of the Improvements, the District shall consult with the Village regarding the adequacy and appropriateness of the design of the Improvements. Subject to all applicable Village requirements from time to time, the District shall dedicate to the Village all Improvements, whether real or personal property, free and clear of all liens, claims and encumbrances as a condition of the Village's acceptance of the Improvements for operation and maintenance; provided that electrical and telephone cable, switches, transformers and related equipment shall remain the property of the pertinent utilities (or shall be dedicated to such utilities) and shall not be dedicated to the Village. The Parties acknowledge that the Village does not presently have an established written procedure for the review and acceptance of dedicated improvements, but that this Agreement shall in no way impair the right of the Village to establish any such written procedure that is applicable to the District or the Improvements, or the obligation of the District to comply with such procedure, if and when it becomes effective.

B. Timing. At or prior to the commencement of construction of particular Improvements, Petitioner and the District shall arrange for the District to assume responsibility for maintenance of public rights of way in which those Improvements will be located. For the purposes of accepting Improvements, Petitioner has recommended that the District shall be divided into discrete geographical areas corresponding to the PID Lots in the following subdivisions or portions thereof (each an "Improvement Area") : (i) Country Club 1A Amended, (ii) Country Club 1B Amended, (iii) Angel Fire West Village, (iv) Country Club Unit 1 & 2 Amended/Reamended, Groups 1A, 1B and 2, (v) Country Club Unit 1 & 2 Amended/Reamended, Groups 3, 4, 5 and 6, (vi) Chalets Unit 4, (vii) Angel Fire Village North, Group 1, (viii) Angel Fire Village North, Groups 2, 3 and 4, and Angel Fire Village Unit 2, Block G, (ix) Chalets Unit 1A Amended, and (x) Chalets Unit 2G Amended. The District, in consultation with the Consulting Engineer, shall determine the appropriate timing of construction and dedication of Improvements to the Village. Upon the completion of all Improvements intended to serve a given Improvement Area (including Improvements located outside of the Improvement Area, such as the Country Club 1B water storage tank, the Angel Fire West Village "New Road", and the Chalets Unit 1A Amended water line along New Mexico 434), the District shall offer the Improvements in each Improvement Area to the Village, and the Improvements shall be inspected by the Village and, if determined to comply with Village standards, accepted without unreasonable delay. Petitioner and AAFPO acknowledge that it is the Village's policy not to issue a building permit for any lot for which all Improvements necessary to serve that lot have not been completed, dedicated and accepted by the Village.

C. Snow Removal, Grading and Drainage. Prior to acceptance of Improvements by the Village, the District Board shall be responsible for determining how to provide for adequate

snow removal, grading and drainage with respect such Improvements, as required under Village ordinances or policies of general applicability within the Village. The District shall have no responsibility for such maintenance obligations after the Improvements are accepted by the Village.

Section 12. Utility Company Rebates. Any rebates or refunds from utility companies arising out of or in respect of the Improvements shall be owed and paid to the District, as opposed to Petitioner or AAFPO.

Section 13. Utility Easements. The parties acknowledge that some of the Improvements, particularly gravity-fed sewer lines, will need to be located in greenbelt areas and on or through other lands owned or controlled by the Village or Petitioner. AAFPO, Petitioner and the Village agree to provide reasonably-needed easements or rights-of-way to the District for the purpose of installing, operating and maintaining the Improvements. AAFPO, Petitioner and the Village further agree to grant easements or rights-of-way for the wastewater improvements, provided in the Village Wastewater Master Plan, that are specified in Exhibit A hereto and subject to the terms and conditions set forth in Exhibit B hereto. Consent for such easements or rights-of-way will be provided prior to the calling of the election for formation of District.

Section 14. Other General Provisions.

A. Covenants Running With the Land. The provisions of this Agreement are binding upon and inure to the benefit of the parties hereto, their successors and assigns.

B. Notice. Notices concerning the District shall be provided to the parties at the following addresses:

If to the Village:

Village of Angel Fire
P.O. Box 610
Angel Fire, New Mexico 87710
Attention: Village Administrator
Telephone: (505) 377-3232

If to the District:

Public Improvement District No. 2007-1
c/o Village of Angel Fire
P.O. Box 610
Angel Fire, NM 87710
Attention: Village Administrator
Telephone: (505) 377-3232

If to Petitioner:

Angel Fire Resort Operations, LLC
P.O. Box 130
Angel Fire, NM 87710
Attention: Dan Rakes
Telephone: (505) 377-4259

If to AAFPO:

Association of Angel Fire Property Owners
P. O. Box 1502
Angel Fire, NM 87710
Attention: President
Telephone: (505) _____

For purposes of giving formal written notice, including notice of change of address, the addresses are as set forth in this paragraph unless changed by written notice. Notice may be given either in person or by certified U.S. mail, postage paid. Notice will be effective upon receipt.

C. Entire Agreement. This Agreement contains the entire agreement of the parties and supersedes all other agreements or understandings, oral or written, whether previous to the execution hereof or contemporaneous herewith.

D. Changes to Agreement. Changes to this Agreement shall not be binding unless made in writing and signed by all of the parties; provided, however, that the written agreement of AAFPO shall be required only to change Sections 3, 4, 12, 13 and 14.

E. Construction and Severability. If any part of this Agreement is held to be invalid or unenforceable, the remainder of the Agreement will remain valid and enforceable if the remainder is capable of completion.

F. Assignment. This Agreement will not be assigned without the prior written consent of the parties, and the express written concurrence of any surety which has undertaken to guarantee the completion of the Improvements or the payment of the Bonds.

G. Recitals. The recitals set forth above are a material part of this Agreement and are incorporated by reference.

H. Recording. This Agreement shall be filed for record in the Colfax County Clerk's Office.

I. Calculation of Time. All references to "days" in this Agreement mean calendar days.

VILLAGE OF ANGEL FIRE

By: _____
Mayor

ATTEST:

By: _____
Clerk

ANGEL FIRE RESORT OPERATIONS, LLC,

By: _____
Its President

PUBLIC IMPROVEMENT DISTRICT NO. 2007-1

By: _____
Its Chairman

ASSOCIATION OF ANGEL FIRE PROPERTY OWNERS, INCORPORATED

By: _____
Its President

STATE OF NEW MEXICO)
) ss
COUNTY OF COLFAX)

The foregoing instrument was acknowledged before me this ___ day of _____, 2008 by Alvin Clanton, as Mayor of the Village of Angel Fire, a New Mexico municipal corporation.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO)
) ss
COUNTY OF COLFAX)

The foregoing instrument was acknowledged before me this ___ day of _____, 2008 by _____ as President of Angel Fire Resort Operations, LLC, a New Mexico limited liability company.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO)
) ss
COUNTY OF COLFAX)

The foregoing instrument was acknowledged before me this ___ day of _____, 2008 by _____ as Chairman of Public Improvement District No. 2007-1, a New Mexico public improvement district.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO)
) ss
COUNTY OF COLFAX)

The foregoing instrument was acknowledged before me this ___ day of _____, 2008 by Jim Lebus as President of the Association of Angel Fire Property Owners, Incorporated, a New Mexico nonprofit corporation.

Notary Public

My Commission Expires:

EXHIBIT A

Locations of Additional Easements

EXHIBIT B

Terms and Conditions of Additional Easements

A. Construction Criteria:

1) Prior to commencing any trenching in the greenbelts, the contractor shall stake the pipeline alignment and the limits of disturbance for Petitioner's Director of Development to inspect and approve. Petitioner reserves the right to adjust any alignment due to proximity to mature trees and/or sensitive environmental areas.

2) The use of serpentine pipe will be considered and utilized to avoid mature trees, rock outcroppings, wetlands and streams. This will be determined prior to project design on a case by case basis.

3) Wherever possible contractor shall avoid removal trees and mature vegetation. However, if trees are removed then the contractor shall plant an equivalent diameter of like trees (i.e. If a 6" aspen is removed then contractor shall plant 2-3" or 3-2" replacement trees).

4) Manholes are to be buried 4" below finished grade. Contractor to GPS all manholes and as-build pipe alignments for the Village's maintenance records.

5) To limit the number of manholes in greenbelts, manholes shall be spaced a maximum of 400" for sewer lines 15" or less and a maximum of 400" for sewer lines 18" – 30".

6) There shall be no ground disturbance within 25 feet from the top of the banks of all lakes, ponds, rivers, creeks, drainage ditches, wetlands, or other water feature within any greenbelt.

7) Water quality control facilities, such as silt fence, hay bales, wattles and other best management practices shall be installed prior to any excavation to protect the greenbelts from increased amounts of sediment and other pollutants from the installation of this sewer system in greenbelts.

8) All trenches left open overnight shall be barricaded and strung with caution tape for safety.

9) If construction interrupts any existing trails identified on the adopted "Angel Fire Trails Plan Map" then contractor shall be responsible for providing a safe alternative path around the work zone for users of the path during construction. Upon completion of construction, the ground disturbance associated with the alternate path shall be revegetated and return to its original condition or better.

10) No maintenance roads shall be constructed across or on the greenbelt land to provide maintenance crews access to the agreed-upon sewer line locations.

11) The Village of Angel Fire will carry out routine inspections using only necessary equipment, ATVs or similar light utility vehicles. Any leaks or breaks in the lines shall be reported immediately to the Applicant's Development Director. Repair of any leaks or breaks in the installed sewer line shall be the responsibility of the Village of Angel Fire once infrastructure improvements are accepted by the Village. Every effort will be made to repair and complete such leaks or breaks within 48 hours of discovery.

12) Sewer lines shall not affect nor be permitted on any other Petitioner/AAFPO amenities.

13) No buildings or pumps shall be located on greenbelts.

B. Revegetation Criteria:

1) All disturbed areas shall be hydro seeded with native seed, and restored to a condition as good as or better than their original condition.

2) Clearing of trees, willows, sagebrush, and other vegetation except those designated to be saved shall be removed by completely removing stumps, roots, willows, shrubs and other debris protruding from the ground. All removed stumps, roots, willows, shrubs and other vegetation are the property of the contractor and shall be disposed of by the contractor.