



October 24, 2007

Mr. Stanley Zemler
 Timber Ridge Affordable Housing Corporation
 c/o Town of Vail
 75 South Frontage Road West
 Vail, Colorado 81657

RE: LETTER OF INTENT - 1280 NORTH FRONTAGE ROAD, VAIL, COLORADO 81657

Dear Stan:

This letter shall serve as a letter of intent ("Letter of Intent") which purpose is to outline the general terms under which Lessee would enter into final negotiations with Lessor to draft a 99 year ground lease ("Lease") for the Property described above and under which the Town of Vail ("TOV") will waive the condition precedent to granting a certificate of temporary occupancy for the Arrabelle and Front Door developments (the "Arrabelle and Front Door TCOs") related to Lessee's employee housing obligation. The preliminary conditions are as follows:

1. *Lessee:* The Vail Corporation dba Vail Associates, Inc. or its affiliates or assigns.
2. *Lessor:* Timber Ridge Affordable Housing Corporation ("TRAHC"), or the correct vested entity;
3. *Property:* Timber Ridge Village Apartment Site located at 1280 North Frontage Road, Vail Colorado, 81657 containing approximately 10.08 acres more or less including all appurtenances there to and interests therein, subject to TRAHC's election to withhold 2/7ths of the property as depicted on the Phasing Plan, attached hereto and incorporated by this reference as Exhibit A.
4. *Lease Payments:* The total of all payments due under the 99 year lease would total Twenty-two Million Dollars (\$22,000,000.00) which sum would be paid up front upon execution of the mutually acceptable Lease, subject to a reduction equal to the sum of \$6,285,714 and the estimated common infrastructure costs for the Property in the event TRAHC elects to withhold a 2/7ths portion of the Property from the leased area.
5. *Earnest Money Deposit/Employee Housing Obligations:* Upon mutual execution of this Letter of Intent, Lessee will deposit with Land Title Guarantee Company Seventeen Million Dollars (\$17,000,000.00) in the form of a Letter of Credit ("Earnest Money"). The Earnest Money shall secure Lessee's obligations to satisfy its employee housing obligation to the TOV related to the Arrabelle and Front Door projects, either through the execution of the Lease or through other means, as provided below. Upon execution of this Letter of Intent and Lessee's deposit of the Earnest Money, the TOV will remove the employee housing condition precedent to the Arrabelle and Front Door TCOs, provided however that Lessee's obligation to provide such employee housing will remain outstanding.



Upon TOV's execution of the Lease and the payment by Lessee of the Lease Payment, the Earnest Money, shall be returned to Lessee and all of Lessee's employee housing obligations related to Arrabelle, Front Door and the Ritz project (the "Lessee Housing Obligation"), shall be deemed fully satisfied.

The TOV and Lessee agree to work in good faith for 60 days to see if a development plan relating to the property can be agreed to by both parties as a condition precedent to the execution of the Lease. At any time after such time period, the TOV may provide Lessee written notice ("Termination Notice") that it has determined that a mutually agreeable development plan cannot be reached and can terminate discussions regarding the Lease. The TOV and Lessee agree to work in good faith for a period of 180 days after the date of the Termination Notice ("Discussion Period") to reach an agreeable alternative plan ("Alternative Plan") to allow Lessee to satisfy the Lessee Housing Obligation. The TOV agrees that Lessee may satisfy its Lessee Housing Obligation through one or more or some combination of the following: (i) agreeing to purchase beds from Open/Hillwood if it is awarded the right to redevelop Timber Ridge, (ii) proposing a development plan for employee housing beds, subject to the reasonable approval of the TOV; (iii) securing an alternative site for the development of the required beds and proposing a plan for such development, subject to the reasonable approval of the TOV, (iv) the payment to the TOV of a "fee in lieu" in the amount of \$131,385.00 per bed (the "Fee In Lieu") or (v) by purchasing deed restricted beds in the TOV (the "Employee Housing Purchase"). The parties agree that at any time during the Development Period, Lessee shall be entitled to fulfill and fully satisfy its Lessee Housing Obligation through performance as set forth in either (iv) or (v) above.

If during the Discussion Period, an agreement regarding an Alternative Plan(s) is reached or if Lessee has otherwise satisfied its Lessee Housing Obligation as set forth above, the Earnest Money shall immediately be returned to the Lessee. If at the end of the 180 day period, no Alternative Plan has been agreed to by the parties and the Lessee has not otherwise satisfied its Lessee Housing Obligation, the Earnest Money shall be distributed to the TOV, and utilized as a Fee in Lieu, fully satisfying Lessee's Housing Obligation.

6. Lessor's Contracts, Studies, Reports and Survey: Within five (5) days of mutual execution of this Letter of Intent, Lessor shall make available to Lessee for inspection all materials in Lessor's possession, including but not limited to: (a) any existing surveys of the property; (b) any and all soils reports, reports pertaining to hazardous materials, government permits, licenses approvals and significant correspondence; (c) any and all easements, regardless of purpose or use, associated with the Property or any development approvals thereto; (d) any studies or other reports or information in the possession of or available to Lessor which pertain in any way whatsoever to the Property; (e) all architectural and engineering documents; (f) analysis of current covenants or deed restrictions;

7. Contingencies: During the time during which the Town of Vail has Lessee's Development Plan under review (the "Plan Approval Period"), Lessee shall satisfy itself as to the following: (1) the physical condition of the Property including environmental, hazardous conditions, zoning and all other such aspects; (2) all contracts, studies, surveys and all other information pertinent to the operation and ownership of the Property; (3) the commitment for title insurance obtained by Lessor; and (4) any other studies and reviews Lessee chooses to conduct and Lessor shall provide access to the property for these purposes.

8. Development Plan Option:

- * Approximately 1200 employee beds at full site buildout (VA is prepared to build out the site but upon feedback from the Town understands the Town may prefer to retain ownership of 2/7th of the site, build and retain ownership of the remaining beds)
- * Surface parking
- * Laundry Facilities
- * Common congregation rooms
- * Rental and possibility of deed-restricted for-sale units
- * Improvement of current bus stop
- * On-site open space with pedestrian connection to off-site open space
- * Mixture of 2, 3, and 4 bedroom units to contain 4 beds, 2 baths, kitchen, and living space.
- * 4 story structures
- * 7 buildings
- * Building Height 42'-45'
- * Steel/concrete construction with anticipated life cycle of 50 years
- * Each unit to be approximately 1,200 sf.
- * 420 total parking spaces provided
- *

Construction Plan:

- * Anticipated Project Phasing.
- Phase I - Construct approximately 672 new beds while leaving between 216 and 264 existing beds online, of which 140 employee beds will fulfill the commitment by Lessee's affiliates to build employee beds for The Arrabelle at Vail Square (20 beds plus 100 replacement beds for Sunbird), Ritz-Carlton Residences, Vail (10.27 beds) and The Chalets at the Lodge at Vail aka Vail's Front Door (9);
- Phase II - Construct approximately 168 beds.

Proposed Phase I Schedule

- Begin demolition 5/15/2008.
- Receive building permit 7/1/2008
- 1st building (approximately 168 beds) delivered 8/15/2009
- Remaining buildings in Phase I completed by 11/15/2009
- * All incremental expenses to be paid by the Town and at the Town's option we would build the remaining 2/7 beds with the Town paying for 2/7th pro-rata share of infrastructure. Town acknowledges that it will receive an estimate for the pro-rata costs prior to construction and all reimbursement of such costs actually incurred, whether greater or less than the estimate will be made pursuant to the terms set forth in the Lease. Regardless of whether Town builds on its 2/7ths of the Property it shall be required to reimburse its pro-rata portion of the costs for the infrastructure.

9. Entitlements:

- * 1st submittal to TOV 12/15/2007.
- * All approvals required to be received from TOV 3/1/2008.

- * Submit for building permits 4/1/2008. (85% Construction Documents)
- * Receive building permits 6/15/2008.

10. Experience:

To provide some insight as to our team's experience, we have been involved in the following similar projects.

- OZ Architecture has designed and successfully executed a number of similar projects such as:
 - Sky Chutes Lodge, Copper Mountain, CO
 - Keystone Resort, Keystone, CO
 - Sheraton's Mountain Vista, Avon, CO
 - Wherry Housing at Lowry Air Force Base, Aurora, CO
 - Grand Canyon National Park, AZ
 - Hubbell Employee Housing, Apache County, AZ
 - Yosemite National Park, CA
 - Wuksachi Village at Sequoia National Park, CA
 - St. John's Employee Housing, National Park Service, Virgin Islands
 - Outer Banks Employee Housing, National Park Service, NC
 - Brunetti Lofts, Denver, Co
 - Blake Street Apartments, Denver, Co
 - Jackson, WY Affordable Housing
 - Mercy Housing -- City Park South
 - Highlands Garden Village Multi-Family Apartments
 - Highlands Garden Village Senior Housing
 - Denver Housing Authority/Globeville Residential Community
 - Clock Tower Lofts
 - Buerger Brothers/Fireclay Lofts
 - Chamber Lofts
- Swinerton Contractors out of Denver have successfully executed a number over 2000 units of employee, affordable, and student housing in projects such as:
 - University of Colorado dormitories, Boulder, CO
 - Fort Carson Employee Housing, Fort Carson, CO
 - Vanderberg Hall at Air Force Academy, Colorado Springs, CO
 - Thomas Bean affordable housing in Denver, CO
 - Sky Villa at Orchard Crossing, Denver, CO
 - University Lofts at University of Denver, Denver,
- Keith Fernandez, VRDC President, has successfully overseen the construction of over 500 units of affordable deed restricted apartment units in both Northern California and Hawaii.
- Thomas Miller, VRDC Project Manager has successfully managed the design, entitlement, and construction process for a 160 bed, 40 unit dormitory at Cochise

Community College, Sierra Vista, Arizona; and a 30 unit government subsidized housing project in Phoenix, Arizona

11. Rental Program:

- As supported in the detail rental program analysis attached, we anticipate charging from \$375 to \$550 per bed, depending on season. This number will obviously increase with inflation.
- In response to your expressed concern that beds be made available to employers within the Town of Vail and not just Vail Resorts, please be advised we are willing to stipulate that beds would be made available to these employers as well after Vail fulfills its need for 650 beds. Additionally, we are amenable to allowing the Housing Authority or some other entity to manage the rental of the units.

12. Lease Execution: Execution of the Lease shall occur within ten (10) business days from written notification by Town of Vail to Lessee that the Development Plan has been accepted by the Town without contingency or modification. If the Town of Vail accepts the Development Plan with modification or contingency, but Town commits to pay for all incremental costs associated with the modifications or contingencies, then the Lease shall close according to the timeline set forth above.

13. Lessor Cooperation and Obligation: Lessor shall cooperate with Lessee in the satisfaction or removal of contingencies to execution of the Lease. Such cooperation shall include execution of all applications, plans or other required submissions, as well as support of all matters with any public or private agency. Lessor grants Lessee the right to act as Lessor's agent in making applications for permits in those instances where only the Owner of record of the Property can apply for the same. Lessee shall be entitled, in its exclusive discretion and its sole cost and expense to enter onto the Property prior to Closing to complete any and all construction improvements or public facilities required under the development approvals mandated by the applicable governmental agencies. Lessee shall name Lessor as additional insured on any policy of insurance required for the completion of said construction improvements or public facilities and shall further require all contractors to name Lessor as additional insured on any policies of insurance required for same for the period of time in which Lessor remains the title holder to the property. Lessor shall also support Lessee's planned development of the subject project during the entitlement process where appropriate. Lessee shall commence with the development of plans for the site for Lessor's use during the Plan Approval Period;

14. Binding Effect/ Good Faith: It is understood that this Letter of Intent is binding on both the Lessor and Lessee and that the Lease shall set forth the respective rights, obligations and duties of Lessor and Lessee. All parties acknowledge and agree that it is imperative they work diligently and in good faith to bring this deal to conclusion and time is of the essence;

15. Acceptance: Upon Lessor's acceptance of this Letter of Intent, Lessee shall proceed with the preparation of the Lease which both parties will work diligently to execute within sixty (60) days after Lessor acceptance of this proposal;

16. **Exclusivity:** From the date of this Letter of Intent until the earlier of the execution of the Lease or the date of a Termination Notice under Section 5, Lessor covenants and agrees that it will refrain from accepting offers for the Property from any person other than Lessee;

17. **Broker Disclosure:** Lessee and Lessor acknowledge and agree that neither has dealt with any broker or finder in this transaction and that no broker or finder shall be due any brokerage fees or compensation.


18. **Governing Law/ Venue:** This Letter of Intent shall be governed by the laws of the State of Colorado and venue shall be proper in Eagle County, Colorado.

I am enclosing herewith a copy of the graphic depicting the phasing on the project for further clarification of the plan, the current site, phasing and unit plan, a rental income analysis, construction cost estimates, photos reflecting our anticipated finish level, and overall building statistics. Once you have had an opportunity to review, I am prepared to meet and discuss any additional questions or concerns you may have.

If the foregoing is acceptable, please acknowledge by signing below and return this Letter of Intent no later than 5:00 pm on Tuesday, October 31, 2007 to our office at the address on this letter.

Sincerely,

THE VAIL CORPORATION DBA VAIL ASSOCIATES, INC.

BY: 

KEITH FERNANDEZ

President - Vail Resorts Development Company, as Authorized Representative

AGREED TO AND ACCEPTED this _____ day of _____, 2007.


TIMBER RIDGE AFFORDABLE HOUSING CORPORATION

By: TOWN OF VAIL as its Authorized Agent

By: _____

Printed: _____

Its: _____

Approved as to Form:
Vail Resorts Legal Department
By: 
Name: ULANE MAURILIO
Date: 10.24.07