

## AGREEMENT

THIS AGREEMENT is entered into between THOMAS R. VILLELLI, c/o Edgemont Ranch, 763 The Eagle Pass, Durango, Colorado 81301 ("Villelli"), and RANCHO DURANGO, LTD., a California Limited Partnership, c/o Edgemont Ranch, 763 The Eagle Pass, Durango, Colorado 81301 ("Edgemont").

### RECITALS

A. Pursuant to an unrecorded Purchase Agreement (the "Purchase Agreement"), Villelli is purchasing all the right, title and interest in and to Abling-Cash Ditch water owned by Carol Ann Phelps, Terry S. Dorsett and Susan D. Moz, 200 Willow Lane, Aztec, New Mexico 87410 ("Seller"), which is not less than forty "Units" of Abling-Cash Ditch water. One Unit of Abling-Cash Ditch water includes 0.01 c.f.s. out of the Abling-Cash Ditch with an appropriation date of June 1, 1878, and an adjudication date of November 8, 1923, Case No. 1751, District Court, Water Division 7, La Plata County, Colorado ("F-4"), and 0.0062 c.f.s. out of the Abling-Cash Ditch with an appropriation date of May 15, 1883, and an adjudication date of November 8, 1923, Case No. 1751, District Court, Water Division 7, La Plata County, Colorado ("F-15"). Seller's remaining Abling-Cash Ditch water rights consist of 0.4048 CFS of F-4 and 0.2510 CFS of F-15 rights (the "Water Rights"). A memorandum of the Purchase Agreement is recorded at Reception No. 688590 in the records of the Clerk and Recorder of La Plata County, Colorado. A copy of the Purchase Agreement is attached hereto and made a part hereof as Exhibit "A."

B. Pursuant to an Agreement between Villelli and Seller (the "Change Agreement"), Villelli may effect a change of Water Rights in Water Court, Water Division 7, without the objection of Seller, provided that, until Villelli has paid Seller the complete purchase price under the Purchase Agreement, Villelli may not obtain a Water Rights Change Decree which would preclude the continued use of the Water Rights for irrigation as originally decreed. A copy of the Change Agreement is attached hereto and made a part hereof as Exhibit "B."

C. Villelli has paid Seller \$135,000.00 toward the purchase price of \$160,000.00 for the Water Rights, including a \$20,000.00 down payment and, pursuant to a non-recourse note from Villelli to Seller (the "Note"), one payment of \$25,000.00 plus accrued interest, and two payments of \$45,000.00 plus accrued interest. Pursuant to the Note, Villelli must pay Seller \$45,000.00 plus accrued interest on or before October 18, 1998.

D. In the event of a default on the Note, Seller's only remedy is to retrieve the quit claim deed from escrow and retain any money paid to the date of default.

E. Upon payment of the full purchase price and any accrued interest, Seller is to convey the Water Rights to Purchaser by quit claim deed. Until such payment, the deed remains in escrow with Colorado Land Title, with Seller to pay all escrow fees.

AUG-24-99 16.01 FROM:M.B.S.E.

ID:978 247 8827

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F. Edgemont wishes to obtain Villelli's interest in the Water Rights for use at Edgemont Ranch.

NOW, THEREFORE, in consideration of \$10.00 hereby received for and other good and valuable consideration, Villelli and Edgemont agree as follows:

1. Villelli hereby assigns Villelli's rights under the Purchase Agreement to Edgemont and shall notify Seller of the assignment.

2. Edgemont shall make the last payment on the Note to Seller in the amount of \$49,500.00 (\$45,000.00 plus accrued interest of \$4,500.00) on or before October 18, 1998. Edgemont understands if it does not pay, it will not receive a quit claim deed for the Water Rights and all money paid previously by Villelli for the Water Rights will be lost.

3. Immediately upon release from escrow of the quit claim deed for the Water Rights to Villelli from Seller, Villelli shall quit claim the Water Rights to Edgemont in a form substantially similar to that attached hereto and made a part hereof as Exhibit "C."

4. Dispute Resolution.

a. Should a dispute arise regarding this Agreement or performance of the obligations herein, the parties agree to seek first to work out the dispute amicably.

b. This Agreement shall be governed by and construed in accordance with applicable Colorado law. Venue for any legal proceeding shall be the District Court, La Plata County, Colorado.

c. Should litigation be necessary to enforce any term or provision of this Agreement, then all litigation expenses, witness fees and court costs, and reasonable attorney's fees shall be paid by the non-prevailing party.

5. Amendments and Modifications. No provision of this Agreement may be amended or modified in any way except by the written agreement of the parties.

6. Total Agreement. There are no understandings or agreements between the parties except as herein expressly stated.

7. Counterparts and Faxed Signatures.

a. Counterparts. This Agreement may be signed in counterparts, each to serve as an original document.

b. Faxed Signatures. In the execution of this Agreement, faxed signatures of the parties to this Agreement shall be considered original signatures. A party executing this Agreement with a faxed signature shall promptly provide the other parties to this Agreement with an original signature.

THOMAS R. VILLELLI

Thomas R. Vilelli  
Thomas R. Vilelli

Date: 8-26-98

RANCHO DURANGO, LTD., a California Limited Partnership

By: Vilelli Enterprises, Inc., a General Partnership

By: Richard A. Vilelli  
Richard A. Vilelli, President and  
General Partner

Date: 8-26-98

11:00 AM 8/26/98

Rocky Mountain Escrow, Inc

BALANCE SHEET LISTING

10:46:50 10 JAN 1998

BUYER: 981855 THOMAS R. VILLELLI C/O EDGE MONT RANCH

SELLER 01 SUSAN D. MOTZ  
SELLER 02 TERRY S. DORSETT  
SELLER 03 CAROL ANN PHELPS

TRANSACTION DATE	PAYMENT DATE	M/T	TOTAL PAYMENT	INTEREST AMOUNT	UNPAID INTEREST APPLIED	INTEREST PAID TO	PRINCIPAL AMOUNT	BANK FEE	BUDGET AMOUNT	LATE FEE	PRINCIPAL BALANCE
11-24-97	11-24-97	7/5	55,650.90	10,650.90	.00	11-24-97	45,000.00	.00	.00	.00	44,782.53
TOTALS:			55,650.90	10,650.90	.00		45,000.00	.00	.00	.00	

PERIOD BALANCE FORWARD \$160,000.00  
 CURRENT PRINCIPAL BALANCE \$44,782.53 Balanced  
 CURRENT UNPAID INTEREST \$.00  
 CURRENT RESERVE BALANCE \$.00  
 NEXT PAYMENT DUE 09/13/98

THOMAS R. VILLELLI C/O EDGE MONT RAN  
 5966 N.R. 234  
 DURANGO, CO 81301