

MANAGEMENT AGREEMENT

This Agreement is entered into as of the 15th day of June, 2000, by and between HEATHER GARDENS METROPOLITAN DISTRICT, a quasi-municipal corporation and political subdivision of the State of Colorado, herein called the ("District"), and the HEATHER GARDENS ASSOCIATION, a non-profit Colorado Corporation, of Aurora, Arapahoe County, Colorado, herein called the ("Association").

WHEREAS, the District is a Special District, organized on April 6, 1983, in accordance with Title 32, Article 1, Part 3, C.R.S., 1973, as amended, for the purpose of providing park and recreational facilities and improving and maintaining streets for the District, and the benefit of the inhabitants thereof; and

WHEREAS, the Association is a Colorado Non-Profit Corporation, organized pursuant to the Colorado Nonprofit Corporation Act as the homeowner's association for the owners of condominium units at Heather Gardens and of which all property owners at Heather Gardens (herein called "Homeowners") are members pursuant to, among other things, the Declaration of Condominium of Heather Gardens; and

WHEREAS, the District has heretofore acquired certain recreational facilities and open space, including roads and walkways, a Golf Course, Community Center and other structures and improvements (the "Properties"), all forming a portion of the Heather Gardens Condominium Complex, and currently dedicated to the nonexclusive use and enjoyment of the Homeowners, lessees and occupants of condominium units at Heather Gardens; and

WHEREAS, the boundaries of the District are coterminous with the boundaries of the Heather Gardens Condominium Complex; and

WHEREAS, the members of the Association and the potential electors of the District are, with very few exceptions, the same persons, and beneficial owners of the Properties, and

WHEREAS, the District and the Association are desirous of entering into an agreement whereby the Association performs all of the duties of the District except those duties required by law to be retained by the District (e.g. preparation of budgets, levying of taxes, payment of debt, etc.) and to manage, operate, maintain, upgrade, rehabilitate, retire, replace and otherwise deal with the Properties.

NOW, THEREFORE, in consideration of the covenants contained herein, plus other good and valuable consideration passing between the parties hereto, the sufficiency and receipt of which is hereby acknowledged, the parties mutually agree as follows:

"Recreation Fee" shall mean the monthly fee levied upon and collected from Heather Gardens Residents by the Association pursuant to the Declaration of Condominium.

III
RIGHTS AND DUTIES OF THE ASSOCIATION

1. a. The Association shall make necessary operational decisions relative to the use of the District Properties and all personal property used thereon.

b. The Association shall take all reasonable steps to collect and enforce the collection of all fees, charges, rentals, or other sums imposed for use of the District's facilities.

c. The Association shall collect on behalf of, transfer, and turn over to the District lottery income, interest income earned on District investments, personal property tax income, specific ownership tax and real property tax. The Association shall retain all receipts from, and be responsible for the expenses of, the Properties. At the end of each fiscal year, the Association shall transfer and turn over to the District all net receipts of the Properties.

d. The Association shall maintain accurate records of all moneys received and disbursed in connection with the management of the Property and such records shall be open for inspection by the District at all reasonable times.

2. a. The Association shall do everything reasonably necessary for the proper management of the Property, including but not limited to, periodic inspections, supervision of maintenance, and arranging for such improvements, alterations and repairs as may be required. In the event the District believes the property is not so maintained as to preserve its value and integrity, the District shall forthwith notify the Association in writing and request corrective action.

3. a. The term "Long Term Independent Contractor" ("LTIC") shall mean a party engaged under contract covering a continuous business operation on a portion of the Properties. The term "Short Term Independent Contractor" ("STIC") shall mean a party engaged under contract covering the repair, replacement, and/or maintenance of specific items or facilities located on or which are a part of the Properties.

In respect to LTIC's and STIC's contracts, the Association shall negotiate, execute and administer all such contracts.

There are currently two LTIC Agreements. In this connection, the Association will administer and be responsible under this Agreement for the management and operation of the Agreement dated July 1, 1998 by and between Robert J. Macaluso and the Association covering operation of the Golf Pro Shop. In respect to the current LTIC covered by the Lease dated August 1, 1996 by and among the District, the Association

V
INSURANCE AND INDEMNITIES

1. a. Throughout the term of this Agreement, the Association shall obtain, or assure provision for, and shall keep in full force and effect for the mutual benefit of all parties, (a) personal property casualty insurance on all furniture, furnishings, machinery and equipment used in, on or about the Properties; (b) real property casualty insurance on all buildings, structures and other real property subject to casualty, at replacement cost; and (c) a comprehensive general public liability insurance for personal injury, death or property damage liability arising from the use occupancy and condition of the Properties, or adjacent areas or access ways, in the minimum amount of \$150,000 for such injury or damage to any one person and \$600,000 for any one accident or occurrence. In no event shall the limit of liability become less than the limits prescribed in Article 10, Title 24, C.R.S., 1973, as amended, also known as the Governmental Immunity Act. The Association shall provide the District with evidence of insurance and provide the District with notice in the event of cancellation of the insurance. The cost of such insurance will be paid by the District.

b. To the extent permitted by law, each Party shall indemnify and hold the other Party harmless from and against any claim, demand, damage, liability loss, and expense arising out of the operation of the Properties, except for any gross negligence of the other Party, its officers, employees or agents.

VI
TERM OF THE AGREEMENT

1. a. The term of this Agreement shall be for a period commencing on the date hereof and shall continue in force and effect until the date of retirement of the last of the District's outstanding Bonds in 2010. At that time, consideration shall be given to the dissolution of the District. In the event it is determined that the District is not to be then dissolved, this Management Agreement shall continue in full force and effect until January 1, 2020. It is the present intent of the parties to seek a vote of approval of this Agreement by qualified electors at the 2002 District election.

VII
ARBITRATION

1. a. The Parties hereto recognize that the resolution of disputes between the Parties hereto in the past has resulted in substantial legal fees borne by the members and residents of the Parties in addition to consuming much time and effort, which could have been better dedicated to other projects to benefit residents. In this connection, the Parties agree that they shall in good faith attempt to settle any disputes arising pursuant to this Agreement as early as practicable by prompt discussion and negotiation.

g. This Agreement will be deemed to have been made and will be construed and interpreted in accordance with the laws of the State of Colorado.

h. Should any one or more sections or provisions of this Agreement be judicially adjudged invalid or unenforceable, such judgment shall not affect, impair, or invalidate the remaining provisions of this Agreement, the intention being that the various sections and provisions hereof are severable.

i. This Agreement, in all respects terminates and supersedes the Management Agreement by and between the Parties dated May 1, 1999.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and sealed by their duly authorized officers as of the date first above written.

HEATHER GARDENS METROPOLITAN DISTRICT

By: Nelle Whitehurst
President

ATTEST

Mary Hayler
Secretary

HEATHER GARDENS ASSOCIATION

By: Paul McShane
President

ATTEST:

Florence Schappagh
Secretary