FACILITIES MANAGEMENT AGREEMENT

This FACILITIES MANAGEMENT AGREEMENT ("Agreement") is entered into and effective as of the 17th day of June, 2008, by and between **HEADWATERS METROPOLITAN DISTRICT**, a quasi-municipal corporation and political subdivision of the State of Colorado (the "District"), and **GRANBY REALTY HOLDINGS LLC**, a Colorado limited liability company ("Manager"). The District and Manager are sometimes referred to individually as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, the District was organized pursuant to and in accordance with the provisions of Sections 32-1-101, *et seq.*, C.R.S. for the purpose of constructing, financing, operating and maintaining certain public facilities and improvements for itself, its taxpayers, residents and users; and

WHEREAS, pursuant to Section 32-1-1001(1)(h), C.R.S., the District is permitted to manage, control, and supervise the business and affairs of the District; and

WHEREAS, pursuant to Section 32-1-1001(1)(d)(I), C.R.S., the District is permitted to enter into contracts and agreements affecting the affairs of the District; and

WHEREAS, the District desires to minimize the number of public employees which would be needed to perform services for the District and has determined to enter into various contracts with other entities which will provide various services to the District; and

WHEREAS, the District desires to engage Manager to manage the District's public facilities (the "Facilities"), which Facilities are more particularly described in **Exhibit A**, attached hereto, and to perform such management services as are needed by the District; and

WHEREAS, Manager has experience in providing the types of services required by the District and is willing to provide such services to the District for reasonable consideration; and

WHEREAS, employees of Manager and/or its affiliates which serve on the board of directors of the District (the "Board"), have advised the District that they have each disclosed potential conflicts of interest in connection with this Agreement as required by law; and

WHEREAS, the Parties desire to enter into this Agreement to establish the terms by which Manager will provide certain services to the District.

NOW THEREFORE, in consideration of the mutual covenants and promises set forth herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

I. APPOINTMENT OF MANAGER

1.1 APPOINTMENT OF MANAGER. The District hereby retains Manager and Manager agrees to perform the Services set forth in Section 2.1 of this Agreement pursuant to the terms and conditions set forth herein.

1.2 INDEPENDENT CONTRACTOR STATUS. Manager is and shall be considered an independent contractor under this Agreement. Nothing herein contained shall constitute or designate Manager or any of its employees or agents as employees or agents of the District, nor shall Manager be deemed or considered as a partner or agent of the District. Manager shall have full power and authority to select the means, manner and method of performing its duties under this Agreement without detailed control or direction of the District except as set forth in this Agreement. The District is only concerned with results to be obtained. It shall be Manager's responsibility as an independent contractor to pay any and all taxes on payments which it receives under this Agreement and to pay its own costs and expenses incurred in connection with performance of this Agreement.

II. DUTIES AND AUTHORITY

2.1 GENERAL DUTIES AND AUTHORITY. Manager shall perform the "Services" specified in **Exhibit B,** attached hereto and incorporated herein by reference, using the degree of skill and knowledge customarily employed by other professionals performing similar services in the area of the District. Manager shall have no right or authority, express or implied, to take any action, expend any sum, incur an obligation, or otherwise obligate the District in any manner whatsoever, except to the extent specifically provided in this Agreement or specifically authorized or ratified by the Board as reflected in the minutes of the District's board meetings. Manager shall at all times conform to the stated policies established and approved by the District.

2.2 COMPLIANCE WITH APPLICABLE LAW. Manager shall provide the Services set forth herein in full compliance with all applicable laws, rules, and regulations of any federal, state, county, or municipal body or agency thereof having jurisdiction over the activities of the District.

2.3 NO RIGHT OR INTEREST IN THE DISTRICT'S ASSETS. Manager shall have no right or interest in any of the District's assets, nor any claim or lien with respect thereto, arising out of this Agreement or the performance of the Services contemplated herein.

2.4 GENERAL LIMITATIONS AND REQUIREMENTS. In connection with performance of the Services, Manager agrees to:

A. Take all precautions necessary for safely and prudently conducting the Services required by this Agreement, including maintaining insurance as required by Section V hereof.

B. Advise the District of the status of the Services required by this Agreement on a regular basis and work in coordination with the District's consultants to assure that the District

has the most complete information available for the exercise of the District's powers and discretionary authority.

C. Refrain from entering into any contract, oral or written, in the name of the District, and from incurring any debt, liability or obligation for or on behalf of the District. All obligations incurred by the Manager shall be obligations of the Manager, which shall hold the District harmless therefrom.

III. COMPENSATION

3.1 MANAGEMENT FEE. In consideration of the performance by Manager of its obligations under this Agreement, the District shall pay Manager a "Facilities Management Fee" in accordance with the "Fee Schedule" attached hereto as **Exhibit C**. If at any time during the term of this Agreement the District determines that the Facilities Management Fee proposed to be paid to Manager for the performance of the Services for the ensuing year is greater than the District's perception of the market rate for such Services, the District may elect to bid the Services for the ensuing year. The fees to be paid to Manager for performance of the Services set forth herein shall be subject to annual appropriation by the District during its annual budget process. The District shall pay the Facilities Management Fee within 30 days of receipt of an invoice from Manager.

Any unpaid Facilities Management Fees shall accumulate, without interest, and may be paid to the Manager in future years as funds become available.

3.2 ANNUAL FORECAST. The Manager shall submit to the District no later than thirty (30) days prior to the earlier of i) the District's annual budget meeting or ii) November 1, of each succeeding year during the term of this Agreement, an annual forecast for the costs associated with provision of the Services (including expected "Reimbursed Expenses" as that term is defined in Section 3.5) (collectively the "Annual Forecast"). The District shall review the proposed Annual Forecast with Manager, and the District and Manager shall use their good faith reasonable efforts to resolve any objections to the proposed Facilities Management Fee prior to the District's annual budget meeting.

3.3 ANNUAL BIDDING. Notwithstanding anything contained herein to the contrary, the District shall be entitled to bid each year's Services under this Agreement as it deems necessary or prudent. Manager shall have no claim against the District if this Agreement is terminated prior to expiration of the term set forth below.

3.4 REPORTS. Manager shall submit to the District management reports in a form acceptable to the District.

3.5 EXPENSES. Manager shall be responsible for all expenses it incurs in performance of this Agreement and shall not be entitled to any reimbursement or compensation except as set forth in Sections 3.1 of this Agreement, unless such expenses are approved for reimbursement in advance by the District in writing ("Reimbursed Expenses"). Manager shall not charge the District any other fee for use by the District of Manager's offices, personnel or overhead expenses except as agreed in advance by the District in writing.

3.6 FEE ADJUSTMENT. The District and Manager shall annually analyze the reasonableness of the fee set forth above and may, upon the mutual consent of the District and the Manager, adjust the schedule and fees as they deem appropriate. The failure of the District and the Manager to agree upon any such adjustment shall not require a termination of this Agreement nor shall either Party be entitled to seek an adjustment from any court or other tribunal.

IV. DURATION AND TERMINATION

4.1 TERM. This Agreement shall become effective as of the date first above written above and shall terminate on December 31, 2008, unless otherwise terminated by either Party in accordance with Paragraph 4.2 of this Agreement. Notwithstanding the foregoing, this Agreement shall automatically renew on January 1st of each succeeding year for an additional one (1) year term unless: 1) terminated by the Parties pursuant to this Agreement; or 2) failure by the District to budget and appropriate funds for the succeeding year.

4.2 TERMINATION. Either Party may terminate this Agreement prior to expiration of the term set forth above with or without cause. Termination shall be initiated by delivery to the other Party of a written notice of termination at least thirty (30) days prior to the effective date of termination. Such notice shall specify the extent of termination and the effective date, but shall not be required for automatic expiration under Section 4.1 hereof. In the event of early termination, the District shall pay Manager for all Services performed to the District's reasonable satisfaction prior to the designated termination date giving due account for any costs for which the District has become responsible through the date of termination. Said payment shall be made in the normal course of business.

Upon any termination, Manager shall transfer title and deliver to the District all Work Product which shall be deemed from and after the effective date of this Agreement to be the property of the District. "Work Product" shall consist of all written materials maintained by Manager in connection with performance of this Agreement, including but not limited to all maps, plans, drawings, specifications, reports, electronic files and other documents, in whatever form. Manager shall maintain reproducible drawings of any project drawings which it obtains and shall make them available for the District's use, and shall provide such copies to the District upon request at commercial printing rates.

V. INSURANCE

5.1 INSURANCE COVERAGE REQUIREMENTS. Unless otherwise agreed to by the Parties, Manager shall acquire and maintain during the term of this Agreement, including any extensions of the term, statutory workers' compensation insurance, comprehensive general liability insurance, and automobile liability insurance in the following minimum amounts:

A. Workers' Compensation insurance as required by law.

B. Comprehensive general liability insurance, $1,000,000, combined single limit for bodily injury and property damage, each occurrence; $2,000,000 general aggregate; and $1,000,000, products and completed operations aggregate.

C. Automobile liability insurance in the amount of $1,000,000 combined single limit bodily injury and property damage, each accident.

Prior to commencing any work under this Agreement, Manager shall provide the District with a certificate or certificates evidencing the policies required by this Section, as well as the amounts of coverage for the respective types of coverage. If the Manager sub-contracts any portion(s) of the Services, said sub-consultant(s) shall be required to furnish certificates evidencing statutory workers' compensation insurance, comprehensive general liability insurance and automobile liability insurance coverage in amounts satisfactory to the District and the Manager. If the coverage required under this Section expires during the term of this Agreement, Manager or sub-consultant shall provide replacement certificate(s) evidencing the continuation of the required policies.

Manager's failure to purchase the required insurance shall not serve to release it from any obligations contained herein; nor shall the purchase of the required insurance serve to limit Manager's liability under any provision herein. Manager shall be responsible for the payment of any deductibles on issued policies.

VI. MISCELLANEOUS

6.1 LIABILITY OF DISTRICT. No provision, covenant or agreement contained in this Agreement, nor any obligations herein imposed upon the District, shall constitute or create an indebtedness or debt of the District within the meaning of any Colorado constitutional provision or statutory limitation.

6.2 ASSIGNMENT. Except as set forth herein, neither this Agreement, nor any of the Parties' rights, obligations, duties or authority hereunder may be assigned or delegated in whole or in part by either Party without the prior written consent of the other party which consent shall not be unreasonably withheld. Any improper attempt of assignment or delegation shall be deemed void and of no force or effect. Consent to one assignment or delegation shall not be deemed to be consent to any subsequent assignment or delegation nor the waiver of any right to consent to such subsequent assignment or delegation.

6.3 MODIFICATION. This Agreement may be amended only by an instrument in writing signed by the Parties, except as expressly set forth in Section 6.20.

6.4 INTEGRATION. This Agreement contains the entire agreement between the Parties, and no statement, promise or inducement made by either party or the agent of either party that is not contained in this Agreement shall be valid or binding.

6.5 SEVERABILITY. If any portion of this Agreement is declared by any court of competent jurisdiction to be void or unenforceable, such decision shall not affect the validity of any remaining portion of this Agreement, which shall remain in full force and effect. In addition, in lieu of such void or unenforceable provision, there shall automatically be added as part of this Agreement a provision similar in terms to such illegal, invalid or unenforceable

provision so that the resulting reformed provision is legal, valid and enforceable.

6.6 SURVIVAL OF OBLIGATIONS. Unfulfilled obligations of the Parties arising under this Agreement shall be deemed to survive the expiration or termination by court order or otherwise of this Agreement, and shall be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns.

6.7 GOVERNING LAW. This Agreement shall be governed and construed in accordance with the laws of the State of Colorado.

6.8 HEADINGS FOR CONVENIENCE ONLY. The headings, captions and titles contained herein are intended for convenience and reference only and are not intended to construe any provisions hereof and shall in no way de deemed to define, limit, or add to the meaning of any provisions of this Agreement.

6.9 PERSONS INTERESTED HEREIN. Nothing expressed or implied in this Agreement is intended or shall be construed to confer upon or to give to any person, other than Parties hereto, any right, remedy, or claim under or by reason of this Agreement or any covenants, terms, conditions, or provisions thereof, and all of the covenants, terms, conditions, and provisions in this Agreement by and on behalf of the Parties shall be for the sole and exclusive benefit of the Parties hereto.

6.10 NOTICES. Any notices or other communications required or permitted by this Agreement or by law to be served on, given to, or delivered to either Party hereto by the other Party shall be in writing and shall be deemed duly served, given, or delivered when personally delivered to the Party to whom it is addressed or in lieu of such personal services, three days after deposited in the United States' mail, first-class postage prepaid, properly addressed to the Parties at:

District's Mailing Address:

Headwaters Metropolitan District
c/o Robertson & Marchetti, P.C.
28 Second Street, Suite 213
Edwards, Colorado 81632

With a Copy to:

White, Bear & Ankele, Professional Corporation
1805 Shea Center Drive, Suite 100
Highlands Ranch, Colorado 80129
Attn: Jennifer Gruber, Esq.

Manager's Mailing Address:

Granby Realty Holdings LLC
999 Village Road
Post Office Box 1110
Granby, Colorado 80446
Attn: Gerry Engle

With a Copy to:

Tom Hale
P. O. Box 1110
Granby, Colorado 80446-1110

Either Party may change its address for the purpose of this Paragraph by giving written notice of such change to the other Party in the manner provided in this Section 6.10.

6.11 RECOVERY OF COSTS. In the event of any litigation between the Parties hereto concerning the subject matter hereof, the prevailing party in such litigation shall be entitled to receive from the losing party, in addition to the amount of any judgment or other award entered therein, all reasonable costs, expenses and attorneys' fees incurred by the prevailing party in such litigation.

6.12 INSTRUMENTS OF FURTHER ASSURANCE. The Parties hereto each covenant that they will do, execute, acknowledge, and deliver or cause to be done, executed, acknowledged, and delivered, such acts, instruments, and transfers as may reasonably be required for the performance of their obligations hereunder.

6.13 COMPLIANCE WITH LAW. This Agreement is intended to be performed in accordance with and only to the extent permitted by all applicable laws, ordinances, rules, and regulations of the jurisdiction in which the Agreement is performed. Manager declares that Manager has complied with all federal, state and local laws regarding business permits, certificates and licenses that may be required to carry out the services to be provided under this Agreement.

6.14 SUBJECT TO ANNUAL BUDGET AND APPROPRIATION. The District does not intend hereby to create a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever. The performance of those obligations of the District hereunder requiring budgeting and appropriation of funds are subject to annual budgeting and appropriations. Manager expressly understands and agrees that the District's obligations hereunder shall extend only to monies appropriated for the purposes of this Agreement by the Board and shall not constitute a mandatory charge, requirement or liability in any ensuing fiscal year beyond the then-current fiscal year. No provision of this Agreement shall be construed or interpreted as a delegation of governmental powers by the District, or as creating a multiple-fiscal year direct or indirect debt or other financial obligation whatsoever of the District or statutory debt limitation, including, without limitation, Article X, Section 20 of the Constitution of the State of Colorado. No provision of this Agreement shall be construed to pledge or to create a lien on any class or source of District funds, nor shall any provision of this Agreement restrict the future issuance of bonds

or obligations payable from any class or source of District funds.

6.15 NON-WAIVER. No waiver of any of the provisions of this Agreement shall be deemed to constitute a waiver of any other provision of this Agreement, nor shall such waiver constitute a continuing waiver unless otherwise expressly provided herein, nor shall the waiver of any default hereunder be deemed to be a waiver of any subsequent default hereunder.

6.16 BINDING AGREEMENT. This Agreement shall inure to and be binding on the heirs, executors, administrators, successors, and permitted assigns of the Parties hereto.

6.17 ILLEGAL ALIENS. The Manager hereby states that it does not knowingly employ or contract with illegal aliens and that the Manager has participated in or has attempted to participate in the E-Verify Program (formerly known as the Basic Pilot Program) (as defined in §8-17.5-101, C.R.S.) in order to verify that it does not employ any illegal aliens. The Manager affirmatively makes the follow declarations:

A. The Manager shall not knowingly employ or contract with an illegal alien to perform the services contemplated herein.

B. The Manager shall not knowingly enter into a contract with a subcontractor that fails to certify to the Manager that the subcontractor shall not knowingly employ or contract with an illegal alien to perform the services contemplated herein.

C. The Manager has confirmed or attempted to confirm the employment eligibility of all employees who are newly hired for employment in the United States through participation in the E-Verify Program and, if the Manager is not accepted into the E-Verify prior to entering into this Agreement, that the Manager shall apply to participate in the E-Verify Program every three (3) months until the Manager is accepted or the this Agreement has been completed, whichever is earlier.

D. The Manager is prohibited from using the E-Verify Program procedures to undertake pre-employment screening of job applicants while this Agreement is being performed.

E. If the Manager obtains actual knowledge that a subcontractor performing the services under this Agreement knowingly employs or contracts with an illegal alien, the Manager shall be required to:

i. Notify the subcontractor and the District within three (3) days that the Manager has actual knowledge that the subcontractor is employing or contracting with an illegal alien.

ii. Terminate the subcontract with the subcontractor if within three (3) days of receiving the notice required above the subcontractor does not stop employing or contracting with the illegal alien; except that the Manager shall not terminate the contract with the subcontractor if during such three (3) days the subcontractor provides information to establish that the subcontractor has not knowingly employed or contracted with an illegal alien.

F. The Manager shall comply with any reasonable request by the Department of Labor and Employment made in the course of an investigation that such Department is undertaking pursuant to the authority established in §8-17.5-102, C.R.S.

G. If the Manager violates a provision of the Agreement pursuant to §8-17.5-102, C.R.S., the District may terminate the Agreement. If the Agreement is so terminated, the Manager shall be liable for actual and consequential damages to the District.

6.18 INDEMNIFICATION. The Manager hereby agrees to indemnify and hold harmless the District and each of its directors, employees, agents and consultants, from and against any and all claims, demands, losses, liabilities, actions, lawsuits, and expenses (including reasonable attorneys' fees), arising directly or indirectly, in whole or in part, out of the negligence, willful misconduct, or any criminal or tortious act or omission of the Manager or any of its agents or employees, in connection with this Agreement and/or the Manager's performance of the Services or work hereunder, whether within or beyond the scope of its duties or authority hereunder. The provisions of this Section shall survive termination of this Agreement.

6.19 NEGOTIATED PROVISIONS. This Agreement shall not be construed more strictly against one Party than against the other merely by virtue of the fact that it may have been prepared by counsel for one of the Parties, it being acknowledged that each Party has contributed substantially and materially to the preparation of this Agreement.

6.20 MINOR CHANGES. The Parties executing this Agreement are authorized to make non-substantive corrections to this Agreement and attached exhibits, if any, as the Parties mutually consider necessary.

6.21 GOOD FAITH OF PARTIES. In the performance of this Agreement or in considering any requested approval, acceptance, or extension of time, the Parties agree that each will act in good faith and will not act unreasonably, arbitrarily, capriciously, or unreasonably withhold, condition, or delay any approval, acceptance, or extension of time required or requested pursuant to this Agreement.

6.22 GOVERNMENTAL IMMUNITY. Nothing herein shall be construed as a waiver of the rights and privileges of the District pursuant to the Colorado Governmental Immunity Act, §§ 24-10-101, *et seq.*, C.R.S., as amended from time to time.

6.23 COUNTERPART EXECUTION. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

DISTRICT:

HEADWATERS METROPOLITAN DISTRICT

By: _____

ATTEST:

_____

MANAGER:

GRANBY REALTY HOLDINGS LLC

By: _____
Name: Joe Malone
Its: CEO

EXHIBIT A
Facilities

EXHIBIT B
Services

Road Maintenance Services

Manager shall be responsible for managing the Road Maintenance Services as generally described and budgeted in the annual "General Fund - Road Maintenance Budget", which services shall include, but are not limited to the management of:

- Snow removal and Sanding
- Signage & Striping
- Application of herbicides to control weed growth
- Application of magnesium chloride to control dust and erosion on unimproved (dirt or gravel) roads
- General roadway maintenance
- Maintenance of entry monument landscaping (lighting, irrigation, plants)
- Shoulder grading
- Roadway sweeping
- Additional services as directed by the President of the Board, or his or her designee, and as allowed pursuant to the District's Service Plan.

The standard of such maintenance and repair shall be in accordance with maintenance standards for similarly situated first-class resort operations and with the degree of skill and knowledge customarily employed by other professionals performing similar services in the area.

EXHIBIT C
Fee Schedule

Road Maintenance Services @ 5% of the Headwater Metropolitan District's annually adopted Road Maintenance Budget.