

ASSOCIATION MANAGEMENT AGREEMENT
FOR KENDALL MOUNTAIN CONDOMINIUMS

THIS AGREEMENT, made effective the ____ day of January 1986 is by and between KENDALL MOUNTAIN CONDOMINIUM ASSOCIATION, INC., a Colorado nonprofit corporation (the "Association'') and PURGATORY PROPERTY MANAGEMENT COMPANY, a Colorado corporation ("Management Firm'').

RECITALS

A. The Association is responsible for the management of the general common elements, the residential and commercial condominium units and limited common elements appurtenant thereto (the "Elements'') in Kendall Mountain Condominiums located on Lot 7A, Purgatory Village P.U.D., La Plata County, Colorado (the "Project'') and is desirous of entering into a Management Agreement for the management of the Project.

B. The Management Firm is desirous of furnishing such management services.

AGREEMENT

In consideration of the recitals and covenants herein contained, the Association and the Management Firm agree as follows:

1. Employment. The Association does hereby employ the Management Firm as the exclusive Manager of the Project, and the Management Firm hereby accepts such employment.

2. Term. (a)The term of this Agreement shall commence as of the effective date first written above and - shall continue through April 30, 1990.

Thereafter, this Agreement shall be automatically,, renewed for successive three-year periods until terminated at a duly authorized meeting of the Board of Directors of by the Management Firm notifying the Association in writing that it will not renew this Agreement at such renewal date.

(b) The Management Firm may, upon at least 90 days' written notice to the Association, terminate and cancel this Agreement as of the last calendar day of the month between the months of March through October.

3. Services. The Management Firm, to the exclusion of all persons, including the Association and its members, shall have the powers and duties of the Association as set forth in the Condominium Declaration for Kendall Mountain Condominiums recorded in the office of the La Plata County, Colorado, Clerk and Recorder on December 1985 under Reception No. _____ (the "Declaration") and the Bylaws of the Association (except for such powers and duties specifically required to be exercised by the Board or its members) and shall perform services including, but not limited to, the following:

(a) Hire, pay, and supervise a Manager and/or all persons necessary to be employed in order to properly maintain and operate the Units and Association's properties; all of whom shall be employees of the Management Firm and whose compensation, taxes, and benefits shall be fully reimbursable by the Association to the Management Firm. The Management Firm, in its sole discretion, shall determine and cause to be discharged all persons unnecessary or undesirable. The Association shall reimburse the Management Firm for all direct business expenses incurred on behalf of the Association. "Direct business expenses" shall mean out-of-pocket expenses for travel, lodging, meals, recruitment and other expenses customarily and appropriately reimbursed to executives of the Management Firm performing duties on behalf of the Association as requested by the Board or required by the terms of the Agreement. "Direct business expenses" shall not include any salaries, wages, benefits, rent or other expenses generally considered the overhead or administrative expenses for the executives of the Management Firm.

(b) Maintain and repair the Elements of the Project in the same extent that the Association is required to maintain and repair same as provided in the Declaration and Association Bylaws. The Management Firm as the authorized agent to incur obligations and make expenditures for

the necessary repair and maintenance of the Project on behalf of the Association, shall, except in the circumstances of an emergency nature, request the advance approval of the Board for any unbudgeted expenses in excess of the aggregate Approved Budget (as defined in Subparagraph 3(i) hereof). In the case of an emergency expense, the Management Firm will use diligence in promptly notifying the Board and shall, within 30 days, notify the Board in writing of the emergency expense. In all instances, the governing documents of the Association shall prevail over the expense authorizations contained herein.

(c) Take such action as may be necessary to comply with all laws, statutes, ordinances, rules and regulations of all appropriate governmental authority, and the rules and regulations of the National Board of Fire Underwriters, or in the event it shall terminate its present functions, those of any other body exercising similar functions.

(d) Enter into contracts for utilities, garbage and trash removal, and other services necessary to the Association and make all such contracts and purchases in either the Association's or Management Firm's name, as the Management Firm shall elect.

Recognizing the importance of timeliness and quality of service, the Management Firm shall not be responsible for obtaining the best price available as to any service, material or purchase, but shall purchase or contract

for same with such person or party as it deems advisable and in the best interest of the Association and the Management Firm, without the necessity of obtaining the best price.

(e) Purchase equipment, tools, vehicles, appliances, goods, supplies, and materials as shall be reasonably necessary to perform its duties, including the maintenance, upkeep, repair, replacement, refurbishing, and preservation of the Project. Purchases shall be in the name of the Management Firm or the Association, as the Management Firm shall elect.

(f) Cause to be placed or kept in force all insurance required in the Declaration and such other insurance as the Board may from time to time desire to be placed or kept; to act as agent for the Association, each unit owner and for each owner of any other insured interest; to adjust all claims arising under said insurance policies; to bring suit thereon and deliver releases upon payment of claims; to otherwise exercise all of the right, powers and privileges of the insured parties to receive on behalf of the insured parties, all insurance proceeds, subject to the provisions of the Declaration.

(g) Maintain the Association's financial record books, accounts and other records as provided in the Association's Bylaws; issue Certificates of Account to members, their mortgagees and lienors without liability for

errors unless as a result of gross negligence. Such records shall be kept at the office of the Management Firm and shall be available for inspection by an expert or independent auditor employed by and at the cost and expense of the Association and at such reasonable time as the Management Firm shall agree to; however, said request for inspection cannot be made more than once in any fiscal year. Such expert or independent auditor may also conduct an external audit, provided the cost for same is paid by the Association and said independent auditor in any instance must be acceptable to the Management Firm whose acceptance shall not be unreasonably withheld. As a standard procedure, the Management Firm shall render to the Association a statement for each fiscal year no later than 90 days after the end thereof. The Management Firm shall perform a continual internal audit of the Association's financial records for the purpose of verifying the same, but no independent or external audit shall be required of the Association or Management Firm.

The consent of the Management Firm to an independent auditor shall not be unreasonably withheld.

(h) Maintain records sufficient to describe its services hereunder and such financial books and records sufficient in accordance with prevailing accounting standards to identify the source of all funds collected by it in

its capacity as Management Firm, and the disbursement thereof. Such records shall be kept at the office of the Management Firm and shall be available for inspection by an expert or independent auditor employed by and at the cost and expense of the Association and at such reasonable time as the Management Firm may agree to.

The Management Firm shall perform a continual internal audit of the Management Firm's financial records relative to its services as Manager for the purpose of verifying same, but no independent or external audit shall be required of it.

(i) No less than 30 days' prior to a new fiscal year of the Association, the Management Firm shall prepare and propose to the Board for its approval an operating budget for the next subsequent fiscal year, setting forth the anticipated income and expenses of the Project for the year, and the Management Firm shall specify therein each unit owner's Allocation of Common Expenses in accordance with the Declaration. Within 15 days after receipt of such proposed budget, the Board shall approve or disapprove the same, and, if it disapproves, shall state the reasons for its disapproval in writing and in reasonable detail. If the Board fails to approve or disapprove such proposed budget within said 15 days, the proposed budget shall be deemed to be an Approved Budget. If a proposed budget is disapproved

by the Board, the Management Firm shall either: (A) revise the disapproved budget, taking into consideration the reasons for disapproval, and submit a revised budget to the Board for its approval; or (B) terminate this Agreement by written notice given within 30 days after disapproval, effective as of the last day of the Association's fiscal year immediately prior to the subject fiscal year. If the Management Firm elects to revise the disapproved budget, the Management Firm and the Board shall use their best efforts revised budget as soon as possible. The Management Firm shall not be obligated to conduct any activities hereunder in any particular subsequent fiscal year until a budget for such subsequent year fiscal year is approved. When agreed upon by the Management Firm and the Board, a proposed budget shall be deemed to be an Approved Budget. An "Approved Budget" may be amended or supplemented only in accordance with Section 3(j) hereof. The Management Firm shall make available each Approved Budget to the members of the Association in accordance with the Association's Bylaws, but an Approved Budget need not be approved by such membership. Where the Management Firm does not submit an operating budget for the ensuing fiscal year to the Board as herein set forth, the operating budget for the current year shall be deemed to apply to the ensuing year; and, in such case, each unit owner's share of same shall continue in the

same amount subject; however, to the right of the Management Firm to increase assessments during the year or levy a special assessment where it determines that same is necessary or advisable subject to the provisions of the Declaration and Association Bylaws.

(j) An approved Budget may be amended or supplemented at any time only by agreement of the Management Firm and the Association's Board. Any proposed amendment or supplement must be submitted in writing by the Management Firm to the Association and shall be subject to approval or disapproval by the Association's Board in its sole discretion. Any proposed amendment or supplement not approved or disapproved by the Association within 15 days after receipt thereof by the Association shall be deemed approved by the Association. Notwithstanding any other provision of the Agreement, the Management Firm shall have no obligation to own funds or to pay any expenses of the Association monies of the Association under its control. Any expenditures, including cost overruns, in excess of an aggregate Approved Budget without amendment thereof by the Association shall be for the account of and shall be paid by the Association. The Management Firm may exceed approved appropriation levels contained in an Approved Budget in case of emergency as reasonably determined by the Management Firm. The Management Firm shall give prompt notice

of any emergency to the Association and shall submit to the Association, within 30 days after occurrence thereof, an appropriate written amendment to the then current Approved Budget to accommodate costs occasioned thereby (which may not be disapproved by the Association).

(k) Collect the assessments based upon the Approved Budget. The assessments of each member of the Association shall be made payable to the Association.

(l) Determine the proportion of taxes and other common expenses applicable to Units.

(m) Deposit all funds collected from the members of the Association or otherwise accruing to the Association in a special bank account or accounts of the Association in banks and/or savings and loan associations in the State of Colorado, with suitable designation indicating their source.

(n) May cause a representative of its organization to attend meetings of the members and of the Board; however, it is understood and agreed that the minutes of all Association meetings, whether of members or of the Board, shall be taken by the Association's Secretary, and possession of the Minute Book shall be in the custody of said Secretary who shall always be responsible for preparing and furnishing notices of all meetings to the required parties.

(o) Recommend to the Board for its adoption, Rules and Regulations and, from time to time, amendments thereto, for the use and occupancy of the Project's common elements, limited common elements, units therein, and Association properties. The Management Firm shall enforce such Rules and Regulations and shall determine all activities and programs to be carried on and shall employ the personnel required for such programs and activities as it determines in its sole discretion.

(p) Cause such alterations and/or additions to the common elements or limited common elements of the Project or Association properties, to be made as authorized by the Board and Association members where required pursuant to and in accordance with the Declaration. The Management Firm shall be paid for the cost of its personnel and overhead, materials and equipment in regard thereto, and any and all contractors, subcontractors, and materialmen as are required therefor.

(q) Retain and employ such professionals and such other experts whose services may be reasonably required to effectively perform its duties and exercise its power hereunder, and to employ same on such basis, as it deems most beneficial.

(r) Enter into agreements upon such terms and conditions and for such purpose as the Management Firm

determines in its sole discretion as to the Association properties, the Elements and the Project, and by agreement grant concessions and licenses to persons to provide facilities and services as to and within the Project and Association properties and cause coin vending machines and coin operated equipment to be installed within the Project and association properties and to purchase same on behalf of and at the cost and expense of the Association, or rent same or enter into agreements regarding same; however, all income, derived by the Management Firm from the foregoing shall inure to the benefit of the Association; and all expenses pertaining thereto shall likewise be borne by the Association. The parties hereto recognize that agreements, concession and licenses may be entered into to provide facilities and services as specified herein for very nominal or no compensation whatsoever. The Management Firm may enter into same in its sole discretion, and it shall use its best judgment; however, it shall not be responsible for same nor the fact that a greater sum might have been obtained nor a shorter period contracted for.

(s) Make and collect special assessments for such purposes and against such parties as the Management Firm determines, subject to the provisions of the Declaration

(t) Exercise such powers and rights delegated to it, if any, under the terms and provisions of the Declaration.

(u) If maintenance of the Project, including any Unit, Units and/or General Common Elements (as defined in the Declaration) is required due to loss by act of God or other cause, which is other than normal wear and tear, and which loss is less than 10. of the maximum replacement value determined under Paragraph 11(c) of the Declaration, then in such event, the Management Firm shall be authorized and empowered to determine, assess charge and levy the costs of repairing and restoring such loss among the Unit Owners in such proportions as it deems advisable pursuant to the Declaration notwithstanding the fact that said loss or damage was, or was not, covered by insurance, and said total assessment shall be equal to the cost of said repair which shall include costs of the Management Firm's personnel and overhead, materials and equipment, and any and all other contractors, subcontractors or materialmen as are required. Should the loss be covered by insurance, the proceeds thereof shall be applied as a credit against the total costs of said repair and restoration in such proportions as set forth in the paragraph. It shall be presumed that the first monies disbursed in payment of costs of repair and restoration shall be from insurance proceeds where such are received,

and then from assessments collected and, should there be a surplus of such funds, such surplus shall be distributed to or on behalf of the unit owners, as provided in the Declaration.

(v) The Management Firm, at its sole discretion, may elect at any time to install certain equipment owned by the Management Firm for the direct or indirect purpose of managing the operations of the Association. Such equipment may include, but not be limited to, computer and telephone equipment including telephone call accounting equipment. Revenues generated by such equipment, if any, shall be to the benefit of the Management Firm. The expenses for installation of such equipment shall be the expense of the Association and, in the event, the Agreement is terminated by the Association, any' expenses to disconnect equipment of the Management Firm shall be an expense of the Association.

4. Priority Payments. The Management Firm, in its reasonable judgment, shall apply assessments collected to the payment of the Project's Common Expenses, including the Management Firm's fee and overhead expenses. The Management Firm may, on behalf of and in the name of or as agent of the Association, file a lien against an Owner's Unit should such Owner fail to pay his assessments or maintenance fee as required in the Declaration. The Management

Firm may compromise liens in such amount as it deems advisable in its sole discretion, and it may satisfy liens of record and render statements as to the current status of a Unit owner's assessments.

5. Association Assistance. The Association shall aid and assist the Management Firm in any reasonable manner requested from time to time by the Management Firm as to (a) the collection of assessments, and (b) simplifying the methods of collecting the assessments due from members of the Association.

6. Insufficient Funds. The Management Firm shall not undertake to pay Common Expenses from its own funds and shall only be required to perform its services and make disbursements to the extent that, and so long as, payments received from assessments and other revenue, if any, of the Association are sufficient to pay the costs and expenses of such services and the amounts of such disbursements. If it shall appear to the Management Firm that the assessments and other revenue, if any, of the Association and its members are insufficient, the Management Firm shall forthwith determine such additional assessment as is required and advise its members.

7. Compensation of Management Firm. Management Firm shall perform all of the services as directed by the Board at no cost and expense whatsoever

to itself, but solely at the cost and expense of the Association and its members. As compensation, fee or profit for,, its services hereunder, the Management Firm shall receive \$25.00 per residential unit in the Project per month and \$.0377 per square foot of commercial space in the Project per month for performing the services set forth herein (the "Management Fee") until April 30, 1986. On April 30, 1986 and each April 30 thereafter, the Management Fee shall be increased by 5% cumulative. In addition, the Management Firm is entitled to all late fees collected in connection with delinquent sums due and owing from members of the Association to the Association. The Management Fee shall be taken into consideration in setting the common expense and assessments. The Management Fee shall commence as of the first day following the date of a deed from the developer of the Project to the initial purchaser.

8. No Interference. The Association shall not interfere nor permit, allow or cause any of its officers, directors or members to interfere with the Management Firm in the performance of its duties or the exercise of any of its powers hereunder.

9. Indemnity. The Management Firm shall not be liable to the Association and its members for any loss or damage not caused by the Management Firm's own gross negligence or willful misconduct, and the Association shall indemnify and save harmless the Management Firm from any such

liability for damages, costs and expenses arising from injury to any person or property in, about and in connection with the Project (including the Elements) from any cause whatsoever, unless such injury shall be caused by the gross negligence or willful misconduct of the Management Firm.

10. Assignment. The Association may assign its right, title, and interest herein to another condominium association operating and existing under the laws of the State of Colorado which accedes to its rights under the Declaration. Subject to the consent of the Association, which consent shall not be unreasonably withheld, the Management Firm may assign its right, title and interest herein to another management firm operating and existing under the laws of the State of Colorado. However, said assignment shall not be valid unless and until the assignee thereunder expressly assumes and agrees, in writing, to perform each and every covenant and term of this Agreement. The Management Firm may also subcontract all or portions of its duties and powers under this Agreement.

11. Unit Damage. The Management Firm shall be authorized to charge, bill and collect from a member of the Association for maintenance, repairs or replacements to or within a Unit when such maintenance, repair or replacement is caused by (a) negligence or misuse of a member of the Association, his family, servants, guests, invitees, or

lessees; or (b) failure of a member to maintain those portions of his Unit and limited common elements assigned to his Unit, as he is required to repair and maintain; or (c) violation of the provisions of the Declaration which require the removal of same by the Management Firm and/or which increase the costs of maintenance and/or repair upon the Management Firm, or increase insurance rates and premiums.

12. Use of Association Properties. (a) The Management Firm shall have the right, in its sole discretion, to suspend any member of the Association and/or authorized user of the Association properties from the use of such properties for any infraction of the promulgated Rules and Regulations pertaining to the Association for a period not to exceed 21 days during any calendar year, for failure to abide by the Rules and Regulations promulgated from time to time for the use of such facilities, and during said period of suspension, there shall be no reduction in the assessments due and payable from said member and/or authorized user committing the breach upon which such suspension is based.

(b) Should a member of the Association fail to pay an assessment on its due date, the Management Firm may deny to such member and/or the authorized user the use and enjoyment of the Association properties until such time as all assessments are paid subject to the Association's Rules and Regulations from time to time in effect.

(c) During the term hereof, the Management Firm shall have the right to occupy the assigned but unused parking spaces of the Association, if any.

13. Default. (a) If the Association or its members shall neglect or fail to perform or observe any of the covenants herein contained on the Association's part to be performed or observed and the Association shall fail to remedy such default within 15 days after the Management Firm shall have given to the Association written notice specifying such neglect or failure (or within such period, if any, may be reasonably required to cure such default if it is of such nature that it cannot be cured within such 15-day period, provided the Association commences to remedy such default within such 15-day period and proceeds with reasonable diligence thereafter to cure such default), the Management Firm may, in addition to any other remedy given to it by agreement or in law or in equity, bring an action against the Association and its members for damages and/or specific performance and/or such other rights and remedies as it may have, and the Association and its members shall be liable for the Management Firm's reasonable attorneys' fees and costs incurred thereby. All of such rights of the Management Firm upon default shall be cumulative and the exercise of one or more remedies shall not be deemed to exclude or constitute a waiver of any other remedy.

(b) Failure by the Management Firm to substantially perform its duties and obligations under this Agreement for a continuous period of 45 days after written notice of default from the Association specifying the default shall be grounds for the Association's cancellation of this Agreement.

14. Notices. When either party hereto and the Association's members desire to or are required to give notice to the other, or others, in connection with and according to the terms of this Agreement, such notice shall be given to the Association, its members and the Management Firm as follows:

If to the Association:

Kendall Mountain Condominium Association
P.O. Box 666
Durango, CO 81302
Attention: President

If to the Management Firm:

Purgatory Property Management Company
P.O. Box 666
Durango, CO 81302
Attention: Robert O. Hill, President

Whenever notices are required to be sent to members of the Association, such notices shall be addressed to members at their address on file with the Secretary of the Association. All notices required or permitted by this Agreement shall be in writing and shall be sent by registered or certified United States mail, postage prepaid, and

shall be effective on the date set forth on the receipt of registered or certified mail, or on the third day after mailing, whichever is earlier.

15. Amendment to Declaration. The Association shall not amend the Declaration directly or indirectly for the purpose of abridging this Agreement.

16. Miscellaneous. (a) No waiver of a breach of any of the covenants contained in this Agreement shall be construed to be a waiver of any succeeding breach of the same covenant.

(b) Time is of the essence in every particular and especially where the obligation to pay money is involved.

(c) No modification, release or discharge or waiver of any provision hereof shall be of force, effect or value, unless in writing, signed by the parties to this Agreement.

(d) The invalidity in whole or in part of any covenant, promise or undertaking or any section, subsection, sentence, clause, phrase or word or of any provision of this Agreement and the Declaration shall not affect the validity of the remaining portions thereof.

(e) The definitions of the words, terms and phrases as provided in the Declaration are incorporated herein by reference and made a part hereof, and unless the context otherwise requires, said definitions shall prevail.

(f) The words "Association", "Member(s)" and "Owner(s)" wherever and whenever used herein, shall include the singular and plural thereof, and the use of any gender shall include all genders, wherever the same shall be appropriate.

(g) The caption of each Section is added as a matter of convenience only and shall be considered of no effect in the construction of any provision of this Agreement.

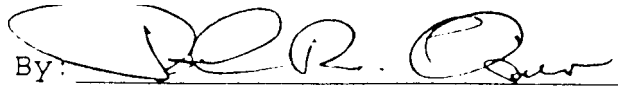
(h) Should arbitration or litigation occur between the parties relating to the terms, covenants and conditions of this Agreement, all litigation expenses, collection expenses, witness fees, court costs and attorneys' fees incurred by the prevailing party shall be paid by the non-prevailing party to the prevailing party.

(i) This Agreement shall be governed by and interpreted in accordance with the laws of the State of Colorado.

(j) This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements, proposals, negotiations and representations pertaining to the Services to be performed hereunder.


IN WITNESS WHEREOF, the parties hereto have
executed this Agreement as of the date first set forth above.

KENDALL MOUNTAIN CONDOMINIUM
ASSOCIATION, a Colorado nonprofit
corporation

By: 
President

PURGATORY PROPERTY
MANAGEMENT COMPANY, a Colorado
corporation

By.


President