

In the opinion of Sherman & Howard L.L.C., Bond Counsel, assuming continuous compliance with certain covenants described herein, interest on the Series 2005 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the Series 2005 Bonds (the "Tax Code"), interest on the Series 2005 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustments applicable to corporations for purposes of computing the alternative minimum taxable income of corporations, and interest on the Series 2005 Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the Series 2005 Bonds as described herein. See "TAX MATTERS."

\$10,900,000

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
Town of Frederick, Colorado
General Obligation Limited Tax Bonds, Series 2005**

Dated: September 1, 2005

Due: December 1, as shown below

The Wyndham Hill Metropolitan District No. 2 General Obligation Limited Tax Bonds, Series 2005 (the "Series 2005 Bonds") are issued and secured under an Indenture of Trust dated as of September 1, 2005 (the "Indenture") between Wyndham Hill Metropolitan District No. 2 (the "District") and American National Bank, as Trustee (the "Trustee"). The Series 2005 Bonds are being issued initially only in fully registered form without coupons, in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. Interest on the Series 2005 Bonds is payable semi-annually on each June 1 and December 1, commencing December 1, 2005. The Series 2005 Bonds will be registered initially in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series 2005 Bonds. Beneficial ownership interests in the Series 2005 Bonds may be acquired or transferred through brokers and dealers who are, or who act through, participants in the DTC system. Purchasers will not receive certificates representing their beneficial ownership interests in the Series 2005 Bonds. See "INTRODUCTION" and "THE SERIES 2005 BONDS—Book-Entry-Only System."

The Series 2005 Bonds are being issued to provide funds to (a) assist in the financing of certain public infrastructure improvements necessary for a residential development located within the District in the Town of Frederick, Colorado, as described herein, (b) capitalize a portion of the interest to accrue on the Series 2005 Bonds, and (c) pay certain costs related to the issuance of the Series 2005 Bonds.

The Series 2005 Bonds are special, limited obligations of the District secured by a pledge of the Trust Estate, as described herein, consisting primarily of (i) revenues derived from the limited exercise of the ad valorem taxing power of the District; (ii) Specific Ownership Taxes (as defined herein); and (iii) proceeds of certain Development Fees (as defined herein) imposed by the District. The Series 2005 Bonds are additionally secured by a pledge of other moneys paid to or held by the Trustee under the Indenture, including a Partial Debt Service Guaranty Fund, a Surplus Fund, and a Restricted Account of the Construction Fund. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS." No application has been made to any rating agency for a rating of the Series 2005 Bonds, nor is there any reason to believe that, if applied for, any such rating could be obtained.

MATURITY SCHEDULE

**\$4,000,000 6.250% Term Bonds due December 1, 2025; Price: 100.00% - CUSIP® No. 983098 AA2¹
\$6,900,000 6.375% Term Bonds due December 1, 2035; Price: 100.00% - CUSIP® No. 983098 AB0¹**

The Series 2005 Bonds are subject to optional and mandatory redemption by the District prior to maturity, as described in "THE SERIES 2005 BONDS."

The Series 2005 Bonds are being offered and sold only to "financial institutions" or "institutional investors" within the meaning of Section 32-1-103(6.5), Colorado Revised Statutes. The Series 2005 Bonds are not a suitable investment for all potential investors. The purchase and ownership of the Series 2005 Bonds involve substantial investment risks and uncertainties, and purchasers of the Series 2005 Bonds should be prepared for the possibility of delays in payment of principal or interest on the Series 2005 Bonds. All of the property in the District is undeveloped and development will be necessary to provide for the payment of the Series 2005 Bonds. This cover page is provided for quick reference only. It is not a summary of this issue. Prospective purchasers of the Series 2005 Bonds should read this Limited Offering Memorandum in its entirety, giving particular attention to the matters referred to under the caption "RISK FACTORS."

The Series 2005 Bonds are offered when, as and if issued by the District and delivered to the Underwriter named below, subject to prior sale, receipt of the approving legal opinion of Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel to the District, and the satisfaction of certain other conditions. Certain matters will be passed upon for the District by its general counsel and special disclosure counsel, White, Bear & Ankele Professional Corporation, Highlands Ranch, Colorado. It is expected that the Series 2005 Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about September 22, 2005.

Kirkpatrick Pettis

A Division of D.A. Davidson & Co. Fixed Income Capital Markets

D.A. Davidson & Co.

member SIPC

This Limited Offering Memorandum is dated September 16, 2005.

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¹ The District takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of owners of Series 2005 Bonds.

No dealer, salesman, or other person has been authorized to give any information or to make any representation, other than the information contained in this Limited Offering Memorandum, in connection with the sale of the Series 2005 Bonds, and, if given or made, such information or representation must not be relied upon as having been authorized by the District or the Underwriter. The information in this Limited Offering Memorandum is subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the District, the Developer or the Residential Development since the date hereof. This Limited Offering Memorandum does not constitute an offer or solicitation in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation.

The information set forth herein has been obtained from the District, the Developer and other sources which are believed to be reliable. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information and it is not to be construed as the promise or guarantee of the Underwriter. Information provided by the Developer has not been independently verified. This Limited Offering Memorandum contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation or warranty is made as to the correctness of such opinions, or that they will be realized.

THE SERIES 2005 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BECAUSE OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933 AS AMENDED OR WITH THE STATE OF COLORADO BECAUSE OF AN EXEMPTION AVAILABLE UNDER THE COLORADO MUNICIPAL SECURITIES ACT. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT, THE SERIES 2005 BONDS, THE TERMS OF THE BOND ISSUE INCLUDING THE RISKS INVOLVED. THE SERIES 2005 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NEITHER THE CONTENTS OF THIS LIMITED OFFERING MEMORANDUM NOR ANY PRIOR OR SUBSEQUENT COMMUNICATION FROM THE DISTRICT OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS CONSTITUTE LEGAL, TAX, ACCOUNTING OR REGULATORY ADVICE. BEFORE PURCHASING THE SERIES 2005 BONDS, PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL COUNSEL AND BUSINESS AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE SERIES 2005 BONDS AND SHOULD MAKE AN INDEPENDENT EVALUATION OF THE INVESTMENT.

NEITHER WELD COUNTY, COLORADO (THE "COUNTY") NOR THE TOWN OF FREDERICK, COLORADO (THE "TOWN") HAS PARTICIPATED IN THE PREPARATION OF THIS LIMITED OFFERING MEMORANDUM AND NEITHER THE COUNTY NOR THE TOWN MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED HEREIN.

**WYNDHAM HILL METROPOLITAN DISTRICT NO. 2
TOWN OF FREDERICK, COLORADO**

Board of Directors

Jon R. Lee, President
Michael J. Burns, Vice President
Lewis G. Holtsclaw, Secretary/Treasurer
David G. Rhodes, Assistant Secretary
Charles R. Bellock, Assistant Secretary

District General Counsel and Special Disclosure Counsel

White, Bear & Ankele Professional Corporation
Highlands Ranch, Colorado

Trustee

American National Bank
Denver, Colorado

Bond Counsel

Sherman & Howard, L.L.C.
Denver, Colorado

Underwriter

Kirkpatrick Pettis
Denver, Colorado

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

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VICINITY AND DISTRICT MAPS

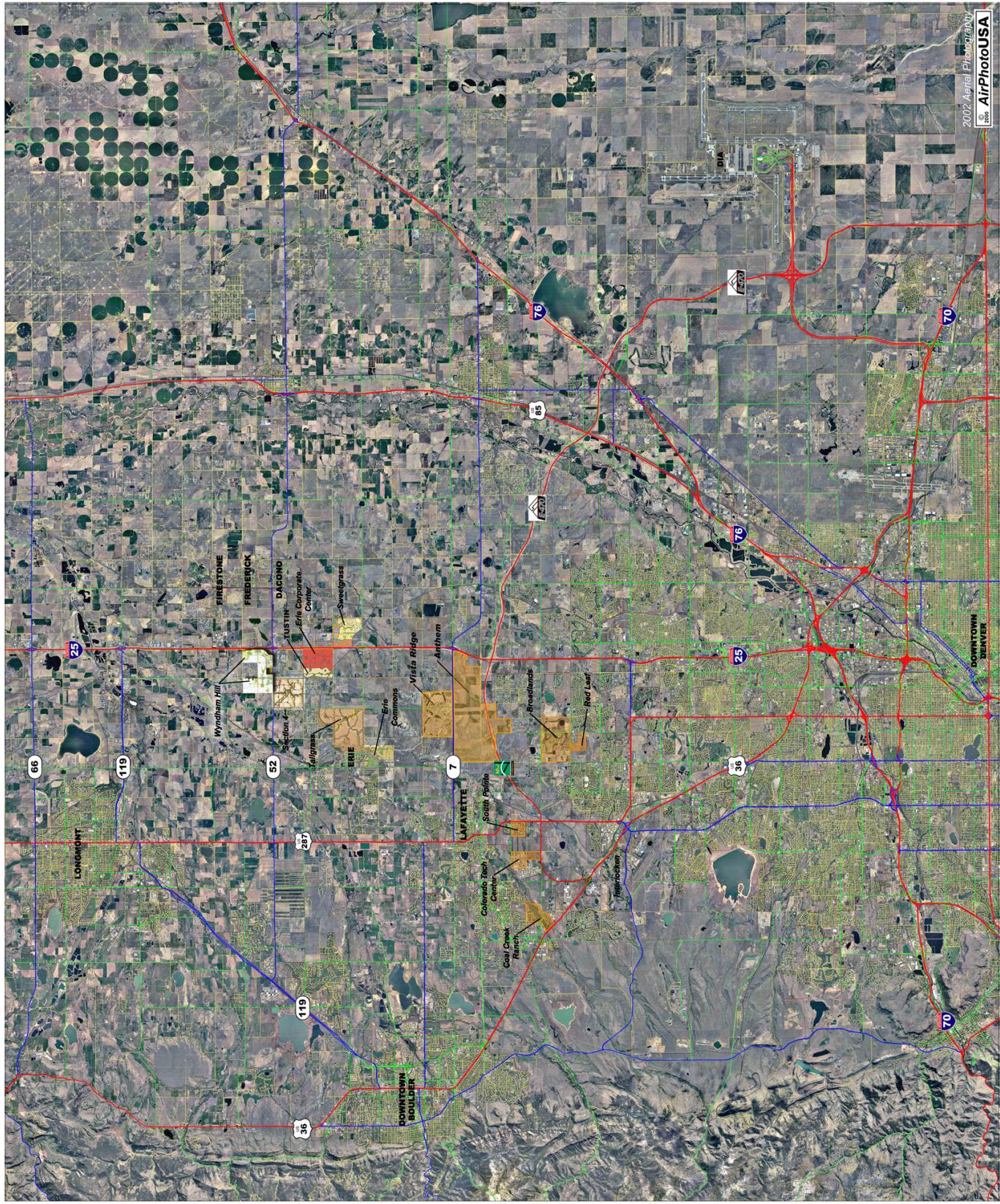
Northern Colorado Regional Context Map



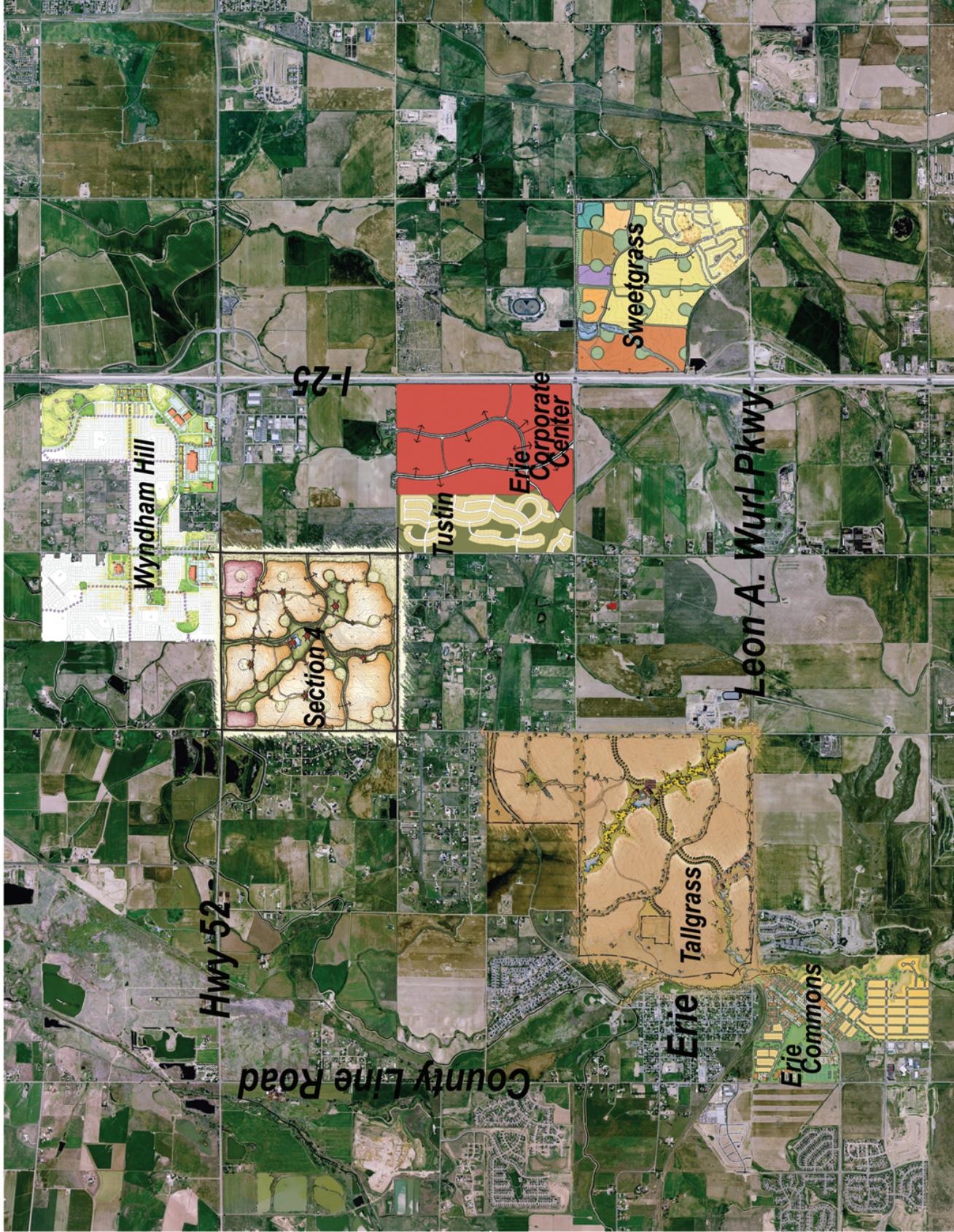
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Not to Scale
North



Wyndham Hill - Lot by Builder Plan

LIMITED OFFERING MEMORANDUM

Relating to

\$10,900,000

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

Town of Frederick, Colorado

General Obligation Limited Tax Bonds, Series 2005

INTRODUCTION

This introduction is not a summary of this Limited Offering Memorandum. It is only a brief description of and guide to, and is qualified by the information contained in this Limited Offering Memorandum, including the cover page, inside front cover and Appendices hereto. A full review should be made of the entire Limited Offering Memorandum. The offering of the Series 2005 Bonds to potential investors is made only by means of the entire Limited Offering Memorandum. This Limited Offering Memorandum does not constitute a contract between the District or the Underwriter and any one or more owners of the Series 2005 Bonds. Terms used in this Introduction and not otherwise defined shall have the respective meanings assigned to them elsewhere in this Limited Offering Memorandum.

Generally

This Limited Offering Memorandum, including the cover page and Appendices (the "**Limited Offering Memorandum**"), provides certain information concerning the \$10,900,000 aggregate principal amount of General Obligation Limited Tax Bonds, Series 2005 (the "**Series 2005 Bonds**") issued by Wyndham Hill Metropolitan District No. 2 (the "**District**") and other matters in connection with the offer and sale of such Series 2005 Bonds. Any capitalized terms used herein and not otherwise defined shall have the meanings assigned them in the Indenture. See **Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Definitions."**

Authority for Issuance

The Series 2005 Bonds are issued in accordance with the constitution and laws of the State of Colorado (the "**State**"), including, without limitation, Title 32, Article 1 (the "**Special District Act**"), and Title 11, Article 57, Part 2, Colorado Revised Statutes, as amended (the "**Supplemental Public Securities Act**"), pursuant to an authorizing resolution (the "**Bond Resolution**") to be adopted by the District's Board of Directors (the "**Board**") on September 6, 2005, and an Indenture of Trust dated as of September 1, 2005 (the "**Indenture**") between the District and American National Bank, as Trustee (the "**Trustee**"). The Series 2005 Bonds were also authorized at an election of the qualified electors of the District held on May 4, 2004.

The District

The District is a quasi-municipal corporation and a political subdivision of the State of Colorado (the "**State**"), located within the Town of Frederick, Colorado (the "**Town**"), in Weld County (the "**County**"). See, generally, "VICINITY AND DISTRICT MAPS." The District currently contains approximately 542 acres (as the result of certain inclusions occurring after the initial formation of the District, as described herein), all of which is under contract for purchase by the Developer. (See "The Residential Development" below.) The residential development known as "Wyndham Hill" (the "**Residential Development**," as more particularly described below), is to be located entirely within the

boundaries of the District following the planned inclusions to the District. See "THE DISTRICT – Generally."

The District, together with Wyndham Hill Metropolitan District No. 1 ("District No. 1") and Wyndham Hill Metropolitan District No. 3 ("District No. 3" and, together with the District and District No. 1, the "Districts") were formed pursuant to Colorado Revised Statutes § 32-1-101 *et seq.*, as amended (the "Special District Act"), by order of the District Court in and for the Weld County, Colorado in June, 2004. Pursuant to the Consolidated Service Plan for Wyndham Hill Metropolitan District Nos. 1, 2 & 3, dated February 13, 2004, as amended August 11, 2005 (the "Service Plan"), the Districts have the power to finance and provide infrastructure improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, mosquito control, water and sanitation facilities, services and programs.

The Districts are expected to agree to cooperate in the financing, construction and operation of such public infrastructure serving the residential development in the District, as well as commercial development in District No. 3, in accordance with the terms of a District Facilities Construction and Services Agreement dated as of September 1, 2005 (the "Master IGA"). District No. 1, as the "operating district," is responsible under the Master IGA for contracting for and supervising the acquisition and construction of the Facilities, while the District and District No. 3 are to provide the financing for such Facilities. As a result, proceeds of the Series 2005 Bonds are anticipated to be made available to District No. 1 for the payment of costs of the Facilities (including certain reimbursements to the Developer), in accordance with the District's obligations under the Master IGA. See "THE DISTRICT – Material Contracts – Intergovernmental Agreement Among the Districts."

The Residential Development

All of the property within the District is currently under contract for purchase by Frederick Development Company, Inc., a Colorado corporation (the "Developer"), principals of which have undertaken the development of multiple residential communities in the Denver Metropolitan and northern Colorado areas. See "THE DEVELOPER AND THE DEVELOPMENT– The Developer." The Residential Development within the District is approved for approximately 1,700 residential units and planned for 1,544 residential units, 400 of which are anticipated to be multi-family. Adjacent to the Residential Development, the Developer plans to undertake the development of approximately 120 acres located or to be located within the boundaries of District No. 3 and planned for commercial uses. Any revenues generated by District No. 3 as a result of such commercial development will not secure payment of the Series 2005 Bonds. See "THE DEVELOPER AND THE DEVELOPMENT." Although the Residential Development is approved for 1,700 residential units and currently planned for a total of 1,544 residential units, it is anticipated that Pledged Revenue will be sufficient to provide for payment on the Series 2005 Bonds when due assuming a build out of only 806 residential units in accordance with the Developer's Absorption Assumptions (defined herein), as further provided in the attached Cash Flow Projection. See **Appendix B - "CASH FLOW PROJECTION."**

Use of Proceeds

The Series 2005 Bonds are being issued to provide funds to: (i) acquire and construct certain public infrastructure improvements in the District, consisting generally of water, sanitary sewer, drainage, street, traffic and safety controls and parks and recreation facilities and related improvements, including reimbursements to the Developer for amounts previously advanced for such purpose, (ii) capitalize a portion of the interest to accrue on the Series 2005 Bonds; and (iii) pay certain costs related to the issuance of the Series 2005 Bonds, including fees of the Trustee, and Underwriter and

certain organizational costs of the Districts. See "PLAN OF FINANCE" and "THE DISTRICT - District Facilities."

The Series 2005 Bonds

The Series 2005 Bonds mature and bear interest as set forth on the front cover hereof and as more fully described in the section entitled "THE SERIES 2005 BONDS." The Series 2005 Bonds are being issued initially only in fully registered form in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof, but may be reduced to denominations of \$1,000 upon compliance certain provisions of the Indenture. "THE SERIES 2005 BONDS — General."

American National Bank, or its successor, will serve as the Trustee (the "**Trustee**") for the Series 2005 Bonds pursuant to the Indenture. Principal of, premium, if any, and interest on the Series 2005 Bonds will be paid by the Trustee at its principal operations office, currently located in Denver, Colorado. Interest on the Series 2005 Bonds is payable semi-annually each June 1 and December 1, commencing December 1, 2005.

The Series 2005 Bonds are subject to optional and mandatory sinking fund redemption and mandatory redemption prior to maturity as provided in "THE SERIES 2005 BONDS – Prior Redemption."

Security and Sources of Payment for the Series 2005 Bonds

The Series 2005 Bonds are special, limited obligations of the District secured by a pledge of the Trust Estate, as described herein, consisting primarily of: (i) amounts derived from the Required Mill Levy described below (as more particularly described herein, "**Property Taxes**"); (ii) Specific Ownership Taxes (as defined herein); and (iii) proceeds of certain Development Fees and any other Capital Fees (as defined herein) imposed by the District, all as more particularly described herein. Property Taxes, Specific Ownership Taxes and Capital Fees (including Development Fees), together with any other legally available moneys which the Board in its discretion credits to the Bond Fund, are collectively referred to herein as the "**Pledged Revenue**." Pursuant to the terms of the Indenture, the District has agreed to impose, for the purpose of generating Property Taxes to provide for the payment of the Series 2005 Bonds, a "**Required Mill Levy**," which is an ad valorem mill levy imposed in amounts sufficient to pay when due the principal of, premium if any, and interest on the Series 2005 Bonds as the same become due and payable, but not in excess of 40 mills and, for so long as the Debt to Assessed Ratio (defined below) is higher than 50%, not less than 33 mills; provided however, that, in the event the method of calculating assessed valuation is changed after the date of approval of the Service Plan, the above-described mill levy limitations will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS."

The Series 2005 Bonds are also secured by the Partial Debt Service Guaranty provided by the Developer and amounts on deposit in a Partial Debt Service Guaranty Fund and the Restricted Account in the Construction Fund, all as more particularly defined herein. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Partial Debt Service Guaranty and Partial Debt Service Guaranty Fund" and "– Restricted Account in Construction Fund."

The District may issue Completion Bonds, Subordinate Bonds (including Permitted Subordinate Bonds) and Additional Bonds as described in "THE SERIES 2005 BONDS – Additional Bonds." The District expects to enter into reimbursement agreements with the Developer representing Permitted Subordinate Bonds under the Indenture (subordinate to the Series 2005 Bonds) for the purpose of providing for the reimbursement of advances by the Developer to fund costs of the Facilities not funded with proceeds of the Series 2005 Bonds (the "**Loan Agreement**") and operation and maintenance costs of the Districts (the "**O&M Agreement**"); provided, however, that, pursuant to the Indenture, the maximum amount of such Permitted Subordinate Bonds, together with any other Completion Bonds and Additional Bonds, may not exceed \$15.1 million. See "THE DISTRICT – Material Contracts – Developer Reimbursement Agreements" and "PLAN OF FINANCE – Financing of the Facilities." The District expects to enter into such agreements in the aggregate for the reimbursement of the maximum permitted amount (\$15.1 million) and to issue to the Developer contingent reimbursement obligations, subject to annual appropriation and therefore not deemed Additional Bonds under the Indenture, for another \$2.15 million in costs of the Facilities expected to be advanced by the Developer under the Loan Agreement and approximately \$1.1 million for reimbursement of payments, if any, made under the Partial Debt Service Guaranty (such reimbursement obligation being referred to herein as the "**Partial Debt Service Guaranty Reimbursement Agreement**"). The District expects that it will issue, subject to the restrictions of the Indenture and the Service Plan, Completion Bonds and Additional Bonds for the purpose of repaying advances under the Loan Agreement and/or otherwise funding additional costs of the Facilities if the rate of development within the District and resulting Pledged Revenue are sufficient to support such Completion Bonds and Additional Bonds. The District is not able to predict at this time the amount of such Bonds, if any, that may be issued under such circumstances, and has no future specific plans with respect to the issuance of such Bonds.

THE SERIES 2005 BONDS DO NOT CONSTITUTE A DEBT OR FINANCIAL OBLIGATION OF, NOR DO THEY CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF, THE TOWN, THE COUNTY, THE STATE, THE DEVELOPER OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE DISTRICT) OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS, IF ANY, THEREOF. THE SERIES 2005 BONDS ARE NOT SECURED BY ANY LIEN OR MORTGAGE ON OR SECURITY INTEREST IN ANY PROPERTY OF THE DISTRICT, THE TOWN, THE COUNTY, THE STATE OR THE DEVELOPER OTHER THAN THE TRUST ESTATE.

Absorption Assumptions and Cash Flow Projection

The Developer has provided a forecast of absorption of homes in the Residential Development (the "**Absorption Assumptions**") based upon the Developer's analysis of the projected demand for residential units in the market area including the Residential Development. Such Absorption Assumptions are included in **Appendix B** to this Limited Offering Memorandum, together with the Cash Flow Projection for the years 2005 through 2038 (the "**Cash Flow Projection**") which has been prepared by Clifton Gunderson LLP based upon the Absorption Assumptions. The Cash Flow Projection includes projections of assessed valuation, mill levies, Development Fees, Property Taxes, interest income and total revenue available to the District, as well as the District's expenses including operations and maintenance costs, administrative expenses, construction costs (all of which is payable to District No. 1 pursuant to the terms of the Master IGA) and debt service. The Cash Flow Projection addresses three different scenarios for the Residential Development: (i) completion of only the first phase of development comprised of 806 single-family units based on the Developer's Absorption Assumptions; (ii) completion of such 806 units on a slower development timetable than that set forth in the Developer's Absorption Assumptions which slows development to 61% in 2006 and 2007 (the "**Alternative Absorption Schedule**"); and (iii) full build out of the Residential Development (comprised of 1,544 single-family and multi-family units) based on the Developer's Absorption Assumptions. As reflected in

the Cash Flow Projection, it is anticipated that Pledged Revenue will be sufficient to provide for payment on the Series 2005 Bonds when due assuming build out of only the 806 single-family units representing the first phase of the Residential Development in accordance with the Developer's Absorption Assumptions. In the event that development of such 806 units occurs in accordance with the Alternative Absorption Schedule, the Cash Flow Projection projects that transfers from the Surplus Fund would be necessary to pay debt service on the Series 2005 Bonds in 2008 through 2010, but a draw on the Partial Debt Service Guaranty would not be required. However, it is possible that development may occur at a pace slower than that set forth in the Alternative Absorption Schedule, that, in such event, Pledged Revenue and moneys available in the Surplus Fund would not be sufficient to pay debt service on the Series 2005 Bonds and that, as a result, a draw on the Partial Debt Service Guaranty would be necessary and/or debt service on the Series 2005 Bonds would not be paid. The Cash Flow Projection also projects, in the case of the third scenario described above, the issuance of Completion Bonds by the District; however, such projections represent only one plan of finance that may be implemented by the District and such Bonds may or may not be issued on the timeline suggested by the Cash Flow Projection, or at all. See "THE SERIES 2005 BONDS – Additional Bonds," "RISK FACTORS – Absorption Assumptions and Cash Flow Projection" and "FORWARD LOOKING STATEMENTS."

Investment Risks

The purchase and ownership of the Series 2005 Bonds involves significant risk. Prospective investors should read this Limited Offering Memorandum in its entirety to make an informed investment decision, paying particular attention to the factors set forth in "RISK FACTORS."

Changes from Preliminary Limited Offering Memorandum

This Limited Offering Memorandum includes certain information which was not available for inclusion in the Preliminary Limited Offering Memorandum dated August 26, 2005, including without limitation, maturity dates, interest rates, prices, optional call dates, mandatory sinking fund payments and release amounts related to the Restricted Account of the Construction Fund. Purchasers of the Series 2005 Bonds should read this Limited Offering Memorandum in its entirety.

Tax Matters

In the opinion of Bond Counsel, to be delivered upon the issuance of the Series 2005 Bonds, under existing law and assuming compliance by the District with certain requirements of the Internal Revenue Code of 1986, as amended (the "**Code**"), that must be met subsequent to the issuance of the Series 2005 Bonds, with which the District has certified, represented, and covenanted its compliance, interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes and is not included in the computation of federal alternative minimum tax imposed on individuals, trusts, estates, and, subject to certain exceptions, corporations. Also, in the opinion of Bond Counsel, under existing law such interest is not subject to income taxation by the State. See "TAX MATTERS" for a more detailed discussion. See also the form of such opinion attached hereto as **Appendix D**.

Continuing Disclosure

Although the Series 2005 Bonds as initially issued will be exempt from the provisions of Rule 15c2-12 ("**Rule 15c2-12**") promulgated by the SEC under the Securities Exchange Act of 1934, as amended, in connection with the issuance of the Series 2005 Bonds, the District and the Developer will execute a Continuing Disclosure Agreement in which they will agree to provide periodically to Owners of the Series 2005 Bonds certain financial information and operating data relating to the District and the Residential

Development. See "CONTINUING DISCLOSURE" and **Appendix C** – "FORM OF CONTINUING DISCLOSURE AGREEMENT."

Professionals Involved in the Offering

In connection with the issuance of the Series 2005 Bonds, Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel, will deliver the opinion attached as **Appendix D** hereto. Certain matters relating to the Series 2005 Bonds will be passed upon for the District by its general counsel and special disclosure counsel, White, Bear & Ankele Professional Corporation, Highlands Ranch, Colorado. Kutak Rock LLP, Denver, Colorado has served as counsel to the Underwriter. See "LEGAL MATTERS." American National Bank will serve as Trustee, Paying Agent, and Registrar for the Series 2005 Bonds.

Other Information

This Limited Offering Memorandum speaks only as of its date and the information contained herein is subject to change without notice.

The purpose of this Limited Offering Memorandum is to supply information to any purchaser of the Series 2005 Bonds. This Limited Offering Memorandum includes financial and other information about the District and also contains descriptions of the Residential Development, the Developer, the Series 2005 Bonds, the Indenture and related documents and federal and Colorado laws. None of such information or descriptions in this Limited Offering Memorandum purport to be definitive or comprehensive. All references to the Indenture or the Series 2005 Bonds or such related documents and laws are qualified in their entirety by references to each of such documents, the form of the Series 2005 Bonds in the Indenture and such laws. See "ADDITIONAL INFORMATION." So far as any statements made in this Limited Offering Memorandum involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. Information contained herein has been obtained from officers, employees and records of the District and from other sources believed to be reliable. The information herein is subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall under any circumstances create an implication that there has been no change in the affairs of the District since the date hereof. This Limited Offering Memorandum is not to be construed as a contract or agreement between the District and the purchasers or holders of any of the Series 2005 Bonds.

THE FOREGOING INFORMATION IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE DETAILED INFORMATION CONTAINED IN THIS LIMITED OFFERING MEMORANDUM. EACH PROSPECTIVE INVESTOR SHOULD READ THE LIMITED OFFERING MEMORANDUM IN ITS ENTIRETY.

FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, and particularly the information contained under the caption "THE DEVELOPER AND THE DEVELOPMENT" and in **Appendix B** - "CASH FLOW PROJECTION," contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Limited Offering Memorandum, the words "estimate," "forecast," "projection," "intend," "expect" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast or projection is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts or projections will not be realized and unanticipated events and circumstances may occur.

Therefore, there are likely to be differences between forecasts or projections and actual results, and those differences may be material. Important factors to consider in evaluating such forward-looking statements in this Limited Offering Memorandum include changes in external competitive market factors, changes in the Developer's or a home builder's business strategies with respect to the Residential Development or an inability of the Developer or a home builder to execute such strategy due to unanticipated changes in the demand for property or retail goods in the area or the economy in general and various other competitive factors that may prevent the Residential Development from competing successfully in the northern Colorado market.

PLAN OF FINANCE

Use of Proceeds

The District currently expects that the proceeds of the Series 2005 Bonds, excluding accrued interest, will be expended substantially as follows:

	<u>Estimated Amounts</u>
Deposit to Interest Account of the Bond Fund ¹	\$ 1,771,521.99
Deposit to Restricted Account of Construction Fund ²	8,775,478.01
Costs of Issuance ³	<u>353,000.00</u>
 Total Use of Proceeds	 \$10,900,000.00

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- (1) Represents interest to become due and payable on the Series 2005 Bonds through and including June 1, 2008.
(2) To be applied to costs of the Facilities (see "Financing of the Facilities" below). See also **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – The Construction Fund."** The availability of amounts on deposit in the Restricted Account of the Construction Fund to fund costs of the Facilities is subject to the satisfaction of certain tests, as set forth in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Restricted Account in Construction Fund."
(3) Includes Underwriter's discount, Trustee and legal fees.

Financing of the Facilities

Pursuant to the Master IGA, and in accordance with the Service Plan, the District expects to fund certain public infrastructure, to be acquired or constructed by District No. 1, required for the Residential Development, as more particularly described in "THE DISTRICT – District Facilities" (referred to herein as the "**Facilities**"). (The provision of such Facilities is also sometimes referred to herein and in the Indenture as the "**Project**.")

The total costs of the Facilities required for the Residential Development are estimated at approximately \$25.9 million, approximately \$8.8 million of which are anticipated to be funded using proceeds of the Series 2005 Bonds. Pursuant to the Indenture, the Trustee will establish the Restricted and Unrestricted Accounts in the Construction Fund and deposit therein, from proceeds of the Series 2005 Bonds, the amounts indicated above under "Use of Proceeds." Amounts on deposit in the Unrestricted Account are to be paid out and applied, upon requisition of the District, to costs of the Project. Amounts on deposit in the Restricted Account are to be transferred to the Unrestricted Account for application to costs of the Project only upon the satisfaction of certain conditions and, otherwise, are to be held by the Trustee as additional security for the Series 2005 Bonds, all as set forth in "SECURITY AND SOURCES

OF PAYMENT FOR THE SERIES 2005 BONDS – Restricted Account of Construction Fund." See also **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Funds and Accounts - Construction Fund."**

Costs of the Facilities in the amount of \$17.1 million are expected to be funded by advances made by the Developer to District No. 1 pursuant to the Loan Agreement, which advances District No. 2 is obligated to repay in accordance with the Master IGA, as described in "THE DISTRICT – Material Contracts – Intergovernmental Agreement Among the Districts" and "- Developer Reimbursement Agreements." The reimbursement obligation of the District under the Loan Agreement up to the amount of approximately \$14.95 million will be structured as a "Permitted Subordinate Bond" under the Indenture, payable on a basis subordinate to the Series 2005 Bonds. See "THE SERIES 2005 BONDS - Additional Bonds." The reimbursement obligation of the District under the Loan Agreement for the \$2.15 million in remaining costs of the Facilities is anticipated to be reimbursable by the District on a contingent basis, subject to annual appropriation, such that such reimbursement obligation does not constitute an Additional Bond under the Indenture. The District expects that it will issue, subject to the restrictions of the Indenture and the Service Plan, Completion Bonds and Additional Bonds for the purpose of repaying advances under the Loan Agreement and/or otherwise funding additional costs of the Facilities, if the rate of development within the District and resulting Pledged Revenue are sufficient to support such Completion Bonds and Additional Bonds. The District is not able to predict at this time the amount of such Bonds, if any, that may be issued under such circumstances, and has no future specific plans with respect to the issuance of such Bonds.

THE SERIES 2005 BONDS

The following is a summary of certain general provisions of the Series 2005 Bonds. Reference is hereby made to the Indenture in its entirety for the detailed provisions pertaining to the Series 2005 Bonds. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS," and Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE." All capitalized terms used herein and not otherwise defined shall have the meanings assigned them in Appendix A hereto.

General

The Series 2005 Bonds will be issued pursuant to the Indenture in the aggregate principal amount of \$10,900,000. The Series 2005 Bonds will be issued in fully registered form without coupons, in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof; provided that said \$500,000 denominations shall be reduced to \$1,000 denominations or any integral multiple thereof, in the event that the Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S., or any successor statute, or has taken other actions which permit the Bonds to be issued in denominations of \$1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act, Title 11, Article 59, C.R.S., or any successor statute. Beneficial interests of the Bonds may be acquired or transferred through brokers and dealers who are, or who act through, participants in the DTC system. See "Book-Entry-System."

The Series 2005 Bonds will be dated as of September 1, 2005, and will bear interest at the rate and will mature on the date set forth on the front cover of this Limited Offering Memorandum. Interest on the Series 2005 Bonds is payable semi-annually, on June 1 and December 1 of each year, commencing December 1, 2005. The principal, premium (if any) and interest on the Series 2005 Bonds are payable to the Owner of each Series 2005 Bond upon maturity or prior redemption and presentation at

the principal office of the Trustee. See **Appendix A** – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE."

Prior Redemption

Optional Redemption. The Series 2005 Bonds are subject to redemption prior to maturity, at the option of the District, in whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2015, and on any date thereafter, upon payment of par and accrued interest thereon to the Redemption date.

Mandatory Sinking Fund Redemption. The Series 2005 Bonds maturing December 1, 2025, are subject to mandatory redemption from sinking fund installments to be paid by the District, in part, by lot on December 1 in each of the following years and amounts, at a redemption price equal to their principal amount plus accrued interest on the following redemption dates:

<u>Year (December 1)</u>	<u>Principal Amount</u>	<u>Year (December 1)</u>	<u>Principal Amount</u>
2009	\$ 90,000	2018	\$245,000
2010	100,000	2019	260,000
2011	110,000	2020	295,000
2012	130,000	2021	310,000
2013	140,000	2022	350,000
2014	165,000	2023	370,000
2015	175,000	2024	410,000
2016	200,000	2025 ¹	435,000
2017	215,000		

¹ Maturity date; not a sinking fund redemption.

The Series 2005 Bonds maturing December 1, 2035, are subject to mandatory redemption from sinking fund installments to be paid by the District, in part, by lot on December 1 in each of the following years and amounts, at a redemption price equal to their principal amount plus accrued interest, on the following redemption dates:

<u>Year (December 1)</u>	<u>Principal Amount</u>	<u>Year (December 1)</u>	<u>Principal Amount</u>
2026	\$480,000	2031	\$700,000
2027	510,000	2032	760,000
2028	565,000	2033	810,000
2029	600,000	2034	880,000
2030	655,000	2035 ¹	940,000

¹ Maturity date; not a sinking fund redemption.

With respect to the Series 2005 Bonds subject to mandatory sinking fund redemption, on or before forty-five (45) days prior to each sinking fund installment date for such maturity as set forth above, the Trustee is to select for redemption, by lot in such manner as the Trustee may determine, from the Outstanding Series 2005 Bonds of that maturity, a principal amount of such Series 2005 Bonds equal to the applicable sinking fund installment. The amount of the applicable sinking fund installment for any particular date and maturity may be reduced by the principal amount of any Series 2005 Bonds of that maturity which prior to said date have been redeemed (otherwise than through the operation of the sinking fund) and cancelled and not theretofore applied as a credit against a sinking fund installment. Such reductions, if any, are to be applied in such year or years as may be determined by the District.

Mandatory Excess Funds Redemption. The Series 2005 Bonds are subject to mandatory excess funds redemption as a whole or in integral multiples of \$5,000, on December 1, 2008, solely from and to the extent of any moneys held in the Restricted Account of the Construction Fund on October 15, 2008. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Restricted Account of the Construction Fund." On October 15, 2008, the Trustee is to determine the amount, if any, held in the Restricted Account of the Construction Fund, and if such amount is sufficient to redeem any Bonds on December 1, 2008, the Trustee and District are to take such actions as may be necessary to redeem as many Series 2005 Bonds as can be redeemed with such moneys on December 1, 2008, at a price of par and accrued interest, without redemption premium.

Procedure for and Notice of Redemption. If less than all of the Series 2005 Bonds within a maturity are to be redeemed on any prior redemption date, the Series 2005 Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Trustee shall determine. The Series 2005 Bonds shall be redeemed only in integral multiples of \$5,000. In the event a Series 2005 Bond is of a denomination larger than \$5,000, a portion of such Series 2005 Bond may be redeemed, but only in the principal amount of \$5,000 or any integral multiple thereof. Such Series 2005 Bond shall be treated for the purpose of redemption as that number of Series 2005 Bonds which results from dividing the principal amount of such Series 2005 Bond by \$5,000. In the event a portion of any Series 2005 Bond is redeemed, the Trustee shall, without charge to the Owner of such Series 2005 Bond, authenticate and deliver a replacement Series 2005 Bond or Bonds for the unredeemed portion thereof.

In the event any of the Series 2005 Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Series 2005 Bonds or portions thereof to be redeemed will be given by the Trustee by mailing a copy of the redemption notice by first class mail (postage prepaid), not less than thirty (30) days prior to the date fixed for redemption, to the Owner of each Series 2005 Bond to be redeemed in whole or in part at the address shown on the registration books maintained by or on behalf of the District by the Trustee. Failure to give such notice by mailing to any Owner, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Series 2005 Bonds as to which no such failure or defect exists. The redemption of the Series 2005 Bonds may be contingent or subject to such conditions as may be specified in the notice, and if funds for the redemption are not irrevocably deposited with the Trustee or otherwise placed in escrow and in trust prior to the giving of notice of redemption, the notice shall be specifically subject to the deposit of funds by the District. All Series 2005 Bonds so called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment at that time.

Additional Bonds

The Indenture prohibits the District from incurring any additional debt or other financial obligation having a lien on the Pledged Revenue or any part thereof superior to the lien of the Series 2005 Bonds. Pursuant to the Indenture, the District may issue Completion Bonds, Subordinate Bonds and other

Additional Bonds (all as defined herein), subject to the restrictions set forth in the following paragraphs. The Indenture does not prohibit the District from incurring obligations which are not Additional Bonds.

The District may issue up to \$11,000,000 maximum principal amount of additional bonds, notes or other obligations ("**Completion Bonds**") secured by the Pledged Revenue or any part thereof on a parity with the lien thereon of the Series 2005 Bonds subject to the following: (i) the average annual debt service in any year in which the Series 2005 Bonds or other Parity Bonds are Outstanding may not exceed \$1,200,000; (ii) the Completion Bonds may be issued only if at the time of issuance: (1) all moneys in the Restricted Account have been transferred to the Unrestricted Account as a result of sales or Building Permit issuances as provided in the Indenture; and (2) no amount of the Partial Debt Service Guaranty has been drawn upon; (iii) no Completion Bonds may be issued if any payment of principal of or interest on the Bonds has not been paid when due, an Event of Default shall have occurred and be continuing, or an insufficiency in moneys in the Bond Fund, the Surplus Fund and the Partial Debt Service Guaranty Fund has occurred requiring moneys on deposit in the Construction Fund to be applied to principal of or interest on the Series 2005 Bonds (as described in **Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts - Construction Fund"**); (iv) the Completion Bonds must be secured by a debt service guaranty consisting of cash (other than Completion Bond proceeds) or a Letter of Credit in the aggregate amount of not less than 10% of the principal amount of the Completion Bonds; (v) the Completion Bonds must be secured by a surplus or similar fund to be funded from excess Pledged Revenue in substantially the same manner as the Surplus Fund, in the minimum amount of 10% of the principal amount of the Completion Bonds; (vi) after payment of the costs of issuance, and after any deposits to any debt service funds, reserve funds, or similar funds or accounts required by the resolution or other enactment authorizing the issuance of the Completion Bonds, the remaining proceeds thereof may be released to the District only upon sales to Qualified Builders of, or the issuance of Building Permits for, property subject to the District's ad valorem debt service mill levy (which sales or Building Permits are to be with respect to property other than the property resulting in the transfer of moneys from the Restricted Account for the Series 2005 Bonds), in substantially the same ratios and fashion (as reasonably determined by the Board) as provided in the Indenture for a transfer of Series 2005 Bond proceeds from the Restricted Account to the Unrestricted Account, and unless released as aforesaid within three years of the date of issuance of the Completion Bonds, must be used to redeem Completion Bonds (see "**SECURITY AND SOURCES OF PAYMENT – Restricted Account in the Construction Fund**"); and (vii) the principal and interest payment dates for the Completion Bonds are to be the same as the Series 2005 Bonds.

The District may issue additional bonds, notes, debentures, contracts, or other multiple fiscal year obligations having a lien on the Pledged Revenue or any part thereof junior and subordinate to the lien thereon of the Series 2005 Bonds ("**Subordinate Bonds**") as provided in the following paragraph (with respect to Additional Bonds generally), or subject to the following provisions (in which case such Subordinate Bonds are referred to herein as "**Permitted Subordinate Bonds**"):

- (i) the maximum principal amount of the Permitted Subordinate Bonds (calculated without regard to premiums or discounts) may not exceed the amount of \$26 million less the original principal amount of the Series 2005 Bonds and any other Additional Bonds (including without limitation any Completion Bonds), and less the original principal amount of any other Permitted Subordinate Bonds theretofore issued (meaning that, after the issuance of the Series 2005 Bonds, any other Additional Bonds, including Permitted Subordinate Bonds, may not exceed \$15.1 million);
- (ii) the Permitted Subordinate Bonds may be issued only if at the time of issuance no amount of the Partial Debt Service Guaranty has been drawn upon that has not been fully reimbursed;
- (iii) no Permitted Subordinate Bonds may be issued if any payment of principal of or interest on the Series 2005 Bonds has not been paid when due, an Event of Default shall have occurred and be continuing, or an insufficiency in moneys in the Bond Fund, the Surplus Fund and the Partial Debt Service Guaranty Fund has occurred requiring moneys on deposit in the Construction Fund to be applied to principal of or interest on the Series 2005 Bonds (as described in **Appendix A - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts - Construction Fund"**); and

CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts - Construction Fund); and (iv) the Permitted Subordinate Bonds are to be payable as to both principal and interest only on an annual basis, on a date which is after the final principal or interest payment date due in that calendar year on the Series 2005 Bonds or any other Parity Bonds.

In addition to the Completion Bonds and the Permitted Subordinate Bonds, the District may issue other Additional Bonds, as more particularly defined below, including Subordinate Bonds and bonds, notes, debentures, contracts or other multiple fiscal year financial obligations payable from or secured by a lien on all or any portion of the Pledged Revenue on a parity with the lien thereon of the Series 2005 Bonds ("**Parity Bonds**"), subject to the limitations set forth in this paragraph. The District may issue Additional Bonds if consented to by the Consent Parties with respect to a majority in aggregate principal amount of the Series 2005 Bonds Outstanding. In addition, the District may issue Additional Bonds without such consent provided that, as of the date of issuance of the Additional Bonds: (i) the District is in substantial compliance with all of the covenants of the Indenture and the documents pursuant to which any previously issued Additional Bonds were issued; (ii) the District is current in the accumulation of all amounts required to be then accumulated in the funds and accounts pledged to the payment of the Series 2005 Bonds and any previously issued Additional Bonds; and (iii) upon issuance of the Additional Bonds, the Debt to Assessed Ratio of the District will be fifty percent (50%) or less. For purposes of the foregoing, "**Additional Bonds**" means (a) all obligations of the District for borrowed money and reimbursement obligations, (b) all obligations of the District payable from or constituting a lien or encumbrance upon *ad valorem* tax revenues of the District, (c) all obligations of the District evidenced by bonds, debentures, notes, or other similar instruments, including without limitation any Parity Bonds or Subordinate Bonds, (d) all obligations of the District to pay the deferred purchase price of property or services, (e) all obligations of the District as lessee under capital leases, and (f) all obligations of others guaranteed by the District; provided that notwithstanding the foregoing, the term "Additional Bonds" does not include: (1) obligations the repayment of which is contingent upon the District's annual determination to appropriate moneys therefor, other than capital leases as set forth in (e) above, so long as (i) no amounts due or to become due on such obligations are payable from the District's debt service mill levy, and (ii) no amounts due or to become due on such obligations are payable from a District operations and maintenance mill levy in excess of that which, when combined with the Required Mill Levy, would exceed fifty (50) mills, calculated and adjusted from the date of approval of the Service Plan, as provided in the definition of "Required Mill Levy" herein; (2) obligations which are payable solely from the proceeds of Additional Bonds, when and if issued; (3) obligations which refund or refinance any Series 2005 Bonds or Additional Bonds, so long as (i) such refunding obligations do not increase the District's debt service in any year in which both the refunding obligations and any Bonds or Additional Bonds are Outstanding; (ii) such refunding obligations are payable on the same date or dates as the obligations being refunded or refinanced, and are not subject to acceleration, (iii) such refunding obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority, as the obligations being refunded or refinanced; and (iv) the remedies for defaults under such refunding or refinancing obligations are substantially the same as the remedies applicable to the obligations being refunded or refinanced; (4) obligations payable solely from periodic, recurring service charges (and not from tap fees, development fees, or other similar charges of a capital nature) imposed by the District for the use of any District facility or service, which obligations do not constitute a debt or indebtedness of the District or an obligation required to be approved at an election under Colorado law; (5) obligations to reimburse any person in respect of surety bonds, financial guaranties, letters of credit, or similar credit enhancements so long as (i) such surety bonds, financial guaranties, letters of credit, or similar credit enhancements guarantee payment of all principal and interest on any single issue of Additional Bonds, and (ii) such reimbursement obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority as the Additional Bonds supported by the surety bonds, financial guaranties, letters of credit, or similar credit enhancements; and (6) any operating leases, payroll obligations, accounts payable, or taxes incurred or payable in the ordinary course of business of the District.

The District's issuance of additional debt is also subject to certain state law limitations and limitations contained in the Service Plan as described in "DISTRICT FINANCIAL INFORMATION – Debt Structure – Debt Limits." See "PLAN OF FINANCE – Financing of the Facilities." The District expects to enter into the Loan Agreement, the O&M Agreement and the Partial Debt Service Guaranty Reimbursement Agreement, the reimbursement obligations of the District under which agreements will be structured as "Permitted Subordinate Bonds" under the Indenture and, as a result, will not be permitted to exceed, in the aggregate, \$15.1 million expected to be allocated as follows: \$14.95 million to the Loan Agreement and \$0.15 million to the O&M Agreement. See "THE DISTRICT - Material Contracts - Developer Reimbursement Agreements." Taking into account the application of proceeds of the Series 2005 Bonds and amounts to be advanced under the Loan Agreement, approximately \$2.15 million in remaining costs of the Facilities is anticipated to be funded by the Developer and reimbursable by the District, in addition to potentially \$1.1 million related to payments made under the Partial Debt Service Guaranty, pursuant to contingent obligations that are subject to annual appropriation and not secured by a pledge of ad valorem taxes such that they are not Additional Bonds under the Indenture. The District expects that it will issue, subject to the restrictions of the Indenture and the Service Plan, Completion Bonds and Additional Bonds for the purpose of repaying advances under the Loan Agreement and/or otherwise funding additional costs of the Facilities, if the rate of development within the District and resulting Pledged Revenue are sufficient to support such Completion Bonds and Additional Bonds. The District is not able to predict at this time the amount of such Bonds, if any, that may be issued under such circumstances, and has no future specific plans with respect to the issuance of such Bonds. The Cash Flow Projection projects, under certain circumstances, the issuance of Completion Bonds by the District; however, such projections represent only one plan of finance that may be implemented by the District and such Bonds may or may not be issued on the timeline suggested by the Cash Flow Projection, or at all. See "RISK FACTORS – Absorption Assumptions and Cash Flow Projection" and "FORWARD LOOKING STATEMENTS."

Book-Entry-Only System

The Series 2005 Bonds will be available only in book-entry form. DTC will act as the initial securities depository for the Series 2005 Bonds. The ownership of one fully registered Bond for the maturity set forth on the cover page of this Limited Offering Memorandum, in the aggregate principal amount of such maturity, will be registered in the name of Cede & Co., as nominee for DTC.

The information in this section concerning DTC and DTC's book entry-only system has been obtained from DTC, a source that the District believes to be reliable, but the District and the Underwriters take no responsibility for the accuracy thereof.

DTC will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each of the Series 2005 Bonds, as set forth on the cover page hereof, each in the aggregate principal amount of each maturity of the Series 2005 Bonds and deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over two million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with

DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSAC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("**Indirect Participants**"). DTC has Standard & Poor's highest rating: "AAA." The rules applicable to DTC and its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2005 Bonds, except in the event that use of the book-entry system for the Series 2005 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2005 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants remain responsible for keeping accounts of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Series 2005 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2005 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Series 2005 Bonds may wish to ascertain that the nominee holding the Series 2005 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2005 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2005 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2005 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2005 Bonds are to be made to Cede & Co., or such other name as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners are governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other name as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository), provided, however, that while the Letter of Credit is in effect and while any Bank Series 2005 Bonds are outstanding, the District may discontinue such use only with the prior consent of the Bank. In that event, bond certificates will be printed and delivered to DTC. According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

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Debt Service Requirements

The following schedule shows, for each Fiscal Year, commencing in Fiscal Year 2005, the estimated total debt service payable on the Series 2005 Bonds through maturity, assuming no prior redemption of the Series 2005 Bonds other than the mandatory redemption described above under "Prior Redemption – Mandatory Sinking Fund Redemption." See also **Appendix B** - "CASH FLOW PROJECTION."

Estimated Debt Service Schedule

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total Debt Service Requirements</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest¹</u>	<u>Total Debt Service Requirements</u>
2005	--	\$172,469	\$172,469	2021	\$310,000	\$557,063	\$867,063
2006	--	689,875	689,875	2022	350,000	537,688	887,688
2007	--	689,875	689,875	2023	370,000	515,813	885,813
2008	--	689,875	689,875	2024	410,000	492,688	902,688
2009	\$ 90,000	689,875	779,875	2025	435,000	467,063	902,063
2010	100,000	684,250	784,250	2026	480,000	439,875	919,875
2011	110,000	678,000	788,000	2027	510,000	409,275	919,275
2012	130,000	671,125	801,125	2028	565,000	376,763	941,763
2013	140,000	663,000	803,000	2029	600,000	340,744	940,744
2014	165,000	654,250	819,250	2030	655,000	302,494	957,494
2015	175,000	643,938	818,938	2031	700,000	260,738	960,738
2016	200,000	633,000	833,000	2032	760,000	216,113	976,113
2017	215,000	620,500	835,500	2033	810,000	167,663	977,663
2018	245,000	607,063	852,063	2034	880,000	116,025	996,025
2019	260,000	591,750	851,750	2035	940,000	59,925	999,925
2020	295,000	575,500	870,500				

Source: Underwriter

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS

Special, Limited Obligations

Generally. The Series 2005 Bonds are special, limited obligations of the District payable from and secured by a lien (but not necessarily an exclusive first lien) on the Trust Estate, including "**Pledged Revenue**" consisting of: (i) amounts derived from the Required Mill Levy (as more particularly described herein, the "**Property Taxes**"); (ii) the portion of specific ownership taxes on motor vehicles imposed by the state of Colorado which is paid to the District (the "**Specific Ownership Taxes**"); (iii) proceeds of certain Development Fees imposed by the District (the "**Development Fees**"), and any other Capital Fees (as defined herein); and (iv) any other legally available moneys which the Board in its discretion credits to the Bond Fund. For the complete definition of Trust Estate, see **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Definitions."** Certain projections of Pledged Revenue to be received by the District are set forth in **Appendix B - "CASH FLOW PROJECTION."**

The Series 2005 Bonds are also secured by the Partial Debt Service Guaranty provided by the Developer and amounts on deposit in the Partial Debt Service Guaranty Fund and the Restricted Account in the Construction Fund, as described below under "Partial Debt Service Guaranty" and "Restricted Account in the Construction Fund."

THE SERIES 2005 BONDS DO NOT CONSTITUTE A DEBT OR FINANCIAL OBLIGATION OF, NOR DO THEY CONSTITUTE OR GIVE RISE TO ANY PECUNIARY LIABILITY OF, THE TOWN, THE COUNTY, THE STATE, THE DEVELOPER OR ANY POLITICAL SUBDIVISION OF THE STATE (OTHER THAN THE DISTRICT) OR A CHARGE AGAINST THE GENERAL CREDIT OR TAXING POWERS, IF ANY, THEREOF. THE SERIES 2005 BONDS ARE NOT SECURED BY ANY LIEN OR MORTGAGE ON OR SECURITY INTEREST IN ANY PROPERTY OF THE DISTRICT, THE TOWN, THE COUNTY, THE STATE OR THE DEVELOPER OTHER THAN TRUST ESTATE.

Property Taxes

Pursuant to the terms of the Indenture, the District has agreed to impose against all property within its boundaries a "**Required Mill Levy**," which is an ad valorem mill levy imposed in amounts sufficient to pay when due the principal of, premium if any, and interest on the Series 2005 Bonds as the same become due and payable, but not in excess of 40 mills and, for so long as the Debt to Assessed Ratio (defined below) is higher than 50%, not less than 33 mills; provided however, that, in the event the method of calculating assessed valuation is changed after the date of approval of the Service Plan, the above-described mill levy limitations will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

The revenues resulting from the imposition of the Required Mill Levy (the "**Property Taxes**") are required to be paid to the Trustee as soon as practicable upon receipt by the District, and are to be applied by the Trustee, together with any other Pledged Revenue, as provided below under "Flow of Funds."

The Series 2005 Bonds are not secured by any lien on property located in the District; rather, they are secured by a covenant of the District to impose the Required Mill Levy, subject to the above-described limitations, together with other components of the Trust Estate. For more information relating to Property Taxes, see "DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes."

The annual levy for debt service creates a statutory tax lien which may be enforced to the extent that taxes are delinquent in a given year.

The debt election questions approved by eligible voters of the District provide that any mill levy imposed by the District to provide for payment of such debt may be imposed without limitation as to rate, "except as may be provided in the District's Service Plan, as the same may be amended from time to time, and with such additional limitations as may be determined by the Board of Directors of the District." Pursuant to the Indenture, the District has covenanted that so long as the Series 2005 Bonds are outstanding, it will not submit, agree to, consent to, or facilitate any amendment to the Service Plan which would have the effect of reducing the amount of the Required Mill Levy which the District would be entitled to impose under the Service Plan in effect as of the date of issuance of the Series 2005 Bonds.

Specific Ownership Taxes

"Specific Ownership Taxes" consists of the portion of the revenues from the specific ownership tax on certain motor vehicles and other personal property imposed by the State in lieu of ad valorem taxes on such property (pursuant to Article 3, Title 42 C.R.S., or any successor statute) that is allocable to the Districts. Such specific ownership tax is currently imposed at a graduated rate which varies from 2.1% of taxable value in the first year of ownership to 3% per year in the tenth year of ownership and thereafter. The specific ownership tax is collected on property within each County by the respective County Treasurer and the total amount of specific ownership taxes collected by each County Treasurer is apportioned among all political and governmental subdivisions within such County during the preceding calendar year.

Pursuant to the Indenture, the District has agreed to pay all Specific Ownership Taxes directly to the Trustee as soon as practicable upon receipt for application, together with any other Pledged Revenue, as provided below under "Flow of Funds."

Development Fees

"**Development Fees**" consist of fees imposed and collected by the District pursuant to a Resolution adopted by its Board on August 18, 2005 (the "**Fee Resolution**"). Pursuant to the Fee Resolution, one-time Development Fees are imposed in the amount of \$800 per single-family attached or detached residential unit and \$400 per multi-family unit. Such Development Fees are due and payable within thirty (30) days after the end of each month in which a building permit is issued for a dwelling unit. Unpaid Development Fees are assessed a late penalty of five percent (5%) per month, not to exceed twenty-five percent (25%) of the amount due. Interest will also accrue on any outstanding Development Fee, exclusive of such assessed late fee, at the rate of eighteen percent (18%) per annum. In the event of a default of a payment of a Development Fee, the District's statutory lien can be foreclosed in the same manner as provided for the foreclosure of mechanics' liens in Colorado.

Pursuant to the Indenture, the District has pledged to the payment of the Series 2005 Bonds, in addition to the Development Fees, any other "**Capital Fees**," meaning all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District or any District-owned "enterprise" under Article X, Section 20 of the Colorado Constitution, for

services, programs, or facilities furnished by the District. The District does not presently impose, and has no plans to impose, any Capital Fees other than the Development Fees.

Pursuant to the Indenture, the District is to pay all such Development Fees, and any other Capital Fees, to the Trustee as soon as practicable upon receipt.

Partial Debt Service Guaranty and Partial Debt Service Guaranty Fund

In order to provide additional security for the Series 2005 Bonds, the Developer has agreed to provide, pursuant to a reimbursement agreement with the District a "**Partial Debt Service Guaranty**" consisting of cash, an irrevocable standby letter of credit (as more particularly described below, the "**Letter of Credit**"), or both in the aggregate amount of \$1,090,000, which may be used or drawn upon for the purposes of paying the principal of, premium if any, and interest on the Series 2005 Bonds. See "THE DISTRICT – Material Contracts – Developer Reimbursement Agreements." Pursuant to the Indenture, any portion of the Partial Debt Service Guaranty consisting of cash is to be deposited to, and any draws upon the Letter of Credit are to be credited to, the Partial Debt Service Guaranty Fund to be established and held by the Trustee. It is a condition to issuance of the Series 2005 Bonds that the full amount of the Partial Debt Service Guaranty will be satisfied on the date of issuance of the Series 2005 Bonds with cash or a Letter of Credit obtained by the Developer.

In the event that the amounts credited to the Bond Fund and the Surplus Fund are insufficient to pay the principal of or interest on the Series 2005 Bonds when due, the Trustee is to transfer from the Partial Debt Service Guaranty Fund to the Bond Fund an amount which, when combined with moneys in Bond Fund and the Surplus Fund, will be sufficient to make such payments when due; and in the event the amounts in the Bond Fund, the Surplus Fund, and the Partial Debt Service Guaranty Fund are insufficient to pay all principal and interest on any due date, the Trustee is to nonetheless transfer all of the moneys in the Partial Debt Service Guaranty Fund to the Bond Fund for the purpose of making partial payments as provided in the Indenture; provided that if all or any part of the Partial Debt Service Guaranty consists of a Letter of Credit, the Trustee is to draw upon the Letter of Credit in the amount of the required transfer to the Bond Fund (taking into account moneys then on deposit in the Partial Debt Service Guaranty Fund). Amounts in the Partial Debt Service Guaranty Fund may not be used to redeem Series 2005 Bonds being called pursuant to any optional redemption provisions of the Indenture, but may be used to pay Series 2005 Bonds coming due as a result of any mandatory redemption. Notwithstanding the foregoing, on the fifth (5th) business day prior to the expiration date of any Letter of Credit constituting all or any part of the Partial Debt Service Guaranty, the Trustee is to draw the entire stated amount of the Letter of Credit and credit such moneys to the Partial Debt Service Guaranty Fund. **Neither the District nor the Developer is obligated to replenish amounts drawn from the Partial Debt Service Guaranty Fund, or to cause the stated amount of any Letter of Credit to be reinstated after any draw thereon.**

Pursuant to the Indenture, the Partial Debt Service Guaranty and the Partial Debt Service Guaranty Fund are to be maintained as provided herein until the Debt to Assessed Ratio is 50% or less, after which the Partial Debt Service Guaranty Fund is to be terminated, any Letter of Credit constituting all or any part of the Partial Debt Service Guaranty is to be cancelled by the Trustee, and any moneys in the Partial Debt Service Guaranty Fund at the time of such cancellation are to be transferred to the Developer. For purposes of the foregoing, "**Debt to Assessed Ratio**" means the ratio derived by dividing the then-outstanding principal amount of all general obligation debt of the District by the assessed valuation of the taxable property in the District, as such assessed valuation is certified from time to time by the appropriate county assessor; provided that, for purposes of the foregoing test relating to the release of the Partial Debt Service Guaranty, the amount of general obligation debt of the District shall include only the Series 2005 Bonds and any Parity Bonds, and shall not include any other Additional Bonds.

Restricted Account of Construction Fund

The Trustee is to deposit into the Restricted Account of the Construction Fund from proceeds of the Series 2005 Bonds the amount indicated in "PLAN OF FINANCE - Use of Proceeds." Moneys in the Restricted Account are to be transferred to the Unrestricted Account of the Construction Fund (and, thereafter, disbursed by the Trustee in accordance with requisitions of the District for application to Project Costs), as follows: (i) for each Single Family Lot: (a) the title to which is transferred to a Qualified Builder (as defined in the Indenture and set forth in **Appendix A** hereto or otherwise consented to by the Consent Parties with respect to a majority in aggregate principal amount of the Series 2005 Bonds then Outstanding); or (b) if the Single Family Lot has not been so transferred, as to which a Building Permit has been issued, the Trustee shall transfer \$10,165 from the Restricted Account to the Unrestricted Account, or such lesser amount as may be in the Restricted Account at that time; and (ii) for each Parcel: (a) the title to which is transferred to a Qualified Builder, or (b) if the Parcel has not been so transferred, as to which a building permit has been issued, the Trustee shall transfer from the Restricted Account to the Unrestricted Account an amount equal to \$57,780 multiplied by the number of acres or portions thereof such Parcel represents, or such lesser amount as may be in the Restricted Account at that time. For purposes of the foregoing, "**Single Family Lot**" means each single family residential lot as shown on the lot and block legal descriptions to be attached to the Indenture, provided that (a) if such property is re-platted so that the number of single family residential units differs from that set forth in such site plan, such property will thereafter be deemed to be contained within the definition of Parcel; and (b) a different definition of "Single Family Lot" may be agreed to by the District and the Consent Parties with respect to a majority in aggregate principal amount of the Series 2005 Bonds then Outstanding. "**Parcel**" means any real property now or hereafter included within the boundaries of the District or otherwise subject to the Required Mill Levy but which is not described by the definition of Single Family Lot; provided that, a different definition of "Parcel" may be agreed to by the District and the Consent Parties with respect to a majority in aggregate principal amount of the Series 2005 Bonds then Outstanding.

In determining the number of Single Family Lots or Parcels which have been transferred to a Qualified Builder, the Trustee is to receive and may rely upon: (i) a certificate signed by the District Representative or any other Board member, certifying as to the total Parcels which have been so transferred as of the date of the certificate and identifying the same, identifying the acreage of any such Parcels, confirming that such Single Family Lots or Parcels are within the District or otherwise subject to the Required Mill Levy, and confirming that the purchaser is a Qualified Builder and the District reasonably believes that the purchaser intends to construct residential or commercial structures on the property so transferred; and (ii) a report, letter, or other written confirmation of such transfer and such acreage and location within the District, signed by a representative from a licensed title insurance company, or a copy of the recorded deed pertaining to such transfer. In determining whether a Building Permit has been issued with respect to any Single Family Lot or Parcel, the Trustee may rely upon any one or more of the following: (i) a copy of the Building Permit for the Single Family Lot or Parcel, signed or otherwise duly authenticated by or on behalf of an authorized representative of the governmental authority authorized to issue the Building Permit; (ii) a letter or other written communication from an authorized representative of the governmental authority authorized to issue the Building Permit, confirming the issuance of a Building Permit for the Single Family Lot or Parcel; or (iii) any other evidence thereof as the Trustee deems reliable under the circumstances. The good faith determination by the Trustee that the conditions for crediting moneys to the Unrestricted Fund are met are to conclusively determine the validity of such credit.

In the event that there are any moneys remaining in the Restricted Account of the Construction Fund on October 15, 2008, in amounts sufficient to redeem any Series 2005 Bonds on December 1, 2008, such moneys are to be applied to the mandatory excess funds redemption of the Series

2005 Bonds on December 1, 2008, as provided in "THE SERIES 2005 BONDS - Prior Redemption - Mandatory Excess Funds Redemption." In the event that there are any moneys remaining in the Restricted Account of the Construction Fund on October 15, 2008, but such amounts are insufficient to redeem any Series 2005 Bonds on December 1, 2008, such amounts are to be credited to the Bond Fund.

Upon the occurrence of an Event of Default under the Indenture, the Trustee is to cease disbursing moneys from the Construction Fund (including both the Restricted Account and the Unrestricted Account) and apply such moneys as described in **Appendix A** - "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Remedies." In addition, in the event that moneys in the Bond Fund, the Surplus Fund and the Partial Debt Service Guaranty Fund are ever insufficient to pay the principal of and interest on the Series 2005 Bonds when due and there is no Event of Default, the Trustee is to apply money in the Construction Fund as described in "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE - Funds and Accounts - Construction Fund."

Surplus Fund

Pursuant to the Indenture, the Trustee is to establish and maintain a Surplus Fund and deposit therein, until the Debt to Assessed Ratio is 50% or less, the Pledged Revenue available therefore as provided in "Flow of Funds" below, up to the "**Maximum Surplus Amount**" (\$1,090,000). No amount of proceeds of the Series 2005 Bonds are anticipated or required to be deposited into the Surplus Fund.

In the event that the amounts credited to the Bond Fund are insufficient to pay the principal of, premium if any, or interest on the Series 2005 Bonds when due, the Trustee is to transfer from the Surplus Fund to the Bond Fund an amount which, when combined with moneys in Bond Fund, will be sufficient to make such payments when due; and in the event the amounts in the Bond Fund and the Surplus Fund are insufficient to pay all principal, premium if any, and interest on any due date, the Trustee is to nonetheless transfer all of the moneys in the Surplus Fund to the Bond Fund for the purposes of making partial payments as provided herein. Amounts in the Surplus Fund may not be used to redeem Series 2005 Bonds being called pursuant to any optional redemption provisions hereof, but may be used to pay Series 2005 Bonds coming due as a result of any mandatory redemption.

At such time as the Debt to Assessed Ratio is 50% or less, the Surplus Fund is to be terminated and any moneys therein transferred to the District for application to any legal purpose.

Flow of Funds

Pursuant to the Indenture, upon issuance of the Series 2005 Bonds, the District is to transfer to the Trustee any moneys then held by the District which comprise Pledged Revenue and thereafter all Pledged Revenue is to be transferred by the District to the Trustee as soon as practicable after receipt thereof. The Trustee is to apply the Pledged Revenue in the following order of priority (provided that, for purposes of the following, when credits to more than one fund, account, or purpose are required at any single priority level, such credits shall rank *pari passu* with each other):

- (i) to the credit of the Bond Fund, an amount which, when combined with other legally available moneys in the Bond Fund (not including moneys deposited thereto from the Construction Fund or the Surplus Fund), will be sufficient to pay the principal of, premium if any, and interest on the Series 2005 Bonds which have or will become due in the Bond Year in which the credit is made, and to the credit of any other similar fund or account established for the payment of the principal of, premium if any, and interest on any Parity Bonds, the

amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds;

- (ii) to the credit of the Surplus Fund, to the extent of available Pledged Revenue, up to the Maximum Surplus Amount; and to the credit of any other sinking fund, surplus fund, or similar fund or account established to secure payment of the principal of, premium if any, and interest on any Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds;
- (iii) to the credit of any other fund or account hereafter established for the payment of the principal of, premium if any, and interest on Subordinate Bonds, including any reserve fund, sinking fund, surplus fund, or similar fund or account established therefor, the amounts required by the resolution or other enactment authorizing issuance of the Subordinate Bonds; and
- (iv) to the credit of any other fund or account as may be designated by the District, to be used for any lawful purpose, any Pledged Revenue remaining after the payments and accumulations set forth above.

Other Obligations of the District

The District does not have any outstanding general obligation indebtedness or indebtedness secured by the Trust Estate. The District may issue Completion Bonds, Subordinate Bonds (including Permitted Subordinate Bonds) and Additional Bonds, and expects to issue Permitted Subordinate Bonds and other contingent payment obligations on or about the date of issuance of the Series 2005 Bonds, as described in "THE SERIES 2005 BONDS – Additional Bonds," and subject to restrictions set forth in the Service Plan and electoral authority as described in "DISTRICT FINANCIAL INFORMATION – Financial Obligations."

THE DEVELOPER AND THE DEVELOPMENT

The following information concerning the Residential Development and the Developer has been provided by the Developer. No other party has independently verified or assumes responsibility for such information, and neither the District, the Underwriter, nor the Town make any representation as to the accuracy or completeness thereof. Neither the District nor the Underwriter make any representation regarding projected development plans within the Residential Development, the financial soundness of the Developer or the managerial ability of the Developer or other future owners of property within the District to complete development as planned. The development of the property within the Residential Development may be affected by factors such as governmental policies with respect to land development, the availability of utilities, the availability of energy, construction costs, interest rates, competition from other developments and other political, legal and economic conditions beyond the control of the Developer, other property owners or the District. See "RISK FACTORS" and "FORWARD-LOOKING STATEMENTS."

The Developer

The Residential Development, and the adjacent planned commercial development not included in the District, is being undertaken by Frederick Development Company, Inc., a Colorado corporation (the "**Developer**"), having as its principals and directors Charles R. Bellock, Jon R. Lee and Lewis G. Holtsclaw. The Developer currently owns no other assets other than its interests in the Residential Development and an adjacent planned commercial development, as described below under "The Residential Development."

Since 1977, the principals of the Developer have collaborated under the trade name of "Community Development Group" in the development of multiple residential communities in the Denver metropolitan area totaling nearly 14,000 residential units developed or presently under development. Development activities of Community Development Group entities, which operate primarily out of Boulder, Colorado, have generally included property acquisition, entitlement, and then sale of lots to home builders and individuals. The following are demonstrative projects of Community Development Group entities (including the status of completion based on lot sales to builders): Broadlands – a 2,263 unit golf course community in Broomfield, Colorado (96.6% complete); Redleaf – a 492 unit residential project surrounded by open space in Broomfield, Colorado (88.0% complete); Sweetgrass – a 1,664 unit residential community with approximately 80 acres of commercial in Dacono, Colorado (8.7% residential complete; 14.4% commercial complete); Erie Commons – a 770 unit residential community with approximately 60 acres, in the new city center of Erie, Colorado (16.1% residential complete); Coal Creek Ranch – a 485 unit luxury golf course community in Louisville, Colorado (100% complete); South Pointe – a 312 unit master planned community in Lafayette, Colorado (100% complete); Cheyenne Ridge – a 86 unit master planned community in Westminster, Colorado (100% complete); Weatherstone – a 300 unit master planned community in Westminster, Colorado (100% complete); Pradera – a 1,366 unit luxury golf course community in Douglas County, Colorado (100% complete).

The principals of the Developer are also owners or employees of Bellock Construction, as are all other members of the Board of the District. Bellock Construction provides accounting and construction management services to the District. See "THE DISTRICT – Management."

The administrative and management personnel of Bellock Construction assigned to the Residential Development on behalf of the Developer are as follows:

Jon Lee (Executive Vice President of Bellock Construction). Mr. Lee is responsible for the overall coordination of the Residential Development, including acquisition of the

property, entitlements, construction, and sales of individual lots to the builders. Mr. Lee has a Masters in Public Administration, specializing in Planning, from Arizona State and a BS Degree in Community Regional Planning from Iowa State University.

Mike Burns (Director of Land Development). Mr. Burns is responsible for entitlement and all approvals necessary from the Town. Mr. Burns has a Masters in Construction Engineering and Management from the University of Colorado and a BS in Civil Engineering from Montana State University.

Lewis Holtsclaw (Chief Financial Officer). Mr. Holtsclaw is responsible for all financial projections, payments, and budgeting activities. Mr. Holtsclaw has a BS in Business from the University of Nebraska and has been a CPA since 1971.

Dave Rhodes (Vice President of Construction). Mr. Rhodes is responsible for all construction management of the district improvements as well as the on-site lot improvements. Mr. Rhodes has a BS in Construction Management from Colorado State University.

Jessica Clark (Contract Administrator). Ms. Clark is responsible for monitoring all agreements and contracts for compliance and all necessary documents for closings.

The Residential Development

Generally. The Residential Development (known as "Wyndham Hill") consists of approximately 542 acres approved for 1,300 residential units of varying lot size and 400 multi-family units and is part of a master planned development being undertaken by the Developer. Adjacent to the Residential Development, the Developer plans to develop approximately 120 acres for up to 630,000 square feet of commercial buildings. *However, such commercial development is not within the boundaries of the District and will not generate Pledged Revenue or otherwise secure payment of the Series 2005 Bonds.* Also planned for the Residential Development are a pool/community building, two neighborhood parks, an extensive trail and open space system and numerous pocket parks. No schools are presently planned for the Residential Development due to the proximity of nearby existing schools. See "Availability of Public Services" below.

The Residential Development is located in the Town of Frederick, Colorado, west of Interstate 25, south of County Road 16, and north of State Highway 52, and is approximately 30 miles north of metropolitan Denver. See "VICINITY AND DISTRICT MAPS." All of the property planned for the Residential Development is presently within the boundaries of the District (although approximately 9 acres of which was included subsequent to the initial formation of the District).

Pursuant to various agreements entered into directly by the Developer, or assigned to the Developer by various Community Development Group entities, the Developer presently has options to purchase all of the property in the Residential Development (in addition to properties in District No. 3 and certain open space not planned for development), which options are generally required to be exercised and closed on the final platting of the subject property (which the Developer is required to make best efforts to obtain), or terminate in the event that final platting has not occurred or been waived by the Developer within specified time periods (subject to certain extensions available). With respect to one option contract relating to approximately 340 acres for the Residential Development, the option to purchase such property (together with approximately 43 acres in District No. 3) is to be exercised in three phases: (i) 123.6 acres upon final plat of Filing 1 (expected to result in a required closing, as described below, in October 2005); (ii) 129 acres within 456 days subsequent to the initial closing; and (iii) 130

acres within 913 days subsequent to the initial closing. A second option contract relating to 48 acres in the Residential Development (in addition to certain properties in District No. 3) is to be exercised upon final plat of Filing 1 (anticipated to result in a September 2005 closing), subject to the payment of additional amounts to extend the option. A third option contract relating to 186 acres for the Residential Development, to be acquired in one or more closings, is required to be exercised only upon sale of the property by the Developer to a third party. Based upon the approval of the final plat for Filing 1 in the Residential Development (comprising 381 lots), the Developer presently anticipates closing on the purchase of such property (comprising approximately 171 acres), and the options on such property are required to be exercised (unless additional amounts are paid to extend the options) in October 2005. Once acquired, the Developer expects to convey lots within the Residential District to various home builders and individuals. See "Sales Activity" below.

Although the Residential Development is approved to include 1,700 residential units, and planned for 1,544 residential units, it is anticipated that Pledged Revenue will be sufficient to provide for payment on the Series 2005 Bonds when due assuming build out of only 806 residential units in accordance with the Developer's Absorption Assumptions. In the event that development of such 806 units occurs in accordance with the Alternative Absorption Schedule (which slows development to 61% in 2006 and 2007) the Cash Flow Projection projects that transfers from the Surplus Fund would be necessary to pay debt service on the Series 2005 Bonds in 2008 through 2010, but a draw on the Partial Debt Service Guaranty would not be required. However, it is possible that development may occur at a pace slower than that set forth in the Alternative Absorption Schedule, that, in such event, Pledged Revenue and moneys available in the Surplus Fund would not be sufficient to pay debt service on the Series 2005 Bonds and that, as a result, a draw on the Partial Debt Service Guaranty would be necessary and/or debt service on the Series 2005 Bonds would not be paid. See **Appendix B** - "CASH FLOW PROJECTION" and "RISK FACTORS – Absorption Assumptions and Cash Flow Projection."

Sales Activity. The Developer has advised the District that it has entered into contracts for the sale of approximately 850 single-family lots within the Residential Development to be purchased by Continental Homes in five phases, with the initial purchase of 200 lots to be closed upon the recordation of the first plat (expected to occur by September 23, 2005, resulting in a closing with Continental in early October 2005), an additional 130 lots to be purchased no later than 365 days thereafter, and then 130 lots to be purchased each 180 days thereafter. See "VICINITY AND DISTRICT MAPS." The Developer expects that Continental will purchase lots in excess of that required by its contract for a total of 867 lots. In addition, the Developer expects to sell approximately 360 single-family lots to an undetermined single-family home builder, 75 single-family lots to a luxury home builder and 238 units to one or more apartment developers. However, no letters of intent or contracts have been executed with respect to such properties and no assurance has been given as to when, if at all, such contracts will be executed. The Developer projects that all residential lots within the Residential Development will be sold to home builders or individuals building custom homes by 2011 and that the Residential Development will be 100% completed by 2012. For information concerning the Developer's forecast of absorption rates and market values, see **Appendix B** – "CASH FLOW PROJECTION." See also "RISK FACTORS – Absorption Assumptions and Cash Flow Projection."

SALES STATUS
 (Lots Under Contract by Builder¹)

<u>Plat Filing</u>	Front Square Footage				
	<u>50-62'</u>	<u>63-73'</u>	<u>74-79'</u>	<u>80-84'</u>	<u>Total</u>
Filing 1 ²	93	75	32	0	200
Other ³	<u>441</u>	<u>138</u>	<u>55</u>	<u>33</u>	<u>667</u>
Total	534	213	87	33	867

¹ All lots indicated above are under contract for purchase by Continental Homes, other than 17 of the total of 867 lots that are not presently under contract but are expected to be purchased by Continental.

² Lots in Filing 1 are anticipated to be purchased in October 2005.

³ Allocation of lots among lot sizes are based upon the preliminary plat approved for the entire Residential Development and are not anticipated to vary significantly.

Source: The Developer

Required Infrastructure; Financing of the Residential Development. All public infrastructure required for the Residential Development (referred to herein as the Facilities or the Project) is expected to be constructed by District No. 1 pursuant to the terms of the Master IGA. The total cost of such Facilities is estimated at \$25.9 million, of which approximately \$8.8 million is expected to be funded with proceeds of the Series 2005 Bonds and \$17.1 million of which is expected to be funded by Developer advances. See "PLAN OF FINANCE – Financing the Facilities" and "THE DISTRICT – Material Contacts – Developer Reimbursement Agreements." The Developer has stated that moneys advanced to pay costs of the Facilities are anticipated to be funded by lot sales and Developer funds. The Developer anticipates obtaining one or more construction loans in an estimated total aggregate amount of \$12 million to fund private infrastructure required to prepare finished lots for sale, which loans are anticipated to be secured by deeds of trust on property within the Residential Development.

Status of Public Approvals. The Developer has stated that all property within the Residential Development has been annexed into the Town and is entitled for its intended uses under a "planned unit development" (PUD) designation pursuant to the Town Code that relates to both the Residential Development and planned commercial development, subject to minor boundary adjustments between the commercial and residential areas to be addressed in a zoning amendment. Such property is subject to an annexation agreement with the Town that sets forth a process for subdivision approval pursuant to a preliminary and final plat and a final PUD that will align the plat specifics (including minor adjustments in the boundaries of residential and commercial development) with the appropriate zoning, as well as a development agreement requiring the provision of certain infrastructure. The Developer has obtained approval from the Town with respect to a preliminary plat for the entire site (including the Residential Development and planned commercial) and a final plat for Filing 1 comprised of 381 single-family lots, subject to finalizing the above-described zoning amendment prior to the issuance of any building permit. The final plat for Filing 1 is anticipated to be recorded on or before September 23, 2005, pending execution of the final plat, related development agreement, and Town IGA. Final plats for the remaining Residential Development are anticipated to be obtained in phases over the next four years. Final plat approval requires the satisfaction of certain conditions under the annexation agreement and development agreement, including the provision of certain public infrastructure. The Developer believes such conditions will be satisfied in the timeframes provided. The Developer has stated that, upon obtaining final plat and the final zoning amendment, no public approval issues impacting the ability of the Developer to convey lots will remain. Home builders purchasing property from the Developer will be subject to the building approval process of the Town.

Developer's Absorption Assumptions. For purposes of the Cash Flow Projection set forth in **Appendix B** hereto, the Developer provided certain assumptions (the "Absorption Assumptions") concerning the rate of absorption of homes in the Residential Development, which Absorption Assumptions are also set forth in **Appendix B** hereto. The Absorption Assumptions were established by the Developer based on its estimate of demand for additional homes under current and immediately foreseeable market conditions. While the Developer believes that the Absorption Assumptions are reasonable, there can be no assurance that demand will exist for any particular period of time. In connection with the preparation of the Cash Flow Projection, the Underwriter has reviewed such Absorption Assumptions and has stated that it believes the same to be reasonable. The Cash Flow Projection indicates that Pledged Revenue will be sufficient to provide for payment on the Series 2005 Bonds when due assuming build out of only the 806 single-family units representing the first phase of the Residential Development in accordance with the Developer's Absorption Assumption. In the event that development of such 806 units occurs in accordance with the Alternative Absorption Schedule, the Cash Flow Projection projects that transfers from the Surplus Fund would be necessary to pay debt service on the Series 2005 Bonds in 2008 through 2010, but a draw on the Partial Debt Service Guaranty would not be required. However, it is possible that development may occur at a pace slower than that set forth in the Alternative Absorption Schedule, that, in such event, Pledged Revenue and moneys available in the Surplus Fund would not be sufficient to pay debt service on the Series 2005 Bonds and that, as a result, a draw on the Partial Debt Service Guaranty would be necessary and/or debt service on the Series 2005 Bonds would not be paid. See **Appendix B** - "CASH FLOW PROJECTION" and "RISK FACTORS – Absorption Assumptions and Cash Flow Projection."

Availability of Public Services. The District is located within the Town and many municipal facilities and services are anticipated to be provided by the Town, except as described herein. It is anticipated that property in the District will receive the following services from the following providers: water from Left Hand Water District, sanitary sewer services from St. Vrain Sanitation District, electrical from United Power, gas from KN Energy, telephone services from Qwest, fire/ambulance services from Frederick/Firestone Fire Protection District. Public schools are provided by St. Vrain Valley School District. The nearest schools to the Residential Development (all within five miles) are Erie Elementary 23, Erie Middle School and Erie High School.

Competition and Marketing. The Residential Development will compete with various residential developments in the region. The Developer has identified, in particular, the "Wildflower" residential development, a community approved for approximately 350 single-family lots in varying sizes and, other than Wyndham Hill, the only project in the Town and west of Interstate 25 currently under development in area that can be serviced by utilities. However, the Developer believes that Wildflower is behind Wyndham Hill in terms of the platting process and that a significant amount of undermining may impact the final number of lots available. Due to a strong marketing preference expressed by home builders for lots west of Interstate 25, the Developer has stated that it believes there are no projects east of Interstate 25 that will compete with Wyndham Hill. However, the following projects east of Interstate 25 are currently active:

- Sharpe Farms is on the south side of Highway 52, approximately one and one-half miles east of Interstate 25 and has been selling homes built by Richmond and Woodcrest. The community is a small subdivision with no amenities. The primary entrance off of Highway 52 features a gas well on the route to the community. At this time there are approximately 200 homes built with another 200 lots available.
- Adjacent to Sharpe Farms are two other projects that have been approved within Dacono but have not moved forward at this time. Neither project has any amenities planned.

- Further east on Highway 52 is the Savannah project which is being developed by D.R. Horton Melody Homes. This project was started in late 2000 and includes the entry-level homes of Melody, as well as their attached duplex-type product. The project is nearing build-out at this point; however sales have been slow in the duplex-type product. Savannah is not anticipated to compete with the Residential Development due to the limited number of homesites that are still available.

- North and east of Frederick and Firestone are numerous small subdivisions of 100 lots or less. Most of these are being developed by part-time developers and the lots have primarily been sold to small volume home builders. Included within these projects are estate-type lots, a loft project, and some alley-fed homesites. Due to the types of product anticipated to be offered, none of these projects are anticipated to compete with the Residential Development.

- Saddleback Golf Course, located at the northeast corner of Firestone, has the potential to be a master-planned community, although the properties surrounding the golf course are held by multiple owners which may impact the consistency and cohesiveness generally required for a quality master-planned community, and has additionally contributed to an inability to form a single metropolitan district to the significant offsite improvements required around the golf course. Consequently the area around the golf course is comprised of a series of small subdivisions with little relationship to the major amenity of the golf course.

- Significant agricultural holdings exist to the east of Dacono, Frederick, and Firestone, however they are outside the boundary of sanitary sewer service and cannot acquire such service without addressing significant lift station issues. Consequently the areas east of these towns are expected to be slow to develop in the near future.

As to undeveloped property west of Wyndham Hill, such properties are currently not serviced by sewer facilities and, as a result, the development of any such property is projected by the Developer to commence no sooner than at the time that Wyndham Hill is nearing final buildout. Other residential developments are anticipated in the Old Town Erie area and the Highway 7 area. However, the Developer has stated that such developments are anticipated to be higher priced and dependent on the Broomfield and Boulder markets, whereas Wyndham Hill is expected to attract buyers using Interstate 25 and C470 corridors for their routes to employment.

Individual home builders will undertake their own marketing efforts for lots within the Residential Development. The Developer has identified as a weakness of the Residential Development the existence of adjacent older communities in a state of disrepair that may, until landscaping buffers mature, impede the marketing of lots on the boundaries of the Residential Development.

Environmental and Geotechnical Matters. In March 2005, Western Environment and Ecology, Inc. provided to the Developer a Phase I Environmental Site Assessment (the "**2005 Phase I Report**") with respect to all property within the Residential Development and the planned commercial development. The purpose of such assessment was to identify, to the extent feasible, recognized environmental conditions in connection with the subject property. In addition to reflecting the results of records reviews, site reconnaissance and interviews conducted by Western Environment and Ecology in 2005, such assessment also incorporates information from prior Phase I Environmental Site Assessments performed by Western Environment and Ecology and by Apex Consulting Services, Inc. in December 1998 and January 2002, respectively and a Phase II Environmental Site Assessment performed by Apex Consulting in May 2002, with respect to various subareas within the subject area. The 2005 Phase I Report indicates that the subject property (comprised of the Residential Development and the planned commercial development) is zoned for agricultural use and is in active cultivation, contains 26 active

petroleum production wells and is underlaid by multiple coal mines. While certain leaking underground storage tanks and petroleum releases were discovered on adjoining property, one petroleum release identified on the subject property, and minimal soil staining observed near active wells on the subject property, the 2005 Phase I Report concludes that the assessment revealed no evidence of recognized environmental conditions with the subject property.

In March 2005, Western Environment and Ecology, Inc. provided to the Developer a Mine Subsidence Investigation Summary Report with respect to the site of the Residential Development (the "**Subsidence Report**") with respect to all property within the Residential Development and the planned commercial development. The Subsidence Report also references and incorporates the recommendations of certain prior geotechnical reports with respect to areas within the Residential Development provided by Western Environment and Ecology and CTL Thompson from March 2002 through December 2005. The Subsidence Report defines certain limitations of the developable ground within such areas due to the existence of abandoned coal mines. In particular, the Report identifies an area within the proposed Residential Development referred to as Zone B in which the length of single-family residences are recommended not to exceed 61 feet. In response to such recommendation, the Developer has planned Zone B for only the smaller lot sizes proposed for homes not exceeding 50 feet in width and 60 feet in depth, which smaller lot sizes also occur in portions of the Residential Development not included in Zone B. The Developer has stated that such lots sizes will accommodate a standard home builder product and are not anticipated to adversely impact the marketing of such portion of the Residential Development. The Subsidence Report also identifies an area within the Residential Development referred to as Zone C in which it is recommended that no development occur. As a result, the Developer has planned for the majority of such Zone C to be comprised of a park and open space. Approximately 20 residential lots planned for adjacent to the park and open space are also presently within the boundaries of Zone C, as set forth in the Subsidence Report. The Developer plans to undertake additional investigations with respect to such lots to determine if residential development would be recommended assuming use of a different home foundation, or if the proposed lots may not be developed. The Subsidence Report also provides certain recommendations with respect to the structural requirements of large commercial structures not planned for the Residential Development. A copy of the Subsidence Report will be made available by the District to potential purchasers of the Series 2005 Bonds upon request. See "ADDITIONAL INFORMATION."

Encumbrances/Covenants. In connection with the ongoing oil and gas operations therein, property within the District is subject to various easements, oil and gas leases, reservations of oil, gas and mineral rights and surface agreements. Such surface agreements provide for the use of surface lands for drilling, testing, reworking, reentry, use of surface lands for pumping, operation and maintenance of specified wellsites. Pursuant to the final plat approved by the Town, certain flow lines, tank batteries and related facilities contemplated by such surface agreements are to be relocated to permit the uses contemplated in such final plat (including the Residential Development). The Developer has stated that all agreements required to implement such planned uses set forth in the final plat, which will require the relocation or vacation of rights under existing easements and surface agreements, were executed as of September 13, 2005. In addition, the Preliminary Limited Offering Memorandum stated that certain property within the Residential Development was subject to two deeds of trust executed by Weld Land Company, LLC and securing financial obligations in the aggregate principal amount of \$15 million. Such obligations have been paid in full and such deeds of trust no longer encumber such property. The Developer has stated that no other encumbrances exist which would adversely affect the Residential Development as planned. Certain construction loans to be obtained by the Developer are anticipated to be secured by certain property within the Residential Development as described in "Required Infrastructure; Financing of the Residential Development" above.

RISK FACTORS

INVESTMENT IN THE SERIES 2005 BONDS MAY NOT BE SUITABLE FOR ALL INVESTORS. PROSPECTIVE INVESTORS IN THE SERIES 2005 BONDS SHOULD READ THIS ENTIRE LIMITED OFFERING MEMORANDUM AND SHOULD GIVE PARTICULAR CONSIDERATION TO THE FOLLOWING FACTORS IN CONNECTION WITH THE PURCHASE OF THE SERIES 2005 BONDS.

General

The purchase of the Series 2005 Bonds involves certain investment risks that are discussed throughout this Limited Offering Memorandum, and each prospective investor should make an independent evaluation of all information presented in this Limited Offering Memorandum to make an informed investment decision.

Limited Mill Levy

Pursuant to the Service Plan, the Required Mill Levy to be imposed by the District, the proceeds of which are pledged to the payment of the Series 2005 Bonds, is limited to the taxes generated by a mill levy limited to 40 mills, subject to certain adjustments as described herein in the event of a change in the method of calculation of assessed value. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS - Property Taxes."

Limited Existence and Lack of Operating History

The District was formed in June 2004 and has no history of operations. See "DISTRICT FINANCIAL INFORMATION." Certain operational costs have been, and are expected to continue to be, funded by the Developer until District revenues are sufficient to fund the same. See "THE DISTRICT – Material Contracts – Developer Reimbursement Agreements."

Present Concentration of Taxpayers in Districts

All of the property within the Districts is currently under contract for purchase by the Developer who has contracted with a limited number of home builders for purchase of certain portions of such property. Property within the District is anticipated to be sold to builders of residential homes or to individuals for the purpose of building custom homes. There can be no assurance as to the rate at which such property will be sold or the rate at which such residential homes will actually be constructed. Property taxes on land are not personal obligations of the Developer or any other property owner. See "THE DEVELOPER AND THE DEVELOPMENT– The Developer."

Financial Condition of the Developer

The District can provide no assurances as to the current or future financial condition of the Developer. Moreover, the financial circumstances of the Developer can change from time to time. The Developer has agreed to provide the Partial Debt Service Guaranty, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS - Partial Debt Service Guaranty and Partial Debt Service Guaranty Fund."

Continuation of Development Not Assured

The amount of Property Taxes received by the District and the sufficiency thereof, together with other Pledged Revenue, to pay the Series 2005 Bonds is dependent upon substantial growth in the assessed valuation of property within the District. The Residential Development is presently in the very early stages of development, and there can be no assurance that such property will be developed in the future so as to increase the assessed valuation of the District and thereby increase the amount of Property Taxes ultimately received by the District. All development and construction activity, as well as growth of the tax base within the District, is affected markedly by general economic conditions. Some significant factors which may inhibit completion of planned future development and diminish the likelihood of increased assessed valuations include, but are not limited to: the financial condition of the Developer and other owners of property within or adjacent to the District; the availability of an adequate water supply, sanitary sewer facilities, and other utilities and public services; the availability of mortgage funds; the availability of labor and materials; the availability of energy sources; construction costs and interest rates; environmental issues; adequate regional transportation facilities; other political, legal, competitive and general economic conditions; and governmental policies with respect to land development, the extension of utility services, and special districts in general. The progress of the Residential Development is also subject to policies and regulations of the Town pertaining to the issuance of building permits. No assurance is given that such policies and regulations will not be amended or modified in the future so as to slow planned development within the Residential Development. The Developer is not required under current agreements to develop any part of the Residential Development, nor will individuals or builders, by their purchase of lots from the Developer, be required to develop such property. There can be no assurance that any planned future development will be completed on a timely basis, if at all, or that properties comprising the Residential Development will experience increases in assessed valuations at the rates projected by the District. See "THE DEVELOPER AND THE DEVELOPMENT."

Geotechnical Matters Affecting Development

The Residential Development is planned to be constructed, in part, on the site of abandoned coal mines. In connection therewith, the Developer has engaged various consultants to provide an analysis of the developable ground within such areas, and the limitations on development resulting from the existence of such mines. See "THE DEVELOPER AND THE DEVELOPMENT – The Residential Development- Environmental and Geotechnical Matters." While the Developer has stated that the recommendations of such consultants have been incorporated into the planning documents for the Residential Development, such recommendations were based upon investigations deemed appropriate by such consultants and conducted at the stated times. No assurance is given that conditions have not or will not change or that other conditions will not be discovered in the future which would cause such recommendations to be incomplete or in error.

Risk of Reductions in Assessed Value; Market Value of Land

The assessed value of property in the District for ad valorem property tax purposes is determined according to a procedure described under "DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes." Assessed valuations may be affected by a number of factors beyond the control of the District, including the right of property owners to challenge the valuations of their property. Should the actions of property owners result in lower assessed valuations of property in the District, the security for the Series 2005 Bonds would be diminished. Regardless of the level at which property is assessed for tax purposes, the District's ability to enforce and collect the property tax is dependent upon the property in the District having sufficient fair market value to support the taxes which are imposed. No assurance can be given as to the future market values of property in the District.

Competition With Other Developments

The Residential Development will compete with several other residential developments in the region. There can be no assurance that there will be sufficient future demand for the Residential Development, or that the Residential Development will be able to compete successfully with other developments in the area. See "THE DEVELOPER AND THE DEVELOPMENT– The Residential Development – Competition."

Absorption Assumptions and Cash Flow Projection

The Developer has provided a forecast of absorption of homes in the Residential Development (the "**Absorption Assumptions**") based upon the Developer's analysis of the projected demand for residential units in the market area including the Residential Development. Such Absorption Assumptions are included in **Appendix B** to this Limited Offering Memorandum, together with the Cash Flow Projection for the years 2005 through 2035 (the "**Cash Flow Projection**") which has been prepared by Clifton Gunderson LLP based upon the Absorption Assumptions. The Cash Flow Projection includes projections of assessed valuation, mill levies, Development Fees, Property Taxes, interest income and total revenue available to the District, as well as the District's expenses including operations and maintenance costs, administrative expenses, construction costs and debt service. The Cash Flow Projection addresses three different scenarios for the Residential Development: (i) completion of only the first phase of development comprised of 806 single-family units based on the Developer's Absorption Assumptions; (ii) completion of such 806 units in accordance with the Alternative Absorption Schedule (which slows development to 61% in 2006 and 2007); and (iii) full build out of the Residential Development (comprised of 1,544 single-family and multi-family units) based on the Developer's Absorption Assumptions. As reflected in the Cash Flow Projection, it is anticipated that Pledged Revenue will be sufficient to provide for payment on the Series 2005 Bonds when due assuming build out of only the 806 single-family units representing the first phase of the Residential Development in accordance with the Developer's Absorption Assumptions. In the event that development of such 806 units occurs in accordance with the Alternative Absorption Schedule, the Cash Flow Projection projects that transfers from the Surplus Fund would be necessary to pay debt service on the Series 2005 Bonds in 2008 through 2010, but a draw on the Partial Debt Service Guaranty would not be required. However, it is possible that development may occur at a pace slower than that set forth in the Alternative Absorption Schedule, that, in such event, Pledged Revenue and moneys available in the Surplus Fund would not be sufficient to pay debt service on the Series 2005 Bonds and that, as a result, a draw on the Partial Debt Service Guaranty would be necessary and/or debt service on the Series 2005 Bonds would not be paid. The Cash Flow Projection also projects, in the case of the third scenario described above, the issuance of certain Completion Bonds by the District; however, such projections represent only one plan of finance that may be implemented by the District and such Bonds may or may not be issued on the timeline suggested by the Cash Flow Projection, or at all. See "THE SERIES 2005 BONDS – Additional Bonds."

The projections are based on circumstances existing at the time the Cash Flow Projection was prepared, information available at that time, and assumptions about growth and change in the District over the period of time covered in the Cash Flow Projection. No representations are made as to the accuracy of the information contained in, or the reliability of the assumptions of, the Absorption Assumptions or the Cash Flow Projection. Development within the District may not proceed as expected, or may occur at a different pace than projected. Accordingly, the actual relationships between revenues and expenditures may vary from that presented in the Cash Flow Projection, and the variations may be material. Neither the Cash Flow Projection, the Absorption Assumptions nor the assumptions on which they are based constitutes guarantees or promises of the District, the Developer, or Clifton Gunderson. See "FORWARD LOOKING STATEMENTS."

Dependence Upon Timely Payment of Property Tax

Delinquency in the payment of property taxes by property owners within the District would impair the District's ability to meet its debt service requirements on the Series 2005 Bonds in a timely manner. Property taxes do not constitute personal obligations of a property owner. While the current year's taxes constitute a lien upon assessed property and the county treasurer of the County is required by statute to offer for sale delinquent property to satisfy the tax lien for the year in which the taxes are in default, this remedy can be time-consuming. Furthermore, any such tax sale would be only for the amount of taxes due and unpaid for the particular tax year in question.

Risk of Nonpayment of Development Fees

Developers of property within the District are to pay Development Fees to the District as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS—Development Fees." No assurance is given that such developers will have the internal cash resources or third party financing to make such payments. The District's only recourse in the event of nonpayment is to foreclose on the property subject to the statutory lien of such fees in the manner in which mechanics' liens are foreclosed under Colorado law. Foreclosure can be a time-consuming process and there is no assurance that the property can be sold for the amounts of fees and other amounts secured by lien rights then owing. It is possible that the liens for certain federal taxes, general property taxes and special assessments will be claimed as prior to the District's lien and the District's lien could be purported to be extinguished as the result of a tax sale or special assessment foreclosure proceeding. However, in such event, the District believes it could reassert its lien securing Development Fees as a perpetual lien as provided in C.R.S. Section 32-1-1001(j)(I).

Additional Debt

The District may issue Completion Bonds, Subordinate Bonds (including Permitted Subordinate Bonds) and Additional Bonds as described in "THE SERIES 2005 BONDS – Additional Bonds." The District expects to enter into the Loan Agreement and the O&M Agreement, the reimbursement obligations of the District under which agreements will be structured as "Permitted Subordinate Bonds" under the Indenture (subordinate to the Series 2005 Bonds) and, as a result, will not be permitted to exceed, in the aggregate, \$15.1 million. See "THE DISTRICT - Material Contracts - Developer Reimbursement Agreements." Approximately \$2.15 million in remaining costs of the Facilities is anticipated to be funded by the Developer under the Loan Agreement and reimbursable by the District, in addition to potentially \$1.1 million for payments on the Partial Debt Service Guaranty, pursuant to contingent obligations that are subject to annual appropriation and not secured by a pledge of ad valorem taxes such that they are not Additional Bonds under the Indenture. The District expects that it will issue, subject to the restrictions of the Indenture and the Service Plan, Completion Bonds and Additional Bonds for the purpose of repaying advances under the Loan Agreement and/or otherwise funding additional costs of the Facilities, if the rate of development within the District and resulting Pledged Revenue are sufficient to support such Completion Bonds and Additional Bonds. The District is not able to predict at this time the amount of such Bonds, if any, that may be issued under such circumstances, and has no future specific plans with respect to the issuance of such Bonds. The Cash Flow Projection projects, under certain circumstances, the issuance of Completion Bonds by the District; however, such projections represent only one plan of finance that may be implemented by the District and such Bonds may or may not be issued on the timeline suggested by the Cash Flow Projection, or at all. See "RISK FACTORS – Absorption Assumptions and Cash Flow Projection" and "FORWARD LOOKING STATEMENTS."

Dependence on Completion of Facilities

Proceeds of the Series 2005 Bonds are anticipated to fund only a portion of the Facilities required by the Residential Development. The remaining costs of the Facilities are anticipated to be funded with proceeds of a Loan Agreement to be entered into between the District and the Developer (pursuant to which it is anticipated that the Developer will agree to advance, over time, up to \$17.1 million). "THE DISTRICT - Material Contracts – Developer Reimbursement Agreements." The District anticipates that the proceeds of the sale of the Series 2005 Bonds, together with funds advanced by the Developer will be adequate to complete all such Facilities. No assurance can be given, however, that the Developer will be financially able to advance funds as required under the Loan Agreement and otherwise, or that such proceeds will be sufficient to fund all Facilities in the manner anticipated. See "THE DEVELOPER AND THE DEVELOPMENT – The Residential Development – Required Infrastructure and Financing of the Residential Development." The payment of principal of and interest on the Series 2005 Bonds is dependent upon Pledged Revenue from, among other things, ad valorem property taxes levied against property located within the boundaries of the District and, to the extent the Facilities necessary for the Residential Development are not completed, the District's ability to levy and collect sufficient property taxes from the limited mill levy will be diminished. Any such failure to complete the Facilities and any adverse effect on the sale of properties in the District would adversely affect the assessed valuation of taxable property in the District and reduce the Pledged Revenue available to pay debt service on the Series 2005 Bonds.

Enforceability of Bondholder Remedies

The enforcement of remedies granted under the Indenture upon any default with respect to the Series 2005 Bonds is subject to various federal and State laws and regulations. There can be no assurance that there will not be any change in, addition to, or changed or additional interpretation of, such laws and regulations which could directly or indirectly have a material adverse effect on the availability of or enforcement of such remedies, and thus there can be no assurance that remedies purported to be granted by the Indenture will be enforceable under State or other law under all circumstances or at all. Furthermore, the remedies available to owners of the Series 2005 Bonds upon an event of default may be subject to judicial discretion, and limited by bankruptcy, reorganization, insolvency, fraudulent conveyance, or other similar laws affecting the rights of creditors generally, and the opinions of Bond Counsel delivered in connection with the issuance of the Series 2005 Bonds will include statements to that effect. See **Appendix A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE"** and the form of opinion of Bond Counsel attached as **Appendix D** hereto.

Potential Conflicts of Interest

All of the members of the Board of Directors of the Districts are employees, principals or consultants of Developer or their affiliates. As a result, the issuance of the Series 2005 Bonds and the application of proceeds therefrom, as well as other activities of the Districts, may involve actual or potential conflicts of interest. State law requires a director to disqualify himself from voting on any issue in which the director has a conflict of interest unless such director has disclosed such conflict of interest in a certificate filed with the Secretary of State and the Board at least 72 hours in advance of any meeting in which such conflict may arise. However, compliance with such statute does not provide absolute certainty that contracts between the Districts and persons related to its directors will not be subject to defenses or challenge on the basis of alleged conflicts. See "THE DISTRICT - Management."

Legal Constraints on District Operations

Various State laws and constitutional provisions govern the assessment and collection of ad valorem property taxes, the determination of assessed valuation, and the issuance of debt; impose limitations on revenues and spending of the State and local governments, including the District; and limit rates, fees, and charges imposed by such entities. District voters have authorized the exemption from certain State laws and constitutional provisions limiting District revenues and spending. Other State laws and constitutional provisions, in addition to federal laws and regulations, apply to the obligations created by the issuance of the Series 2005 Bonds. Federal tax law imposes various constraints and requirements on the operation of the public improvements which the Districts will covenant to observe. There can be no assurance that there will not be changes in interpretation of, or additions to, the applicable laws and provisions which would have a material adverse effect, directly or indirectly, on the affairs of the Districts. See "DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending."

Tax Matters

Bond Counsel will opine that interest on the Series 2005 Bonds is excluded from gross income of the Owners thereof for federal and State of Colorado income tax purposes. However, Bond Counsel's opinion is conditioned on continuing compliance by the District with representations and covenants with respect to arbitrage and other tax matters contained in the Bond Resolution and the Indenture and certain certificates to be delivered on the date of issuance of the Series 2005 Bonds. Failure to comply with such representations and covenants could cause interest on the Series 2005 Bonds to lose the exclusion from gross income for federal and State of Colorado income tax purposes retroactive to their issue date. Furthermore, certain categories of Owners may be subject to taxation as discussed under "TAX MATTERS."

THE DISTRICT

General Description

The District is a quasi-municipal corporation and a political subdivision of the State created pursuant to the Special District Act for the purpose of providing infrastructure improvements necessary for residential development. The District was organized on June 8, 2004, by order of the District Court in and for Weld County, Colorado.

Pursuant to its Service Plan dated February 13, 2004, as amended on August 11, 2005 (the "**Service Plan**"), the District has the power to finance and provide infrastructure improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water and sanitation facilities, services and programs.

The District, currently comprised of approximately 542 acres, is located in the Town of Frederick, Colorado, west of Interstate 25, south of County Road 16, and north of State Highway 52, and is approximately 30 miles north of metropolitan Denver. See "VICINITY AND DISTRICT MAPS." Approximately 9 acres within the District was included within the boundaries of the District subsequent to the initial formation of the District.

All of the real property within the District is presently under contract for purchase by the Developer, as described in "THE DEVELOPER AND THE DEVELOPMENT – The Developer."

Multiple District Structure

The District was organized concurrently with District No. 1 and District No. 3. Pursuant to the Service Plan, District No. 1 is intended to serve as the "operating district" while the District and District No. 3 are intended to serve as the "financing districts." In general, the District and District No. 3 are intended to provide funding to District No. 1 for construction, operation and maintenance of the Facilities, while District No. 1 manages the financing, construction and, prior to any dedication to a governmental authority, operation and maintenance of the Facilities. See "District Facilities" below.

The service area of District No. 1 includes the entire Residential Development, including the property within the District, and the property planned for commercial development generally located in District No. 3. District No. 1 is allowed to impose taxes only within its boundaries, but is permitted to impose fees and charges for the public services it provides (such as the park and recreation facilities) in the area served. The District has the power to assess taxes and other charges only within its boundaries, and to finance its obligations to District No. 1.

The Districts have entered into a District Facilities Construction and Services Agreement to further delineate the functions of each District. See "Material Contracts – Intergovernmental Agreement Among the Districts" below.

Powers

General. The rights, powers, privileges, authorities, functions and duties of the Districts are provided by State law, particularly the Special District Act, which grants to each District the power: to sue and be sued; to enter into contracts and agreements; to borrow money and incur indebtedness and revenue obligations; to acquire, dispose of and encumber real and personal property, and any interest therein, including leases and easements; to have the management, control and supervision of all the business affairs of the District, and of the construction, installation, operation and maintenance of the improvements of the District therein; to appoint, hire, and retain agents, employees, engineers, and attorneys; to fix and from time to time increase or decrease fees, rates, tolls or charges for services, programs or facilities furnished by the District, and to pledge such revenue for the payment of any indebtedness of the District; to furnish services and facilities without the boundaries of the Districts and to establish fees, rates, tolls, penalties, or charges for such services and facilities; to adopt, amend, and enforce bylaws and rules and regulations; and, subject to compliance with statutory procedures, to order the inclusion or exclusion of real property to or from the District, as the case may be, thereby modifying the boundaries of the District.

Subject to compliance with statutory procedures, the Board may order the inclusion or exclusion of real property to or from the District, as the case may be, thereby modifying the boundaries of the District. Such included or excluded property is obligated to the same extent as all other property within the District for the payment of District indebtedness, notwithstanding the exclusion. Boundary changes resulting from property included or excluded to or from the District prior to the first day of May of each year are reflected in the District's assessed valuation and are subject to the ad valorem property tax levy of the District for that assessment year. Inclusions or exclusions that occur after May 1 are considered in the following assessment year.

Service Plan. The District has the power and authority to provide the services and facilities generally described in the Service Plan, all of which shall be in conformance with Frederick's standards and specifications then in effect. The powers and authorities of the District, including the means for approving, financing, constructing, and operating the Facilities needed to serve the Residential

Development are further established in the Master IGA. See "Material Contracts – Intergovernmental Agreement Among the Districts" below.

Water. The design, acquisition, installation and construction of a complete water and irrigation water system, including but not limited to transmission and distribution systems for domestic and other public purposes, together with all necessary and proper facilities, equipment and appurtenances incident thereto which may include, but shall not be limited to, transmission lines, distribution mains and laterals, land and easements, together with extensions of and improvements to said systems.

Streets. The design, acquisition, installation, construction, operation, and maintenance of arterial street and roadway improvements, including but not limited to curbs, gutters, culverts, storm sewers and other drainage facilities, detention ponds, retaining walls and appurtenances, as well as sidewalks, bridges, parking facilities, paving, lighting, grading, landscaping, undergrounding of public utilities, snow removal equipment, or tunnels and other street improvements, together with all necessary, incidental, and appurtenant facilities, land and easements, together with extensions of and improvements to said facilities.

Traffic and Safety Controls. The design, acquisition, installation, construction, operation, and maintenance of traffic and safety protection facilities and services through traffic and safety controls and devices on arterial streets and highways, as well as other facilities and improvements including but not limited to, signalization at intersections, traffic signs, area identification signs, directional assistance, and driver information signs, together with all necessary, incidental, and appurtenant facilities, land easements, and together with extensions of and improvements to said facilities.

Parks and Recreation. The design, acquisition, installation, construction, operation and maintenance of public park and recreation facilities or programs including, but not limited to, grading, soil preparation, sprinkler systems, playgrounds, playfields, community swimming pool and clubhouse, bike and hiking trails, pedestrian trails, pedestrian bridges, picnic areas, common area landscaping and weed control, outdoor lighting of all types, community events, and other facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems.

Mosquito and Pest Control. The design, acquisition, installation, construction, operation, and maintenance of systems and methods for the elimination and control of mosquitoes, rodents and other pests.

Transportation. The design, acquisition, installation, construction, operation and maintenance of public transportation system improvements, including transportation equipment, park and ride facilities and parking lots, parking structures, roofs, covers, and facilities, including structures for repair, operations and maintenance of such facilities, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facilities or systems.

Sanitation. The design, acquisition, installation, construction of sanitary sewer lines and all necessary or proper equipment and appurtenances incident thereto, together with all necessary, incidental and appurtenant facilities, land and easements, and all necessary extensions of and improvements to said facility or system.

The foregoing improvements and services, along with all other activities permitted by law, are to be undertaken in accordance with, and pursuant to, the procedures and conditions contained in the Special

District Act, other applicable statutes and the Service Plan, as any or all of the same may be amended from time to time.

Legal Powers. The powers of the Districts will be exercised by their boards of directors to the extent necessary to provide the services contemplated in the Service Plan. The foregoing improvements and services, together with all other activities permitted by law and necessary for the completion of facilities and provision of services described therein, are to be undertaken in accordance with and pursuant to the procedures and conditions contained in the Special District Act, other applicable statutes and the Service Plan, as any or all of the same may be amended from time to time.

Other. In addition to the powers enumerated in the Service Plan, the governing bodies of the Districts also have the authority to amend the Service Plan as needed, subject to the appropriate statutory procedures, including written notice to the Town of actions which the Districts believe are permitted by the Service Plan but which may be unclear. In the event the Town elects not to seek to enjoin any such activities as permitted under the Special District Act, such election will constitute agreement by the Town that such activities are within the scope of the Service Plan. Each District has the right to amend this Service Plan independent of participation of the other Districts; provided, however, that no District shall be permitted to amend those portions of this Service Plan which affect, impair, or impinge upon the rights or powers of the other District without such District's consent; Subject to the Town IGA, the governing bodies of the Districts also have the authority to forego, reschedule or restructure the financing and construction of certain improvements and facilities as are set forth in the Service Plan in order to better accommodate the pace of growth, resource availability and potential inclusions of property within the Districts, or if the development of the improvements and facilities would best be performed by another entity; and to exercise all necessary and implied powers under the Special District Act in their reasonable discretion.

District Facilities

The Districts are permitted to exercise their statutory powers and their respective authority to finance, construct, acquire, operate and maintain the public facilities and improvements described in the Service Plan either directly or by contract. Pursuant to the Master IGA, District No. 1 will be responsible for the construction, acquisition, installation and, prior to any dedication to a governmental entity as described below, the operation and maintenance of the Facilities. Where appropriate, the Districts intend to contract with various public and/or private entities to undertake such functions. All Facilities are expected to be designed in such a way as to assure that the facility and service standards will conform with those of the Town and of other municipalities and special districts which provide municipal services in the area of the Districts. It is anticipated that water improvements will be dedicated to the Left Hand Water District, that sanitary sewer improvements will be dedicated to St. Vrain Sanitation District and that the remaining Facilities, other than certain recreation facilities, will be dedicated to the Town. Such governmental entities will be responsible for the operation and maintenance of such Facilities upon acceptance. District No. 1 may continue to own, operate and maintain certain recreational facilities consisting of a poll and community club house and associated landscaping.

The following is a general description of the Facilities which are planned to be provided by the Districts, in accordance with the Master IGA, to support the Residential Development which Facilities are anticipated to be funded with proceeds of the Series 2005 Bonds and advances by the Developer. See "PLAN OF FINANCE – Financing of the Facilities." The following general descriptions of improvements are preliminary and are subject to modification and revision as engineering plans, financial factors, construction scheduling and costs may require, and are subject to the overall limitations on the powers of the Districts as discussed above.

Storm Drainage. District No. 1 plans to install the necessary storm drainage system to serve Residential District. The proposed elements of the storm drainage system will provide a network of culverts and curbs and gutters designed and installed in accordance with applicable regulatory standards and sound engineering judgment. District No. 1 will design and install all storm drainage improvements, except for specific improvements within individual development parcels that will be designed and installed by individual developers. District No. 1 will construct drainage improvements to detain developed drainage and convey historic drainage as needed. District No. 1 will construct trail and ditch improvements as needed. An overall drainage plan will be developed that will identify the major facilities necessary to convey the storm runoff from Residential District. This plan will include all infrastructure required to convey the flows generated within Residential District. The overall drainage plan will include the utilization of storm sewers, drainage channels, streets, gutters, and culverts.

Water System. The water system will consist of a water distribution system consisting of buried water mains, fire hydrants, and related appurtenances located predominately within the Districts' boundaries. The proposed domestic potable water distribution system is expected to include pressurized water mains with multiple pressure zones. Water system components will be installed in accordance with the applicable standards of all entities with jurisdiction over the Districts, including the Town. The Drinking Water Design Criteria of the Colorado Department of Health will also be followed where applicable. The water system will be designed based on the Town fire protection requirements. The individual water system components will be sized based upon the projected potable, irrigation and fire flow requirements of Residential District. The phased demand includes repayments for existing mainline improvements to the Left Hand Water District. The water distribution system will be dedicated to Left Hand Water District and the Town as appropriate. The system is expected to include main distribution and transmission lines and related appurtenances. The mains will provide for normal and peak water demands of the project as well as the delivery of fire protection water. The Districts anticipate a need to purchase raw water rights from providers for their common area and open space and park and recreation improvement water and irrigation needs.

Street System and Traffic Safety. District No. 1 proposes to construct an arterial street system to serve all of Residential District. The existing and proposed elements of the street system will provide a network of major arterial streets to serve the flow of traffic within and surrounding the Districts. Public streets will be designed and installed to conform to the standards and recommendations of the American Association of State Highway and Transportation Officials, the Colorado Department of Highways (where applicable), the Town's standards and specifications and the Rules and Regulations adopted by the Districts. Traffic controls and signage will be provided along streets to enhance the flow of traffic within Residential District. Streetlights will be installed by the Service District along collector roadways. Lighting of local roadways will be the responsibility of the individual developers of the residential parcels. Landscaping may be installed by the Service District along the roadway rights-of-way and trail easements. The Service District also intends to install landscaped highlights along the internal streets and entry features at major entrances. Signals and signage will be installed by the Service District as required by traffic studies, the Service District's Rules and Regulations, and by the Town. The Districts anticipate contributing a proportional share of the cost of signals based on the impact created by the development within the Districts and the surrounding property, as reasonably determined by the Town.

Park and Recreation. Pursuant to the Annexation Agreement, the Districts will contribute \$750,000 for the Town improvements to the regional park. The Districts will construct the required parks and trails to serve Residential District, including landscaping and re-vegetation of common open spaces as may be required. The Districts will construct a pool to serve the residential community within Residential District.

Sanitary Sewer. The Districts are expected to fund sanitary sewer offsite mainlines as well as collection lines within the Residential Development generally located in the collector roadway system. Upon completion, such Facilities are to be conveyed to the St. Vrain Sanitation District.

Management

Governing Board. The District is governed by a five-member board of directors whose members are required by State law to be electors of the District. Directors are elected to staggered four year terms of office at successive biennial elections. Vacancies on the Board are filled by appointment of the remaining directors, the appointee to serve until the next regular election (May of even numbered years), at which time the vacancy is to be filled by election for any remaining unexpired portion of the term. Pursuant to the State constitution, directors are limited to two terms in office unless the District's voters have approved a waiver or modification of this limit. The District's electorate approved an election question which exempts the District from State constitutional term limitations.

Directors hold regular meetings and, as needed, special meetings. Each Director is entitled to one vote on all questions before the Board when a quorum is present. Directors may receive a maximum of \$1,200 per year as compensation for service to the District, payable not in excess of \$75 per meeting attended. Pursuant to a recent change in law, commencing with the beginning of the next term, if the Board so elects, Directors may be compensated up to \$1,600, payable not in excess of \$100 per meeting. Directors may not receive compensation from the District as employees of the District, except as provided above. Directors currently receive no compensation for attending meetings.

The present directors, their positions on the Board, principal occupations and terms of office are as follows:

<u>Name and Office</u>	<u>Principal Occupation</u>	<u>Current Term Expires (May)</u>
Jon R. Lee, President ^{1,2}	Property development	2006
Michael J. Burns, Vice President ²	Property development	2008
Lewis G. Holtsclaw, Secretary/Treasurer ^{1,2}	Property development	2006
David G. Rhodes, Assistant Secretary ²	Property development	2008
Charles R. Bellock, Assistant Secretary ^{1,2}	Property development	2008

¹ Board member is an owner of or holds a profit interest in the Developer.

² Board member is an owner or employee of Bellock Construction which will provide construction management and accounting services to the District.

The members of the Board of Directors of the District are elected in nonpartisan elections by those registered electors of the District. Under the present election laws of the State, a person may be an elector of the District by registering to vote in the State and either by residing within the boundaries of the District for not less than thirty days or owns, or by owning, or the person's spouse owning, taxable real or personal property within the boundaries of the District. A person is deemed to own property within the boundaries of the District if the person is obligated to pay taxes under a contract to purchase taxable property located within the District.

Potential Conflicts of Interest. State law provides that directors may disclose to the Colorado Secretary of State and the Board potential conflicts of interest or personal or private interests which are

proposed or pending before the Board. Additionally, no contract for work or material, including a contract for services, regardless of the amount, may be entered into between the District and a Board member, or between the District and the owner of 25% or more of the territory within the District, unless a notice is published for bids and such Board member or owner submits the lowest responsible and responsive bid. Although disclosure certificates are expected to be filed in the future, to the extent any Board members have personal interests in transactions involving the District, such transactions maybe subject to challenge with regard to their validity, provided that a Board member has not disclosed his or her interest in these certificates and has not abstained from a vote on such transactions.

All of the directors of the District are owners of or hold a profit interest in the Developer or are employed by an entity providing construction management and accounting services to the District. Accordingly, such directors have entered, or are expected to enter, into agreements from time to time with the District on behalf of the Developer or related entities. See also "RISK FACTORS - Conflicts of Interest."

Administration. The Board is responsible for the overall management and administration of the affairs of the District. The Board may, in the future, engage a District manager to supervise day-to-day operations of the District. Bellock Construction, Boulder, Colorado, provides accounting services to the District; and White, Bear & Ankele Professional Corporation, Highlands Ranch, Colorado, serves as general counsel to the District.

Governmental Immunity and District Liability

Insurance. The District has elected to participate in the Colorado Special Districts Property and Liability Pool (the "**Pool**") which is sponsored by the Special District Association of Colorado. The Pool provides general liability, public official's liability, automobile physical damage and crime coverage to its members. The District also purchases public officials liability coverage from the Pool (in addition to bonding by Western Surety Company). Members of the Pool are required to make additional surplus contributions. Any excess funds, which the Pool determines are not needed for purposes of the Pool, may be returned to the members following a distribution formula.

Governmental Immunity. The Colorado Governmental Immunity Act, Title 24, Article 10, Part 1, Colorado Revised Statutes, as amended (the "**Immunity Act**"), establishes, with certain exceptions, immunity from liability for political subdivisions of the State of Colorado, such as the District, and for public employees, for all claims for injury which lie, or could lie, in tort. The Immunity Act waives sovereign immunity for: injuries resulting from the operation of a motor vehicle owned or leased by the District, except for emergency vehicles; the operation of any public hospital, correctional facility or jail or a dangerous condition of any public hospital or jail; a dangerous condition of any public building owned by the District; a dangerous condition which interferes with the movement of traffic on any public highway, road, street or sidewalk; a dangerous condition caused by failure to realign a turned stop or yield sign or to repair a traffic signal displaying conflicting directions; a dangerous condition caused by known accumulation of snow and ice that physically interferes with public access on walks leading to a public building; a dangerous condition of a public facility in a park or recreation area maintained by the Districts; and the operation and maintenance of or a dangerous condition of public water, gas, sanitation, electrical, power or swimming facilities. The Immunity Act limits the amount that may be recovered for injuries arising from any single occurrence in connection with the above-described activities to \$150,000 per person and \$600,000 total. The Immunity Act also provides that in the event the District is unable to pay a settlement or judgment due to a lack of available funds, such District shall levy a tax sufficient to discharge such settlement or judgment in the next fiscal year or, if the budget for the next fiscal year has been adopted before the judgment becomes final, in the succeeding fiscal year. In no case shall such tax exceed a total of ten mills, exclusive of existing mill levies, per year of assessment for all outstanding settlements or judgments. The District may, by resolution, increase any maximum amount that may be recovered from the

District for the type of injury described in the resolution. The District has not adopted a resolution to increase such maximum amounts. The District may not be held liable either directly or by indemnification for punitive or exemplary damages. The Immunity Act provides that the District may be liable for the costs of defending a District employee in connection with tort claims against such an employee arising out of injuries sustained from an act or omission of such employee during the performance of his or her duties and within the scope of his or her employment, provided that the employee's act or omission was not willful and wanton. The District also may be liable for payment of judgments or settlements of such claims not barred as against such District by the Immunity Act, if the employee does not compromise or settle the claim without the District's consent.

The District may not be able to claim immunity under the Immunity Act and, therefore, may be subject to certain civil liabilities premised upon certain other state and federal causes of action. This could occur, for example, in suits claiming breach of contract, suits filed in federal court pursuant to 42 U.S.C. Section 1983 alleging the deprivation of the civil rights of an individual, or suits alleging anti-competitive practices and violation of the antitrust laws by the District in the exercise of their delegated powers.

Material Contracts

Intergovernmental Agreement Among the Districts. Under the District Facilities Construction and Service Agreement dated as of September 1, 2005 (the "**Master IGA**"), entered into among the Districts, District No. 1, as the "operating district" is to construct, own, maintain, and operate the Facilities benefiting the District and District No. 3 and provide certain other services relating to the administration of the Districts, as contemplated in the Service Plan, the cost of which Facilities and services are to be funded by the District and District No. 3. In particular, with respect to the funding of costs of the Facilities, such amounts are to be payable as further provided in the Loan Agreement (described below). Until such time, if any, that District No. 3 has developed sufficiently to generate tax revenues, it is anticipated that the District will fund all such amounts to become due under the Master IGA. The District is to receive a credit against its obligation in the amount of revenues, if any, paid by District No. 3 from a mill levy to be specified therein. The Master IGA also sets forth certain provisions pertaining to budgets and project plans and specifications, execution and prosecution of construction contracts, administrative management of the Districts, and transfer of funds among the Districts.

Intergovernmental Agreement with the Town. Pursuant to an Intergovernmental Agreement among the Districts and the Town dated August 11, 2005 (the "**Town IGA**"), the Districts have agreed to convey certain Facilities to the Town, as described in "THE DISTRICT - District Facilities." The Town IGA also provides for, among other matters, certain phasing of construction of the Facilities, a surety required to be provided to the Town prior to the construction of any Facilities, the permitted assumption by the Districts of obligations under annexation agreements between the Developer and the Town, and eligibility for cost recovery amounts from the Town in the event that Facilities are required to be oversized.

Developer Reimbursement Agreements. On or about the date of issuance of the Series 2005 Bonds, the District expects to enter into various reimbursement agreements with the Developer, as described below, all of which are anticipated to be structured, with respect to any obligation of the District, as Permitted Subordinate Bonds under the Indenture up to the total aggregate reimbursable amount of approximately \$15.1 million anticipated to be allocated as follows: \$14.95 million to the Loan Agreement and \$0.15 million to the O&M Agreement. See "THE SERIES 2005 BONDS – Additional Bonds." Reimbursement obligations in excess of \$15.1 million are expected to be contingent and subject to annual appropriation by the District, such that such obligations do not constitute Additional Bonds under the Indenture.

The District expects to enter into a Loan Agreement (the "**Loan Agreement**") with the Developer, pursuant to which the Developer will agree to advance to District No. 1 (for the benefit of the District and District No. 3) up to \$17.1 million for the purpose of funding Facilities the costs for which are in excess of proceeds available from the Series 2005 Bonds. A portion of such amount is expected to be advanced prior to the release of proceeds of the Series 2005 Bonds to be held in the Restricted Account of the Construction Fund. It is anticipated that such advances will be reimbursed from proceeds of Completion Bonds or other Additional Bonds issued by the District, and any revenues made available to the District pursuant to the terms of the Indenture, as provided in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Flow of Funds." To the extent such amounts are not sufficient, the District is obligated to repay the advances under the Loan Agreement, less the amount, if any, funded by District No. 3 from a mill levy specified therein, from the proceeds of ad valorem taxes imposed in excess of the Required Mill Levy securing the Series 2005 Bonds (but not in excess of 40 mills); provided that, approximately \$2.15 million of such reimbursement obligation of the District is anticipated to be contingent and subject to annual appropriation of available moneys, if any. The Developer has previously advanced to District No. 1 a total of approximately \$0.23 million to fund costs of the Facilities, which amount may be reflected on the Loan Agreement, but will be repaid from proceeds of the Series 2005 Bonds.

On or about the date of issuance of the Series 2005 Bonds, the District also expects to enter into a Funding and Reimbursement Agreement (the "**O&M Agreement**") with the Developer, pursuant to which the Developer will agree to advance up to \$0.15 million to District No. 1 (for the benefit of the District and District No. 3) through 2007 for the purpose of funding operation and maintenance costs of the Districts to the extent that the operation and maintenance mill levies imposed by the Districts are not sufficient to do so. Such advances are anticipated to be repaid from ad valorem taxes imposed by the District (not including the Required Mill Levy, but not in excess of 50 mills) or from amounts made available by District No. 3 for such purpose pursuant to the mill levy specified therein. The District's obligation to impose up to 50 mills for the payment of the O&M Agreement is subordinate to its obligation to impose the Required Mill Levy pursuant to the Indenture and any mill levy under the Loan Agreement. As a result, the maximum mill levy required to be imposed to pay the O&M Agreement would be 50 mills less the Required Mill Levy.

On or about the date of issuance of the Series 2005 Bonds, the District also expects to enter into a Partial Debt Service Guaranty Reimbursement Agreement (the "**Partial Debt Service Guaranty Reimbursement Agreement**") with the Developer, pursuant to which the District will agree to reimburse the Developer for draws upon the Partial Debt Service Guaranty on a contingent basis to the extent the District deems revenues are available for such purpose, and subject to annual appropriation. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Partial Debt Service Guaranty and Partial Debt Service Guaranty Fund." The District will not pledge to impose a mill levy to secure payment of the Partial Debt Service Guaranty Reimbursement Agreement and such Agreement will not constitute an Additional Bond under the Indenture.

DISTRICT FINANCIAL INFORMATION

Revenue and Spending Limitations

State Constitutional Limitation. At a general election held in November 1992, the electors of the State of Colorado approved a voter-initiated amendment (the "**TABOR Amendment**") to the Colorado Constitution. In general, the TABOR Amendment restricts the ability of any "district" to increase revenues, taxes, debt, and spending. As used in the TABOR Amendment, the term "Districts" includes the State of Colorado and any local government, including special districts, but excludes "enterprises," which are defined as government-owned businesses authorized to issue revenue Series 2005 Bonds and receiving under 10% of annual revenue in grants from all Colorado state and local governments combined. Some provisions of the TABOR Amendment are unclear and will require further judicial interpretation.

Among other things, the TABOR Amendment provides that any district must obtain voter approval prior to: (i) the imposition of any new tax, tax rate increase, mill levy increase, valuation for assessment ratio increase, tax extension or change in tax policy which results in a net gain of tax revenues to a district; or (ii) the creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever, subject to certain exceptions.

The TABOR Amendment also limits the total amount of expenditures and reserve increases which may be made by any district for all purposes to the total amount thereof made in its preceding fiscal year, adjusted for inflation and local growth, unless the voters approve additional spending. As defined in the TABOR Amendment, "inflation" means the percentage change in the United States Bureau of Labor Statistics Consumer Price Index for Denver-Boulder, all items, all urban consumers, or its successor index and "local growth" means the net percentage change in actual value of all real property (apparently, both taxable and tax-exempt) "in a district from construction of taxable property improvements, minus destruction of similar improvements, and additions to, minus deletions from taxable real property." The initial bases for local government spending and revenue limits were 1992 fiscal year spending and 1991 property taxes collected in 1992. For each year after 1992, the bases for future spending and revenue limits are the previous year's fiscal year spending and property taxes for the year prior to the previous year which are collected in the previous year. Revenues received in excess of such limitations must be refunded unless additional spending is approved by the voters. As discussed below, assuming revenues are available, debt service can be paid without regard to any spending limits. Debt service changes, reductions and voter-approved revenue changes are excluded from the calculation bases.

Elections to obtain voter approval may be held only in November of each year and May of even-numbered years.

As described above, the TABOR Amendment generally requires the Districts to obtain voter approval for the creation of multi-year debt. Voter approval was obtained for the Series 2005 Bonds and other obligations of the Districts at an election held on May 4, 2004. See "Financial Obligations – Voter Authorization" below. In addition, at that election, the voters authorized the Districts to collect, return and spend all taxes, fees and other revenues, income and payment received by the Districts in all future years without limitation by the revenue and spending limits set forth in the TABOR Amendment.

Debt service on the Series 2005 Bonds can be paid without regard to the TABOR Amendment's spending limits. However, it is not possible to predict the effect of the TABOR Amendment on future activities of the District or the Financing Districts, including their ability to

generate sufficient revenues for their general operations, to undertake additional programs, or to engage in any subsequent financing activities.

Other. Other statutory limitations apply specifically to the Districts' ability to impose and retain revenues attributable to ad valorem property taxes. See "DISTRICT FINANCIAL INFORMATION – Ad Valorem Property Taxes." In addition, the District's Service Plan contains restrictions specific to the imposition of ad valorem property taxes. See "Sources of Revenue – Ad Valorem Property Taxes" below.

Budgetary Process

The District is subject to the Local Government Budget Law of Colorado, Section 29-1-101, *et seq.*, Colorado Revised Statutes, as amended. Under this statute, the District is required to adopt an annual budget for each forthcoming calendar year. The budgets are required to set forth all proposed expenditures for the administration, operations, maintenance and debt service of the District including all expenditures for capital projects to be undertaken or executed in the fiscal year. The budgets must also show anticipated revenues for the budget year and estimated fund balances as well as the corresponding figures for the prior fiscal year and estimated figures projected through the end of the current fiscal year. The budgets must also set forth a written budget message and explanatory schedules or statements and must include certain details regarding any lease-purchase agreements. After the proposed budgets are prepared, a notice must be published indicating that the budgets are open for public inspection and that a hearing will be held on the budget. Within 30 days following the beginning of the fiscal year, the District's Boards of Directors must file certified copies of the adopted budgets with the Division of Local Government in the Colorado Department of Local Affairs.

The District's Board has previously adopted the District's 2005 budget and appropriation resolution as described above and filed such budget with the Division of Local Government. It is anticipated that such 2005 budget will be amended to reflect the issuance of the Series 2005 Bonds and transfer of the proceeds thereof to District No. 1 for application to costs of the Project in accordance with the Master IGA.

Financial Statements

Because the District was recently organized, they have no financial statements available. Under Colorado statutes, the Districts' Boards of Directors are required to have the financial statements of the Districts audited at least annually. The audited financial statements must be filed with the Boards of Directors by June 30th of each year, and with the State Auditor within 30 days thereafter or within any extension period granted according to law. If such audit is not filed within three months of the initial deadline required by law, the State Auditor may authorize those County officials holding moneys of the Districts generated pursuant to the Districts' taxing authority to prohibit the release of such moneys until the Districts submit an audit report. The Districts have applied for an exemption to filing audited financial statements for 2004 with the State auditor as the Districts had minimal financial activity.

Sources of Revenue

Ad Valorem Property Taxes. The District is authorized to obtain revenues from the imposition of ad valorem property taxes within its boundaries. The Service Plan limits the mill levy that may be imposed by the Districts for debt service purposes to 40 mills and limits the total mill levies that may be imposed by the Districts for operations and maintenance and for debt service purposes to 50 mills. Such limitations will be subject to adjustment if, after the date of original approval of the Service Plan, the laws of the State change with respect to the assessment of property for taxation purposes, the ratio for

determining assessed valuation changes, or other similar changes occur, in which case the foregoing thresholds and limits are to be automatically adjusted so that the tax liability of individual property owners neither increases nor decreases as a result of any such changes thereby. For additional information on the imposition and collection of ad valorem property taxes, see "Ad Valorem Property Taxes" below. For information concerning the assessed value of and mill levies applicable to properties within the District, see "Ad Valorem Property Taxes - Ad Valorem Property Tax Statistics" below. Pursuant to the Indenture, for the purpose of paying debt service on the Series 2005 Bonds and any additional bonds issued under the Indenture, the District has agreed to impose the Required Mill Levy, as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Property Taxes."

Specific Ownership Taxes. As a result of imposing a mill levy, the District is entitled to receive a portion of the revenue of the specific ownership tax imposed pursuant to Article 3 of Title 42, C.R.S., which is collected by the County Treasurer in connection with the registration of certain motor vehicles and other personal property. By statute, the amount collected by the County Treasurer is apportioned among all political and governmental subdivisions located within the County on the basis of the amount of ad valorem taxes levied by such entities within the County during the preceding calendar year. See also "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Specific Ownership Taxes."

Fees. It is anticipated that the District will impose Development Fees as described in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS – Development Fees."

Developer Advances. It is anticipated that District No. 1 will receive moneys from the Developer to fund certain Facilities and operations costs, on behalf of the Districts, in accordance with reimbursement agreements entered into from time to time. See "THE DISTRICT – Material Contracts – Developer Reimbursement Agreements."

Other Revenue Sources. The Districts will also receive revenue from interest income on investments. Only interest income resulting from investment of funds held by the Trustee under the Indenture is pledged to secure the Series 2005 Bonds. In addition, the Districts may rely upon various other revenue sources as are authorized by law to offset the expenses of the construction, acquisition, operation and maintenance of public improvements, such as fees, rates, tolls, penalties and charges as provided in the Special District Act.

Ad Valorem Property Taxes

Procedure. The Board has the power, subject to constitutional and statutory guidelines (see for example "Revenue and Spending Limitations" above), to certify a levy for collection of ad valorem taxes against all taxable property within the District. Property taxes are uniformly levied against the assessed valuation of all taxable property within the District.

Both real and personal property are subject to taxation by the District, but there are certain classes of property which are exempt from taxation. These include, but are not limited to, property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; certain charitable property not used for profit; religious property; non-profit cemeteries; irrigation ditches, canals, and flumes used exclusively to irrigate the owner's land; household furnishings and personal effects not used to produce income; intangible personal property; and inventories of merchandise and materials and supplies which are held for consumption by a business or are held primarily for sale; livestock; agricultural, and livestock products; agricultural equipment which is used on the farm or ranch in the production of agricultural products and works of art, literary materials and artifacts.

The Weld County Assessor (the "**County Assessor**") annually conducts appraisals in order to determine, on the basis of statutorily specified approaches, the "actual" value of all taxable property within the County as of January 1st. The statutory actual value of a property is not intended to represent current market value, but, with certain exceptions, is determined from a "base year" level of value and from manuals and associated data published by the State Property Tax Administrator for the base year. The period for determining the actual value of real property is the one and one-half year period immediately prior to the July 1 immediately preceding the assessment date, which is each January 1. The base year level of value then advances two years for each two-year assessment cycle thereafter. For the 2004 property tax levy year, the base year level of value is the period one and one-half years immediately prior to July 1, 2003. Oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals are valued based on production levels rather than by the base year method.

Assessed valuation, which represents the value upon which ad valorem property taxes are levied, is calculated by the County Assessor as a percentage of statutory actual value. To avoid extraordinary increases in residential real property taxes when the base year is changed, the Colorado General Assembly is required by law to adjust the ratio of valuation for assessment of such residential property for each year in which a change in the level of value occurs based on an estimated target percentage. In order to maintain the required residential percentage, Colorado law required that residential real property and mobile home parks generally be assessed at 10.36% of statutory actual value for the 1995 and 1996 levy years, at 9.74% of statutory actual value for the 1997, 1998, 1999, and 2000 property tax levy years and at 9.15% of the statutory actual value for the 2001 and 2002 property tax levy years. In May 2003, the Colorado General Assembly enacted legislation further reducing the rate to 7.96% of the statutory actual value for the 2003 and 2004 property tax levy years and, in 2005, enacted legislation to maintain the rate at 7.96% of statutory actual value for the 2005 through 2006 property tax levy years. All other taxable property, including commercial property, with certain specified exceptions, is assessed at 29% of statutory actual value. See "Revenue and Spending Limitations" above.

Property owners are notified of the valuation of their land or improvements, or taxable personal property and certain other information related to the amount of property taxes levied, in accordance with certain statutory deadlines. Property owners are given the opportunity to object to increases in the actual value of such property, and may petition for a hearing thereon before the board of assessment appeals. Upon the conclusion of such hearings, the County Assessor is required to complete the assessment roll of all taxable property and, no later than August 25th each year, prepare an abstract of assessment therefrom. The abstract of assessment and certain other required information is reviewed by the State Property Tax Administrator prior to October 15th of each year and, if necessary, the State Board of Equalization will order the County Assessor to correct assessments. The valuation of property is subject to further review during various stages of the assessment process at the request of the property owner, by the Board of Assessment Appeals, the State courts or by arbitrators appointed by the Board of County Commissioners (the "**County Commissioners**"). On the report of an erroneous assessment, an abatement or refund may be made; however, in no case will an abatement or refund of taxes be made more than six years after taxes are due.

The Colorado General Assembly is required to cause a valuation for assessment study to be conducted each year in order to ascertain whether or not county assessors statewide have complied with constitutional and statutory provisions in determining statutory actual values and assessed valuations for that year. The final study, including findings and conclusions, must be submitted to the Colorado General Assembly and the State Board of Equalization by September 15th of the year in which the study is conducted. Subsequently, the Board of Equalization may order a county to conduct reappraisals and revaluations during the following property tax levy year. The District's assessed valuation may be subject to modification following any such annual assessment study.

Subject to certain State constitutional and statutory limitations, based upon the valuation certified by the County Assessor, the Board computes a rate of levy which, when levied upon every dollar of the valuation for assessment of taxable property within the District (including excluded property still subject to a bond redemption levy), and together with other legally available District revenues, will raise the amount required by the District in its upcoming fiscal year. The District subsequently certifies to the County Commissioners the rate of levy sufficient to produce the needed funds. Such certification must be made no later than December 15th of the property tax levy year for collection of taxes in the ensuing year.

The County Commissioners levy the tax on all taxable property within the District. By December 22nd of each year, the County Commissioners are to certify to the County Assessor the levy for all taxing entities within the County. If the County Commissioners fail to make certification, it is the duty of the County Assessor to extend the levies of the previous year. Further revisions to the assessed valuation of property may occur prior to the final step in the taxing procedure, which is the delivery by the County Assessor of the tax list and warrant to the Weld County Treasurer (the "**County Treasurer**"). Tax levies may be adjusted again to ensure compliance with Section 29-1-301, Colorado Revised Statutes, as amended, before the County Treasurer sends tax bills to property owners for the collection of property taxes.

Taxes levied in one year are collected in the succeeding year. Thus, taxes certified in 2004 are being collected in 2005. Taxes are due on January 1st in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or in two equal installments (not later than the last day of February and the 15th day of June) without interest or penalty. Interest accrues on unpaid first installments at the rate of one percent (1%) per month from March 1st until the date of payment unless the whole amount is paid by April 30th. If the second installment is not paid by June 15th, the unpaid installment will bear interest at the rate of one percent (1%) per month from June 16th until the date of payment. Notwithstanding the foregoing, if the full amount of taxes is paid in a single payment after the last day of April, the unpaid taxes will bear penalty interest at the rate of one percent (1%) per month accruing from the first day of May until the date of payment. The County Treasurer collects current and delinquent property taxes, as well as any interest or penalty, and after deducting a statutory fee for such collection, remits the balance to the District on a monthly basis. The payments to each taxing entity must be made by the tenth of each month, and include all taxes collected through the 5th of the month.

All taxes levied on property, together with interest thereon and penalties for default, as well as all other costs of collection, constitute a perpetual lien on and against the property taxed from January 1st of the property tax levy year until paid. Such lien is on a parity with the tax liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by tax sale of the lien on such realty. Delinquent personal property taxes are enforceable by distraint, seizure, and sale of the taxpayer's personal property. Tax sales of realty are held on or before the second Monday in December of the collection year, preceded by a notice of delinquency to the taxpayer and a minimum of four weeks of public notice of the impending public sale. Sales of personal property may be held at any time after October 1st of the collection year following notice of delinquency and public notice of sale. There can be no assurance, however, that the value of property sold, in the event of foreclosure and sale by the County Treasurer, would be sufficient to produce the amount required with respect to property taxes levied by the District and property taxes levied by overlapping taxing entities, as well as any interest or costs due thereon. Further, there can be no assurance that the property will be bid on and sold. If the property is not bid on and sold, then the County Treasurer removes the property from the tax rolls and delinquent taxes are payable when the property is sold or redeemed.

Ad Valorem Property Tax Statistics. The District was created in June 2004 and has a 2004 certified assessed value of \$13,510. Upon subsequent review by the Weld County Assessor's office, the County Assessor revised the assessed value of the district to \$14,180 in August 2005. Ninety-nine percent (99%) of the

taxable property in the District is currently valued as agricultural property and approximately one percent (1%) is valued as wasteland. The District did not levy any property taxes in 2004 for collection in 2005.

All of the property within the District is currently under contract for purchase by the Developer. See "THE DEVELOPER AND THE DEVELOPMENT– The Residential Development."

In the past five years, the property tax collection rate in the County has averaged 98.5%.

In addition to the District's ad valorem property tax levy, owners of property within the District are obligated to pay taxes to other taxing entities in which their property is located. As a result, property owners within the District's boundaries may be subject to different mill levies depending upon the location of their property. The following table reflects sample mill levies that may be imposed on certain properties. Owners of property within the District are obligated to pay property taxes to all taxing entities in which their property is located, including the District. Additional taxing entities may overlap the District in the future. See also "*Estimated Overlapping General Obligation Debt*" below.

Mill Levy Affecting Property Owners Within the District

Taxing Entity ¹	2005 Mill Levy ²
St. Vrain Valley RE 1j School District	40.089
Weld County	19.957
Frederick-Firestone Fire Protection District ³	9.560
St. Vrain Sanitation District ⁴	4.401
Weld Library	3.249
Mountain View Fire Protection District (Bond 2008)	0.290
Total Mill Levy	77.546
The District	40.000
Total Mill Levy	117.546

¹ The Left Hand Water District and Longmont Conservation District also overlap the District but do not assess a mill levy.

² One mill equals \$.0001. Mill levies certified in 2004 are for the collection of ad valorem property taxes in 2005.

³ Certain portions of the District are subject to the Mountain View Fire Protection District with a mill levy of 7.817 and the Northern Colorado Water Conservancy District with a mill levy of 1.000 instead of the Frederick-Firestone Fire Protection District.

⁴ As of April 2005, a portion of the St. Vrain Sanitation District was included in a portion of the District. Not all property owners in the District are subject to this mill levy.

Source: Weld County Assessor's Office

Financial Obligations

Colorado Statutory and Other Restrictions. In addition to the restrictions in the Indenture, the District's ability to issue additional bonds and other obligations in the future may be limited by certain provisions of the Special District Act. The Special District Act provides that the Districts may not issue general obligation debt whose total principal amount at the time of issuance, together with the aggregate principal amount of the such District's other outstanding general obligation debt, exceeds the greater of \$2,000,000 or 50% of the valuation for assessment of the taxable property in the District except such debt that is: (i) rated in one of the four highest investment grade rating categories by one or more

nationally recognized rating organizations, (ii) determined by the District's Board of Directors to be necessary to construct or otherwise provide additional improvements specifically ordered by a federal or state regulatory agency to bring the District into compliance with applicable federal or State laws or regulations for the protection of the public health or environment, (iii) secured as to payment of principal and interest by a letter of credit or other credit enhancement meeting certain criteria, or (iv) issued solely to financial institutions or institutional investors. Nothing in the Special District Act restricts the power of the Districts to issue general obligation debt or other obligations which are either payable from a limited debt service mill levy, which mill levy may not exceed 50 mills, or to issue debt for refundings or other restrictions. Because the Series 2005 Bonds are being sold to financial institutions, they are not anticipated to be subject to the foregoing limitations. In certain cases, bonds of the District may be subject to registration with the Colorado Commissioner of Securities under the Colorado Municipal Bond Supervision Act, Section 11-59-101, et seq., Colorado Revised Statutes.

Service Plan. Pursuant to the Service Plan, the combined new revenue and general obligation bond debt limit for all three Districts is \$36,000,000, exclusive of surety requirements, but inclusive of organizational costs, costs of issuance, including debt service reserves, capitalized interest, underwriter's discount and bond issuance legal fees. Neither District No. 1 nor District No. 3 has issued any such indebtedness. In addition, pursuant to the Service Plan, the maximum debt service mill levy for the Districts is forty (40) mills, and the aggregate mill levy for both debt service and operations is fifty (50) mills provided that if, after the original date of approval of the Service Plan, there are changes in the method of calculating assessed valuation or any constitutionally mandated tax credit, cut or abatement; the mill levy limitations described herein may be increased or decreased to reflect such changes.

Voter Authorization. As described above under "Revenue and Spending Limitations – State Constitutional Limitation," voter approval is required for the creation of any multiple-fiscal year direct or indirect debt of the Districts or other financial obligation whatsoever, subject to certain exceptions. On May 4, 2004, the Districts obtained voter authorization to incur debt or enter into multiple fiscal year obligations for the purposes set forth in the following table. Such authorization will be decreased by the aggregate principal amount of the Series 2005 Bonds and additional bonds issued by the District and the aggregate amount of obligation incurred under the Master IGA (see "THE DISTRICT - Material Contracts – Intergovernmental Agreement Among the Districts"). To the extent allowed by law and the debt authorization approved by the District's electors at such election or future debt elections, if any, the Board may shift funds from one category of improvements to another so long as the debt limit approved by the electors is not exceeded. See also "Revenue and Spending Limitations -TABOR" and "Debt Limits" above in this section.

Voter-Authorized Borrowing Authority Prior to Issuance of the Series 2005 Bonds

<u>Purpose</u>	<u>Voted Debt Authorization</u>
Street improvements	\$ 8,000,000
Traffic and safety controls and devices	1,500,000
Water improvements	8,000,000
Sanitary sewer improvements	6,000,000
Park and recreation improvements	12,000,000
Mosquito control	100,000
Operations and maintenance	3,500,000
Refunding of District financial obligations	35,500,000
Contracts with other political subdivisions	35,500,000
Reimbursement agreements with private entities	<u>30,000,000</u>
	<u>\$140,100,000</u>

Outstanding Obligations. The Districts currently have no outstanding indebtedness. The District may issue Completion Bonds, Subordinate Bonds (including Permitted Subordinate Bonds) and Additional Bonds as described in "THE SERIES 2005 BONDS - Additional Bonds." It is anticipated that the District will issue, on or about the date of issuance of the Series 2005 Bonds, Permitted Subordinate Bonds and certain contingent obligations (comprised of certain reimbursements agreements with the Developer) as more particularly described in "THE DISTRICT – Material Contracts – Developer Reimbursement Agreements" and "THE SERIES 2005 BONDS – Additional Bonds."

Estimated Overlapping General Obligation Debt. Certain public entities whose boundaries are entirely inclusive of the Districts are also authorized to incur general obligation debt and, as a result, properties within such Districts will also be liable for an allocable portion of such debt. The following table sets forth the estimated overlapping general obligations debt of such entities chargeable to properties within the Districts as of the date hereof. For purposes of this table, the percentage of each entity's outstanding debt chargeable to a District's property owners is calculated by comparing the assessed valuation of the portion overlapping the District's boundaries to the total assessed valuation of the overlapping entity. To the extent that the District's assessed valuation changes disproportionately with the assessed valuation of the overlapping entities, the percentage of general obligation debt for which such District's property owners are responsible will also change.

Estimated Overlapping General Obligation Debt

Entity ¹	2005 Certified Assessed Valuation ²	Outstanding General Obligation Debt	Outstanding General Obligation Debt Chargeable to the District	
			Percent ³	Amount
St. Vrain Valley RE 1j School District	415,486,720	\$283,890,000	0.0034%	\$9,689
Frederick-Firestone Fire Protection District	129,178,050	3,950,000	0.0036%	4,700
Mountain View Fire Protection District (Bond 2008)	69,547,770	755,000	0.0137%	9,500
St. Vrain Sanitation District	148,338,440	2,805,000	0.0064%	180
Northern Colorado Conservancy District	2,399,590,050	4,606,000	0.0006%	27
TOTAL				<u>\$24,096</u>

¹ The following entities also overlap the District but have no reported general obligation debt outstanding: Weld County, Weld Library District, and Left Hand Water District.

² The 2004 assessed valuation figures were certified by the respective county assessors for collection of ad valorem property taxes in 2005.

³ The percentage of each entity's outstanding debt chargeable to the District is calculated by comparing the assessed valuation of the portion overlapping the District to the total assessed valuation of the overlapping entity. To the extent the District's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of debt for which property owners within the District are responsible will also change. As a result, it is anticipated that the percentage of the above-indicated debt chargeable to property owners within the District will grow as the District is developed.

Source: Weld County Assessor's Office and individual entities.

THE LOCAL ECONOMY

The following information is provided to give prospective investors an overview of the general economic conditions in the area of the District. The statistics presented below have been obtained from the sources indicated and represent the most current information available from such sources. The statistics have not been adjusted to reflect economic trends, notably inflation. Such information is not to be relied upon as a representation or guarantee of the District.

Population and Age Distribution

Population – The following table sets forth a history of population for Frederick, Weld County and the State. Between 1990 and 2000 the population of Frederick increased 149.7%, the population of Weld County increased 37.3 % and the State's population increased by 30.6%. The population has continued to increase in each of the areas indicated since 2000. Since 2000, the population of Frederick has increased by 91% and will grow substantially if the Residential Development and other surrounding development occurs as projected. See "THE DEVELOPER AND THE DEVELOPMENT – Competition and Marketing."

Population

Year	Frederick	Percent Increase	Weld County	Percent Increase	Colorado	Percent Increase
1950	599	--	67,504	--	1,325,089	--
1960	595	-0.67%	72,344	7.17%	1,753,947	32.36%
1970	696	16.97%	89,297	23.43%	2,209,596	25.98%
1980	855	22.84%	123,436	38.23%	2,889,733	30.78%
1990	988	15.56%	131,821	6.79%	3,294,394	14.00%
2000	2,467	149.70%	180,936	37.26%	4,301,261	30.56%
2001	3,657	48.24%	193,838	7.13%	4,446,529	3.38%
2002	4,461	21.99%	201,164	3.78%	4,521,484	1.69%
2003	5,167	15.83%	209,909	4.35%	4,586,455	1.44%

Sources: Figures obtained from the Colorado Department of Local Affairs, Division of Local Government, Demographic Section as complied from the United States Census Bureau, Demography Section.

Age Distribution – The following table sets forth a comparative age distribution profile for Weld County, the State and the United States.

Age Distribution

<u>Age</u>	<u>Percent of Population¹</u>		
	<u>Weld County</u>	<u>Colorado</u>	<u>United States</u>
0-17	27.20%	25.40%	25.10%
18-24	13.2	9.9	9.9
25-34	14.5	14.9	13.6
35-49	21.5	23.9	22.7
50 and Older	23.6	25.9	28.7

¹ The percent of population in each age category is based on an estimated total population headcount of all people living in a given geographic area as of April 1, 2004.

Source: Sales & Marketing Management "2004 Survey of Buying Power."

Income

The following table sets forth annual per capita personal income levels for Weld County, the State and the United States.

Per Capita Personal Income

<u>Year</u>	<u>Weld</u>		<u>United</u>
	<u>County</u>	<u>Colorado</u>	<u>States</u>
1999	23,904	30,492	27,939
2000	25,038	33,370	29,845
2001	25,575	34,491	30,575
2002	24,571	34,228	30,804
2003	24,279	34,561	31,472
2004 ¹	n/a	36,063	32,937

¹ Figures for Colorado and the United States represent preliminary estimates; figure for Weld County currently unavailable.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

The following two tables reflect the Median Household Effective Buying Income ("EBI"), and the Percent of Households by EBI Groups as reported in Sales & Marketing Management, "Survey of Buying Power." EBI is a classification developed by Sales & Marketing Management.

EBI is defined as "money income" (which includes wages and salaries, net farm and nonfarm self-employment income, interest, dividends, net rental and royalty income, Social Security and railroad retirement income, other retirement and disability income, public assistance income, unemployment compensation, Veteran Administration payments, alimony and child support, military family allotments, net winnings from gambling, and other periodic income) less personal tax and nontax payments. Deductions are made for personal federal, state and local income taxes, personal contributions to social

insurance (Social Security and federal retirement payroll deductions), and taxes on owner-occupied nonbusiness real estate. The resulting figure is known as "disposable" or "after-tax" income.

Median Household Effective Buying Income

Year	Weld County	Colorado	United States
1999	30,877	37,335	37,233
2000	32,640	39,741	39,129
2001 ¹	35,173	44,050	38,365
2002 ¹	38,919	43,510	38,035
2003 ¹	39,010	43,544	38,201

¹ The EBI figures for 1999 and 2000 are based on the 1990 United States census. In 2002, Sales & Marketing Management began calculating EBI based on three-year combinations of the Census Bureau's monthly Current Population Survey data. As a result, EBI figures for 2001 and thereafter are not directly comparable to those prior years.

Source: Sales & Marketing Management, "Survey of Buying Power," 2000-2004 editions.

Percent of Households by Effective Buying Income Groups¹

Effective Buying Income Group	Percent of Households		
	Weld County	Colorado	United States
Under \$20,000	20.5%	16.8%	22.3%
\$20,000 - 34,999	24.0	22.2	23.3
\$35,000 - 49,999	20.0	19.1	19.0
\$50,000 and over	35.5	41.9	35.4

¹ The percent of households by EBI Group is based on income estimates for the year 2003.

Source: Sales & Marketing Management "2004 Survey of Buying Power."

Employment

The following table presents information on employment within Weld County, the State and the United States for the period indicated. The unemployment rate for Weld County has remained higher than the State and the United States since 2002.

Labor Force and Percent Unemployment

Year	Weld County		Colorado		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2000	93,538	2.6	2,359,323	2.6	4.0
2001	92,389	4.2	2,394,885	3.9	4.7
2002	98,874	6.1	2,443,321	5.9	5.8
2003	101,975	6.9	2,479,753	6.2	6.0
2004	103,561	6.6	2,522,225	5.5	5.5

Source: Figures compiled by the U.S. Department of Labor, Bureau of Labor Statistics

The following table sets forth the number of individuals employed within selected industries that are covered by unemployment insurance.

In 2004, the largest employment sector in Weld County was construction, followed in order by retail trade, professional and technical services, other services, and accommodations and food services. For the twelve-month period ended December 31, 2004, total average employment in Weld County increased 5.3% as compared to the twelve-month period ending December 31, 2003.

Average Number of Employees Within Selected Industries Within Weld County¹

<u>Industry</u>²	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Agriculture, Forestry, Fishing Hunting	278	203	209	216	217
Mining	67	71	70	73	74
Utilities ³	-	18	-	19	20
Construction	658	796	853	907	951
Manufacturing	260	259	260	283	304
Transportation, Communication and Public Utilities	283	-	-	-	-
Wholesale Trade	324	291	299	305	311
Retail Trade	751	530	541	566	592
Transportation and Warehousing	-	231	238	239	261
Information	-	62	65	57	62
Finance, Insurance and Real Estate	357	-	-	-	-
Finance and Insurance	-	237	261	279	319
Real Estate, Rental & Leasing	-	196	203	217	237
Services	1,182	-	-	-	-
Professional & Technical Services	-	328	351	381	425
Management of Companies & Enterprises ³	-	-	19	19	20
Administrative & Waste Services	-	234	252	263	257
Educational Services	-	29	29	34	34
Health Care & Social Assistance	-	280	297	308	323
Arts, Entertainment & Recreation	-	49	52	59	64
Accommodation & Food Services	-	316	324	338	358
Other Services	-	324	336	357	363
Nonclassifiable ³	-	-	-	4	-
Government	<u>104</u>	<u>105</u>	<u>107</u>	<u>109</u>	<u>108</u>
Total:	<u>4,264</u>	<u>4,559</u>	<u>4,766</u>	<u>5,033</u>	<u>5,300</u>

¹ Information provided herein reflects only those employers who are subject to State unemployment insurance laws.

² Beginning in 2001 the Colorado Department of Labor and Employment converted from the Standard Industrial Classification (SIC) system to the North American Industry Classification System (NAICS). NAICS recognizes new businesses largely in the fast-growing service sectors, including Information, Professional, Scientific and Technical Services. Significant changes from 2000 to 2001 mostly likely result from this classification change. Industries listed with no prior or current data reflect this classification change.

³ The Colorado Department of Labor and Employment suppresses data for an industry when the industry has fewer than three reporting units or in which a single establishment accounts for 80 percent or more of an industry's employment. Data was suppressed for Utilities and Management of Companies & Enterprises in 2002, and for Nonclassifiable industries in 2000 through 2002 and 2004.

Source: Colorado Department of Labor and Employment, Census of Employment and Wages

The following table sets forth the ten largest employers in Weld County. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employers in Weld County.

Ten Largest Employers in Weld County

Employer	Product or Service	Estimated Number of Employees
ConAgra, Inc.	Processed Beef	3,550
School District 6	Public Education	2,211
State of Colorado	Government	2,062
Eastman Kodak, Colorado Division	Sensitized Photographic Goods	1,800
North Colorado Medical Center	Regional Hospital	1,616
Aims Community College	Vocational Education	1,434
State Farm Insurance Companies	Insurance	1,310
Startek USA	Outsourcing Service Provider	1,200
Weld County	Government	1,116
City of Greeley	Government	721

Source: Compiled by Greeley/Weld Economic Development Office.

Retail Sales

The following table sets forth annual retail sales figures for Frederick, Weld County and the State. All entities experienced increased retail sales for the years indicated.

Year	Frederick	Percent Increase	Retail Sales (in thousands)		
			Weld County	Percent Increase	Colorado
2000	144,672	--	3,219,687	--	101,008,296
2001	149,370	3.2%	3,529,483	9.6%	102,633,648
2002	191,936	28.5%	3,859,303	9.3%	103,777,621
2003	207,220	8.0%	4,043,578	4.8%	105,420,075
2004	221,086	6.7%	4,518,457	11.7%	114,280,780

Source: State of Colorado, Department of Revenue, Retail Sales and Sales Tax Summaries by County and by City.

Building Permit Activity

The following tables set forth the number of building permits issued for new structures in Frederick and the unincorporated portion of Weld County for the time period indicated.

Building Permits Issued for New Structures in Frederick

<u>Year</u>	Single Family		Commercial	
	<u>Permits</u>	<u>Value¹</u>	<u>Permits</u>	<u>Value¹</u>
2000	408	--	15	--
2001	298	--	12	--
2002	280	--	10	--
2003	293	\$ 45,698,514	4	\$ 3,683,278
2004	225	40,392,387	11	5,596,596
2005 ²	154	29,914,692	6	4,156,099

¹ Valuation of permits issued for the years 2000, 2001 and 2002 are unavailable.

² Figures are through July 31, 2005.

Source: Town of Frederick Building and Zoning Department

Foreclosure Activity

The following table sets forth the number of foreclosures filed in Weld County during the time period indicated. Such information represents the number of foreclosures recorded, and does not take into account the number of foreclosures that were subsequently redeemed or withdrawn.

History of Foreclosures – Weld County

<u>Year</u>	Number of Foreclosures Filed	Percent Increase
2000	345	--
2001	478	38.6%
2002	628	31.4%
2003	822	30.9%
2004	1,155	40.5%

Source: Weld County Public Trustee's Office

TAX MATTERS

In the opinion of 2005 Bond Counsel, assuming continuous compliance with certain covenants described below, interest on the 2005 Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date of delivery of the 2005 Bonds (the "Tax Code"), interest on the 2005 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of computing the alternative

minimum taxable income of corporations as described below, and interest on the 2005 Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect on the date of delivery of the 2005 Bonds.

The Tax Code and Colorado law impose several requirements which must be met with respect to the 2005 Bonds in order for the interest thereon to be excluded from gross income, alternative minimum taxable income (except to the extent of the aforementioned adjustments applicable to corporations), Colorado taxable income and Colorado alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2005 Bonds. These requirements included: (a) limitations as to the use of proceeds of the 2005 Bonds; (b) limitations on the extent to which proceeds of the 2005 Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2005 Bonds above the yield on the 2005 Bonds to be paid to the United States Treasury. The District will covenant and represent in the Indenture that it will take all steps to comply with the requirements of the Tax Code and Colorado law (in effect on the date of delivery of the 2005 Bonds) to the extent necessary to maintain the exclusion of interest on the 2005 Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustments applicable to corporations) under such federal income tax laws and Colorado taxable income and Colorado alternative minimum taxable income under such Colorado income tax laws. 2005 Bond Counsel's opinion as to the exclusion of interest on the 2005 Bonds from gross income, alternative minimum taxable income (to the extent described above), Colorado taxable income and Colorado alternative minimum taxable income is rendered in reliance on these covenants, and assumes continuous compliance therewith. The failure or inability of the District to comply with these requirements could cause the interest on the 2005 Bonds to be included in gross income, alternative minimum taxable income, Colorado taxable income or Colorado alternative minimum taxable income, or a combination thereof, from the date of issuance. 2005 Bond Counsel's opinion also is rendered in reliance upon certifications of the District and other certifications furnished to 2005 Bond Counsel. 2005 Bond Counsel has not undertaken to verify such certifications by independent investigation.

Section 55 of the Tax Code contains a twenty percent (20%) alternative minimum tax on the alternative minimum taxable income of corporations. Under the Tax Code, seventy-five percent (75%) of the excess of a corporation's "adjusted current earnings" over the corporation's alternative minimum taxable income (determined without regard to this adjustment and the alternative minimum tax net operating loss deduction) is included in the corporation's alternative minimum taxable income for purposes of the alternative minimum tax applicable to the corporation. "Adjusted current earnings" includes interest on the 2005 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the 2005 Bonds. Owners of the 2005 Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and Colorado tax consequences. 2005 Bond Counsel's opinion relates only to the exclusion of interest on the 2005 Bonds from gross income, alternative minimum taxable income, Colorado taxable income and Colorado alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or Colorado tax consequences arising from the receipt or accrual of interest on or ownership of the 2005 Bonds. Owners of the 2005 Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by 2005 Bond Counsel are based upon existing law as of the delivery date of the 2005 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to any pending or proposed legislation. Amendments to federal and Colorado tax laws may be pending now or could be proposed in the future which, if enacted into law, could adversely affect the value of the 2005 Bonds, the exclusion of interest on the 2005 Bonds from gross income, alternative minimum taxable income,

Colorado taxable income, Colorado alternative minimum taxable income or any combination thereof from the date of issuance of the 2005 Bonds or any other date, or which could result in other adverse federal or Colorado tax consequences. Owners of the 2005 Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2005 Bonds. If an audit is commenced, the market value of the 2005 Bonds may be adversely affected. Under current audit procedures, the Service will treat the District as the taxpayer and the Owners may have no right to participate in such procedures. The District has covenanted in the Indenture not to take any action that would cause the interest on the 2005 Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the District, the Underwriter or 2005 Bond Counsel is responsible for paying or reimbursing any Owner or Beneficial Owner for any audit or litigation costs relating to the 2005 Bonds.

For a form of the opinion to be issued by Bond Counsel in connection with the issuance of the Series 2005 Bonds, see **Appendix D** hereto.

LEGAL MATTERS

Legal matters incident to the validity of the Series 2005 Bonds are subject to the receipt of the approving opinion of Sherman & Howard L.L.C., Denver, Colorado, as Bond Counsel to the District. The substantially final text of the opinion of Bond Counsel is included as **Appendix D** hereto. Certain legal matters will be passed upon for the District by White, Bear & Ankele Professional Corporation, Highlands Ranch, Colorado, as general counsel and as special disclosure counsel to the District in connection with this Limited Offering Memorandum. Kutak Rock LLP, Denver, Colorado, is acting as legal counsel to the Underwriter in connection with the issuance of the Series 2005 Bonds.

CONTINUING DISCLOSURE

Although the Series 2005 Bonds as initially issued will be exempt from the provisions of Rule 15c2-12 ("**Rule 15c2-12**") promulgated by the SEC under the Securities Exchange Act of 1934, the District and the Developer will nevertheless execute a Continuing Disclosure Agreement (the "**Agreement**") pursuant to which it will agree to provide periodically to the Owners of the Series 2005 Bonds certain information relating to the District and the Residential Development. A form of the Continuing Disclosure Agreement is attached hereto as **Appendix C**.

Failure of the District or the Developer to comply with the Agreement does not constitute an event of default under the Indenture or the Series 2005 Bonds, but the Agreement does provide that in the event of a failure to comply with the Agreement, the Owners of the Series 2005 Bonds have the right to seek a court order directing the District and the Developer to perform their respective obligations thereunder.

NO RATINGS

The District has not made and does not contemplate making an application to any rating agency for the assignment of a rating on the Series 2005 Bonds.

UNDERWRITING

The Series 2005 Bonds are being sold by the District at an underwriting discount of \$218,000 to the Underwriter pursuant to a purchase contract. See "PLAN OF FINANCE—Use of Proceeds." Expenses associated with the issuance of the Series 2005 Bonds are being paid by the District from proceeds of the issue. The right of the Underwriter to receive compensation in connection with this issue is contingent upon the actual sale and delivery of the Series 2005 Bonds.

RELATIONSHIPS OF PARTIES

All members of the Boards of the Districts are either officers, employees or consultants of the Developer or its affiliates. See "THE DISTRICT — Management."

ADDITIONAL INFORMATION

All statements of intent of the District contained in this Limited Offering Memorandum are subject to change at any time without notice and without the need for a change in circumstances from those in existence as of the date of this Limited Offering Memorandum. The summaries of certain provisions of any documents, ordinances, the Series 2005 Bonds, federal and Colorado laws, and other sources referred to in this Limited Offering Memorandum do not purport to be complete, and reference is made to such sources for a complete statement of their provisions. Copies of the Indenture, the Funding Agreement and other such documents and laws summarized herein as well as further information concerning the District or the Series 2005 Bonds are available for review by making a request to the District, c/o White, Bear & Ankele Professional Corporation, 1805 Shea Center Drive, Suite 100, Highlands Ranch, Colorado 80129; (303) 858-1800. Further information concerning the Developer and the Residential Development may be obtained by making a request to Mr. Lewis G. Holtsclaw, Community Development Group, 2500 Arapahoe Avenue, Suite 220, Boulder, Colorado 80302; (303) 442-2299. So far as any statements made in this Limited Offering Memorandum involve matters of opinion, assumptions, projections, plans, or estimates, whether or not expressly stated as such, are so intended and they are not to be construed as representations of fact. Certain information concerning the Developer and the Town as set forth herein was obtained from such entities and is not to be construed as representations by the District.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

By: /s/ Jon R. Lee
President of the Board of Directors

APPENDIX A
SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX A SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following is a summary of certain provisions of the Indenture. This summary does not purpose to be complete or definitive and is qualified in its entirety by reference to the Indenture, a copy of which is available from the District.

Definitions

2004 Election: the election held within the District on May 4, 2004.

Act: Title 32, Article 1, Colorado Revised Statutes.

Additional Bonds: (a) all obligations of the District for borrowed money and reimbursement obligations, (b) all obligations of the District payable from or constituting a lien or encumbrance upon *ad valorem* tax revenues of the District, (c) all obligations of the District evidenced by bonds, debentures, notes, or other similar instruments, including without limitation any Parity Bonds or Subordinate Bonds, (d) all obligations of the District to pay the deferred purchase price of property or services, (e) all obligations of the District as lessee under capital leases, and (f) all obligations of others guaranteed by the District; provided that notwithstanding the foregoing, the term "Additional Bonds" does not include:

(1) obligations the repayment of which is contingent upon the District's annual determination to appropriate moneys therefor, other than capital leases as set forth in (e) above, so long as (i) no amounts due or to become due on such obligations are payable from the District's debt service mill levy, and (ii) no amounts due or to become due on such obligations are payable from a District operations and maintenance mill levy in excess of that which, when combined with the Required Mill Levy, would exceed fifty (50) mills, calculated and adjusted from February 12, 2004, as provided in the definition of "Required Mill Levy" herein;

(2) obligations which are payable solely from the proceeds of Additional Bonds, when and if issued;

(3) obligations which refund or refinance any Bonds or Additional Bonds, so long as (i) such refunding obligations do not increase the District's debt service in any year in which both the refunding obligations and any Bonds or Additional Bonds are Outstanding; (ii) such refunding obligations are payable on the same date or dates as the obligations being refunded or refinanced, and are not subject to acceleration, (iii) such refunding obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority, as the obligations being refunded or refinanced; and (iv) the remedies for defaults under such refunding or refinancing obligations are substantially the same as the remedies applicable to the obligations being refunded or refinanced;

(4) obligations payable solely from periodic, recurring service charges (and not from tap fees, development fees, or other similar charges of a capital nature) imposed by the District for the use of any District facility or service, which obligations do not constitute a debt or indebtedness of the District or an obligation required to be approved at an election under Colorado law;

(5) obligations to reimburse any person in respect of surety bonds, financial guaranties, letters of credit, or similar credit enhancements so long as (i) such surety bonds, financial guaranties, letters of credit, or similar credit enhancements guarantee payment of all principal and interest

on any single issue of Additional Bonds, and (ii) such reimbursement obligations are payable from the same or fewer revenue sources, with the same or a subordinate lien priority as the Additional Bonds supported by the surety bonds, financial guaranties, letters of credit, or similar credit enhancements; and

(6) any operating leases, payroll obligations, accounts payable, or taxes incurred or payable in the ordinary course of business of the District.

Authorized Denominations: initially, the amount of \$500,000 or any integral multiple of \$1,000 in excess thereof, provided that:

(a) no individual Bond may be in an amount which exceeds the principal amount coming due on any maturity date;

(b) in the event a Bond is partially redeemed and the unredeemed portion is less than \$500,000, such unredeemed portion of such Bond may be issued in the largest possible denomination of less than \$500,000, in integral multiples of not less than \$1,000 each or any integral multiple thereof; and

(c) the Authorized Denominations shall be reduced to \$1,000 or any integral multiple thereof in the event that the Trustee receives an opinion of Counsel that the District has filed a notice of a claim of exemption, along with all other required documents necessary to exempt the Bonds under any of the exemptions from registration contemplated by Section 11-59-110, C.R.S., or any successor statute, or has taken other actions which permit the Bonds to be issued in denominations of \$1,000 or integral multiples thereof under the Colorado Municipal Bond Supervision Act, Title 11, Article 59, C.R.S., or any successor statute.

Beneficial Owner: any person for which a Participant acquires an interest in the Bonds.

Board: the Board of Directors of the District.

Bond Fund: the "Wyndham Hill Metropolitan District No. 2 General Obligation Limited Tax Bond Fund", established by the provisions of the Indenture for the purpose of paying the principal of, premium if any, and interest on the Bonds.

Bond Resolution: the resolution authorizing the issuance of the Bonds and the execution of this Indenture, certified by the Secretary of the District to have been duly adopted by the District and to be in full force and effect on the date of such certification, including any amendments or supplements made thereto.

Bonds (or the Series 2005 Bonds): the General Obligation Limited Tax Bonds, Series 2005, in the aggregate principal amount of \$10,900,000, dated September 1, 2005, issued by the District pursuant to the Indenture and the Bond Resolution.

Bond Year: the period commencing December 2 of any calendar year and ending December 1 of the following calendar year.

Building Permit: a permit, license, or similar authorization issued by the governmental agency having jurisdiction in such matters, permitting the construction of structures on property which is subject to the Required Mill Levy.

Capital Fees: all fees, rates, tolls, penalties, and charges of a capital nature (excluding periodic, recurring service charges) imposed by the District or any District-owned "enterprise" under

Article X, Section 20 of the Colorado Constitution, for services, programs, or facilities furnished by the District, including particularly and without limitation, the Development Fees.

Cede: Cede & Co., the nominee of DTC as record owner of the Bonds, or any successor nominee of DTC with respect to the Bonds.

Certified Public Accountant: an independent certified public accountant within the meaning of Section 12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State of Colorado.

Code: the Internal Revenue Code of 1986, as amended and in effect as of the date of issuance of the Bonds.

Completion Bonds: additional bonds, notes, or other obligations which may constitute Parity Bonds in the maximum aggregate principal amount of \$11,000,000 which may be issued as provided in the Indenture.

Consent Party: the Owner of a Bond or, if such Bond is held in the name of Cede, the Participant (as determined by a list provided by DTC) with respect to such Bond.

Construction Fund: the "Wyndham Hill Metropolitan District No. 2 General Obligation Limited Tax Bonds Construction Fund", established by the Indenture for the purpose of paying the Project Costs, including both the Restricted Account and the Unrestricted Account.

Counsel: a person, or firm of which such a person is a member, authorized in any state to practice law.

C.R.S.: the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

Debt to Assessed Ratio: the ratio derived by dividing the then-outstanding principal amount of all general obligation debt of the District by the assessed valuation of the taxable property in the District, as such assessed valuation is certified from time to time by the appropriate county assessor.

Depository: any securities depository as the District may provide and appoint, in accordance with the guidelines of the Securities and Exchange Commission, which shall act as securities depository for the Bonds.

Development Fees: the fees imposed and collected by the District pursuant to the Development Fee Resolution.

Development Fee Resolution: the resolution adopted by the District on August 18, 2005, imposing the Development Fees.

Developer: Frederick Development Company, a Colorado corporation, and its successors and assigns.

District: Wyndham Hill Metropolitan District No. 2, Weld County, Colorado, and its successors and assigns.

District Representative: the person or persons at the time designated to act on behalf of the District by written certificate furnished to the Trustee containing the specimen signatures of such person or persons and signed on behalf of the District by its President and attested by its Secretary, and any alternate or alternates designated as such therein.

DTC: the Depository Trust Company, New York, New York, and its successors and assigns.

Event of Default: any one or more of the events set forth in the "Events of Default" below.

Federal Securities: direct obligations of (including obligations issued or held in book entry form on the books of), or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

Fiscal Year: the twelve (12) months commencing January 1 of any year and ending December 31 of said year.

Indenture: the Indenture of Trust dated as of September 1, 2005, between the District and the Trustee, as originally executed or as it may from time to time be supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof.

Letter of Credit: an irrevocable standby letter of credit having a term of not less than 12 months, issued by a bank or other financial institution whose unsecured long-term debt obligations are rated in one of the four highest investment grade rating categories maintained by one or more nationally recognized organizations which regularly rate such obligations, which permits the Trustee to draw the full stated amount thereof for the payment of the principal of and interest on the Bonds.

Letter of Representations: the letter of representations from the District to DTC to induce DTC to accept the Bonds as eligible for deposit at DTC.

Maximum Surplus Amount: the amount of \$1,090,000, which is the maximum amount of the Surplus Fund.

Outstanding or Outstanding Bonds: as of any particular time, all Bonds which have been duly authenticated and delivered by the Trustee under this Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation because of payment at maturity or prior redemption;

(b) Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the Indenture) shall have been theretofore deposited with the Trustee, or Bonds for the payment or redemption of which moneys or Federal Securities in an amount sufficient (as determined pursuant to the Indenture hereof) shall have been placed in escrow and in trust; and

(c) Bonds in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture hereof.

Owner(s) or Owner(s) of Bonds: the registered owner(s) of any Bond(s) as shown on the registration books maintained by the Trustee.

Parcel: for the purpose of making credits to the Unrestricted Account under the Indenture the term "Parcel" shall mean any real property now or hereafter included within the boundaries of the District or otherwise subject to the Required Mill Levy but which is not described by the definition of Single Family Lot; provided that, if a different definition of "Parcel" is agreed to by the District and the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding, then such different definition shall prevail over the foregoing. The property which is currently within the District and not described by the definition of Single Family Lot is described in an exhibit attached to the Indenture, but any property which is subject to the Required Mill Levy may qualify as a Parcel hereunder, whether included within such exhibit or not.

Parity Bonds: bonds, notes, debentures, contracts, or other multiple fiscal year financial obligations having a lien upon the Pledged Revenue or any part thereof on a parity with the lien thereon of the Bonds. Any Parity Bonds hereafter issued may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District.

Participants: any broker-dealer, bank, or other financial institution from time to time for which DTC or another Depository holds the Bonds.

Partial Debt Service Guaranty: cash, a Letter of Credit, or both in the aggregate amount of \$1,090,000 which may be used or drawn upon for the purpose of paying the principal of and interest on the Bonds.

Partial Debt Service Guaranty Fund: the "Wyndham Hill Metropolitan District No. 2 Partial Debt Service Guaranty Fund" established by the Indenture for the purpose of holding and disbursing moneys from the Partial Debt Service Guaranty.

Permitted Investments: shall mean any investment or deposit the District is permitted to make under then applicable law.

Permitted Subordinate Bonds: additional bonds, notes, or other obligations which shall constitute Subordinate Bonds and which may be issued pursuant to the provisions of the Indenture.

Pledged Revenue: the moneys derived by the District from the following sources, net of any costs of collection:

- (1) the Required Mill Levy;
- (2) the Capital Fees;
- (3) the Specific Ownership Tax; and
- (4) any other legally available moneys which the Board in its discretion credits to the Bond Fund.

Project: the acquisition, construction, and installation of public facilities the debt for which was approved at the 2004 Election, including without limitation necessary or appropriate equipment.

Project Costs: the District's costs properly attributable to the Project or any part thereof, including without limitation:

- (a) the costs of labor and materials, of machinery, furnishings, and equipment, and of the restoration of property damaged or destroyed in connection with construction work;

(b) the costs of insurance premiums, indemnity and fidelity bonds, financing charges, bank fees, taxes, or other municipal or governmental charges lawfully levied or assessed;

(c) administrative and general overhead costs;

(d) the costs of reimbursing funds advanced by the District in anticipation of reimbursement from Bond proceeds, including any intrafund or interfund loan;

(e) the costs of surveys, appraisals, plans, designs, specifications, and estimates;

(f) the costs, fees, and expenses of printers, engineers, architects, financial consultants, legal advisors, or other agents or employees;

(g) the costs of publishing, reproducing, posting, mailing, or recording documents;

(h) the costs of contingencies or reserves;

(i) the costs of issuing the Bonds;

(j) the costs of amending this Indenture, the Bond Resolution, or any other instrument relating to the Bonds or the Project;

(k) the costs of repaying any short-term financing, construction loans, and other temporary loans, and of the incidental expenses incurred in connection with such loans;

(l) the costs of acquiring any property, rights, easements, licenses, privileges, agreements, and franchises;

(m) the costs of demolition, removal, and relocation; and

(n) all other lawful costs as determined by the Board.

Qualified Builder: one or more of any of the following entities and any other person, corporation, partnership, joint venture, or other entity which is approved for addition to such exhibit by the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding: D.R. Horton and units of D.R. Horton, Richmond American Homes, Capital Pacific, Standard Pacific, Pulte Homes, Morrison Homes, Aston Woods, Wood Crest, Centex, Meritage, John Laing Homes, Toll Brothers, and Lennar and units of Lennar.

Rebate Fund: a special fund designated as the "Wyndham Hill Metropolitan District No. 2 General Obligation Limited Tax Bond Rebate Fund", created by the Indenture for the purposes set forth in "Tax Covenants and Rebate Fund" below.

Record Date: the fifteenth (15th) day of the calendar month next preceding each interest payment date.

Required Mill Levy: shall mean an ad valorem mill levy (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds as the same become due and payable, but not in excess of forty (40) mills and, for so long as the Debt to Assessed Ratio is higher than 50%, not less than

thirty-three (33) mills; provided however, that (i) in the event the method of calculating assessed valuation is or was changed after the date of approval of the Service Plan (February 12, 2004), the mill levy limitations provided herein will be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such change; and (ii) in the event the minimum mill levy provided herein would produce revenue in excess of that required to repay all principal and interest on the Bonds, then such minimum mill levy shall be reduced to a mill levy which will produce revenue sufficient to repay all principal and interest on the Bonds. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation. Notwithstanding anything herein to the contrary, in no event may the Required Mill Levy be established at a mill levy which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Restricted Account: an account of the Construction Fund described in "Funds and Accounts – Construction Fund" below.

Service Plan: the service plan for the District as approved pursuant to the Act.

Single Family Lot: for the purpose of making credits to the Unrestricted Account, the term "Single Family Lot" shall mean each single family residential lot as shown on the lot and block legal description attached to the Indenture. Notwithstanding the foregoing, (a) if the property described therein is re-platted so that the number of single family residential units differs from that set forth in such legal description, such property will thereafter be deemed to be contained within the definition of Parcel herein; and (b) if a different definition of "Single Family Lot" is agreed to by the District and the Consent Parties with respect to a majority in aggregate principal amount of the Bonds then Outstanding, then such different definition shall prevail over the foregoing.

Surplus Fund: a special fund of the District designated as the "Wyndham Hill Metropolitan District No. 2 General Obligation Limited Tax Bond Surplus Fund", created by the Indenture for the purpose of paying, if necessary, the principal of, premium if any, and interest on the Bonds.

Special Record Date: the record date for determining Bond ownership for purposes of paying defaulted interest, as such date may be determined pursuant to this Indenture.

Specific Ownership Tax: the portion of the specific ownership taxes allocable to the Required Mill Levy which are collected by the county and remitted to the District pursuant to Section 42-3-107, C.R.S., or any successor statute.

State: State of Colorado.

Subordinate Bonds: bonds, notes, debentures, contracts, or other multiple fiscal year financial obligations having a lien upon the Pledged Revenue or any part thereof which is junior and subordinate to the lien thereon of the Bonds. Any Subordinate Bonds hereafter issued may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District.

Supplemental Act: the "Supplemental Public Securities Act", being Title 11, Article 57, Part 2, C.R.S.

Tax Certificate: that certificate to be signed by the District relating to the requirements of Sections 103 and 141-150 of the Code.

Trust Estate: the moneys, securities, revenues, receipts, and funds transferred, pledged, and assigned to the Trustee pursuant to the Granting Clauses of the Indenture.

Trustee: American National Bank, in Denver, Colorado, or any successor Trustee, appointed, qualified, and acting as trustee, paying agent, and bond registrar under the provisions of this Indenture.

Underwriter: Kirkpatrick Pettis, a Division of D.A. Davidson & Co. Fixed Income Capital Markets, of Denver, Colorado, the original purchasers of the Bonds.

Unrestricted Account: an account of the Construction Fund described "Funds and Accounts – Construction Fund" below.

Payment of Principal and Interest on the Bonds

The principal of the Bonds and premium, if any, are payable in lawful money of the United States of America to the registered owner thereof upon maturity or prior redemption and presentation at the principal office of the Trustee. Payment of each installment of interest is to be made to the registered owner thereof whose name appears on the registration books of the District maintained by or on behalf of the District by the Trustee at the close of business on the fifteenth (15th) day of the calendar month next preceding each interest payment date (the "**Record Date**"), and is to be paid by check or draft of the Trustee mailed on or before the interest payment date to such registered owner at his address as it appears on such registration books. The Trustee may make payments of interest on any Bond by such alternative means as may be mutually agreed to between the registered owner of such Bond and the Trustee as provided in the Indenture. Any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner hereof at the close of business on the Record Date and shall be payable to the person who is the registered owner hereof at the close of business on a Special Record Date (the "**Special Record Date**") established for the payment of any defaulted interest. Notice of the Special Record Date and the date fixed for the payment of defaulted interest is to be given by first-class mail to the registered owner hereof as shown on the registration books on a date selected by the Trustee.

Registration, Transfer and Exchange

The Trustee is to act as bond registrar and maintain the books of the District for the registration of ownership of each Bond as provided in the Indenture. Bonds may be exchanged at the principal office of the Trustee for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. Bonds may be transferred upon the registration books upon delivery of the Bonds to the Trustee, accompanied by a written instrument or instruments of transfer in form and with guaranty of signature satisfactory to the Trustee, duly executed by the Owner of the Bonds to be transferred or his attorney-in-fact or legal representative, containing written instructions as to the details of the transfer of such Bonds, along with the social security number or federal employer identification number of such transferee. No transfer of any Bond is to be effective until entered on the registration books. In all cases of the transfer of a Bond, the Trustee is to enter the transfer of ownership in the

registration books, and is to authenticate and deliver in the name of the transferee or transferees a new fully registered Bond or Bonds of Authorized Denominations of the same maturity and interest rate for the aggregate principal amount which the Owner is entitled to receive at the earliest practicable time in accordance with the provisions hereof. The Trustee is to charge the Owner of such Bond for every such transfer or exchange of a Bond an amount sufficient to reimburse it for its reasonable fees and for any tax or other governmental charge required to be paid with respect to such transfer or exchange. The District and Trustee are not required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing interest payment date, or (b) during the period beginning at the opening of business on a date forty-five (45) days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Trustee is not required to transfer any Bonds selected or called for redemption, in whole or in part. New Bonds delivered upon any transfer or exchange are to be valid obligations of the District, evidencing the same debt as the Bonds surrendered, secured by the Indenture, and entitled to all of the security and benefits of the Indenture to the same extent as the Bonds surrendered.

Funds and Accounts

The Indenture establishes and creates the following funds and accounts, to be maintained by the Trustee: the Construction Fund (and therein the Restricted Account and the Unrestricted Account), the Bond Fund, the Surplus Fund and the Partial Debt Service Guaranty Fund. For information concerning the Surplus Fund and the Partial Debt Service Guaranty Fund, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS - Partial Debt Service Guaranty and Partial Debt Service Guaranty Fund" and "- Surplus Fund."

Upon issuance of the Bonds, the District is to transfer to the Trustee any moneys then held by the District which comprise Pledged Revenue, and thereafter the District is to transfer all amounts comprising Pledged Revenue to the Trustee as soon as may be practicable after the receipt thereof. The Trustee is to apply such Pledged Revenue as set forth in "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS - Flow of Funds."

Bond Fund. There is to be credited to the Bond Fund an amount of Pledged Revenue which, when combined with other legally available moneys in the Bond Fund (not including moneys deposited thereto from the Construction Fund or the Surplus Fund), will be sufficient to pay the principal of, premium if any, and interest on the Bonds which have or will become due in the Bond Year in which the credit is made. Moneys in the Construction Fund, Surplus Fund and Partial Debt Service Guaranty Fund may be transferred to the Bond Fund under certain circumstances described herein. Moneys in the Bond Fund are to be used by the Trustee solely to pay the principal of, premium if any, and interest on the Bonds, in the following order:

- FIRST:** to the payment of interest due in connection with the Bonds (including without limitation current interest, accrued but unpaid interest, and interest due as a result of compounding, if any); and
- SECOND:** to the extent any moneys are remaining in the Bond Fund after the payment of such interest, to the payment of the principal of and premium, if any, on the Bonds, whether due at maturity or upon prior redemption.

In the event that available moneys in the Bond Fund (including any moneys transferred thereto from the Surplus Fund, the Partial Debt Service Guaranty Fund, and the Construction Fund) are

insufficient for the payment of the principal of, premium if any, and interest due on the Bonds on any due date, the Trustee is to apply such amounts on such due date as follows:

- (i) First, the Trustee is to pay such amounts as are available, proportionally in accordance with the amount of interest due on each Bond.
- (ii) Second, the Trustee is to apply any remaining amounts to the payment of the principal of and premium, if any, on as many Bonds as can be paid with such remaining amounts, such payments to be in increments of \$5,000 or any integral multiple thereof, plus any premium. Bonds or portions thereof to be redeemed pursuant to such partial payment shall be selected by lot from the Bonds the principal of which is due and owing on the due date.

Construction Fund. The Construction Fund is to be divided into two accounts, the Restricted Account and the Unrestricted Account. For information concerning the circumstances under which moneys are to be transferred from the Restricted Account to the Unrestricted Account, or otherwise applied to redeem Bonds, see "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS - Restricted Account of Construction Fund." So long as no Event of Default shall have occurred and be continuing, the Trustee will disburse funds from the Unrestricted Account of the Construction Fund in accordance with requisitions signed by the District Representative or the President of the District certifying that all amounts drawn will be applied to the payment of Project Costs. Upon the receipt by the Trustee of a resolution of the District determining that all Project Costs have been paid, any balance remaining in the Unrestricted Account of the Construction Fund is to be credited to the Bond Fund. Moneys in the Restricted Account may not be requisitioned by the District. The Construction Fund is to terminate at such time as no further moneys remain therein. Upon the occurrence and continuance of an Event of Default, the Trustee will cease disbursing moneys from the Construction Fund, but instead shall apply such moneys in the manner provided in "Remedies" below.

In addition, in the event the moneys in the Bond Fund, the Surplus Fund, and the Partial Debt Service Guaranty Fund are ever insufficient to pay the principal of or interest on the Series 2005 Bonds when due and there is no Event of Default (referred to herein as an "insufficiency"), the Trustee is to take the following actions:

- (i) Upon an insufficiency, the Trustee is to transfer moneys from the Construction Fund to the Bond Fund in amounts sufficient, when combined with moneys in the Bond Fund, the Surplus Fund, and the Partial Debt Service Guaranty Fund, to make such payments when due. Such transfers are to be made first from the Restricted Account, and then if necessary from the Unrestricted Account. In the event moneys in the Bond Fund, the Surplus Fund, the Partial Debt Service Guaranty Fund, and the Construction Fund are insufficient to make such payments when due, the Trustee is to nonetheless transfer all moneys in the Construction Fund to the Bond Fund to be used for making partial payments as provided in the Indenture;
- (ii) Upon an insufficiency, the Trustee is to cease disbursing moneys to the District from the Unrestricted Account of the Construction Fund, except upon the prior written consent of the Consent Parties with respect to not less than a majority in aggregate principal amount of the Bonds then Outstanding;
- (iii) After an insufficiency, if there are any moneys remaining in the Unrestricted Account on October 15, 2008, the Trustee is to transfer all of such moneys to the

Restricted Account on such date and use such moneys in accordance with subsection (i) hereof.

Investment of Funds

All moneys held by the Trustee in any of the funds or accounts created under the Indenture are to be promptly invested or reinvested by the Trustee, at the written or oral request (followed by written instructions) and direction of the District's Representative, in Permitted Investments only. Such investments shall mature or be redeemable at the option of the owner thereof no later than the respective dates when moneys held for the credit of such fund or account will be required for the purposes intended. The District Representative may direct the Trustee to, or in the absence of direction, the Trustee shall, in accordance with the Indenture, invest and reinvest the moneys in any investment permitted hereby so that the maturity date, interest payment date, or date of redemption, at the option of the owner of such investment, shall coincide as nearly as practicable with the times at which money is needed to be so expended. The Trustee may make any and all such investments through its Trust Department, and it is specifically provided herein that the Trustee may purchase or invest in shares of any investment company that (i) is registered under the Investment Company Act of 1940, as amended (including both corporations and Massachusetts business trusts, and including companies for which the Trustee may provide advisory, administrative, custodial, or other services for compensation), (ii) invests substantially all of its assets in short-term high-quality money-market instruments, limited to obligations issued or guaranteed by the United States, and (iii) maintains a constant asset value per share. Any and all such investments shall be subject to full and complete compliance at all times with the covenants and provisions set forth in "Tax Covenant and Rebate Fund" below.

Except with respect to investments of the Surplus Fund and the Partial Debt Service Guaranty Fund, the interest income derived from the investment and reinvestment of any moneys in any fund or account held by the Trustee under the Indenture is to be credited to the fund or account from which the moneys invested were derived. With respect to the Surplus Fund, so long as the amount of the Surplus Fund is equal to the Maximum Surplus Amount, all interest income from the investment or reinvestment of moneys credited to the Surplus Fund is to be credited to the Bond Fund; provided that if the amount of the Surplus Fund is less than the Maximum Surplus Amount, then such interest income is to be credited to the Surplus Fund. With respect to the Partial Debt Service Guaranty Fund, any interest income from the investment or reinvestment of any moneys held therein is to be transferred to the Developer.

Covenant to Impose Taxes

For the purpose of paying the principal of, premium if any, and interest on the Bonds, the District covenants to cause to be levied on all of the taxable property of the District, in addition to all other taxes, direct annual taxes in each of the years 2005 to 2034, inclusive (and, to the extent necessary to make up any defaults, in each year subsequent to 2034), in the amount of the Required Mill Levy. Nothing in the Indenture shall be construed to require the District to levy an ad valorem property tax for payment of the Bonds in excess of the Required Mill Levy. The foregoing provisions of the Indenture are declared to be the certificate of the Board to the board or boards of county commissioners of each county in which taxable real or personal property of the District is located, showing the aggregate amount of taxes to be levied from time to time, as required by law, for the purpose of paying the principal of, premium if any, and the interest on the Bonds. The amounts necessary to pay all costs and expenses incidental to the issuance of the Bonds and to pay the principal of, premium if any, and interest on the Bonds when due are appropriated for said purposes, and such amounts as appropriate for each year are also to be included in the annual budget and the appropriation bills to be adopted and passed by the Board

in each year, respectively, until the Bonds have been fully paid, satisfied, and discharged. It is the duty of the Board, annually, at the time and in the manner provided by law for levying other District taxes, to ratify and carry out the provisions hereof with reference to the levying and collection of taxes; and the Board shall levy, certify, and collect said taxes in the manner provided by law for the purposes aforesaid. Said taxes are to be levied, assessed, collected, and enforced at the time and in the form and manner and with like interest and penalties as other general taxes in the State of Colorado, and when collected said taxes shall be paid to the District as provided by law. The Board is to take all necessary and proper steps to enforce promptly the payment of taxes levied pursuant to the Indenture.

Tax Covenants and Rebate Fund

The District is to at all times do and perform all acts and things necessary or desirable in order to assure that interest paid on the Bonds shall, for the purposes of federal income taxation, be excluded from the gross income of the recipients thereof and exempt from such taxation. The District is not to use or permit the use of any proceeds of Bonds or any funds of the District, directly or indirectly, to acquire any securities or obligations, and shall not take or permit to be taken any other action or actions, which would cause any Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any such applicable requirements promulgated from time to time thereunder and under Section 103(b) of the Code, and the District shall observe and not violate the requirements of Section 148 of the Code and any such applicable regulations. The District is to comply with all requirements of Sections 148 and 149(d) of the Code to the extent applicable to the Bonds. In the event that at any time the District is of the opinion that for purposes of this paragraph it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee or held by the District under the Indenture, the District shall so restrict or limit the yield on such investment or shall so instruct the Trustee in a detailed certificate, and the Trustee shall take such action as may be necessary in accordance with such instructions. The District is not to use or permit the use of any proceeds of the Bonds or any funds of the District, directly or indirectly, in any manner, and shall not take or omit to take any action that would cause any of the Bonds to be treated as an obligation not described in Section 103(a) of the Code.

In addition to the other funds and accounts created, the Indenture establishes the Rebate Fund as a fund separate from any other fund or account established and maintained thereunder. There is to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Tax Certificate. All money at any time deposited in the Rebate Fund are to be held by the Trustee in trust, to the extent required to satisfy the "Rebate Requirement" as defined in the Tax Certificate, for payment to the United States of America. Any funds remaining in the Rebate Fund after payment in full of all of the Bonds and after payment of any amounts described in clause (2) below, are to be withdrawn and retained by the District. The District is to pay to the United States of America out of amounts in the Rebate Fund: (1) not later than 30 days after the end of the fifth Bond Year (as defined in the Tax Certificate) and not less frequently than once each five years thereafter, an amount equal to at least 90% of the Rebate Requirement; and (2) not later than 60 days after the retirement of all of the Bonds, an amount equal to 100% of the Rebate Requirement (determined as of the date of the retirement of all Bonds).

In the event that, prior to the time of any required payment out of the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District is to deposit an amount equal to such deficiency into the Rebate Fund prior to the time such payment is due. Each payment required to be made as provided herein is to be made to the United States of America on or before the date such payment is due, and is to be accompanied by a statement summarizing the determination of the amount required to be paid pursuant to this subsection and by a copy of the Internal Revenue Service Form 8038 prepared by the District and filed with respect to the Bonds. In the event that

on the first day of any Bond Year the amount credited to the Rebate Fund exceeds the Rebate Requirement, the District is to withdraw the excess from the Rebate Fund and transfer such excess to the Trustee for credit to the Bond Fund. On or before the first day of each Bond Year, an amount is to be deposited to the Rebate Fund by the District, if and to the extent required, so that the balance of the Rebate Fund shall equal the Rebate Requirement for the Bond Year commencing on such first day.

Notwithstanding any of the foregoing, if the District provides to the Trustee an opinion of Counsel that any specified action required as described under "Tax Covenants and Rebate Fund" is no longer required or that some further or different action is required to maintain the exclusion of interest on the Bonds from gross income for purposes of federal income taxation, the Trustee and the District may conclusively rely on such opinion in complying with the requirements of this Section, and, notwithstanding anything else herein to the contrary, the covenants described herein will be deemed to be modified to that extent.

Events of Default

The Indenture provides that any one of the following events or the existence of any one or more of the following conditions constitutes an Event of Default under the Indenture:

- (a) The District fails or refuses to impose the Required Mill Levy or to apply the Pledged Revenue as required by the Indenture;
- (b) The District defaults in the performance or observance of any other of the covenants, agreements, or conditions on the part of the District in this Indenture or the Bond Resolution, and fails to remedy the same after notice thereof pursuant to the Indenture; or
- (c) The District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the obligation represented by the Bonds.

It is acknowledged that due to the limited nature of the Pledged Revenue, failure to pay the principal of or interest on the Bonds when due shall not, of itself, constitute an Event of Default under the Indenture.

The Trustee is to give to the Owners of all Bonds notice by mailing to the address shown on the registration books maintained by the Trustee, of all defaults or Events of Default known to the Trustee, within ninety (90) days after the occurrence of such default or Event of Default unless such default or Event of Default shall have been cured before the giving of such notice; provided that, the Trustee is to be protected in withholding such notice if and so long as a committee of its trust department in good faith determines that the withholding of such notice is not detrimental to the interests of the Owners. No default described in clause (b) above shall constitute an Event of Default until actual notice of such default by registered or certified mail is given by the Trustee or by the Owners of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds Outstanding to the District, and the District has had thirty (30) days after receipt of such notice to correct said default or cause said default to be corrected, and has corrected said default or caused said default to be corrected within the applicable period; provided however, if said default be such that it cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted within the applicable period and diligently pursued thereafter until the default is corrected.

Remedies

Upon the occurrence and continuance of an Event of Default, the Trustee shall have the following rights and remedies which may be pursued: (i) *Receivership*. Upon the filing of a bill in equity or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Owners, the Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers of the Trust Estate, and of the revenues, income, product, and profits thereof pending such proceedings, subject however, to constitutional limitations inherent in the sovereignty of the District; but notwithstanding the appointment of any receiver or other custodian, the Trustee shall be entitled to the possession and control of any cash, securities, or other instruments at the time held by, or payable or deliverable under the provisions of this Indenture to, the Trustee; (ii) *Suit for Judgment*. The Trustee may proceed to protect and enforce its rights and the rights of the Owners under the Act, the Bonds, the Bond Resolution, the Indenture, and any provision of law by such suit, action, or special proceedings as the Trustee, being advised by Counsel, shall deem appropriate; (iii) *Mandamus or Other Suit*. The Trustee may proceed by mandamus or any other suit, action, or proceeding at law or in equity, to enforce all rights of the Owners. Acceleration of the Bonds is not an available remedy for an Event of Default.

If any Event of Default under clause (a) under "Event of Default" above shall have occurred and if requested by the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding, the Trustee is be obligated to exercise such one or more of the rights and powers described in the foregoing paragraph as the Trustee, being advised by Counsel, deems most expedient in the interests of the Owners; provided that the Trustee at its option shall be indemnified as contemplated by the Indenture. The Owners of a majority in aggregate principal amount of the Bonds then Outstanding have the right, at any time, to the extent permitted by law, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method, and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver, and any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions hereof; and provided further that at its option the Trustee shall be indemnified as contemplated by the Indenture.

The Trustee may maintain a proceeding even if it does not possess any of the Bonds or does not produce any of them in the proceeding. A delay or omission by the Trustee or any Owner in exercising any right or remedy accruing upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. No remedy is exclusive of any other remedy. All available remedies are cumulative. The Trustee will provide written notice to the District of any action taken to remedy an Event of Default.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions described herein, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and the fees (including attorneys' fees and any other professionals hired by the Trustee hereunder), expenses, liabilities, and advances incurred or made by the Trustee, are to be deposited in the appropriate accounts or accounts created hereunder in the same manner as is provided for deposits of other revenue and used for the purposes thereof, until the principal of, premium if any, and interest on all of the Bonds has been paid in full. Whenever all of the Bonds and interest thereon have been paid under the provisions described herein and all expenses and fees of the Trustee have been paid, any balance remaining in any of the funds held hereunder is to be paid to the District.

Modifications and Amendments

Except as provided below, the District and the Trustee may, without the consent of or notice to the Owners or Consent Parties, enter into such indentures supplemental to the Indenture, which

supplemental indentures shall thereafter form a part of the Indenture, for any one or more of the following purposes:

- (a) To cure any ambiguity, to cure, correct, or supplement any formal defect or omission or inconsistent provision contained in the Indenture, to make any provision necessary or desirable due to a change in law, to make any provisions with respect to matters arising under this Indenture, or to make any provisions for any other purpose if such provisions are necessary or desirable and do not materially adversely affect the interests of the Owners of the Bonds;
- (b) To subject to the Indenture additional revenues, properties, or collateral;
- (c) To grant or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, or authority that may lawfully be granted to or conferred upon the Owners or the Trustee; and
- (d) To qualify the Indenture under the Trust Indenture Act of 1939.

Except for supplemental indentures delivered for the purposes described above, and subject to the following provisions, the Consent Parties with respect to not less than two-thirds (2/3) in aggregate principal amount of the Bonds then Outstanding have the right, from time to time, to consent to and approve the execution by the District and the Trustee of such indenture or indentures supplemental to the Indenture as shall be deemed necessary or desirable by the District for the purpose of modifying, altering, amending, adding to, or rescinding, in any particular, any of the terms or provisions contained in the Indenture; provided however, that without the consent of the Consent Parties with respect to all the Outstanding Bonds affected thereby, nothing herein contained shall permit, or be construed as permitting:

- (iii) A change in the terms of the maturity of any Outstanding Bond, in the principal amount of any Outstanding Bond, in the optional or mandatory redemption provisions applicable thereto, or the rate of interest thereon;
- (iv) an impairment of the right of the Owners to institute suit for the enforcement of any payment of the principal of or interest on the Bonds when due;
- (v) a privilege or priority of any Bond or any interest payment over any other Bond or interest payment; or
- (vi) a reduction in the percentage in principal amount of the Outstanding Bonds, the consent of whose Owners or Consent Parties is required for any such supplemental indenture.

Discharge of Indenture and Defeasance of Bonds

If the District pays or causes to be paid to the Trustee, for the Owners of the Bonds, the principal of and interest to become due thereon at the times and in the manner stipulated in the Indenture, and if the District keeps, performs, and observes all and singular the covenants and promises in the Bonds and in the Indenture expressed to be kept, performed, and observed by it or on its part, and if all fees and expenses of the Trustee required by the Indenture to be paid have been paid, then the presents and the estate and rights granted by the Indenture are to cease, determine, and be void, and thereupon the Trustee is to cancel and discharge the lien of the Indenture, and execute and deliver to the District such instruments in writing as shall be requisite to satisfy the lien hereof, and assign and deliver to the District

any property at the time subject to the lien of the Indenture which may then be in its possession, and deliver any amounts required to be paid to the District under the Indenture except for moneys and Federal Securities held by the Trustee for the payment of the principal of, premium if any, and interest on the Bonds. Any Bond shall, prior to the maturity or prior redemption thereof, be deemed to have been paid within the meaning and with the effect expressed herein if, for the purpose of paying such Bond, there have been deposited to the appropriate account of the Bond Fund or there have been placed in escrow and in trust either moneys in an amount which are sufficient, or Federal Securities which are not subject to redemption or prepayment at the option of the issuer, the principal of and the interest on which when due, and without any reinvestment thereof, will provide moneys which will be sufficient to pay when due the principal of, premium if any, and interest on such Bond as the same become due to its final maturity or upon a designated prior redemption date.

Neither the Federal Securities, nor moneys deposited with the Trustee or placed in escrow and in trust as provided herein, nor principal or interest payments on any such Federal Securities are to be withdrawn or used for any purpose other than, and are to be held in trust for, the payment of the principal of and interest on the Bonds; provided however, that any cash received from such principal or interest payments on such Federal Securities, if not then needed for such purpose, shall, to the extent practicable, be reinvested subject to the provisions of Article Six hereof in Federal Securities maturing at the times and in amounts sufficient to pay, when due, the principal of and interest on the Bonds. Prior to the investment or reinvestment of such moneys or such Federal Securities as herein provided, the Trustee is to receive and may rely upon: (i) an opinion of nationally recognized municipal bond Counsel experienced in matters arising under Section 103 of the Code and acceptable to the Trustee, that the investment or reinvestment of such moneys or such Federal Securities complies with Section 6.02 hereof; and (ii) a report of a Certified Public Accountant, satisfactory to the Trustee, that the moneys or Federal Securities will be sufficient to provide for the payment of the principal of and interest on the Bonds when due.

The release of the obligations of the District as provided herein are to be without prejudice to the rights of the Trustee to be paid reasonable compensation by the District for all services rendered by it under the Indenture and all its reasonable expenses, charges, and other disbursements incurred in the administration of the trust thereby created, the exercise of its powers, and the performance of its duties thereunder.

APPENDIX B

CASH FLOW PROJECTION

**WYNDHAM HILL
METROPOLITAN
DISTRICT NO. 2**

**PROJECTED SURPLUS CASH BALANCES
AND
CASH RECEIPTS AND DISBURSEMENTS**

September 19, 2005

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Accountant's Report

The Board of Directors of
Wyndham Hill Metropolitan District No. 2
Weld County, Colorado

We have compiled the accompanying projected surplus cash balances and cash receipts and disbursements of Wyndham Hill Metropolitan District No. 2 (the "District") for the General Fund and Debt Service Fund as of December 31, 2004 and for the calendar years ending through 2038, in accordance with attestation standards established by the American Institute of Certified Public Accountants. The accompanying projection under the hypothetical assumptions in Note 13 was prepared for the District to show only the build out of 806 units in Phase I. An additional projection under the hypothetical assumptions in Note 14 was prepared for the District to show a slower timetable for development of Phase I. Neither hypothetical projection should be considered as the presentation of expected results.

This report and the accompanying projected surplus cash balances and cash receipts and disbursements were prepared for the District's Board of Directors, for the purpose of negotiating bond rates and terms with a limited number of financial institutions or institutional investors as specified in the Colorado Special District Act in regard to the limited placement of the proposed Series 2005 Bond Issuance and should not be used for any other purpose.

A compilation is limited to presenting in the form of a projection, information that is the representation of the Board of Directors of the District (collectively, "Management") and does not include evaluation of the support for the assumptions underlying the projection. We have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying schedules or assumptions. However, we did become aware of a departure from the guidelines for presentation of a projection established by the American Institute of Certified Public Accountants, which is described in the following paragraph. Furthermore, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

The Board of Directors of
Wyndham Hill Metropolitan District No. 2
Page 2

As discussed in Note 4, the projection is presented on the cash basis of accounting with two funds included on the Summary pages, whereas the historical financial statements for the projection period are expected to be presented in conformity with generally accepted accounting principles on the accrual basis for government wide statements and the modified accrual basis for individual fund financial statements for all funds of the District by fund type. Guidelines for presentation of a projection established by the American Institute of Certified Public Accountants require disclosure of the differences resulting from the use of a different basis of accounting in the projection than that expected to be used in the historical financial statements for the period. Accordingly, if the AICPA presentation guidelines were followed, the projection would indicate that the presentation reflects – surplus cash balances and the cash received and disbursed rather than fund balances and the revenue and expenditures that would be recognized under generally accepted accounting principles based on the accrual basis and the modified accrual basis of accounting.

Clifton Gunderson LLP

Greenwood Village, Colorado
September 19, 2005

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

**SUMMARY
GENERAL FUND**

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Collection Year	Total Assessed Value (See Page 11)	General Fund Mill Levy	Cash Receipts					Cash Disbursements			Cash Balances		Collection Year
			Net Property Taxes 98.00%	Specific Ownership Taxes 8.00%	Annual Developer Advances for Admin. 3.00%	Interest Income at 3.00%	Total Cash Receipts	Administrative Disbursements 1.00%	Developer Advance Repayments on Admin.	Total Cash Disbursements	Annual Surplus Cash (Deficit)	Cumulative Surplus Cash Balances	
2005	0		0	0	60,000	0	60,000	60,000		60,000	0	0	2005
2006	0		0	0	62,000	0	62,000	60,600		60,600	1,400	1,400	2006
2007	1,114,035	5.000	5,459	437	55,000	42	60,938	61,206		61,206	(268)	1,132	2007
2008	7,471,166	5.000	36,609	2,929	161,000	34	200,572	200,000		200,000	572	1,704	2008
2009	19,798,398	5.000	97,012	7,761	97,000	51	201,824	202,000		202,000	(176)	1,528	2009
2010	32,505,778	5.000	159,278	12,742	32,000	46	204,066	204,020		204,020	46	1,574	2010
2011	41,221,956	5.000	201,988	16,159		47	218,194	206,060	10,000	216,060	2,134	3,708	2011
2012	42,971,842	5.000	210,562	16,845		111	227,518	208,121	20,000	228,121	(603)	3,105	2012
2013	43,608,588	5.000	213,682	17,095		93	230,870	210,202	20,000	230,202	668	3,773	2013
2014	44,480,760	5.000	217,956	17,436		113	235,505	212,304	23,000	235,304	201	3,974	2014
2015	44,480,760	5.000	217,956	17,436		119	235,511	214,427	22,000	236,427	(916)	3,058	2015
2016	45,370,375	5.000	222,315	17,785		92	240,192	216,571	23,000	239,571	621	3,679	2016
2017	45,370,375	5.000	222,315	17,785		110	240,210	218,737	22,000	240,737	(527)	3,151	2017
2018	46,277,783	5.000	226,761	18,141		95	244,997	220,924	24,000	244,924	73	3,224	2018
2019	46,277,783	5.000	226,761	18,141		97	244,999	223,134	22,000	245,134	(135)	3,089	2019
2020	47,203,339	5.000	231,296	18,504		93	249,893	225,365	24,000	249,365	528	3,617	2020
2021	47,203,339	5.000	231,296	18,504		109	249,909	227,619	22,000	249,619	290	3,908	2021
2022	48,147,405	5.000	235,922	18,874		117	254,913	229,895	25,000	254,895	18	3,926	2022
2023	48,147,405	5.000	235,922	18,874		118	254,914	232,194	23,000	255,194	(280)	3,646	2023
2024	49,110,353	5.000	240,641	19,251		109	260,001	234,516	26,000	260,516	(515)	3,131	2024
2025	49,110,353	5.000	240,641	19,251		94	259,986	236,861	23,000	259,861	125	3,256	2025
2026	50,092,561	5.000	245,454	19,636		98	265,188	239,229	26,000	265,229	(41)	3,215	2026
2027	50,092,561	5.000	245,454	19,636		96	265,186	241,622	23,000	264,622	564	3,779	2027
2028	51,094,412	5.000	250,363	20,029		113	270,505	244,038	27,000	271,038	(533)	3,246	2028
2029	51,094,412	5.000	250,363	20,029		97	270,489	246,478	24,000	270,478	11	3,257	2029
2030	52,116,300	5.000	255,370	20,430		98	275,898	248,943	27,000	275,943	(45)	3,212	2030
2031	52,116,300	5.000	255,370	20,430		96	275,896	251,433	11,000	262,433	13,463	16,675	2031
2032	53,158,626	5.000	260,477	20,838		500	281,815	253,947		253,947	27,868	44,543	2032
2033	53,158,626	5.000	260,477	20,838		1,336	282,651	256,486		256,486	26,165	70,708	2033
2034	54,221,798	5.000	265,687	21,255		2,121	289,063	259,051		259,051	30,012	100,719	2034
2035	54,221,798	5.000	265,687	21,255		3,022	289,964	261,642		261,642	28,322	129,042	2035
2036	55,306,234	5.000	271,001	21,680		3,871	296,552	264,258		264,258	32,294	161,335	2036
2037	55,306,234	5.000	271,001	21,680		4,840	297,521	266,901		266,901	30,620	191,956	2037
2038	56,412,359	5.000	276,421	22,114		5,759	304,294	269,570		269,570	34,724	226,680	2038
			7,047,497	563,800	467,000	23,737	8,102,034	7,408,354	467,000	7,875,354	226,680		

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

**SUMMARY
DEBT SERVICE FUND**

(Page 1 of 2 - Continued on to Page 5)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Collection Year	Total Assessed Value (See Page 11)	Debt Service Fund Mill Levy	Cash Receipts						Collection Year
			Net Property Taxes	Specific Ownership Taxes	Single Family Development Fees per Unit Collected at \$800	Multi-Family Development Fees per Unit Collected at \$400	Interest Income at 3.00%	Total Cash Receipts	
2005	0		0	0	0	0	0	0	2005
2006	0		0	0	93,600	0	0	93,600	2006
2007	1,114,035	40.000	43,670	3,494	316,000	28,000	2,808	393,972	2007
2008	7,471,166	40.000	292,870	23,430	316,000	22,400	14,627	669,327	2008
2009	19,798,398	40.000	776,097	62,088	295,200	44,800	24,359	1,202,544	2009
2010	32,505,778	40.000	1,274,226	101,938	12,000	0	37,039	1,425,203	2010
2011	41,221,956	40.000	1,615,901	129,272	12,000	0	56,268	1,813,441	2011
2012	42,971,842	40.000	1,684,496	134,760	0	0		1,819,256	2012
2013	43,608,588	40.000	1,709,457	136,757	0	0		1,846,214	2013
2014	44,480,760	40.000	1,743,646	139,492				1,883,138	2014
2015	44,480,760	40.000	1,743,646	139,492				1,883,138	2015
2016	45,370,375	40.000	1,778,519	142,282				1,920,801	2016
2017	45,370,375	40.000	1,778,519	142,282				1,920,801	2017
2018	46,277,783	40.000	1,814,089	145,127				1,959,216	2018
2019	46,277,783	40.000	1,814,089	145,127				1,959,216	2019
2020	47,203,339	40.000	1,850,371	148,030				1,998,401	2020
2021	47,203,339	40.000	1,850,371	148,030				1,998,401	2021
2022	48,147,405	40.000	1,887,378	150,990				2,038,368	2022
2023	48,147,405	40.000	1,887,378	150,990				2,038,368	2023
2024	49,110,353	40.000	1,925,126	154,010				2,079,136	2024
2025	49,110,353	40.000	1,925,126	154,010				2,079,136	2025
2026	50,092,561	40.000	1,963,628	157,090				2,120,718	2026
2027	50,092,561	40.000	1,963,628	157,090				2,120,718	2027
2028	51,094,412	40.000	2,002,901	160,232				2,163,133	2028
2029	51,094,412	40.000	2,002,901	160,232				2,163,133	2029
2030	52,116,300	40.000	2,042,959	163,437				2,206,396	2030
2031	52,116,300	40.000	2,042,959	163,437				2,206,396	2031
2032	53,158,626	40.000	2,083,818	166,705				2,250,523	2032
2033	53,158,626	40.000	2,083,818	166,705				2,250,523	2033
2034	54,221,798	40.000	2,125,494	170,040				2,295,534	2034
2035	54,221,798	40.000	2,125,494	170,040				2,295,534	2035
2036	55,306,234	40.000	2,168,004	173,440				2,341,444	2036
2037	55,306,234	40.000	2,168,004	173,440				2,341,444	2037
2038	56,412,359	40.000	2,211,364	176,909				2,388,273	2038
			56,379,947	4,510,398	1,044,800	95,200	135,101	62,165,446	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

**SUMMARY
DEBT SERVICE FUND**

(Page 2 of 2 - Continued from Page 4)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Collection Year	Cash Disbursements					Total Cash Disbursements and Transfers	Annual Surplus Cash Available for Other Debt	Collection Year		
	Net Debt Service on 2005 Bonds (See Page 12)	Net Debt Service on 2008 Bonds (See Page 15)	Bond Surplus Fund							
			Transfer to (Release from)	Cumulative Surplus Balance	Maximum Balance	Debt to Assessed Ratio				
2005	0		0	0	1,090,000	n/a	0	0 2005		
2006	0		93,600	93,600	1,090,000	n/a	93,600	0 2006		
2007	0		393,972	487,572	1,090,000	978%	393,972	0 2007		
2008	344,938	0	324,390	811,962	2,100,000	281%	669,327	0 2008		
2009	779,875	0	422,669	1,234,631	2,100,000	106%	1,202,544	0 2009		
2010	784,250	0	640,953	1,875,584	2,100,000	64%	1,425,203	0 2010		
2011	788,000	707,000	(1,875,584)	0	0	50%	(380,584)	2,194,025 2011		
2012	801,125	712,000	0	0	0	48%	1,513,125	306,131 2012		
2013	803,000	731,650	0	0	0	47%	1,534,650	311,564 2013		
2014	819,250	749,900	0	0	0	45%	1,569,150	313,988 2014		
2015	818,938	746,750	0	0	0	45%	1,565,688	317,451 2015		
2016	833,000	763,600	0	0	0	43%	1,596,600	324,201 2016		
2017	835,500	759,050	0	0	0	43%	1,594,550	326,251 2017		
2018	852,063	774,500	0	0	0	41%	1,626,563	332,654 2018		
2019	851,750	773,550	0	0	0	41%	1,625,300	333,916 2019		
2020	870,500	792,250				39%	1,662,750	335,651 2020		
2021	867,063	794,200				38%	1,661,263	337,139 2021		
2022	887,688	805,450				36%	1,693,138	345,231 2022		
2023	885,813	810,300				35%	1,696,113	342,256 2023		
2024	902,688	829,100				33%	1,731,788	347,349 2024		
2025	902,063	825,800				32%	1,727,863	351,274 2025		
2026	919,875	841,800				30%	1,761,675	359,043 2026		
2027	919,275	845,700				28%	1,764,975	355,743 2027		
2028	941,763	858,200				26%	1,799,963	363,171 2028		
2029	940,744	853,600				24%	1,794,344	368,789 2029		
2030	957,494	877,950				22%	1,835,444	370,952 2030		
2031	960,738	879,150				20%	1,839,888	366,509 2031		
2032	976,113	888,600				17%	1,864,713	385,811 2032		
2033	977,663	895,600				15%	1,873,263	377,261 2033		
2034	996,025	910,150				12%	1,906,175	389,359 2034		
2035	999,925	906,550				10%	1,906,475	389,059 2035		
2036		1,950,850				6%	1,950,850	390,594 2036		
2037		1,954,550				3%	1,954,550	386,894 2037		
2038		1,990,200				0%	1,990,200	398,073 2038		
	24,217,113	26,228,000	0				50,445,113	11,720,334		

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 1 of 6 - Continued on to Page 7)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Construction Year	Collection Year	Residential											
		Continental 50' - 62' Frontage SFD			Other 50' - 62' Frontage SFD			Continental 63' - 73' Frontage SFD			Other 63' - 73' Frontage SFD		
		Number of Residences	Est. Market Value per Residence \$315,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$315,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences
Inflation compounded annually at		2.00%			2.00%			2.00%			2.00%		
2003	2005												
2004	2006												
2005	2007		315,000	0		315,000	0		335,000	0		335,000	0
2006	2008	29	321,300	9,317,700	10	321,300	3,213,000	43	341,700	14,693,100	20	341,700	6,834,000
2007	2009	87	327,726	28,512,162	40	327,726	13,109,040	97	348,534	33,807,798	80	348,534	27,882,720
2008	2010	198	334,281	66,187,543	69	334,281	23,065,356	33	355,505	11,731,654	51	355,505	18,130,739
2009	2011	220	340,966	75,012,549	62	340,966	21,139,900	40	362,615	14,504,591	32	362,615	11,603,673
2010	2012												
2011	2013												
2012	2014												
2013	2015												
2014	2016												
2015	2017												
2016	2018												
2017	2019												
2018	2020												
2019	2021												
2020	2022												
2021	2023												
2022	2024												
2023	2025												
2024	2026												
2025	2027												
2026	2028												
2027	2029												
2028	2030												
2029	2031												
2030	2032												
2031	2033												
2032	2034												
2033	2035												
2034	2036												
2035	2037												
2036	2038												
		534		179,029,954	181			60,527,296	213		74,737,143	183	
													64,451,132

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 2 of 6 - Continued from Page 6 and on to Page 8)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Construction Year	Collection Year	Residential												
		Continental 74' - 79' Frontage SFD			Continental 80' - 84' Frontage SFD			85'+ Custom SFD (1)			85'+ Custom SFD (2)			
Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$450,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$600,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$750,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$750,000	Annual Value of New Residences
Inflation compounded annually at		2.00%												
2003	2005													
2004	2006													
2005	2007	335,000	0		450,000	0		600,000	0		750,000	0		
2006	2008	15	341,700	5,125,500		459,000	0		612,000	0		765,000	0	
2007	2009	65	348,534	22,654,710	11	468,180	5,149,980	15	624,240	9,363,600		780,300	0	
2008	2010	7	355,505	2,488,533	22	477,544	10,505,959	8	636,725	5,093,798	7	795,906	5,571,342	
2009	2011							8	649,459	5,195,674	7	811,824	5,682,769	
2010	2012							4	662,448	2,649,794	11	828,061	9,108,667	
2011	2013							5	675,697	3,378,487	10	844,622	8,446,218	
2012	2014													
2013	2015													
2014	2016													
2015	2017													
2016	2018													
2017	2019													
2018	2020													
2019	2021													
2020	2022													
2021	2023													
2022	2024													
2023	2025													
2024	2026													
2025	2027													
2026	2028													
2027	2029													
2028	2030													
2029	2031													
2030	2032													
2031	2033													
2032	2034													
2033	2035													
2034	2036													
2035	2037													
2036	2038													
		87		30,268,743	33			15,655,939	40		25,681,353	35		28,808,996

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 3 of 6 - Continued from Page 7 and on to Page 9)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Construction Year	Collection Year	Number of Residences	Residential		TOTAL RESIDENTIAL UNITS				Est. Biennial Revaluation per State Statute at 2.00%	Cumulative Market Value of New Residences	Estimated Residential Assessment Ratio	RESIDENTIAL ASSESSED VALUATION					
			Multifamily		Annual Number of Single Family Units	Annual Number of Multi Family Units	Total Annual Number Units	Annual Value of New Residential Units									
Inflation compounded annually at			2.00%														
2003	2005		215,000	0	0	0	0	0				0					
2004	2006		219,300	0	117	0	117	39,183,300	0	39,183,300	7.96%	0					
2005	2007		70	223,686	15,658,020	395	70	156,138,030	195,321,330	195,321,330	7.96%	15,547,578					
2006	2008		56	228,160	12,776,944	395	56	155,551,868	3,906,427	354,779,625	7.96%	28,240,458					
2007	2009		112	232,723	26,064,966	369	112	159,204,122	513,983,747	513,983,747	7.96%	40,913,106					
2008	2010					15	0	11,758,461	10,279,675	536,021,883	7.96%	42,667,342					
2009	2011					15	0	11,824,705	10,956,932	547,846,588	7.96%	43,608,588					
2010	2012								558,803,520	558,803,520	7.96%	44,480,760					
2011	2013								558,803,520	558,803,520	7.96%	44,480,760					
2012	2014								11,176,070	569,979,590	7.96%	45,370,375					
2013	2015									569,979,590	7.96%	45,370,375					
2014	2016									11,399,592	581,379,182	7.96%	46,277,783				
2015	2017										581,379,182	7.96%	46,277,783				
2016	2018										11,627,584	593,006,766	7.96%	47,203,339			
2017	2019											593,006,766	7.96%	47,203,339			
2018	2020											11,860,135	604,866,901	7.96%	48,147,405		
2019	2021												604,866,901	7.96%	48,147,405		
2020	2022												12,097,338	616,964,239	7.96%	49,110,353	
2021	2023													616,964,239	7.96%	49,110,353	
2022	2024													12,339,285	629,303,524	7.96%	50,092,561
2023	2025														629,303,524	7.96%	50,092,561
2024	2026													12,586,070	641,889,594	7.96%	51,094,412
2025	2027														641,889,594	7.96%	51,094,412
2026	2028													12,837,792	654,727,386	7.96%	52,116,300
2027	2029														654,727,386	7.96%	52,116,300
2028	2030													13,094,548	667,821,934	7.96%	53,158,626
2029	2031														667,821,934	7.96%	53,158,626
2030	2032													13,356,439	681,178,373	7.96%	54,221,798
2031	2033														681,178,373	7.96%	54,221,798
2032	2034													13,623,567	694,801,940	7.96%	55,306,234
2033	2035														694,801,940	7.96%	55,306,234
2034	2036													13,896,039	708,697,979	7.96%	56,412,359
			238	54,499,930	1,306	238	1,544	533,660,486	175,037,493								

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 4 of 6 - Continued from Page 8 and on to Page 10)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Construction Year	Collection Year	Undeveloped Residential Land											
		Continental 50' - 62' Frontage SFD			Other 50' - 62' Frontage SFD			Continental 63' - 73' Frontage SFD			Other 63' - 73' Frontage SFD		
		Platted & Finished Lots \$315,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$315,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$335,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$335,000 10.00%	Less: Lots Used	Cumulative Actual Value
2003	2005												
2004	2006												
2005	2007	913,500	0	913,500	315,000	0	315,000	1,440,500	0	1,440,500	670,000	0	670,000
2006	2008	2,740,500	(913,500)	1,827,000	1,260,000	(315,000)	945,000	3,249,500	(1,440,500)	1,809,000	2,680,000	(670,000)	2,010,000
2007	2009	6,237,000	(2,740,500)	3,496,500	2,173,500	(1,260,000)	913,500	1,105,500	(3,249,500)	(2,144,000)	1,708,500	(2,680,000)	(971,500)
2008	2010	6,930,000	(6,237,000)	693,000	1,953,000	(2,173,500)	(220,500)	1,340,000	(1,105,500)	234,500	1,072,000	(1,708,500)	(636,500)
2009	2011	0	(6,930,000)	(6,930,000)	0	(1,953,000)	(1,953,000)	0	(1,340,000)	(1,340,000)	0	(1,072,000)	(1,072,000)
2010	2012												
2011	2013												
2012	2014												
2013	2015												
2014	2016												
2015	2017												
2016	2018												
2017	2019												
2018	2020												
2019	2021												
2020	2022												
2021	2023												
2022	2024												
2023	2025												
2024	2026												
2025	2027												
2026	2028												
2027	2029												
2028	2030												
2029	2031												
2030	2032												
2031	2033												
2032	2034												
2033	2035												
2034	2036												
2035	2037												
2036	2038												
		16,821,000	(16,821,000)	0	5,701,500	(5,701,500)	0	7,135,500	(7,135,500)	0	6,130,500	(6,130,500)	0

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WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 5 of 6 - Continued from Page 9 and on to Page 11)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Construction Year	Collection Year	Undeveloped Residential Land											
		Continental 74' - 79' Frontage SFD			Continental 80' - 84' Frontage SFD			85'+ Custom SFD (1)			85'+ Custom SFD (2)		
		Platted & Finished Lots \$335,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$450,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$600,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$750,000 10.00%	Less: Lots Used	Cumulative Actual Value
2003	2005												
2004	2006												
2005	2007	502,500	0	502,500	0	0	0	0	0	0	0	0	0
2006	2008	2,177,500	(502,500)	1,675,000	495,000	0	495,000	900,000	0	900,000	0	0	0
2007	2009	234,500	(2,177,500)	(1,943,000)	990,000	(495,000)	495,000	480,000	(900,000)	(420,000)	525,000	0	525,000
2008	2010	0	(234,500)	(234,500)	0	(990,000)	(990,000)	480,000	(480,000)	0	525,000	(525,000)	0
2009	2011							240,000	(480,000)	(240,000)	825,000	(525,000)	300,000
2010	2012							300,000	(240,000)	60,000	750,000	(825,000)	(75,000)
2011	2013							0	(300,000)	(300,000)	0	(750,000)	(750,000)
2012	2014												
2013	2015												
2014	2016												
2015	2017												
2016	2018												
2017	2019												
2018	2020												
2019	2021												
2020	2022												
2021	2023												
2022	2024												
2023	2025												
2024	2026												
2025	2027												
2026	2028												
2027	2029												
2028	2030												
2029	2031												
2030	2032												
2031	2033												
2032	2034												
2033	2035												
2034	2036												
2035	2037												
2036	2038												
		2,914,500	(2,914,500)	0	1,485,000	(1,485,000)	0	2,400,000	(2,400,000)	0	2,625,000	(2,625,000)	0

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 6 of 6 - Continued from Page 10)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Construction Year	Collection Year	Undeveloped Residential Land			Annual Market Value of Undeveloped Land	Cumulative Market Value of Undeveloped Land	Estimated Land Assessment Ratio	LAND ASSESSED VALUATION	RESIDENTIAL ASSESSED VALUATION (See Page 8)	TOTAL ASSESSED VALUATION	Collection Year
		Platted & Finished Lots \$215,000	Less: Lots Used	Cumulative Actual Value							
2003	2005							0	0	0	2005
2004	2006							0	0	0	2006
2005	2007	0	0	0	3,841,500	3,841,500	29.00%	1,114,035	0	1,114,035	2007
2006	2008	1,505,000	0	1,505,000	11,166,000	15,007,500	29.00%	4,352,175	3,118,991	7,471,166	2008
2007	2009	1,204,000	(1,505,000)	(301,000)	(349,500)	14,658,000	29.00%	4,250,820	15,547,578	19,798,398	2009
2008	2010	2,408,000	(1,204,000)	1,204,000	50,000	14,708,000	29.00%	4,265,320	28,240,458	32,505,778	2010
2009	2011	0	(2,408,000)	(2,408,000)	(13,643,000)	1,065,000	29.00%	308,850	40,913,106	41,221,956	2011
2010	2012				(15,000)	1,050,000	29.00%	304,500	42,667,342	42,971,842	2012
2011	2013				(1,050,000)	0	29.00%	0	43,608,588	43,608,588	2013
2012	2014					29.00%	0	0	44,480,760	44,480,760	2014
2013	2015					29.00%	0	0	44,480,760	44,480,760	2015
2014	2016					29.00%	0	0	45,370,375	45,370,375	2016
2015	2017					29.00%	0	0	45,370,375	45,370,375	2017
2016	2018					29.00%	0	0	46,277,783	46,277,783	2018
2017	2019					29.00%	0	0	46,277,783	46,277,783	2019
2018	2020					29.00%	0	0	47,203,339	47,203,339	2020
2019	2021					29.00%	0	0	47,203,339	47,203,339	2021
2020	2022					29.00%	0	0	48,147,405	48,147,405	2022
2021	2023					29.00%	0	0	48,147,405	48,147,405	2023
2022	2024					29.00%	0	0	49,110,353	49,110,353	2024
2023	2025					29.00%	0	0	49,110,353	49,110,353	2025
2024	2026					29.00%	0	0	50,092,561	50,092,561	2026
2025	2027					29.00%	0	0	50,092,561	50,092,561	2027
2026	2028					29.00%	0	0	51,094,412	51,094,412	2028
2027	2029					29.00%	0	0	51,094,412	51,094,412	2029
2028	2030					29.00%	0	0	52,116,300	52,116,300	2030
2029	2031					29.00%	0	0	52,116,300	52,116,300	2031
2030	2032					29.00%	0	0	53,158,626	53,158,626	2032
2031	2033					29.00%	0	0	53,158,626	53,158,626	2033
2032	2034					29.00%	0	0	54,221,798	54,221,798	2034
2033	2035					29.00%	0	0	54,221,798	54,221,798	2035
2034	2036					29.00%	0	0	55,306,234	55,306,234	2036
2035	2037					29.00%	0	0	55,306,234	55,306,234	2037
2036	2038					29.00%	0	0	56,412,359	56,412,359	2038
		5,117,000	(5,117,000)	0		0					

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2
PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL AND DEBT SERVICE FUNDS ONLY
SCHEDULE of ESTIMATED BOND DEBT SERVICE REQUIREMENTS
AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Series 2005 Bond Issue				Principal payments due on Dec. 1.			
Dated:	September 1, 2005	\$10,900,000					
Issued:	September 22, 2005						
Interest Rates:	6.25% - 6.375%						
Year	Principal	Coupon	Interest	Total 2005 Bonds Debt Service	Reduce Debt Service By Capitalized Interest	Net 2005 Bonds Debt Service Payments	Bond Principal Outstanding
				(See Page 13)			Year
2005		6.250%	172,469	172,469	(172,469)	0	10,900,000
2006		6.250%	689,875	689,875	(689,875)	0	10,900,000
2007		6.250%	689,875	689,875	(689,875)	0	10,900,000
2008		6.250%	689,875	689,875	(344,938)	344,938	10,900,000
2009	90,000	6.250%	689,875	779,875		779,875	10,810,000
2010	100,000	6.250%	684,250	784,250		784,250	10,710,000
2011	110,000	6.250%	678,000	788,000		788,000	10,600,000
2012	130,000	6.250%	671,125	801,125		801,125	10,470,000
2013	140,000	6.250%	663,000	803,000		803,000	10,330,000
2014	165,000	6.250%	654,250	819,250		819,250	10,165,000
2015	175,000	6.250%	643,938	818,938		818,938	9,990,000
2016	200,000	6.250%	633,000	833,000		833,000	9,790,000
2017	215,000	6.250%	620,500	835,500		835,500	9,575,000
2018	245,000	6.250%	607,063	852,063		852,063	9,330,000
2019	260,000	6.250%	591,750	851,750		851,750	9,070,000
2020	295,000	6.250%	575,500	870,500		870,500	8,775,000
2021	310,000	6.250%	557,063	867,063		867,063	8,465,000
2022	350,000	6.250%	537,688	887,688		887,688	8,115,000
2023	370,000	6.250%	515,813	885,813		885,813	7,745,000
2024	410,000	6.250%	492,688	902,688		902,688	7,335,000
2025	435,000	6.250%	467,063	902,063		902,063	6,900,000
2026	480,000	6.375%	439,875	919,875		919,875	6,420,000
2027	510,000	6.375%	409,275	919,275		919,275	5,910,000
2028	565,000	6.375%	376,763	941,763		941,763	5,345,000
2029	600,000	6.375%	340,744	940,744		940,744	4,745,000
2030	655,000	6.375%	302,494	957,494		957,494	4,090,000
2031	700,000	6.375%	260,738	960,738		960,738	3,390,000
2032	760,000	6.375%	216,113	976,113		976,113	2,630,000
2033	810,000	6.375%	167,663	977,663		977,663	1,820,000
2034	880,000	6.375%	116,025	996,025		996,025	940,000
2035	940,000	6.375%	59,925	999,925		999,925	0
	10,900,000		15,214,269	26,114,269	(1,897,156)	24,217,113	
USE OF PROCEEDS:							
Project Fund			8,775,478				
Capitalized Interest			1,771,522		Interest at 3.00%		
Issuance Costs			353,000				
			\$10,900,000				

Note: The Project Fund will be placed in a restricted trust account to be released as lots are sold to builders or as building permits are issued. Any moneys remaining in the restricted account on October 15, 2008 will be transferred to the Bond Fund.

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF CAPITALIZED BOND INTEREST

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

CALCULATION of CAPITALIZED INTEREST on SERIES 2005 BOND ISSUE						
Date	Beginning Balance	Capitalized Interest	Accrued Interest From Closing	Interest at 3.00%	Disbursements To Debt Service	Ending Balance
9/01/2005	0.00	1,771,521.99	40,242.71		(See Page 12)	(See Page 12)
12/01/2005	1,811,764.70			10,417.65	(172,468.75)	1,649,713.60
6/01/2006	1,649,713.60			24,745.70	(344,937.50)	1,329,521.80
12/01/2006	1,329,521.80			19,942.83	(344,937.50)	1,004,527.13
6/01/2007	1,004,527.13			15,067.91	(344,937.50)	674,657.54
12/01/2007	674,657.54			10,119.86	(344,937.50)	339,839.90
6/01/2008	339,839.90			5,097.60	(344,937.50)	0.00
		1,771,521.99	40,242.71	85,391.55	(1,897,156.25)	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2
PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
GENERAL AND DEBT SERVICE FUNDS ONLY
SCHEDULE of ESTIMATED BOND DEBT SERVICE REQUIREMENTS
AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

Series 2008 Bond Issue				Principal payments due on Dec. 1.			
Dated:	December 1, 2008			\$10,100,000			
Issued:	December 1, 2008						
Interest Rate:	7.00%			Principal payments due on Dec. 1. (See Page 15)			
Year	Principal	Coupon	Interest	Total 2005 Bonds Debt Service	Reduce Debt Service By Capitalized Interest	Net 2008 Bonds Debt Service Payments	Bond Principal Outstanding
2008		7.00%		0		0	10,100,000
2009	7,000	7.00%	707,000	707,000	(707,000)	0	10,100,000
2010	7,000	7.00%	707,000	707,000	(707,000)	0	10,100,000
2011	7,000	7.00%	707,000	707,000		707,000	10,100,000
2012	5,000	7.00%	707,000	712,000		712,000	10,095,000
2013	25,000	7.00%	706,650	731,650		731,650	10,070,000
2014	45,000	7.00%	704,900	749,900		749,900	10,025,000
2015	45,000	7.00%	701,750	746,750		746,750	9,980,000
2016	65,000	7.00%	698,600	763,600		763,600	9,915,000
2017	65,000	7.00%	694,050	759,050		759,050	9,850,000
2018	85,000	7.00%	689,500	774,500		774,500	9,765,000
2019	90,000	7.00%	683,550	773,550		773,550	9,675,000
2020	115,000	7.00%	677,250	792,250		792,250	9,560,000
2021	125,000	7.00%	669,200	794,200		794,200	9,435,000
2022	145,000	7.00%	660,450	805,450		805,450	9,290,000
2023	160,000	7.00%	650,300	810,300		810,300	9,130,000
2024	190,000	7.00%	639,100	829,100		829,100	8,940,000
2025	200,000	7.00%	625,800	825,800		825,800	8,740,000
2026	230,000	7.00%	611,800	841,800		841,800	8,510,000
2027	250,000	7.00%	595,700	845,700		845,700	8,260,000
2028	280,000	7.00%	578,200	858,200		858,200	7,980,000
2029	295,000	7.00%	558,600	853,600		853,600	7,685,000
2030	340,000	7.00%	537,950	877,950		877,950	7,345,000
2031	365,000	7.00%	514,150	879,150		879,150	6,980,000
2032	400,000	7.00%	488,600	888,600		888,600	6,580,000
2033	435,000	7.00%	460,600	895,600		895,600	6,145,000
2034	480,000	7.00%	430,150	910,150		910,150	5,665,000
2035	510,000	7.00%	396,550	906,550		906,550	5,155,000
2036	1,590,000	7.00%	360,850	1,950,850		1,950,850	3,565,000
2037	1,705,000	7.00%	249,550	1,954,550		1,954,550	1,860,000
2038	1,860,000	7.00%	130,200	1,990,200		1,990,200	0
	10,100,000		17,542,000	27,642,000	(1,414,000)	26,228,000	
USE OF PROCEEDS:							
Project Fund			8,333,475				
Capitalized Interest			1,362,525		Interest at 3.00%		
Issuance Costs			404,000				
			<u>10,100,000</u>				

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

GENERAL AND DEBT SERVICE FUNDS ONLY

SCHEDULE OF CAPITALIZED BOND INTEREST

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2038

CALCULATION of CAPITALIZED INTEREST on SERIES 2008 BOND ISSUE					
Date	Beginning Balance	Capitalized Interest	Interest at 3.00%	Disbursements To Debt Service	Ending Balance
12/01/2008	0.00	(See Page 14)	(See Page 14)		
6/01/2009	1,362,524.98	1,362,524.98	20,437.87	(353,500.00)	1,029,462.85
12/01/2009	1,029,462.85		15,441.94	(353,500.00)	691,404.79
6/01/2010	691,404.79		10,371.07	(353,500.00)	348,275.86
12/01/2010	348,275.86		5,224.14	(353,500.00)	0.00
		1,362,524.98	51,475.02	(1,414,000.00)	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 1) NATURE AND LIMITATION OF PROJECTION

This projection of financial information is for the purpose of a financial analysis of the proposed issuance of General Obligation Limited Tax Bonds, Series 2005 (the “Series 2005 Bonds”) of Wyndham Hill Metropolitan District No. 2 (the “District”), located in the Town of Frederick (the “Town”) in Weld County, Colorado. It is to display how the proposed Series 2005 Bonds will be repaid from projected cash receipts and disbursements for the District under the following assumptions, which are not all-inclusive.

This financial projection presents, to the best knowledge and belief of the Board of Directors of the District (collectively, “Management”), the District’s expected cash position and results of cash receipts and disbursements for the projection period for the General Fund and Debt Service Fund. Accordingly, the projection reflects Management’s judgment, as of the date of this projection, of the expected conditions within the District and the District’s expected course of action.

It is assumed that the Series 2005 Bond proceeds, and any interest earned thereon, will be used to pay the bond issuance costs, to establish a fund for capitalized interest and to pay a portion of the eligible public infrastructure improvement costs.

The assumptions disclosed herein are those that Management believes are significant to the projection, however, they are not all-inclusive. There will usually be differences between projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

The projection is expressed in terms of 2005 dollars, with the only adjustments for inflation as follows. The market values of residential properties are based on 2005 values and are projected to increase 2% per year, starting in 2006, through build-out. The market values of residential properties are also projected to increase 2% biennially pursuant to the reassessment of property required by State statute. The residential assessment ratio is assumed to remain constant for collection year 2008 and beyond, based upon information as explained in Note 5. Administrative costs in the General Fund are assumed to increase by 1% per year beginning in 2006.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 2) ORGANIZATION

The District, a quasi-municipal corporation and political subdivision of the State of Colorado, was organized by order and decree of the District Court in Weld County on June 8, 2004, and is governed pursuant to provisions of the Colorado Special District Act (Title 32, Article 1, Colorado Revised Statutes). The District operates under a Consolidated Service Plan with Wyndham Hill Metropolitan District No. 1 (“District No. 1”) and Wyndham Hill Metropolitan District No. 3 (“District No. 3”) approved by the Town on February 13, 2004 as amended on August 11, 2005. Pursuant to the Service Plan, the District and District No. 3, the financing districts, are intended to provide funding to District No. 1, the operating district, for construction, operation and maintenance of the public improvements, while District No. 1 is intended to manage the financing, construction and operation and maintenance of such improvements.

The District’s service area is located in the Town west of Interstate 25, south of County Line Road 16, and north of State Highway 52, and is approximately 30 miles north of metropolitan Denver. The residential development known as Wyndham Hill consists of approximately 542 acres, all of which are presently within the boundaries of the District, although approximately 9 acres of which were included subsequent to the initial formation of the District.

The District was established to provide financing for the design, acquisition, installation, construction, and completion of public improvements, including streets, traffic and safety controls and devices, transportation services, park and recreation, water and sanitation facilities, services and programs. The District intends to maintain park and recreation facilities including a District operated pool and community building. The operation and maintenance of all other services and facilities is anticipated to be provided by other entities and not by the District.

The District has no employees and all administrative functions are contracted.

NOTE 3) BOARD OF DIRECTORS

All of the property within the District is currently under contract for purchase by Frederick Development Company, Inc., a Colorado corporation (the “Developer”), who will be the Developer of the land included within the boundaries of the District. The members of the Board of Directors of the District are principals, directors or employees of the Developer.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 3) BOARD OF DIRECTORS (continued)

The Developer has provided the information regarding the number of units estimated to be built each year and the initial sales values for the residential properties, based upon their knowledge and experience in developing other properties. The Developer anticipates that sales values will be increased by 2% for each year beyond 2005.

NOTE 4) BASIS OF ACCOUNTING

The basis of accounting for this projection is the cash basis, which is a basis of accounting that is different from that required by the generally accepted accounting principles under which the District will prepare its financial statements.

NOTE 5) PROPERTY TAXES

The primary source of revenue or cash receipts will be ad valorem property taxes. Property taxes are determined annually by the District's Board of Directors and are certified to the County Commissioners as to rate or levy based upon the assessed valuation of the property within the District. The Weld County Assessor determines the assessed valuation. The levy is expressed in terms of mills. A mill is 1/10 of one cent. The projection assumes that the District will be able to set its initial mill levy at a total of 45 mills for collection in 2007, for the combined purposes of debt service and administration. Of the total mill levy set in 2007, 5 mills are assumed to be for operating expenses in the General Fund, and 40 mills are for debt service requirements. Both the General Fund and Debt Service Fund mill levies are projected to remain constant throughout the projection period.

The Gallagher Amendment to the Colorado Constitution states that residential assessed values Statewide must be approximately 45% of total assessed values. When the market values of residential property increase faster than the values of nonresidential property, the residential assessment ratio must decline to keep the 45 percent/55 percent ratio.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 5 PROPERTY TAXES (continued)

Pursuant to House Bill 05-1289, the residential assessment ratio will remain at 7.96% in 2005 and 2006 for collection in 2006 and 2007, respectively. According to information as set forth in the Colorado Legislative Council Staff Forecasts entitled "Assessed Value and Property Tax Projections" issued on December 20, 2004, the residential assessment ratio is projected to decline to 7.62% in 2007, and 7.39% in 2009. The projections of the Legislative Council Staff are estimates only, do not have the force of law, and may or may not occur as projected.

This projection has included the current residential assessment ratio of 7.96% effective for collections in 2008 and throughout the term of the projection period, since it is assumed that the District's Board will increase the mill levy, (as allowed under the District's Service Plan, the election questions, and by the Series 2005 Trust Indenture, up to the adjusted Mill Levy Cap of 50 mills for both debt service and operations and maintenance as specified in the District's Service Plan,) to maintain a mill levy that produces tax revenue in relation to current assessed valuation equivalent to revenue generated by the total 45 mills as projected for collection year 2007.

The assessed valuation for the District is dependent upon the build-out schedule of the residential properties within the District. Management of the District has based the estimate of build-out on their projected build-out schedule. The projected development build-out schedule and conversion to assessed valuation is presented as a Schedule of Estimated Assessed Valuation. The assessed valuation rate for raw ground and developed lots is 29% until a home is constructed. All residential property of building and land has been assumed to be assessed at the residential property rates as explained above.

Increases to valuation for the development of infrastructure within the District for platted and finished property held for build-out are included in the projected assessed valuation. No assessed valuation has been assumed for State Assessed property that may be owned by public utilities within the District. The 2004 certified assessed value of \$13,510 has not been included in the projection since the current agricultural valuation is projected to change to residential platted property as development occurs. It is estimated that platted and finished lot values will be added one year before the home is completed at 10% of the original estimated value of the residence.

The property taxes resultant from the above mill levy and assessed valuation have been reduced for the Weld County Treasurer's 1.5% fee for collection of the taxes and further reduced by 0.5% to allow for uncollectible taxes.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 6) SPECIFIC OWNERSHIP TAXES

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on vehicle licensing within the County as a whole. The specific ownership taxes are allocated by the County Treasurer to all taxing entities within the County. The projection assumes that the District's share will be equal to approximately 8% of the property taxes collected by both the General Fund and the Debt Service Fund. The projection assumes that specific ownership taxes allocable to property taxes collected by the Debt Service Fund will be pledged to debt service on the bonds during the term the bonds are outstanding.

NOTE 7) DEVELOPMENT FEES

Pursuant to a Fee Resolution duly adopted by the Board of Directors, the District imposed a Development Fee upon property within the District in the amount of \$800 on each single family residential unit and \$400 on each multi-family unit. The Development Fees are due and payable within 30 days following the end of the month in which the building permit is issued. The projection assumes that Development Fees will be pledged to debt service on the bonds during the term the bonds are outstanding. The anticipated collection of these fees in the year of construction is shown on the Summary pages of the projection.

NOTE 8) DEVELOPER ADVANCES

The projection assumes that the Developer has advanced and will advance funds to the District for organizational and administrative costs and may be reimbursed from bond proceeds for organizational costs. The projection also assumes that the Developer will advance all funds needed for construction costs to the District (see Note 11). To the extent that bond proceeds are available for construction payments in any year, the Developer advance would be reduced accordingly. In addition, to the extent that there are surplus cash balances that can be applied towards reducing any Developer advance without creating future cash deficits, the Developer advances will be reduced accordingly. Developer Advances for construction are not a part of this projection.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 9) INTEREST INCOME

The projection includes interest income earned on monies that are projected to be on deposit or invested by the District in the cumulative surplus cash balance and the bond Surplus Fund at the prior year-end at an interest rate of 3%. Once the Debt to Assessed Ratio is equal to or less than 50%, any cash available after payment of debt service requirements may be used for any lawful purpose of the District, including but not limited to other debt payments. Accordingly, the projection assumes the Debt Service Fund will not have excess cash available on which to earn interest after 2011.

Additional interest earned on deposits from bond proceeds, for payment of bond interest expense during an initial period (capitalized interest), has been included in the Series 2005 Bond debt service schedule at 3%. The calculation of this interest is also shown as a separate Schedule of Capitalized Bond Interest.

NOTE 10) OPERATING DISBURSEMENTS

Operating disbursements include park and recreation landscape maintenance, operation and maintenance of the District owned pool and community building, and administrative costs. Administrative expenditures include the services necessary to maintain the District's administrative viability such as organizational costs, legal, accounting and audit, general engineering, insurance, banking, meeting expense, and other administrative expenses. Operating costs have been included in the projection at the budgeted amount of \$60,000 in 2005, and then inflated 1% per year thereafter. Beginning in 2008, annual operating costs are anticipated to increase to \$200,000 due to completion of park and recreation improvements for which operations and maintenance will be needed. These disbursements have been increased for inflation by 1% per year starting in 2009 and continuing throughout the term of the projection.

NOTE 11) INFRASTRUCTURE IMPROVEMENTS

The costs of the capital infrastructure improvements to be constructed are estimated to be approximately \$25.9 million and are not a part of this projection. The projection assumes that the Developer will advance funds for all infrastructure costs and be reimbursed from bond proceeds to the extent bonds can be issued, which may be less than the total eligible costs (see Note 8). The projection includes reimbursement from bond proceeds of approximately \$17.1 million.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 11) INFRASTRUCTURE IMPROVEMENTS (continued)

Management expects that the Developer will construct the improvements under the District's supervision, for reimbursement by the District upon completion of the improvements to the extent bondable. The Developer may also contribute funds to the District, should costs exceed the District's capacity for repayment of such costs. The reimbursement of any additional costs is subject to the District's authorized indebtedness and other revenue available to the District. There may be additional construction costs in the future.

NOTE 12) DEBT SERVICE

Series 2005 Bonds

The District anticipates issuing the Series 2005 Bonds on September 22, 2005, in the amount of \$10,900,000. The proceeds of such debt will be used for issuance costs, capitalized interest and to fund the cost of eligible public infrastructure improvements or to reimburse the Developer for the advancement of those funds, to the extent possible.

The Series 2005 Bonds are assumed to bear interest at estimated rates of 6.25% and 6.375%. The bond interest is payable semi-annually on June 1 and December 1, with annual mandatory sinking fund principal payments on December 1 of each year. The Series 2005 Bonds anticipate starting interest repayments on December 1, 2005, and are payable per the mandatory sinking fund requirements over 30 years with a final maturity on December 1, 2035.

The Series 2005 Bonds are secured by and payable from Pledged Revenue, which includes property taxes derived from the Required Mill Levy, net of the cost of collection, specific ownership taxes allocable to the Required Mill Levy, Development Fees and any other legally available moneys of the District credited to the Bond Fund. The Required Mill Levy is defined in the Trust Indenture as a mill levy imposed upon all taxable property of the District each year in an amount sufficient to pay principal and interest on the Series 2005 Bonds, but not in excess of 40 mills and, for so long as the Debt to Assessed Ratio is higher than 50%, not less than 33 mills, and, as adjusted for changes in the ratio of actual value to assessed value of property within the District after February 13, 2004 (see Note 5).

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 12) DEBT SERVICE (continued)

Prior to the date the Debt to Assessed Ratio is equal to 50% or less, Pledged Revenue that is not needed to pay debt service on the Series 2005 Bonds in any year will be deposited to and held in the Surplus Fund, up to the Maximum Surplus Amount of \$1,090,000. The projection assumes that the Debt to Assessed Ratio will be less than 50% in 2011, at which time the Surplus Fund will be terminated and any moneys therein transferred to the District for application to any legal purpose.

The Series 2005 Bonds are further secured by a Partial Debt Service Guaranty (“Guaranty”), provided by the Developer, consisting of cash, an irrevocable standby letter of credit or both in the aggregate amount of \$1,090,000. The Guaranty can be drawn to pay debt service on the Series 2005 Bonds, after moneys available in the Surplus Fund have been spent. If drawn, the Guaranty will not be replenished. Once the Debt to Assessed Ratio is 50% or less, the Guaranty will be cancelled.

Subordinate Bonds

The District anticipates issuing Subordinate Bonds to the Developer, as permitted by the Indenture, to the extent that the Developer has incurred additional expenditures for public infrastructure improvements. Under the Indenture, the District is permitted to issue a total of \$26 million in senior and subordinate bonds without obtaining the consent of the Series 2005 bondholders.

Series 2008 Bonds

The District anticipates issuing completion bonds, as allowed by and on parity with the Series 2005 Bonds, with limitations, as the Series 2008 Bonds on December 1, 2008 in the amount of \$10,100,000. The proceeds of such debt will be used for issuance costs, capitalized interest and to fund the cost of eligible public infrastructure improvements or to reimburse the Developer for the advancement of those funds, to the extent possible.

The Series 2008 Bonds are assumed to bear interest at an estimated rate of 7.00%. The bond interest is payable semi-annually on June 1 and December 1, with annual mandatory sinking fund principal payments on December 1 of each year. The Series 2008 Bonds anticipate starting interest repayments on June 1, 2009, and are payable per the mandatory sinking fund requirements over 30 years with a final maturity on December 1, 2038. The bond Surplus Fund maximum balance changes from \$1,090,000 to \$2,100,000 in 2008 to reflect 10% of the combined initial par amounts of the Series 2005 Bonds and Series 2008 Bonds, as displayed on the Debt Service Fund Summary page.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 12) DEBT SERVICE (continued)

Assumptions related to debt principal amounts, bond interest rates, issuance costs, capitalized interest amounts and related interest earned at 3% and other related debt service costs for the Series 2005 Bonds and the Series 2008 Bonds have been provided to Management by Kirkpatrick Pettis, the underwriter of the proposed bond issue of the District.

NOTE 13) PROJECTION OF HYPOTHETICAL ASSUMPTIONS – PHASE I ONLY

For purposes of analysis of repayment of the Series 2005 Bonds, the District projected the cash receipts and disbursements of the District's **Debt Service Fund only**, as displayed on Pages A1 through A8, under the following hypothetical assumptions:

Assume that **only Phase I development** will occur with 806 residential single family units.

Assume the issuance of the **Series 2005 Bonds only**.

The **Debt to Assessed Ratio** will be less than 50% in 2010.

NOTE 14) PROJECTION OF HYPOTHETICAL ASSUMPTIONS -- SLOWER BUILDOUT OF PHASE I

For purposes of analysis of repayment of the Series 2005 Bonds, the District projected the cash receipts and disbursements of the District's **Debt Service Fund only**, as displayed on Pages B1 through B8, under the following hypothetical assumptions:

Assume that **only Phase I development** will occur with 806 residential single family units.

Assume the issuance of the **Series 2005 Bonds only**.

Assume that the build out of only Phase I will be **slowed to 61%** in 2006 and 2007 and spread evenly over the subsequent three years.

WYNDHAM HILL METROPOLITAN DISTRICT NO. 2

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

September 19, 2005

NOTE 14) PROJECTION OF HYPOTHETICAL ASSUMPTIONS -- SLOWER BUILDOUT OF PHASE I (continued)

The funds accumulated in the **Surplus Fund** reduce to \$8,811 in 2010 and subsequently increase until they are released in 2012.

Cash surplus balances build annually beginning in 2012, and could be applied to pay Completion Bonds or Subordinate Bonds if issued by the District.

The **Debt to Assessed Ratio** will be less than 50% in 2012.

This information should be read in connection with the accompanying Accountant's Report and projection of financial information.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**

DEBT SERVICE FUND ONLY

SUMMARY

DEBT SERVICE FUND

(Page 1 of 2 - Continued on to Page A2)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Collection Year	Total Assessed Value (See Page A6)	Debt Service Fund Mill Levy	Cash Receipts					Collection Year
			Net Property Taxes 98.00%	Specific Ownership Taxes 8.00%	Single Family Development Fees per Unit Collected at \$800	Interest Income at 3.00%	Total Annual Cash Receipts	
2005	0		0	0	0	0	0	2005
2006	0		0	0	93,600	0	93,600	2006
2007	1,114,035	40.000	43,670	3,494	321,600	2,808	371,572	2007
2008	7,060,816	40.000	276,784	22,143	229,600	13,955	542,482	2008
2009	17,039,239	40.000	667,938	53,435	0	19,881	741,254	2009
2010	22,421,594	40.000	878,926	70,314	0	18,723	967,963	2010
2011	22,421,594	40.000	878,926	70,314	0	0	949,240	2011
2012	22,870,025	40.000	896,505	71,720	0	0	968,225	2012
2013	22,870,025	40.000	896,505	71,720	0	0	968,225	2013
2014	23,327,426	40.000	914,435	73,155			987,590	2014
2015	23,327,426	40.000	914,435	73,155			987,590	2015
2016	23,793,975	40.000	932,724	74,618			1,007,342	2016
2017	23,793,975	40.000	932,724	74,618			1,007,342	2017
2018	24,269,854	40.000	951,378	76,110			1,027,488	2018
2019	24,269,854	40.000	951,378	76,110			1,027,488	2019
2020	24,755,251	40.000	970,406	77,632			1,048,038	2020
2021	24,755,251	40.000	970,406	77,632			1,048,038	2021
2022	25,250,356	40.000	989,814	79,185			1,068,999	2022
2023	25,250,356	40.000	989,814	79,185			1,068,999	2023
2024	25,755,363	40.000	1,009,610	80,769			1,090,379	2024
2025	25,755,363	40.000	1,009,610	80,769			1,090,379	2025
2026	26,270,471	40.000	1,029,802	82,384			1,112,186	2026
2027	26,270,471	40.000	1,029,802	82,384			1,112,186	2027
2028	26,795,880	40.000	1,050,398	84,032			1,134,430	2028
2029	26,795,880	40.000	1,050,398	84,032			1,134,430	2029
2030	27,331,798	40.000	1,071,406	85,712			1,157,118	2030
2031	27,331,798	40.000	1,071,406	85,712			1,157,118	2031
2032	27,878,434	40.000	1,092,835	87,427			1,180,262	2032
2033	27,878,434	40.000	1,092,835	87,427			1,180,262	2033
2034	28,436,002	40.000	1,114,691	89,175			1,203,866	2034
2035	28,436,002	40.000	1,114,691	89,175			1,203,866	2035
			26,794,252	2,143,538	644,800	55,367	29,637,957	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**

DEBT SERVICE FUND ONLY

SUMMARY

DEBT SERVICE FUND

(Page 2 of 2 - Continued from Page A1)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Collection Year	Cash Disbursements					Total Cash Disbursements and Transfers	Annual Surplus Cash Available for Other Debt	Collection Year			
	Net Debt Service on 2005 Bonds (See Page A7)	Bond Surplus Fund			Debt to Assessed Ratio						
		Transfer to (Release from)	Cumulative Surplus Balance	Maximum Balance \$ 1,090,000							
2005	0	0	0	1,090,000	n/a	0	0	2005			
2006	0	93,600	93,600	1,090,000	n/a	93,600	0	2006			
2007	0	371,572	465,172	1,090,000	978%	371,572	0	2007			
2008	344,938	197,545	662,717	1,090,000	154%	542,482	0	2008			
2009	779,875	(38,621)	624,096	1,090,000	63%	741,254	0	2009			
2010	784,250	(624,096)	0	0	48%	160,155	807,809	2010			
2011	788,000	0	0	0	47%	788,000	161,240	2011			
2012	801,125	0	0	0	46%	801,125	167,100	2012			
2013	803,000	0	0	0	45%	803,000	165,225	2013			
2014	819,250	0	0	0	44%	819,250	168,340	2014			
2015	818,938	0	0	0	43%	818,938	168,653	2015			
2016	833,000	0	0	0	41%	833,000	174,342	2016			
2017	835,500	0	0	0	40%	835,500	171,842	2017			
2018	852,063	0	0	0	38%	852,063	175,426	2018			
2019	851,750	0	0	0	37%	851,750	175,738	2019			
2020	870,500				35%	870,500	177,538	2020			
2021	867,063				34%	867,063	180,976	2021			
2022	887,688				32%	887,688	181,312	2022			
2023	885,813				31%	885,813	183,187	2023			
2024	902,688				28%	902,688	187,692	2024			
2025	902,063				27%	902,063	188,317	2025			
2026	919,875				24%	919,875	192,311	2026			
2027	919,275				22%	919,275	192,911	2027			
2028	941,763				20%	941,763	192,668	2028			
2029	940,744				18%	940,744	193,686	2029			
2030	957,494				15%	957,494	199,624	2030			
2031	960,738				12%	960,738	196,381	2031			
2032	976,113				9%	976,113	204,150	2032			
2033	977,663				7%	977,663	202,600	2033			
2034	996,025				3%	996,025	207,841	2034			
2035	999,925				0%	999,925	203,941	2035			
	24,217,113	0				24,217,113	5,420,845				

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 1 of 4 - Continued on to Page A4)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Residential												
		Continental 50' - 62' Frontage SFD			Other 50' - 62' Frontage SFD			Continental 63' - 73' Frontage SFD			Other 63' - 73' Frontage SFD			
Number of Residences	Est. Market Value per Residence \$315,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$315,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences
Inflation compounded annually at		2.00%			2.00%			2.00%			2.00%			
2003	2005													
2004	2006													
2005	2007	315,000	0		315,000	0		335,000	0		335,000	0		
2006	2008	29	321,300	9,317,700	10	321,300	3,213,000	43	341,700	14,693,100	20	341,700	6,834,000	
2007	2009	87	327,726	28,512,162	40	327,726	13,109,040	97	348,534	33,807,798	80	348,534	27,882,720	
2008	2010	187	334,281	62,510,457	28	334,281	9,359,855	33	355,505	11,731,654	32	355,505	11,376,150	
2009	2011													
2010	2012													
2011	2013													
2012	2014													
2013	2015													
2014	2016													
2015	2017													
2016	2018													
2017	2019													
2018	2020													
2019	2021													
2020	2022													
2021	2023													
2022	2024													
2023	2025													
2024	2026													
2025	2027													
2026	2028													
2027	2029													
2028	2030													
2029	2031													
2030	2032													
2031	2033													
2032	2034													
2033	2035													
		303		100,340,319	78		25,681,895	173		60,232,552	132		46,092,870	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 2 of 4 - Continued from Page A3 and on to Page A5)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Residential								Est. Biennial Revaluation per State Statute at 2.00%	Cumulative Market Value of New Residences	Estimated Residential Assessment Ratio	RESIDENTIAL ASSESSED VALUATION		
		Continental 74' - 79' Frontage SFD		Continental 80' - 84' Frontage SFD		TOTAL RESIDENTIAL UNITS									
Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$450,000	Annual Value of New Residences	Annual Number of Single Family Units	Annual Value of New Residential Units								
Inflation compounded annually at		2.00%			2.00%										
2003	2005												0		
2004	2006												0		
2005	2007	335,000	0	450,000	0	0	0			0			0		
2006	2008	15	341,700	5,125,500		117	39,183,300	0	39,183,300	39,183,300	7.96%	3,118,991			
2007	2009	65	348,534	22,654,710		402	141,416,370		180,599,670	180,599,670	7.96%	14,375,734			
2008	2010	7	355,505	2,488,533		287	97,466,649	3,611,993	281,678,312	281,678,312	7.96%	22,421,594			
2009	2011					0	0		281,678,312	281,678,312	7.96%	22,421,594			
2010	2012					0	0	5,633,566	287,311,878	287,311,878	7.96%	22,870,025			
2011	2013					0	0		287,311,878	287,311,878	7.96%	22,870,025			
2012	2014							5,746,238	293,058,116	293,058,116	7.96%	23,327,426			
2013	2015								293,058,116	293,058,116	7.96%	23,327,426			
2014	2016								5,861,162	298,919,278	298,919,278	7.96%	23,793,975		
2015	2017									298,919,278	298,919,278	7.96%	23,793,975		
2016	2018								5,978,386	304,897,664	304,897,664	7.96%	24,269,854		
2017	2019									304,897,664	304,897,664	7.96%	24,269,854		
2018	2020								6,097,953	310,995,617	310,995,617	7.96%	24,755,251		
2019	2021									310,995,617	310,995,617	7.96%	24,755,251		
2020	2022									6,219,912	317,215,529	317,215,529	7.96%	25,250,356	
2021	2023										317,215,529	317,215,529	7.96%	25,250,356	
2022	2024									6,344,311	323,559,840	323,559,840	7.96%	25,755,363	
2023	2025										323,559,840	323,559,840	7.96%	25,755,363	
2024	2026									6,471,197	330,031,037	330,031,037	7.96%	26,270,471	
2025	2027										330,031,037	330,031,037	7.96%	26,270,471	
2026	2028									6,600,621	336,631,658	336,631,658	7.96%	26,795,880	
2027	2029										336,631,658	336,631,658	7.96%	26,795,880	
2028	2030									6,732,633	343,364,291	343,364,291	7.96%	27,331,798	
2029	2031										343,364,291	343,364,291	7.96%	27,331,798	
2030	2032									6,867,286	350,231,577	350,231,577	7.96%	27,878,434	
2031	2033										350,231,577	350,231,577	7.96%	27,878,434	
2032	2034									7,004,632	357,236,209	357,236,209	7.96%	28,436,002	
2033	2035										357,236,209	357,236,209	7.96%	28,436,002	
		87	30,268,743	33	15,449,940	806	278,066,319	79,169,890							

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 3 of 4 - Continued from Page A4 and on to Page A6)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Undeveloped Residential Land											
		Continental 50' - 62' Frontage SFD			Other 50' - 62' Frontage SFD			Continental 63' - 73' Frontage SFD			Other 63' - 73' Frontage SFD		
		Platted & Finished Lots \$315,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$315,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$335,000 10.00%	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots \$335,000 10.00%	Less: Lots Used	Cumulative Actual Value
2003	2005												
2004	2006												
2005	2007	913,500	0	913,500	315,000	0	315,000	1,440,500	0	1,440,500	670,000	0	670,000
2006	2008	2,740,500	(913,500)	1,827,000	1,260,000	(315,000)	945,000	3,249,500	(1,440,500)	1,809,000	2,680,000	(670,000)	2,010,000
2007	2009	5,890,500	(2,740,500)	3,150,000	882,000	(1,260,000)	(378,000)	1,105,500	(3,249,500)	(2,144,000)	1,072,000	(2,680,000)	(1,608,000)
2008	2010	0	(5,890,500)	(5,890,500)	0	(882,000)	(882,000)	0	(1,105,500)	(1,105,500)	0	(1,072,000)	(1,072,000)
2009	2011												
2010	2012												
2011	2013												
2012	2014												
2013	2015												
2014	2016												
2015	2017												
2016	2018												
2017	2019												
2018	2020												
2019	2021												
2020	2022												
2021	2023												
2022	2024												
2023	2025												
2024	2026												
2025	2027												
2026	2028												
2027	2029												
2028	2030												
2029	2031												
2030	2032												
2031	2033												
2032	2034												
2033	2035												
		9,544,500	(9,544,500)	0	2,457,000	(2,457,000)	0	5,795,500	(5,795,500)	0	4,422,000	(4,422,000)	0

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 4 of 4 - Continued from Page A5)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Undeveloped Residential Land						Annual Market Value of Undeveloped Land	Cumulative Market Value of Undeveloped Land	Estimated Land Assessment Ratio	LAND ASSESSED VALUATION	RESIDENTIAL ASSESSED VALUATION (See Page A4)	TOTAL ASSESSED VALUATION	Collection Year							
		Continental 74' - 79' Frontage SFD			Continental 80' - 84' Frontage SFD																
		Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value														
2003	2005	\$335,000	10.00%								0	0	0	0	2005						
2004	2006										0	0	0	0	2006						
2005	2007	502,500	0	502,500	0	0	0	3,841,500	3,841,500	29.00%	1,114,035	0	1,114,035	2007							
2006	2008	2,177,500	(502,500)	1,675,000	1,485,000	0	1,485,000	9,751,000	13,592,500	29.00%	3,941,825	3,118,991	7,060,816	2008							
2007	2009	234,500	(2,177,500)	(1,943,000)	0	(1,485,000)	(1,485,000)	(4,408,000)	9,184,500	29.00%	2,663,505	14,375,734	17,039,239	2009							
2008	2010	0	(234,500)	(234,500)				(9,184,500)	0	29.00%	0	22,421,594	22,421,594	2010							
2009	2011									29.00%	0	22,421,594	22,421,594	2011							
2010	2012									29.00%	0	22,870,025	22,870,025	2012							
2011	2013									29.00%	0	22,870,025	22,870,025	2013							
2012	2014									29.00%	0	23,327,426	23,327,426	2014							
2013	2015									29.00%	0	23,327,426	23,327,426	2015							
2014	2016									29.00%	0	23,793,975	23,793,975	2016							
2015	2017									29.00%	0	23,793,975	23,793,975	2017							
2016	2018									29.00%	0	24,269,854	24,269,854	2018							
2017	2019									29.00%	0	24,269,854	24,269,854	2019							
2018	2020									29.00%	0	24,755,251	24,755,251	2020							
2019	2021									29.00%	0	24,755,251	24,755,251	2021							
2020	2022									29.00%	0	25,250,356	25,250,356	2022							
2021	2023									29.00%	0	25,250,356	25,250,356	2023							
2022	2024									29.00%	0	25,755,363	25,755,363	2024							
2023	2025									29.00%	0	25,755,363	25,755,363	2025							
2024	2026									29.00%	0	26,270,471	26,270,471	2026							
2025	2027									29.00%	0	26,270,471	26,270,471	2027							
2026	2028									29.00%	0	26,795,880	26,795,880	2028							
2027	2029									29.00%	0	26,795,880	26,795,880	2029							
2028	2030									29.00%	0	27,331,798	27,331,798	2030							
2029	2031									29.00%	0	27,331,798	27,331,798	2031							
2030	2032									29.00%	0	27,878,434	27,878,434	2032							
2031	2033									29.00%	0	27,878,434	27,878,434	2033							
2032	2034									29.00%	0	28,436,002	28,436,002	2034							
2033	2035									29.00%	0	28,436,002	28,436,002	2035							
		2,914,500	(2,914,500)	0	1,485,000	(1,485,000)	0			0											

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED BOND DEBT SERVICE REQUIREMENTS

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

<u>Series 2005 Bond Issue</u>				Principal payments due on Dec. 1.				
Dated:	September 1, 2005		\$10,900,000					
Issued:	September 22, 2005							
Interest Rates:	6.25% - 6.375%							
				(See Page A8)				
Year	Principal	Coupon	Interest	Total 2005 Bonds Debt Service	Reduce Debt Service By Capitalized Interest	Net 2005 Bonds Debt Service Payments	Bond Principal Outstanding	Year
2005		6.250%	172,469	172,469	(172,469)	0	10,900,000	2005
2006		6.250%	689,875	689,875	(689,875)	0	10,900,000	2006
2007		6.250%	689,875	689,875	(689,875)	0	10,900,000	2007
2008		6.250%	689,875	689,875	(344,938)	344,938	10,900,000	2008
2009	90,000	6.250%	689,875	779,875		779,875	10,810,000	2009
2010	100,000	6.250%	684,250	784,250		784,250	10,710,000	2010
2011	110,000	6.250%	678,000	788,000		788,000	10,600,000	2011
2012	130,000	6.250%	671,125	801,125		801,125	10,470,000	2012
2013	140,000	6.250%	663,000	803,000		803,000	10,330,000	2013
2014	165,000	6.250%	654,250	819,250		819,250	10,165,000	2014
2015	175,000	6.250%	643,938	818,938		818,938	9,990,000	2015
2016	200,000	6.250%	633,000	833,000		833,000	9,790,000	2016
2017	215,000	6.250%	620,500	835,500		835,500	9,575,000	2017
2018	245,000	6.250%	607,063	852,063		852,063	9,330,000	2018
2019	260,000	6.250%	591,750	851,750		851,750	9,070,000	2019
2020	295,000	6.250%	575,500	870,500		870,500	8,775,000	2020
2021	310,000	6.250%	557,063	867,063		867,063	8,465,000	2021
2022	350,000	6.250%	537,688	887,688		887,688	8,115,000	2022
2023	370,000	6.250%	515,813	885,813		885,813	7,745,000	2023
2024	410,000	6.250%	492,688	902,688		902,688	7,335,000	2024
2025	435,000	6.250%	467,063	902,063		902,063	6,900,000	2025
2026	480,000	6.375%	439,875	919,875		919,875	6,420,000	2026
2027	510,000	6.375%	409,275	919,275		919,275	5,910,000	2027
2028	565,000	6.375%	376,763	941,763		941,763	5,345,000	2028
2029	600,000	6.375%	340,744	940,744		940,744	4,745,000	2029
2030	655,000	6.375%	302,494	957,494		957,494	4,090,000	2030
2031	700,000	6.375%	260,738	960,738		960,738	3,390,000	2031
2032	760,000	6.375%	216,113	976,113		976,113	2,630,000	2032
2033	810,000	6.375%	167,663	977,663		977,663	1,820,000	2033
2034	880,000	6.375%	116,025	996,025		996,025	940,000	2034
2035	940,000	6.375%	59,925	999,925		999,925	0	2035
	10,900,000		15,214,269	26,114,269	(1,897,156)	24,217,113		
<u>USE OF PROCEEDS:</u>								
Project Fund				8,775,478				
Capitalized Interest				1,771,522	Interest at 3.00%			
Issuance Costs				353,000				
				<u>\$10,900,000</u>				

Note: The Project Fund will be placed in a restricted trust account to be released as lots are sold to builders or as building permits are issued. Any moneys remaining in the restricted account on October 15, 2008 will be transferred to the Bond Fund.

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 13

DEBT SERVICE FUND ONLY

SCHEDULE OF CAPITALIZED BOND INTEREST

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

CALCULATION of CAPITALIZED INTEREST on SERIES 2005A BOND ISSUE						
Date	Beginning Balance	Capitalized Interest	Accrued Interest From Closing	Interest at 3.00%	Disbursements To Debt Service	Ending Balance
9/01/2005	0.00	(See Page A7)			(See Page A7)	
12/01/2005	1,811,764.70	1,771,521.99	40,242.71	10,417.65	(172,468.75)	1,649,713.60
6/01/2006	1,649,713.60			24,745.70	(344,937.50)	1,329,521.80
12/01/2006	1,329,521.80			19,942.83	(344,937.50)	1,004,527.13
6/01/2007	1,004,527.13			15,067.91	(344,937.50)	674,657.54
12/01/2007	674,657.54			10,119.86	(344,937.50)	339,839.90
6/01/2008	339,839.90			5,097.60	(344,937.50)	0.00
		1,771,521.99	40,242.71	85,391.55	(1,897,156.25)	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14**

DEBT SERVICE FUND ONLY

SUMMARY

DEBT SERVICE FUND

(Page 1 of 2 - Continued on to Page B2)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Collection Year	Total Assessed Value (See Page B6)	Debt Service Fund Mill Levy	Cash Receipts					Collection Year
			Net Property Taxes	Specific Ownership Taxes	Single Family Development Fees per Unit Collected at \$800	Interest Income at 3.00%	Total Annual Cash Receipts	
2005	0		0	0		0	0	2005
2006	0		0	0	56,800	0	56,800	2006
2007	674,105	40,000	26,425	2,114	186,400	1,704	216,643	2007
2008	4,166,853	40,000	163,341	13,067	134,400	8,203	319,011	2008
2009	9,991,902	40,000	391,683	31,335	134,400	7,425	564,843	2009
2010	14,805,389	40,000	580,371	46,430	132,800	975	760,576	2010
2011	19,524,997	40,000	765,380	61,230	0	264	826,874	2011
2012	23,084,073	40,000	904,896	72,392		1,431	978,719	2012
2013	23,084,073	40,000	904,896	72,392			977,288	2013
2014	23,545,754	40,000	922,994	73,840			996,834	2014
2015	23,545,754	40,000	922,994	73,840			996,834	2015
2016	24,016,669	40,000	941,453	75,316			1,016,769	2016
2017	24,016,669	40,000	941,453	75,316			1,016,769	2017
2018	24,497,003	40,000	960,283	76,823			1,037,106	2018
2019	24,497,003	40,000	960,283	76,823			1,037,106	2019
2020	24,986,943	40,000	979,488	78,359			1,057,847	2020
2021	24,986,943	40,000	979,488	78,359			1,057,847	2021
2022	25,486,681	40,000	999,078	79,926			1,079,004	2022
2023	25,486,681	40,000	999,078	79,926			1,079,004	2023
2024	25,996,415	40,000	1,019,059	81,525			1,100,584	2024
2025	25,996,415	40,000	1,019,059	81,525			1,100,584	2025
2026	26,516,343	40,000	1,039,441	83,155			1,122,596	2026
2027	26,516,343	40,000	1,039,441	83,155			1,122,596	2027
2028	27,046,670	40,000	1,060,229	84,818			1,145,047	2028
2029	27,046,670	40,000	1,060,229	84,818			1,145,047	2029
2030	27,587,604	40,000	1,081,434	86,515			1,167,949	2030
2031	27,587,604	40,000	1,081,434	86,515			1,167,949	2031
2032	28,139,356	40,000	1,103,063	88,245			1,191,308	2032
2033	28,139,356	40,000	1,103,063	88,245			1,191,308	2033
2034	28,702,143	40,000	1,125,124	90,010			1,215,134	2034
2035	28,702,143	40,000	1,125,124	90,010			1,215,134	2035
			26,200,284	2,096,024	644,800	20,002	28,961,110	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14**

DEBT SERVICE FUND ONLY

SUMMARY

DEBT SERVICE FUND

(Page 2 of 2 - Continued from Page B1)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Collection Year	Net Debt Service on 2005 Bonds (See Page B7)	Cash Disbursements				Total Cash Disbursements and Transfers	Annual Surplus Cash Available for Other Debt	Collection Year			
		Bond Surplus Fund									
		Transfer to (Release from)	Cumulative Surplus Balance	Maximum Balance \$ 1,090,000	Debt to Assessed Ratio						
2005	0	0	0	1,090,000	n/a	0	0	2005			
2006	0	56,800	56,800	1,090,000	n/a	56,800	0	2006			
2007	0	216,643	273,443	1,090,000	1617%	216,643	0	2007			
2008	344,938	(25,927)	247,517	1,090,000	262%	319,011	0	2008			
2009	779,875	(215,032)	32,485	1,090,000	108%	564,843	0	2009			
2010	784,250	(23,674)	8,811	1,090,000	72%	760,576	0	2010			
2011	788,000	38,874	47,685	1,090,000	54%	826,874	0	2011			
2012	801,125	(47,685)	0	0	45%	753,441	225,279	2012			
2013	803,000	0	0	0	45%	803,000	174,288	2013			
2014	819,250	0	0	0	43%	819,250	177,584	2014			
2015	818,938	0	0	0	42%	818,938	177,897	2015			
2016	833,000	0	0	0	41%	833,000	183,769	2016			
2017	835,500	0	0	0	40%	835,500	181,269	2017			
2018	852,063	0	0	0	38%	852,063	185,044	2018			
2019	851,750	0	0	0	37%	851,750	185,356	2019			
2020	870,500				35%	870,500	187,347	2020			
2021	867,063				34%	867,063	190,785	2021			
2022	887,688				32%	887,688	191,317	2022			
2023	885,813				30%	885,813	193,192	2023			
2024	902,688				28%	902,688	197,897	2024			
2025	902,063				27%	902,063	198,522	2025			
2026	919,875				24%	919,875	202,721	2026			
2027	919,275				22%	919,275	203,321	2027			
2028	941,763				20%	941,763	203,285	2028			
2029	940,744				18%	940,744	204,303	2029			
2030	957,494				15%	957,494	210,455	2030			
2031	960,738				12%	960,738	207,212	2031			
2032	976,113				9%	976,113	215,196	2032			
2033	977,663				6%	977,663	213,646	2033			
2034	996,025				3%	996,025	219,109	2034			
2035	999,925				0%	999,925	215,209	2035			
	24,217,113	0				24,217,113	4,743,998				

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 1 of 4 - Continued on to Page B4)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Residential												
		Continental 50' - 62' Frontage SFD			Other 50' - 62' Frontage SFD			Continental 63' - 73' Frontage SFD			Other 63' - 73' Frontage SFD			
Number of Residences	Est. Market Value per Residence \$315,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$315,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences
Inflation compounded annually at 2.00%														
2003	2005													
2004	2006													
2005	2007	315,000	0		315,000	0		335,000	0		335,000	0		
2006	2008	21	321,300	6,747,300	6	321,300	1,927,800	26	341,700	8,884,200	11	341,700	3,758,700	
2007	2009	55	327,726	18,024,930	21	327,726	6,882,246	58	348,534	20,214,972	46	348,534	16,032,564	
2008	2010	76	334,281	25,405,320	17	334,281	5,682,769	30	355,505	10,665,140	25	355,505	8,887,617	
2009	2011	76	340,966	25,913,426	17	340,966	5,796,424	30	362,615	10,878,443	25	362,615	9,065,369	
2010	2012	75	347,785	26,083,909	17	347,785	5,912,353	29	369,867	10,726,145	25	369,867	9,246,677	
2011	2013		354,741	0		354,741	0		377,264	0		377,264	0	
2012	2014													
2013	2015													
2014	2016													
2015	2017													
2016	2018													
2017	2019													
2018	2020													
2019	2021													
2020	2022													
2021	2023													
2022	2024													
2023	2025													
2024	2026													
2025	2027													
2026	2028													
2027	2029													
2028	2030													
2029	2031													
2030	2032													
2031	2033													
2032	2034													
2033	2035													
		303		102,174,885	78		26,201,592	173		61,368,900	132		46,990,927	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS

UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 2 of 4 - Continued from Page B3 and on to Page B5)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Residential				TOTAL RESIDENTIAL UNITS	Est. Biennial Revaluation per State Statute at 2.00%	Cumulative Market Value of New Residences	Estimated Residential Assessment Ratio	RESIDENTIAL ASSESSED VALUATION
		Number of Residences	Est. Market Value per Residence \$335,000	Annual Value of New Residences	Number of Residences	Est. Market Value per Residence \$450,000	Annual Value of New Residences			
Inflation compounded annually at			2.00%			2.00%				
2003	2005									0
2004	2006									0
2005	2007	335,000	0		450,000	0	0	0		0
2006	2008	7	341,700	2,391,900	0	459,000	0	71	23,709,900	23,709,900
2007	2009	35	348,534	12,198,690	18	468,180	8,427,240	233	81,780,642	105,490,542
2008	2010	15	355,505	5,332,570	5	477,544	2,387,718	168	58,361,134	165,961,487
2009	2011	15	362,615	5,439,222	5	487,094	2,435,472	168	59,528,356	225,489,843
2010	2012	15	369,867	5,548,006	5	496,836	2,484,182	166	60,001,272	290,000,912
2011	2013	377,264	0		506,773	0	0	0	290,000,912	290,000,912
2012	2014							5,800,018	295,800,930	7.96% 23,545,754
2013	2015								295,800,930	7.96% 23,545,754
2014	2016							5,916,019	301,716,949	7.96% 24,016,669
2015	2017								301,716,949	7.96% 24,016,669
2016	2018							6,034,339	307,751,288	7.96% 24,497,003
2017	2019								307,751,288	7.96% 24,497,003
2018	2020							6,155,026	313,906,314	7.96% 24,986,943
2019	2021								313,906,314	7.96% 24,986,943
2020	2022							6,278,126	320,184,440	7.96% 25,486,681
2021	2023								320,184,440	7.96% 25,486,681
2022	2024							6,403,689	326,588,129	7.96% 25,996,415
2023	2025								326,588,129	7.96% 25,996,415
2024	2026							6,531,763	333,119,892	7.96% 26,516,343
2025	2027								333,119,892	7.96% 26,516,343
2026	2028							6,662,398	339,782,290	7.96% 27,046,670
2027	2029								339,782,290	7.96% 27,046,670
2028	2030							6,795,646	346,577,936	7.96% 27,587,604
2029	2031								346,577,936	7.96% 27,587,604
2030	2032							6,931,559	353,509,495	7.96% 28,139,356
2031	2033								353,509,495	7.96% 28,139,356
2032	2034							7,070,190	360,579,685	7.96% 28,702,143
2033	2035								360,579,685	7.96% 28,702,143
		87	30,910,388	33	15,734,612	806	283,381,304	77,198,381		

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 3 of 4 - Continued from Page B4 and on to Page B6)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Undeveloped Residential Land											
		Continental 50' - 62' Frontage SFD			Other 50' - 62' Frontage SFD			Continental 63' - 73' Frontage SFD			Other 63' - 73' Frontage SFD		
		Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value
2003	2005												
2004	2006												
2005	2007	661,500	0	661,500	189,000	0	189,000	871,000	0	871,000	368,500	0	368,500
2006	2008	1,732,500	(661,500)	1,071,000	661,500	(189,000)	472,500	1,943,000	(871,000)	1,072,000	1,541,000	(368,500)	1,172,500
2007	2009	2,394,000	(1,732,500)	661,500	535,500	(661,500)	(126,000)	1,005,000	(1,943,000)	(938,000)	837,500	(1,541,000)	(703,500)
2008	2010	2,394,000	(2,394,000)	0	535,500	(535,500)	0	1,005,000	(1,005,000)	0	837,500	(837,500)	0
2009	2011	2,362,500	(2,394,000)	(31,500)	535,500	(535,500)	0	971,500	(1,005,000)	(33,500)	837,500	(837,500)	0
2010	2012	0	(2,362,500)	(2,362,500)	0	(535,500)	(535,500)	0	(971,500)	(971,500)	0	(837,500)	(837,500)
2011	2013	0	0	0	0	0	0	0	0	0	0	0	0
2012	2014	0	0	0	0	0	0	0	0	0	0	0	0
2013	2015	0	0	0	0	0	0	0	0	0	0	0	0
2014	2016	0	0	0	0	0	0	0	0	0	0	0	0
2015	2017	0	0	0	0	0	0	0	0	0	0	0	0
2016	2018												
2017	2019												
2018	2020												
2019	2021												
2020	2022												
2021	2023												
2022	2024												
2023	2025												
2024	2026												
2025	2027												
2026	2028												
2027	2029												
2028	2030												
2029	2031												
2030	2032												
2031	2033												
2032	2034												
2033	2035												
		9,544,500	(9,544,500)	0	2,457,000	(2,457,000)	0	5,795,500	(5,795,500)	0	4,422,000	(4,422,000)	0

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED ASSESSED VALUATION

(Page 4 of 4 - Continued from Page B5)

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Construction Year	Collection Year	Undeveloped Residential Land						Annual Market Value of Undeveloped Land	Cumulative Market Value of Undeveloped Land	Estimated Land Assessment Ratio	LAND ASSESSED VALUATION	RESIDENTIAL ASSESSED VALUATION (See Page B4)	TOTAL ASSESSED VALUATION	Collection Year							
		Continental 74' - 79' Frontage SFD			Continental 80' - 84' Frontage SFD																
		Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value	Platted & Finished Lots	Less: Lots Used	Cumulative Actual Value														
2003	2005													0	2005						
2004	2006													0	2006						
2005	2007	234,500	0	234,500	0	0	0	2,324,500	2,324,500	29.00%	674,105	0	674,105	2007							
2006	2008	1,172,500	(234,500)	938,000	810,000	0	810,000	5,536,000	7,860,500	29.00%	2,279,545	1,887,308	4,166,853	2008							
2007	2009	502,500	(1,172,500)	(670,000)	225,000	(810,000)	(585,000)	(2,361,000)	5,499,500	29.00%	1,594,855	8,397,047	9,991,902	2009							
2008	2010	502,500	(502,500)	0	225,000	(225,000)	0	0	5,499,500	29.00%	1,594,855	13,210,534	14,805,389	2010							
2009	2011	502,500	(502,500)	0	225,000	(225,000)	0	(65,000)	5,434,500	29.00%	1,576,005	17,948,992	19,524,997	2011							
2010	2012	0	(502,500)	(502,500)	0	(225,000)	(225,000)	(5,434,500)	0	29.00%	0	23,084,073	23,084,073	2012							
2011	2013	0	0	0	0	0	0	0	0	29.00%	0	23,084,073	23,084,073	2013							
2012	2014	0	0	0	0	0	0	0	0	29.00%	0	23,545,754	23,545,754	2014							
2013	2015	0	0	0	0	0	0	0	0	29.00%	0	23,545,754	23,545,754	2015							
2014	2016	0	0	0	0	0	0	0	0	29.00%	0	24,016,669	24,016,669	2016							
2015	2017	0	0	0	0	0	0	0	0	29.00%	0	24,016,669	24,016,669	2017							
2016	2018									29.00%	0	24,497,003	24,497,003	2018							
2017	2019									29.00%	0	24,497,003	24,497,003	2019							
2018	2020									29.00%	0	24,986,943	24,986,943	2020							
2019	2021									29.00%	0	24,986,943	24,986,943	2021							
2020	2022									29.00%	0	25,486,681	25,486,681	2022							
2021	2023									29.00%	0	25,486,681	25,486,681	2023							
2022	2024									29.00%	0	25,996,415	25,996,415	2024							
2023	2025									29.00%	0	25,996,415	25,996,415	2025							
2024	2026									29.00%	0	26,516,343	26,516,343	2026							
2025	2027									29.00%	0	26,516,343	26,516,343	2027							
2026	2028									29.00%	0	27,046,670	27,046,670	2028							
2027	2029									29.00%	0	27,046,670	27,046,670	2029							
2028	2030									29.00%	0	27,587,604	27,587,604	2030							
2029	2031									29.00%	0	27,587,604	27,587,604	2031							
2030	2032									29.00%	0	28,139,356	28,139,356	2032							
2031	2033									29.00%	0	28,139,356	28,139,356	2033							
2032	2034									29.00%	0	28,702,143	28,702,143	2034							
2033	2035									29.00%	0	28,702,143	28,702,143	2035							
		2,914,500	(2,914,500)	0	1,485,000	(1,485,000)	0														

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

**PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14**

DEBT SERVICE FUND ONLY

SCHEDULE OF ESTIMATED BOND DEBT SERVICE REQUIREMENTS

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

Series 2005 Bond Issue								
				\$10,900,000	Principal payments due on Dec. 1.			
Year	Principal	Coupon	Interest	Total 2005 Bonds Debt Service	Reduce Debt Service By Capitalized Interest	Net 2005 Bonds Debt Service Payments	Bond Principal Outstanding	Year
2005		6.250%	172,469	172,469	(172,469)	0	10,900,000	2005
2006		6.250%	689,875	689,875	(689,875)	0	10,900,000	2006
2007		6.250%	689,875	689,875	(689,875)	0	10,900,000	2007
2008		6.250%	689,875	689,875	(344,938)	344,938	10,900,000	2008
2009	90,000	6.250%	689,875	779,875		779,875	10,810,000	2009
2010	100,000	6.250%	684,250	784,250		784,250	10,710,000	2010
2011	110,000	6.250%	678,000	788,000		788,000	10,600,000	2011
2012	130,000	6.250%	671,125	801,125		801,125	10,470,000	2012
2013	140,000	6.250%	663,000	803,000		803,000	10,330,000	2013
2014	165,000	6.250%	654,250	819,250		819,250	10,165,000	2014
2015	175,000	6.250%	643,938	818,938		818,938	9,990,000	2015
2016	200,000	6.250%	633,000	833,000		833,000	9,790,000	2016
2017	215,000	6.250%	620,500	835,500		835,500	9,575,000	2017
2018	245,000	6.250%	607,063	852,063		852,063	9,330,000	2018
2019	260,000	6.250%	591,750	851,750		851,750	9,070,000	2019
2020	295,000	6.250%	575,500	870,500		870,500	8,775,000	2020
2021	310,000	6.250%	557,063	867,063		867,063	8,465,000	2021
2022	350,000	6.250%	537,688	887,688		887,688	8,115,000	2022
2023	370,000	6.250%	515,813	885,813		885,813	7,745,000	2023
2024	410,000	6.250%	492,688	902,688		902,688	7,335,000	2024
2025	435,000	6.250%	467,063	902,063		902,063	6,900,000	2025
2026	480,000	6.375%	439,875	919,875		919,875	6,420,000	2026
2027	510,000	6.375%	409,275	919,275		919,275	5,910,000	2027
2028	565,000	6.375%	376,763	941,763		941,763	5,345,000	2028
2029	600,000	6.375%	340,744	940,744		940,744	4,745,000	2029
2030	655,000	6.375%	302,494	957,494		957,494	4,090,000	2030
2031	700,000	6.375%	260,738	960,738		960,738	3,390,000	2031
2032	760,000	6.375%	216,113	976,113		976,113	2,630,000	2032
2033	810,000	6.375%	167,663	977,663		977,663	1,820,000	2033
2034	880,000	6.375%	116,025	996,025		996,025	940,000	2034
2035	940,000	6.375%	59,925	999,925		999,925	0	2035
	10,900,000		15,214,269	26,114,269	(1,897,156)	24,217,113		
USE OF PROCEEDS:								
Project Fund 8,775,478 Capitalized Interest 1,771,522 Issuance Costs Interest at 3.00% 353,000 \$10,900,000								

Note: The Project Fund will be placed in a restricted trust account to be released as lots are sold to builders or as building permits are issued. Any moneys remaining in the restricted account on October 15, 2008 will be transferred to the Bond Fund.

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

WYNDHAM HILL METROPOLITAN DISTRICT No. 2

PROJECTED SURPLUS CASH BALANCES AND CASH RECEIPTS AND DISBURSEMENTS UNDER THE HYPOTHETICAL ASSUMPTIONS IN NOTE 14

DEBT SERVICE FUND ONLY

SCHEDULE OF CAPITALIZED BOND INTEREST

AS OF DECEMBER 31, 2004 AND FOR THE CALENDAR YEARS ENDING THROUGH 2035

CALCULATION of CAPITALIZED INTEREST on SERIES 2005 BOND ISSUE						
Date	Beginning Balance	Capitalized Interest	Accrued Interest From Closing	Interest at 3.00%	Disbursements To Debt Service	Ending Balance
9/01/2005	0.00	(See Page B7)			(See Page B7)	
12/01/2005	1,811,764.70	1,771,521.99	40,242.71	10,417.65	(172,468.75)	1,649,713.60
6/01/2006	1,649,713.60			24,745.70	(344,937.50)	1,329,521.80
12/01/2006	1,329,521.80			19,942.83	(344,937.50)	1,004,527.13
6/01/2007	1,004,527.13			15,067.91	(344,937.50)	674,657.54
12/01/2007	674,657.54			10,119.86	(344,937.50)	339,839.90
6/01/2008	339,839.90			5,097.60	(344,937.50)	0.00
		1,771,521.99	40,242.71	85,391.55	(1,897,156.25)	

This financial information should be read only in connection with the accompanying Summary of Significant Projection Assumptions and Accounting Policies and Accountant's Report.

APPENDIX C
FORM OF CONTINUING DISCLOSURE AGREEMENT

APPENDIX C
FORM OF CONTINUING DISCLOSURE AGREEMENT

\$10,900,000
Wyndham Hill Metropolitan District No. 2
Weld County, Colorado
General Obligation Limited Tax Bonds
Series 2005

This Continuing Disclosure Agreement (the "Agreement") is entered into as of September 1, 2005 by Wyndham Hill Metropolitan District No. 2, Weld County, Colorado (the "District") and Frederick Development Company, Inc. a Colorado Corporation (the "Developer"); and is acknowledged by American National Bank, Denver, Colorado, as trustee, bond registrar and paying agent (collectively, the "Bank") for the Bonds (defined below) pursuant to the Paying Agent and Registrar Agreement between the Bank and the District and the resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District on September 6, 2005 (the "Bond Resolution").

Section 1. Purpose. This Agreement is being entered into for the benefit of the Bond Purchaser (as defined in the Bond Resolution) and subsequent Owners of the District's above captioned General Obligation Limited Tax Bonds, Series 2005 (the "Bonds"), and in consideration of the purchase by the Bond Purchaser of the Bonds.

Section 2. Definitions. Capitalized terms used and not otherwise defined in this Agreement shall have the respective meanings set forth in the Indenture of Trust dated as of September 1, 2005 by and between the District and the Bank. The capitalized terms set forth below shall have the following respective meanings for purposes of this Agreement:

"Audited Financial Statements" means the District's most recent annual financial statements, prepared in accordance with generally accepted accounting principles ("GAAP") for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB"), which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State of Colorado.

"Fee Resolution" means the resolution adopted by the Board of Directors of the District on August 18, 2005.

Section 3. Procedures for Providing Information.

(a) ***Provision of Information to Bank.*** The District, as to Sections 1(c), 1(d), 1(e), 1(f), 2, 3, and 4; and the Developer, as to Sections 1(a) and 1(b); respectively, hereby undertake and agree to provide to the Bank for subsequent distribution to Owners of the Bonds who have provided the information set forth in subsection (b) below, within 45 days after the end of each calendar quarter, being March 31, June 30, September 30, and December 31, commencing September 30, 2005, the information set forth in the form of the quarterly report appended as Appendix A hereto (each, a "Quarterly Report"). The District shall provide its Audited Financial Statements as part of the applicable Quarterly Report not later than 210 days following the end of each fiscal year of the District, and shall obtain the information from the Bank necessary to complete Section 4 of each Quarterly Report. The Bank acknowledges that it will provide such information to the District upon request.

(b) ***Dissemination of Information to Recipients.*** The Bank will provide a copy of each Quarterly Report to each Owner of the Bonds who has provided (i) a written request to the Bank that the information identified in this Agreement be provided to such Owner and (ii) a name and address to the Bank for the transmission of such information (collectively, the "Recipients").

(c) ***Other Information.*** In addition to the information set forth in the Quarterly Report, upon request, the District and the Developer agree to cooperate with any Recipient with respect to a reasonable request for the provision of any other information relevant to the District or the Bonds.

(d) ***Means of Transmitting Information.*** Subject to technical and economic feasibility, the District and the Developer shall employ such methods of information transmission as the Bond Purchaser shall reasonably request and, if the Bank is to disseminate such information pursuant to subsection (b) above, the Bank shall, subject to technical and economic feasibility, employ such methods of information transmission as shall be requested or recommended by the designated Recipients of the information to be received pursuant to this Agreement.

Section 4. Termination. The obligations of the District and the Developer under this Agreement shall terminate at such time as the Bonds are no longer Outstanding.

Section 5. Amendment. Notwithstanding any other provision of this Agreement, this Agreement may only be amended with the consent of the Recipients.

Section 6. Failure to Perform. Any failure by the District to perform in accordance with this Agreement shall not constitute an Event of Default under the Bond Resolution, and the rights and remedies provided by the Bond Resolution upon the occurrence of an Event of Default shall not apply to any such failure. If the District fails to comply with this Agreement, the Bond Purchaser or Recipient, as the case may be, may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations hereunder; provided, however, that if the Developer fails to provide the information to the District as required hereunder, the District shall be obligated to provide only such information, if any, received from the Developer, in addition to any information required to be provided by the District hereunder. If the Developer fails to comply with this Agreement, the Bond Purchaser or any Recipient may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Developer to comply with its obligations hereunder.

Section 7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Colorado.

Section 8. Beneficiaries. This Agreement shall inure solely to the benefit of the Bond Purchaser and Recipients, as the case may be, and shall create no rights in any other person or entity.

This Continuing Disclosure Agreement is executed as of the date first set forth above.

WYNDHAM HILL METROPOLITAN DISTRICT NO.
2, WELD COUNTY, COLORADO

By: _____
President

FREDERICK DEVELOPMENT COMPANY, INC. a

Colorado Corporation

By: _____

Authorized Officer

ACKNOWLEDGED BY:

AMERICAN NATIONAL BANK,

as Bank

By _____

Authorized Officer

[Signature Page to Continuing Disclosure Agreement]

APPENDIX A
FORM OF QUARTERLY REPORT

\$10,900,000
Wyndham Hill Metropolitan District No. 2
Weld County, Colorado
General Obligation Limited Tax Bonds
Series 2005

Date of Report: _____

All capitalized terms used and not otherwise defined in this report shall have the respective meanings assigned in the Continuing Disclosure Agreement of Wyndham Hill Metropolitan District No. 2, Weld County, Colorado (the "District") and Frederick Development Company, Inc. a Colorado Corporation (the "Developer"), as acknowledged by American National Bank, Denver, Colorado, as trustee, paying agent and registrar (the "Bank").

Section 1. Development Information.

(a) ***Certificates of Occupancy***

(i) The number of certificates of occupancy issued for single family homes within the District since the last Quarterly Report is _____. The lots for which such certificate(s) of occupancy have been issued are:

(ii) The cumulative number of certificates of occupancy issued for single family homes within the District since District formation is _____.

(b) ***Building Permits***

(i) The number of building permits issued for single family homes within the District since the last Quarterly Report is _____. The lots for which such building permits have been issued are:

(ii) The cumulative number of building permits issued for single family homes within the District since District formation is _____.

(c) ***Facilities Fees.***

(i) The total Facilities Fees which have been paid to the District since the last Quarterly Report is \$_____, representing ____ [number of lots] lots within the District.

(ii) The total Facilities Fees which have been paid to the District formation is \$[_____].

(iii) The District certifies that it has deposited the amount set forth in subsection (c)(ii) above with the Bank for credit to the appropriate funds and accounts in accordance with the Bond Resolution.

(d) ***Assessed Value.***

(i) The current assessed value of the District, as published or certified by the county assessor of Weld County, Colorado (the "Assessor") is \$_____ as of _____ [Date].

(ii) The assessed value set forth in subsection (d)(i) above is the District's [preliminary] [preliminary certified] [final certified] assessed value.

(e) ***Actual Value.***

(i) The current "actual value" of the District, as such terms is used and published or certified by the Assessor is \$_____ as of _____ [Date].

(ii) The Actual Value set forth in subsection (c)(i) above is the District's [preliminary] [preliminary certified] [final certified] actual value.

(f) ***Mill Levy Certification.*** The District certified a mill levy of ____ mills on _____ [Date] to the Assessor, comprised of ____ mills for debt service and ____ mills for operations and maintenance.

Section 2. Attached Quarterly Information. Quarterly information listed below need not be included for the fourth quarter of each year if such information is included in the annual information set forth in Section 3 below. The following information for which the appropriate box is checked is attached to this Quarterly Report:

(a) Unaudited quarterly financial statements for the District for the period ending _____.

(b) Year to date actual budget, compared with adopted budget, for the District's General Fund, Debt Service Fund and Capital Projects Fund, as of _____, _____, and _____, [Dates] respectively.

(c) Report(s) of the District's auditor issued since the last Quarterly Report.

(d) Any other report(s) relating to the District's activities or its condition submitted to any governmental agency or prepared for delivery to a third party since the last Quarterly Report.

Section 3. Attached Annual Information. Each of the annual information items set forth below must be provided only once each year. Audited Annual Financial Statements shall be provided with, and no later than, the June 30 Quarterly Report. The following information for which the appropriate box is checked is attached to this Quarterly Report:

- (a) Audited Annual Financial Statements of the District for the year ending _____. **(Must be provided with the June 30 Quarterly Report)**
- (b) Unaudited annual financial statements of the District for the year ending _____. **(Must be provided with the December 31 Quarterly Report)**
- (c) Annual budget of the District for fiscal year _____. Such annual budget [has] [has not] been adopted by the Board of Directors of the District **(Must be provided with the December 31 Quarterly Report)**

Section 4. Fund and Account Balances.

- (a) The amount on deposit in the Bond Fund is \$_____ as of _____ [Date].
- (b) The amount on deposit in the Surplus Fund is \$_____ as of _____ [Date].

The District hereby certifies that the information set forth in this Section 4 is accurately reported as obtained from the Bank.

[Signature/Certification on Following Page]

The undersigned hereby certify, respectively, that they are authorized representatives of the District and the Developer, respectively, and that the foregoing information contained in this Quarterly Report is, to the best of their knowledge, true, accurate and complete.

WYNDHAM HILL METROPOLITAN DISTRICT NO.
2, WELD COUNTY, COLORADO

By: _____
Authorized Representative

FREDERICK DEVELOPMENT COMPANY, INC. a
Colorado Corporation

By: _____
Authorized Officer

[Signature/Certification Page to Quarterly Report]

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

APPENDIX D
FORM OF OPINION OF BOND COUNSEL

September 22, 2005

Wyndham Hill Metropolitan District No. 2
Weld County, Colorado

\$10,900,000 General Obligation Limited Tax Bonds, Series 2005
Wyndham Hill Metropolitan District No. 2
Weld County, Colorado

Ladies and Gentlemen:

We have acted as bond counsel to Wyndham Hill Metropolitan District No. 2, Weld County, Colorado (the "District"), in connection with the issuance of the District's General Obligation Limited Tax Bonds, Series 2005, in the aggregate principal amount of \$10,900,000 (the "Bonds"), pursuant to that certain Indenture of Trust dated as of September 1, 2005 (the "Indenture") between the District and American National Bank, in Denver, Colorado, as trustee (the "Trustee"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto by the Indenture.

In such capacity, we have examined the District's certified proceedings and such other documents and such law of the State of Colorado and of the United States of America as we have deemed necessary to render this opinion letter. As to questions of fact material to our opinions, we have relied upon the certified proceedings and other representations and certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation. We have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, and the conformity to authentic original documents of all documents submitted to us as certified, conformed, or photostatic copies.

Based upon such examination, it is our opinion as bond counsel that:

1. The Bonds constitute valid and binding limited tax general obligations of the District, payable solely from the Pledged Revenue.
2. All of the taxable property of the District is subject to the levy of an ad valorem tax in the amount of the Required Mill Levy for the purpose of paying the Bonds.
3. Assuming the due authorization, execution, and delivery of the Indenture by the Trustee, the Indenture constitutes a valid and binding obligation of the District, legally enforceable according to its terms.

4. The Indenture creates a valid lien on the Pledged Revenue on a parity with other Parity Bonds (if any) to be issued. Except as described in this paragraph, we express no opinion regarding the priority of the lien on the Pledged Revenue.

5. Interest on the Bonds is excluded from gross income under federal income tax laws pursuant to Section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Tax Code"), interest on the Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Tax Code except that such interest is required to be included in calculating the adjusted current earnings adjustment applicable to corporations for purposes of computing the alternative minimum taxable income of corporations, and interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date hereof. The opinions expressed in this paragraph assume continuous compliance with the covenants and representations contained in the District's certified proceedings and in certain other documents or certain other certifications furnished to us.

The opinions expressed in this opinion letter are subject to the following:

The obligations of the District pursuant to the Bonds and the Indenture are subject to the application of equitable principles, to the reasonable exercise in the future by the State of Colorado and its governmental bodies of the police power inherent in the sovereignty of the State of Colorado, and to the exercise by the United States of America of the powers delegated to it by the Federal Constitution, including without limitation, bankruptcy powers.

We understand that _____ has issued a letter of credit in connection with the issuance of the Bonds. We express no opinion as to the validity or enforceability of such letter of credit, or the security afforded thereby.

In this opinion letter issued in our capacity as bond counsel, we are opining only upon those matters set forth herein, and we are not passing upon the accuracy, adequacy, or completeness of the Limited Offering Memorandum relating to the Bonds or any other statements made in connection with any sale of the Bonds or upon any federal or state tax consequences arising from the receipt or accrual of interest on or the ownership of the Bonds, except those specifically addressed herein.

This opinion letter is issued as of the date hereof and we assume no obligation to revise or supplement this opinion letter to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.