

**NEW ISSUE
BOOK-ENTRY ONLY**

**NOT RATED
BANK QUALIFIED**

In the opinion of Brownstein, Hyatt & Farber, P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income under federal income tax laws under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"); interest on the Bonds is not a specific preference item for purposes of the federal corporate or individual alternative minimum taxes 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 not included in Colorado taxable income or Colorado alternative minimum taxable income under existing Colorado income tax laws. The District has designated the Bonds as "qualified tax exempt obligations" under Section 265(b)(3) of the Tax Code. See "TAX MATTERS" herein.

\$2,500,000
BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
EAGLE COUNTY, COLORADO
(IN THE TOWN OF GYPSUM)
GENERAL OBLIGATION LIMITED TAX BONDS, SERIES 2003

Dated: March 1, 2003

Due: December 1, 2023

The Bonds are limited tax general obligations of the District secured by and payable from the Pledged Revenue consisting of (i) the ad valorem property taxes generated from the Required Mill Levy, (ii) specific ownership taxes, (iii) amounts on deposit in the Reserve Account, if any, (iv) amounts on deposit in the Escrow Account, if any, and (v) any other legally available funds of the District deposited into the Bond Account. The District has covenanted to levy an ad valorem mill levy upon all taxable property which is within the District or otherwise responsible for the payment of the Bonds each year in an amount sufficient to pay the principal of and interest on the Bonds and any Parity Lien Bonds as the same become due and payable; however, such mill levy cannot exceed forty mills (40.00) in any calendar year (subject to adjustment related to future changes occurring after January 11, 2000 in the method of calculating the District's assessed valuation). Capitalized terms used on the cover page of this Limited Offering Memorandum are defined in the Introduction herein.

The Bonds are being issued in denominations of \$500,000 or any integral multiple of \$5,000 in excess thereof as fully registered bonds. Interest on the Bonds, at the rate set forth below, is payable semi-annually on December 1 and June 1 each year, commencing on June 1, 2003.

\$2,500,000 7.0% Term Bond due December 1, 2023 – Price: 100.0% CUSIP¹⁰ 118383 AA 6

(plus accrued interest from March 1, 2003)

¹The District takes no responsibility for the accuracy of CUSIP numbers, which are included solely for the convenience of the owners of the Bonds.
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The Bank of Cherry Creek, a branch of Western National Bank, Denver, Colorado, will act as Paying Agent for the Bonds and the Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued in book-entry-only form and purchasers of the Bonds will not receive certificates evidencing their ownership interests in the Bonds.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity at the prices and upon the terms set forth in this Limited Offering Memorandum, and are subject to extraordinary mandatory redemption on December 1, 2007 to the extent that funds remain on deposit in the Escrow Account on September 1, 2007.

Proceeds from the sale of the Bonds will be used to satisfy certain obligations of the District under the District Facilities Agreement to pay or reimburse costs of the Project, to fund capitalized interest for the payment of a portion of the interest on the Bonds, and to pay the costs of issuance of the Bonds. See "THE BONDS—Application of Bond Proceeds."

REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS IS SUBJECT TO A HIGH DEGREE OF INVESTMENT RISK. SEE "RISK FACTORS" HEREIN.

THE BONDS ARE BEING OFFERED AND SOLD ONLY TO "FINANCIAL INSTITUTIONS AND INSTITUTIONAL INVESTORS" AS SUCH TERMS ARE DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES, AS AMENDED.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision. Each prospective investor should read this entire Limited Offering Memorandum and should give particular attention to the section entitled "RISK FACTORS."

The Bonds are offered when, as and if issued by the District, subject to prior sale, withdrawal or modification of the offer without notice and subject to the approval of legality by Brownstein Hyatt & Farber, P.C., Denver, Colorado, as Bond Counsel, and certain other matters. Kutak Rock LLP, Denver, Colorado, is serving as counsel to the Underwriter. Certain matters will be passed upon by White and Associates Professional Corporation, Englewood, Colorado, as General Counsel to the District. The Bonds are expected to be available for delivery in New York, New York through the facilities of DTC on or about March 6, 2003.

Kirkpatrick Pettis

A Mutual of Omaha Company

This Limited Offering Memorandum is dated March 4, 2003.

**BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
EAGLE COUNTY, COLORADO**

Board of Directors

David Garton, Jr., President
Sande Garton, Vice President
Samantha G. Gale, Assistant Secretary
Robert J. Kingston, Secretary/Treasurer
Mallie J. Kingston, Assistant Secretary

General Counsel to the District

White and Associates Professional Corporation
Englewood, Colorado

Bond Counsel

Brownstein Hyatt & Farber, P.C.
Denver, Colorado

Paying Agent

The Bank of Cherry Creek, a branch of
Western National Bank
Denver, Colorado

Underwriter

Kirkpatrick, Pettis, Smith, Polian Inc.
Denver, Colorado

Underwriter's Counsel

Kutak Rock LLP
Denver, Colorado

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 OFFERING OF THE 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 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 UNDERWRITER HAS PROVIDED THE FOLLOWING SENTENCE FOR INCLUSION WITHIN THIS LIMITED OFFERING MEMORANDUM. THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS LIMITED OFFERING MEMORANDUM IN ACCORDANCE WITH, AND AS PART OF, ITS RESPONSIBILITY TO INVESTORS 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.

INVESTORS MUST BE WILLING AND ABLE TO CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS ATTENDANT TO OWNERSHIP OF THE BONDS, INCLUDING THEIR OWN EVALUATION OF THE PROSPECTS FOR DEVELOPMENT WITHIN THE DISTRICT. NEITHER THE CONTENTS OF THIS LIMITED OFFERING MEMORANDUM NOR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM THE DISTRICT OR ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS CONSTITUTE LEGAL, TAX, ACCOUNTING OR REGULATORY ADVICE. BEFORE PURCHASING, PROSPECTIVE INVESTORS SHOULD CONSULT WITH THEIR OWN LEGAL COUNSEL AND BUSINESS AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE BONDS AND SHOULD MAKE AN INDEPENDENT EVALUATION OF THE INVESTMENT.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF CERTAIN EXEMPTIONS CONTAINED IN THE SECURITIES ACT OF 1933, AS AMENDED. IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE DISTRICT, THE BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES 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 DOCUMENT AND ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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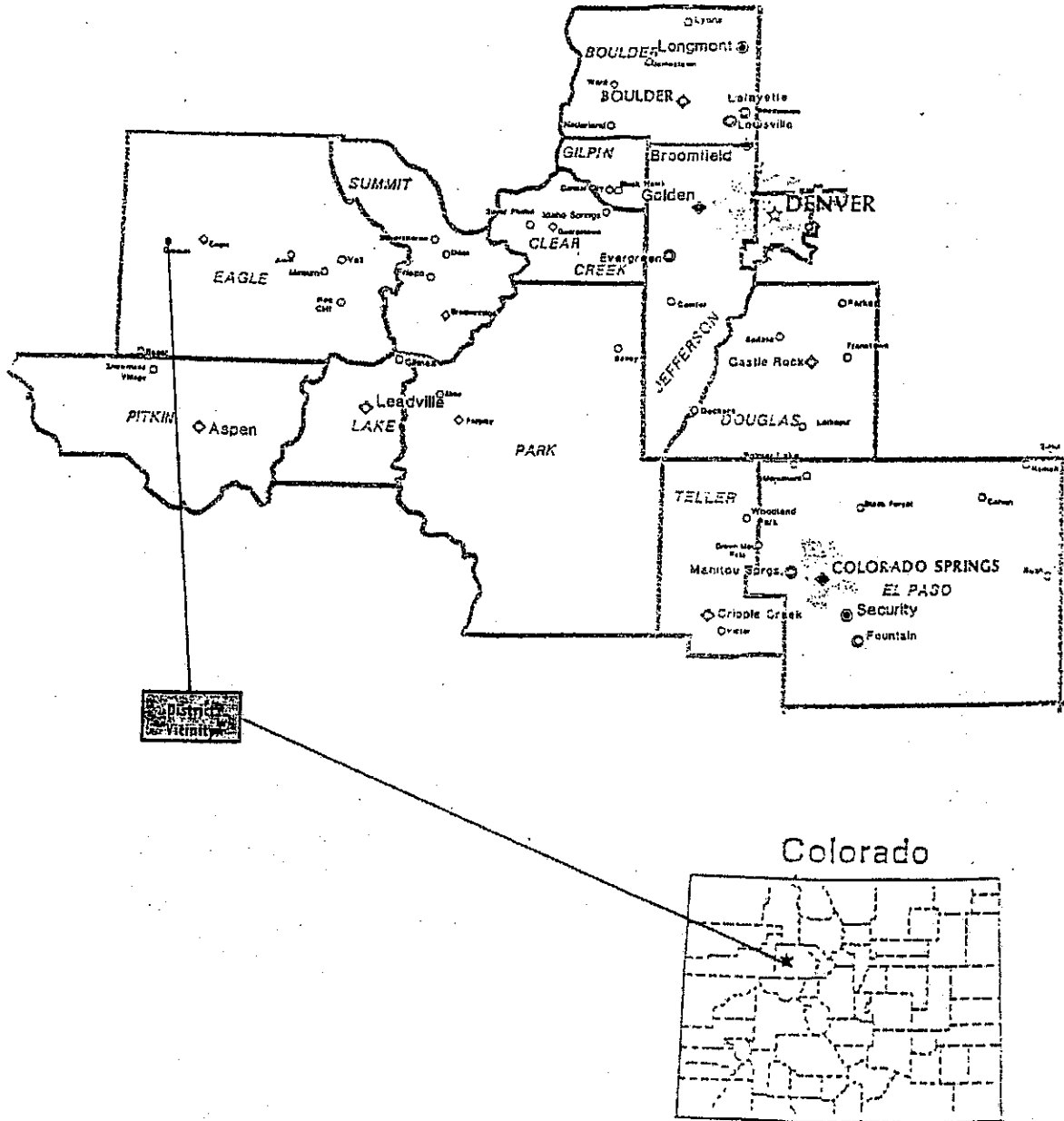
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VICINITY MAP



INTRODUCTION

This Limited Offering Memorandum is furnished to prospective purchasers of \$2,500,000 General Obligation Limited Tax Bonds, Series 2003 (the "Bonds"), issued by Buckhorn Valley Metropolitan District No. 2, Town of Gypsum, Eagle County, Colorado. The offering of the Bonds is made only by way of this Limited Offering Memorandum, which supersedes any other information or materials used in connection with the offer or sale of the Bonds. This Limited Offering Memorandum speaks only as of its date, and the information contained herein is subject to change.

The information set forth in this Limited Offering Memorandum has been obtained from the Districts, the Developer (each, as hereinafter defined), and from other sources believed to be reliable but is not guaranteed as to accuracy or completeness. This Limited Offering Memorandum, including the appendices hereto, 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 estimates and opinions, or that they will be realized, see "FORWARD LOOKING STATEMENTS." Any capitalized terms not defined herein have the meanings assigned to them in the Bond Resolution, unless the context clearly indicates a contrary meaning.

The following introductory material is only a brief description of, and is qualified by, the more complete information contained throughout this Limited Offering Memorandum. A full review should be made of the entire Limited Offering Memorandum and the documents summarized or described herein.

Issuer Buckhorn Valley Metropolitan District No. 2 (the "District" or "District No. 2") was created in conjunction with Buckhorn Valley Metropolitan District No. 1 ("District No. 1" and, together with District No. 2, the "Districts") in May 2000 as part of a common plan to serve the needs of the Buckhorn Valley development (the "Development"), a master planned residential development in the Town of Gypsum (the "Town"), in Eagle County (the "County"), Colorado. The Town Council approved annexation of the Development in January 2000. The Development includes 368.00 acres, 366.78 acres of which comprise District No. 2, and 1.22 acres of which comprise District No. 1. Only the area within District No. 2 is planned for residential development. The Development is located in the eastern portion of the Town of Gypsum approximately 40 miles west of Vail, Colorado in the Vail Valley of the central Rocky Mountains. See "THE DISTRICTS" and the preceding "VICINITY MAP."

The Districts were organized under a consolidated service plan approved by the Town on January 11, 2000 and amended on January 28, 2003 (the "Service Plan"). Pursuant to the Service Plan, the Districts intend to provide, in a cooperative manner, certain essential public-purpose services and facilities for the use and benefit of their property owners, inhabitants and taxpayers, all in accordance with the laws of the State of Colorado. The types of services and facilities that the Districts have the power to provide include streets, traffic and safety controls, water, sanitary sewage, television relay and translator, mosquito control and park and recreation improvements, to the extent such park and recreation improvements do not overlap with improvements provided by Western Eagle County Metropolitan Recreation District (the "Recreation District") and the District and the Recreation District agree upon the

allocation of providing such improvements. The amendment to the Service Plan which was approved by the Town on January 28, 2003 was for the purposes of clarifying the ability of the Districts to issue promissory notes to the Developer to evidence reimbursement obligations for public improvements constructed by the Developer; clarifying that interest on bonds issued by District No. 2, including the Bonds, shall accrue and compound if not paid when due; expressly permitting District No. 2 to issue bonds, including the Bonds, with a maturity permitted by the Supplemental Public Securities Act (hereafter defined); and updating the Districts' financing plan set forth therein.

The Districts have entered or expect to enter into various intergovernmental agreements between themselves and with other governmental entities in order to effectively and efficiently provide services and facilities to current and future residents and property owners in the Districts. See "THE DISTRICTS."

Pursuant to the District Facilities Construction and Service Agreement dated as of July 20, 2000, as amended pursuant to the First Amended and Restated District Facilities Construction and Service Agreement dated as of March 3, 2003, between District No. 1 and District No. 2 (as amended, the "District Facilities Agreement"), District No. 1 has agreed to act as the construction manager for the Districts' public improvements, including the Project (hereafter defined). District No. 1 will acquire and own or transfer to other governmental entities, as appropriate, the public infrastructure and facilities benefiting the Districts, including the Project (defined herein), and will operate and maintain such infrastructure and facilities to the extent no other governmental entity has accepted the responsibility to do so. Bond proceeds and other legally available revenues of the Districts will be used to pay the costs of acquisition and construction of the Districts' public improvements, as set forth in the District Facilities Agreement. District No. 2 is obligated under the District Facilities Agreement to pay proceeds of its general obligation bonds to District No. 1 and District No. 1 is obligated to use such amounts to acquire or construct public infrastructure and facilities benefiting the Districts. The District Facilities Agreement was amended on March 3, 2003 to provide, among other things, that District No. 2's obligations thereunder are subordinate to its obligation to repay the Bonds. See "DISTRICT FACILITIES AND SERVICES—District Facilities Agreement."

Certain public improvements, when completed, are expected to be dedicated to the Town or other governmental entities for the use and benefit of the Districts' property owners and inhabitants. The Buckhorn Valley Planned Unit Development ("PUD"), approved by the Town in 2000, permits the construction of 899 residential units in the Development, including 621 single family homes and 278 multi-family units.

Roark Partners LLLP (the "Developer"), a Colorado limited liability limited partnership owns 94% of the property within District No. 2 and

100% of the property in District No. 1. As of the date of this Limited Offering Memorandum, the Developer has submitted and received Town approval of 16 subdivision filings within the Development. According to the Developer, home construction began within the District in 2001, with 41 home sales completed as of December 2001. Since December 2001, an additional 15 homes have been sold (for a total of 56 homes completed, sold and occupied as of February 1, 2003) and 6 homes are under construction, three of which are under contract with closing expected by the end of March 2003. The average sales price of a home in the Development is expected to be approximately \$250,000. Build-out of the Development is anticipated to be completed in the year 2013. See "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements." There are expected to be 16 major phases of public infrastructure improvements to coincide with the planned build-out of the District. The first and second phases of public infrastructure improvements have been completed and provide the infrastructure necessary to support the construction of at least 104 homes. See "DEVELOPMENT WITHIN DISTRICT NO. 2."

Authority for Issuance..... The Bonds are issued in full conformity with the constitution and laws of the State of Colorado, including Part 2 of Article 57 of Title 11, Colorado Revised Statutes, as amended (the "Supplemental Public Securities Act") and Article 1 of Title 32, Colorado Revised Statutes, as amended (the "Special District Act") (collectively, the "Acts"), pursuant to an authorizing resolution (the "Bond Resolution") adopted by the District's Board of Directors (the "Board") prior to the issuance of the Bonds and pursuant to the Districts' authorizing elections. At elections held on May 2, 2000 and November 7, 2000, the Districts' qualified electors voting at such elections approved indebtedness of \$40,090,000 to finance the costs of acquiring, constructing, relocating, installing, completing and otherwise providing public improvements, including those improvements constituting the Project (hereafter defined). See "DEBT STRUCTURE."

Sources of Payment The Bonds are limited tax general obligations of the District secured by ad valorem property tax revenues levied in amounts sufficient to pay the principal of and the interest on the Bonds when due up to a Required Mill Levy of 40 mills (subject to adjustment related to future changes occurring after January 11, 2000 in the method of calculating the District's assessed valuation), and by specific ownership tax revenues received by the District. Any amounts on deposit in the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Bond Escrow Account (the "Escrow Account"), the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Bond Account (the "Bond Account") and the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Reserve Account (the "Reserve Account") are also pledged to secure repayment of the Bonds. See "THE BONDS—Security for the Bonds," "FINANCIAL INFORMATION," and "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements."

THE BONDS ARE SOLELY THE OBLIGATIONS OF THE DISTRICT. UNDER NO CIRCUMSTANCES SHALL ANY OF THE BONDS BE CONSIDERED OR HELD TO BE AN INDEBTEDNESS, OBLIGATION OR LIABILITY OF THE TOWN OF GYPSUM, EAGLE COUNTY, THE STATE OF COLORADO OR ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE DISTRICT. See "THE BONDS—Security for the Bonds" and "FINANCIAL INFORMATION."

Sources of Payment The proceeds from the sale of the Bonds, net of capitalized interest for the payment of a portion of the interest on the Bonds and the costs of issuance of the Bonds, will be used to satisfy certain obligations of the District under the District Facilities Agreement and, either upon closing of the Bonds or release from the Escrow Account, will be paid to District No. 1 for the purposes of paying or reimbursing a portion of the costs of the acquisition, construction, relocation, installation, completion and provision of street, water and sanitary sewer improvements and facilities within the Districts (the "Project"). See "THE BONDS—Application of Bond Proceeds," and "DISTRICT FACILITIES AND SERVICES—District Facilities Agreement."

Interest Interest on the Bonds shall be payable semi-annually at the rate set forth on the cover page hereof, on June 1 and December 1 each year, commencing June 1, 2003.

**Book-Entry-
Only Registration.....** The Bonds will be issued in fully registered form and will be registered initially in the name of "Cede & Co." as nominee for The Depository Trust Company, New York, New York ("DTC"), a securities depository. Beneficial ownership interests in the Bonds may be acquired in principal denominations of \$500,000 or any integral multiple of \$5,000 in excess thereof through brokers and dealers who are, or who act through, participants in the DTC system (the "Participants"). Such beneficial ownership interests will be recorded on the records of the Participants. Persons for which Participants acquire interests in the Bonds (the "Beneficial Owners") will not receive certificates evidencing their interests in the Bonds so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal and interest on the Bonds, as well as notices and other communications made by or on behalf of the District pursuant to the Bond Resolution, will be made to DTC or its nominee only. Disbursement of such payments, notices, and other communications by DTC to Participants, and by Participants to the Beneficial Owners, is the responsibility of DTC and the Participants pursuant to rules and procedures established by such entities. See "THE BONDS—Book-Entry-Only System" for a discussion of the operating procedures of the DTC system with respect to payments, registration, transfers, notices, and other matters. Except as otherwise provided herein, the term "Owner" shall refer to the registered owner of any Bond, as shown by the registration books maintained by the Bond Registrar.

Prior Redemption The Bonds are subject to optional redemption and mandatory sinking fund redemption, and to extraordinary mandatory redemption on December 1, 2007 to the extent that funds remain on deposit in the Escrow Account on September 1, 2007. The terms and provisions regarding such prior redemption are set forth in "THE BONDS—Prior Redemption."

Tax Status In the opinion of Brownstein, Hyatt & Farber, P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Bonds is excluded from gross income under federal income tax laws under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"); interest on the Bonds is not a specific preference item for purposes of the federal corporate or individual alternative minimum taxes 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 not included in Colorado taxable income or Colorado alternative minimum taxable income under existing Colorado income tax laws. The District has designated the Bonds as "qualified tax exempt obligations" under Section 265(b)(3) of the Tax Code. See "TAX MATTERS" herein.

Continuing Disclosure Obligation The District and the Developer agree to provide certain financial, operating and other information pursuant to the provisions of a Limited Disclosure Undertaking ("Limited Disclosure Undertaking") to the District's Manager, Mr. Ken Marchetti of Robertson & Marchetti, P.C., 28 Second Street, Suite 213, P.O. Box 600, Edwards, Colorado, 81632, telephone: 970.926.6060; facsimile: 970.926.6040 (the "District Manager"), and the District Manager will provide such information in accordance with the provisions of the Limited Disclosure Undertaking to the Underwriter, the Paying Agent and to each beneficial owner of the Bonds who has provided a written request, name and address to the District Manager.

Offering and Delivery Information The offering of the Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Bonds. Each purchaser must be a "financial institution or institutional investor" within the meaning of § 32-1-103(6.5), Colorado Revised Statutes, as amended ("C.R.S."). The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter, subject to prior sale and the approving legal opinion of Bond Counsel. It is expected that the Bonds will be available for delivery in New York, New York on or about March 6, 2003, against payment therefor.

Debt Ratios The following are selected District debt ratios upon issuance and delivery of the Bonds.

District's 2002 Certified Assessed Valuation ¹	\$1,195,860
District 2002 Statutory "Actual" Value ¹	\$10,583,510
District General Obligation Debt Outstanding Upon Issuance of the Bonds ¹	\$2,500,000
District Debt as a Ratio of:	
2002 Assessed Valuation ¹	209.06%
2002 Statutory "Actual" Valuation ¹	23.62%
Estimated Overlapping General Obligation Debt ¹	\$36,372
Sum of All District and Overlapping Debt.....	\$2,536,372
District and Overlapping Debt as a Ratio of:	
2002 Assessed Valuation ¹	212.10%
2002 Statutory "Actual" Valuation ¹	23.97%

¹ For definitions of the Bonds and descriptions of the methodology used in computing assessed valuation, statutory "actual" value, general obligation debt outstanding and estimated overlapping general obligation debt, see "THE BONDS – Security for the Bonds," "FINANCIAL INFORMATION" and "DEBT STRUCTURE."

Sources: Eagle County Assessor's Office, the District and individual overlapping entities

ALL OF THE SUMMARIES OF THE STATUTES, RESOLUTIONS, OPINIONS, CONTRACTS, AND AGREEMENTS DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM ARE SUBJECT TO THE ACTUAL PROVISIONS OF SUCH DOCUMENTS. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the entities listed in "MISCELLANEOUS—Additional Information."

FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, and particularly the information contained under the headings entitled "INTRODUCTION," "RISK FACTORS," "THE DISTRICTS," "DEVELOPMENT WITHIN DISTRICT NO. 2," and the information in "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements" and "APPENDIX B—Bond Repayment Sensitivity Analysis" contain 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," "intend," "expect," "projected" 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 projection is subject to such uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between projections and actual results, and those differences may be material. For a discussion of certain of such risks and possible variations in results, see "RISK FACTORS."

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RISK FACTORS

PROSPECTIVE INVESTORS IN THE BONDS SHOULD READ THIS ENTIRE LIMITED OFFERING MEMORANDUM AND SHOULD GIVE PARTICULAR CONSIDERATION TO THE FOLLOWING RISK FACTORS IN CONNECTION WITH THE PURCHASE OF THE BONDS:

General

The purchase of the Bonds involves certain investment risks which 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 in order to make an informed investment decision. The Bonds should only be purchased by investors who can bear the continuing risk of an investment in the Bonds. Particular attention should be given to the factors described below which, among others, could affect the payment of debt service on the Bonds.

A purchase of the Bonds may be made only by "financial institutions and institutional investors" as defined in Section 32-1-103(6.5), Colorado Revised Statutes, as amended.

Limited Mill Levy

The primary source of the District's revenues pledged for debt service will be property tax revenues generated from ad valorem taxes assessed against property within District No. 2 in an amount necessary to pay the principal of, premium if any, and interest on the Bonds, subject to the limitations of the Required Mill Levy. Bondholders cannot require the District to raise the mill levy above the maximum mill levy of 40 mills (subject to adjustment related to future changes occurring after January 11, 2000 in the method of calculating the District's assessed valuation), whether or not the tax revenues generated from the Required Mill Levy are sufficient to pay the Bonds. The District's ability to retire the indebtedness created by the issuance of the Bonds is dependent upon significant growth in development within the District and then maintenance of an adequate tax base from which District No. 2 can collect sufficient property tax revenues from the Required Mill Levy. Over the next three years, debt service on the Bonds will be paid from capitalized interest from Bond proceeds and all property tax revenues collected from the Required Mill Levy up to \$250,000 will be deposited to the Reserve Account. However, if additional development within the District does not occur and the assessed valuation does not grow beyond the amount projected for 2003, the Required Mill Levy will generate approximately \$50,000 against an annual debt service obligation of approximately \$175,000 or greater. See "Development Not Assured," below; "THE BONDS—Security for the Bonds," herein; "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements;" and "APPENDIX B—Bond Repayment Sensitivity Analysis."

Development Not Assured

The District's ability to collect property tax revenues and other revenues for timely payment of the Bonds depends, among other things, upon development within District No. 2. See "DEVELOPMENT WITHIN DISTRICT NO. 2—Planned Development." At build-out, District No. 2 is expected to contain 621 single family homes and 278 multi-family homes. As of February 1, 2003, 56 homes have been sold and are occupied. Three additional homes are under contract, with closings expected by March 2003. See "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements." It is difficult, however, to predict the rate at which future development within District No. 2 may occur. The Development faces competition from other similar developments in the area. Such competition may adversely affect the rate of development within District No. 2. See "Competition With Other Developments," below, and "DEVELOPMENT WITHIN DISTRICT NO. 2."

Many unpredictable factors could influence the actual rate of development and construction of homes within District No. 2, including the strength of the local economy which is largely dependent on the skiing and tourism industries, prevailing interest rates, availability of development funding, market and economic conditions generally, supply of residential housing in the area, construction costs, labor conditions and unemployment rates, access to building supplies, availability of water and water taps, availability and costs of fuel, and transportation costs, among other things. See also, "Growth Limitations," below.

Deficiencies in property tax revenues may be mitigated in certain circumstances by amounts on deposit in the Reserve Account and the Escrow Account. Upon closing of the Bonds, \$1,912,284.37 from Bond proceeds will be deposited in the Escrow Account and can be withdrawn by the District for Project expenditures only upon the issuance of additional building permits for homes within the District, at the rate of \$9,500 per building permit. Amounts on deposit in the Escrow Account are pledged to pay the Bonds and any funds remaining in the Escrow Account on September 1, 2007 will be used for mandatory redemption of the Bonds on December 1, 2007. Property tax revenues derived from the imposition of a 35 mill levy which are in excess of what is needed to pay debt service on the Bonds will be deposited in the Reserve Account up to a maximum amount of \$250,000. See "THE BONDS." There can be no assurance that Pledged Revenues from all sources, including the Reserve Account and the Escrow Account, will be sufficient to fully repay the Bonds.

Growth Limitations

The Annexation Agreement (defined hereafter) provides that Gypsum will issue building permits for no more than 100 residential units in the Development per year in an effort to decrease the impact of growth on Gypsum's existing infrastructure. The Developer has no vested right to the issuance of such building permits and Gypsum could impose additional restrictions limiting growth in the Development. If additional restrictions are imposed, it is unlikely the District could achieve the projections of development shown in APPENDIX A.

Projected Growth

The financial projections prepared by Robertson & Marchetti, P.C. set forth in "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements" show the expected build out schedule for the Development, and "APPENDIX B—Bond Repayment Sensitivity Analysis" shows that, under certain assumptions, the Bonds can be repaid even if growth in the Development stops after 201 homes are built. The Development may not grow as projected and slower than expected growth in the Development could result in a limited tax base from which ad valorem tax revenues are collected for the payment of debt service on the Bonds. The existing infrastructure can support only an estimated 104 homes and significant investment in additional infrastructure improvements will be necessary to achieve the expected build out of the Development.

The cost of the public infrastructure remaining to be funded that will be necessary to build the 201 homes assumed in the Bond Repayment Sensitivity Analysis shown in APPENDIX B hereto has been estimated by the District to be approximately \$3,500,000. The District is dependent on funding of such additional improvements by the Developer, because District revenues are not expected to be sufficient to cover the cost of the additional improvements. The Developer represents that such remaining infrastructure will be funded with draws against the Developer's revolving construction line of credit with Colorado Business Bank of the Rockies. No independent investigation has been made of the Developer's ability to fund such improvements. If the public infrastructure is not completed in the time and manner assumed, the assessed valuation projected for the District (see APPENDIX A) will not be realized, which could have a material, adverse effect on the District's ability to repay the Bonds. There can be no

assurance that the District or the Developer will be able to pay for the construction of the remaining public improvements.

Dissolution of Developer

The Developer's Partnership Agreement (hereinafter defined) currently provides that the partnership will dissolve on December 31, 2007, subject to certain conditions set forth in the partnership agreement. Buildout of the Development is anticipated in 2013. The Developer's General Partner, David Garton, Jr. (the "General Partner"), represents that a draft of an amendment to the Partnership Agreement providing for dissolution not earlier than 2013 has been agreed to in form by the principal partners of the Developer; however such amendment has not been executed by all of the Developer's partners. According to the General Partner, it is not expected that there will be any impediments to finalizing the amendment; however, the amendment will not be fully executed and effective prior to issuance of the Bonds.

Competition With Other Developments

The Developer will be competing with other developments in the area, some of which are in close proximity to the Districts. The Bluffs, Chatfield Corners and Eagle Ranch are developments located in areas surrounding Buckhorn Valley which are similar in some respects to the Development. With the exception of a portion of Eagle Ranch, these developments generally target buyers seeking housing and vacant lots at prices below the typical price range in the Vail Valley. Unlike the Development, which offers fully constructed single family homes, both The Bluffs and Chatfield Corners are marketing vacant lots which provide expanded housing alternatives to buyers. Eagle Ranch offers condominiums and townhomes priced below the Development's single family home price and will compete with the Development by offering a product to buyers unable to afford a single family home. In addition, Eagle Ranch is presently developing a commercial center which is expected to include a grocery store, movie theatre and shops, which may attract certain prospective buyers. Such present and future competition may adversely affect the rate of development within the District. See "DEVELOPMENT WITHIN DISTRICT NO. 2—Competition."

Present Concentration of Taxpayers in the District

The Developer and its affiliates presently own property within the District representing approximately 38% of the assessed value of taxable property in the District. Until such time as this concentration changes significantly, the District will be dependent upon the Developer's timely payment of its property taxes in order for the District to have sufficient tax revenue with which to pay the debt service on the Bonds. This concentration is changing, however, as homes in the Development continue to be built and sold.

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. Under certain circumstances, Colorado statutes permit the owners of vacant residential property to apply to the County Assessor for discounted valuation of such property for ad valorem property tax purposes. Property owners are also entitled to challenge the valuations of their property each year, and no assurance can be given that owners of property in the District will not seek to do so. The values of finished lots and homes may be reduced if market prices decline due to economic factors. In certain circumstances, multi-family projects can qualify for an exemption from property taxation, although no

projects of that type are currently planned within the District. Should the actions of property owners result in lower assessed valuations of property in the District or in an exemption from property taxation, then there can be no assurance that property tax revenue from the Required Mill Levy would be sufficient to pay debt service on the Bonds. In either case, the security for the Bonds would be diminished, increasing the risk of non-payment. Regardless of the level at which property is assessed for tax purposes, the District's ability to enforce and collect property taxes 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.

Potential for Creation of Urban Renewal Authority

The Colorado Urban Renewal Law (the "URA Law") allows the formation of urban renewal authorities in certain areas which have been designated by the governing bodies of municipalities as blighted areas. The District is located within the Town. Upon formation of an urban renewal authority which includes the property in the District, the assessed valuation of the property in the District would not increase beyond the amount existing in the year prior to the adoption of the plan (other than by means of the general reassessment). Any increase above this amount would be paid to the urban renewal authority. Accordingly, prior to the time when a tax base sufficient to pay the Bonds has been established in the District, the adoption of such a plan would have a negative impact upon the property tax revenues of the District pledged to payment of the Bonds.

Directors' Private Interests

Pursuant to state law, the Districts' directors are required to 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. According to affidavits executed by each director prior to taking any official action relating to the Bonds, all of the directors may have potential or existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof.

Legal and Financial Constraints on District Operations

Various State laws and constitutional provisions govern the assessment and collection of ad valorem property taxes and the issuance of bonds; 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. State laws, constitutional provisions and federal laws and regulations apply to the obligations created by the issuance of the Bonds. 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 District and District No. 1.

The Developer is obligated pursuant to the Reimbursement Agreement to pay operations and maintenance expenses to the extent the District does not have sufficient legally available moneys to pay such amounts, which are then reimbursable to the Developer by the District. The Reimbursement Agreement does not presently obligate the Developer for such advances beyond the year 2003; however, the District and the Developer have represented that they intend to revise such agreement to cover additional years. There can be no assurance that the Developer will have sufficient funds available to pay such amounts in the event of a shortfall.

Enforcement of Collection Remedies

The duty to pay property taxes is not a personal obligation of property owners. Instead, the obligation to pay property taxes is tied to the properties taxed, and if timely payment is not made, the

obligation constitutes a lien against the specific properties. Such lien is on a parity with the liens of other general taxes. It is the County Treasurer's duty to enforce the collection of delinquent real property taxes by sale of the tax lien on such property in December of the collection year and of delinquent personal property taxes by the distraint, seizure and sale of such property at any time after October 1 of the collection year. There can be no assurance, however, that the value of taxes, penalty interest and costs due on the property can be recovered. Further, the County Treasurer may set a minimum total amount below which competitive bids will not be accepted, in which event property for which acceptable bids are not received will be set off to the county. Taxes on real and personal property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and may be canceled by Eagle County.

Risks Inherent in Projections

In connection with the issuance of the Bonds, the District and the Developer provided the development assumptions underlying the projections included in APPENDIX A to this Limited Offering Memorandum. APPENDIX A, including the assumptions on which the projections contained therein are based, should be read in its entirety. In APPENDIX A, the assessed valuation of the District for each year during the term of the Bonds is projected, using assumptions provided by the District and the Developer as to the anticipated rate and type of development in the District and the market prices of residential units, assumptions derived from information provided by Eagle County concerning its tax assessment and collection practices, assumptions that all public infrastructure improvements will be completed, and such other assumptions described in APPENDIX A. **The information presented in APPENDIX A inherently is subject to variations between the assumptions and actual results and those variations could be material.** See "FORWARD-LOOKING STATEMENTS."

Restrictions on Purchase; Suitability

The offering of the Bonds is being made to a limited number of knowledgeable and experienced investors who are not purchasing with a view to distributing the Bonds. Each purchaser must be a "financial institution or institutional investor" within the meaning of § 32-1-103(6.5), C.R.S. Moreover, the Bonds are a substantially illiquid investment and are being issued in minimum initial denominations of \$500,000. The Underwriter has represented that it expects that a limited secondary market for the Bonds will be available. Therefore, the Bonds should not be purchased by an investor unless the investor is able to hold such Bonds indefinitely.

The foregoing suitability standards are minimum requirements for prospective purchasers of the Bonds. The satisfaction of such standards does not necessarily mean that the Bonds are a suitable investment for a prospective investor. Accordingly, each prospective investor is urged to consult with its own legal, tax and financial advisors to determine whether an investment in the Bonds is appropriate in light of its individual legal, tax and financial situation.

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THE BONDS

Description

The Bonds will be issued in the principal amount, will be dated and will mature as indicated on the cover page of this Official Statement. For a complete statement of the details and conditions of the Bond issue, reference is made to the Bond Resolution, copies of which are available from the Underwriter prior to delivery of the Bonds. See "INTRODUCTION - Additional Information."

Sources of Payment

Pledged Revenue. The Bonds are secured by the Pledged Revenue as more fully described below. The Pledged Revenue consists of revenues raised by the District from the following sources, after payment of any costs of collection, and of amounts on deposit as follows: (i) the Required Mill Levy; (ii) specific ownership taxes; (iii) amounts on deposit in the Reserve Account, if any; (iv) amounts on deposit in the Escrow Account, if any; and (v) any other legally available funds of the District deposited into the Bond Account. See "THE BONDS – Security for the Bonds."

The Bonds are not secured by property lying within the District, but rather by the District's obligation to annually determine, fix and certify a rate of levy, not to exceed the Required Mill Levy, for ad valorem property taxes to the Board of County Commissioners to pay, along with other legally available revenues, the principal of, premium, if any, and interest on the Bonds. The Bond Resolution provides that in the event any ad valorem taxes are not paid when due, the District shall cooperate with the County Treasurer diligently to enforce the lien of such unpaid taxes against the property for which the taxes are owed.

Authorized Denominations of the Bonds

The Bonds are being issued in "Authorized Denominations," defined in the Bond Resolution to mean \$500,000 and any integral multiple of \$5,000 in excess thereof. Notwithstanding the foregoing, in the event a Bond is partially redeemed under the Bond Resolution and the remaining unredeemed portion is less than the otherwise applicable Authorized Denomination, the unredeemed portion may nonetheless be issued, transferred, and exchanged and such reduced amount shall be considered an Authorized Denomination.

Interest

The Bonds will bear interest at the rate set forth on the Cover Page hereof. Interest is payable semi-annually on June 1 and December 1, each year, commencing June 1, 2003.

Redemption

Optional Redemption. The Bonds are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on December 1, 2013, and on any date thereafter, upon payment of par plus accrued and unpaid interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption upon notice as hereinafter provided, upon the conditions and terms prescribed in the Bond Resolution, at a redemption price equal to 100% of the principal amount of the Bonds to be redeemed plus accrued and unpaid interest thereon to the redemption date, without premium. The Bonds subject to

mandatory sinking fund redemption shall be selected by lot in such manner as the Paying Agent shall determine.

As and for a sinking fund for the redemption of the Bonds, the District will deposit in the Bond Account on or before December 1, 2012, and on or before each December 1 thereafter through and including December 1, 2023, a sum which together with other moneys available in the Bond Account is sufficient to redeem (after credit as provided below) the following principal amounts of the Bonds maturing December 1, 2023:

Year (December 1)	Principal Amount
2012	\$ 5,000
2013	25,000
2014	45,000
2015	55,000
2016	65,000
2017	70,000
2018	75,000
2019	80,000
2020	90,000
2021	100,000
2022	110,000
2023 ¹	1,780,000

¹ Final maturity; not a sinking fund payment.

With respect to each maturity of the 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 Bond Registrar shall select for redemption, by lot in such manner as the Bond Registrar may determine, from the outstanding Bonds of that maturity, a principal amount of such 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 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, shall be applied in such year or years as may be determined by the District.

Mandatory Extraordinary Redemption. The Bonds are subject to mandatory extraordinary redemption as a whole or in integral multiples of \$5,000, on December 1, 2007, solely from and to the extent of any moneys held in the Escrow Account on September 1, 2007. On September 1, 2007, the Paying Agent shall determine the amount, if any, held in the Escrow Account, and if such amount is sufficient to redeem any Bonds on December 1, 2007, the Paying Agent and District shall take such actions as may be necessary to redeem as many Bonds as can be redeemed with such moneys on December 1, 2007, at a price of par and accrued interest, without redemption premium.

General Redemption Provisions. If less than all of the Bonds within a maturity are to be redeemed on any prior redemption date, the Bonds to be redeemed shall be selected by lot prior to the date fixed for redemption, in such manner as the Bond Registrar shall determine. The Bonds shall be redeemed only in integral multiples of \$5,000. In the event a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in the principal amount of \$5,000 or any

integral multiple thereof. Such Bond shall be treated for the purpose of redemption as that number of Bonds which results from dividing the principal amount of such Bond by \$5,000. In the event a portion of any Bond is redeemed, the Bond Registrar shall, without charge to the Owner of such Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion thereof.

Notice and Effect of Redemption. In the event any of the Bonds or portions thereof are called for redemption as aforesaid, notice thereof identifying the Bonds or portions thereof to be redeemed will be given by the Bond Registrar 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 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 Bond Registrar. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice. 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 Bonds as to which no such failure or defect exists. All 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.

Application of Bond Proceeds

Immediately upon the issuance of the Bonds, the District will apply the Bond proceeds in the following manner: (i) \$1,912,284.37 will be deposited into the Escrow Account; (ii) \$472,146.19, representing capitalized interest on the Bonds, will be deposited into the Bond Account; and (iii) \$118,000.00 will be used to pay the costs and expenses of issuing the Bonds, including the Underwriter's discount.

Acquisition of Improvements from Developer. Upon release of amounts from the Escrow Account pursuant to the provisions of the Bond Resolution, the District will transfer proceeds from the sale of the Bonds held in the Escrow Account to District No. 1 and District No. 1 will expend such monies for the purposes of (i) acquiring a portion of the improvements and facilities comprising the Project pursuant to an Improvement and Acquisition Agreement dated May 21, 2002 (the "Acquisition Agreement") between District No. 1 and the Developer and (ii) to repay a portion of the balance due under the Loan Agreement dated July 20, 2000, between District No. 1 and the Developer (the "Loan Agreement") for reimbursement to the Developer of capital expenditures representing a portion of the Project. See "THE BONDS – Security for the Bonds – Escrow Account" and "THE DISTRICTS – Agreements of District No. 1."

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Estimated Sources and Uses of Funds. The estimated sources and uses of the proceeds of the Bonds, net of accrued interest, are as follows:

SOURCES:

Par amount of the Bonds	\$2,500,000.00
Accrued Interest	<u>2,430.56</u>
Total	\$2,502,430.56

USES:

Deposit to Escrow Account	\$1,912,284.37
Deposit to Bond Account (Capitalized Interest)	472,146.19
Costs of issuance, including Underwriting discount ¹	<u>118,000.00</u>
Total	<u>\$2,502,430.56</u>

¹See "MISCELLANEOUS-Underwriting."
Source: The Underwriter

Book-Entry-Only System

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

DTC will act as securities depository for the Bonds. The 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 bond certificate will be issued for each maturity of the Bonds, as set forth on the cover page hereof, in the aggregate principal amount of each maturity of the 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 great services for over 2 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 ("Direct Participants"). 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, GSCC, 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 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 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all 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 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 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 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 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the 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 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 Bonds unless authorized by a Direct Participant on 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 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 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). In that event, bond certificates will be printed and delivered.

According to DTC, the foregoing information with respect to DTC has been provided for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

Security for the Bonds

Limited Obligations. The Bonds constitute limited tax obligations of the District payable solely from and to the extent of the Pledged Revenue which is defined in the following section. Potential investors are advised to ascertain to their full satisfaction the likelihood that such Pledged Revenue will be sufficient to pay debt service on the Bonds as it becomes due.

The Bonds shall constitute an irrevocable first lien upon the Pledged Revenue, but not necessarily an exclusive such lien. The Pledged Revenue is defined as (i) the ad valorem property taxes generated from the Required Mill Levy, (ii) specific ownership taxes, (iii) amounts on deposit in the Reserve Account, if any, (iv) amounts on deposit in the Escrow Account, if any, and (v) any other legally available funds of the District deposited into the Bond Account. The following is a description of certain provisions of the Bond Resolution providing for such deposits, and is subject in all respects to the more specific provisions of the Bond Resolution.

Flow of Funds; Definitions. Under the Bond Resolution there are created the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Bond Escrow Account (the "Escrow Account"), the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Bond Construction Account (the "Construction Account"), the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Bond Account (the "Bond Account") and the Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Reserve Account (the "Reserve Account"). The Bond Resolution provides that all revenue derived directly or indirectly by the District from: (a) the imposition of the Required Mill Levy; and (b) specific ownership taxes (collectively, the "Revenue") shall be applied by the District in the following order and manner:

FIRST, all Revenue shall be credited to the Bond Account until the amount credited thereto is sufficient to pay the principal of and interest to come due during the calendar year in which the particular credit is made and any principal and interest previously due but unpaid on the Bonds and any Parity Lien Bonds and to pay any amount to be used for redemption of the Bonds; and

SECOND, for so long as the District is required to maintain the Reserve Account, any remaining Revenue up to \$250,000 shall be credited to the Reserve Account for use as described in the section hereof entitled "Reserve Account"; and

THIRD, once the District is no longer required to maintain the Reserve Account, then such remaining Revenue, if any, may be used by the District for any lawful purpose.

To the extent the District has moneys on hand not constituting Revenue, it may at its option deposit such moneys to the Bond Account or any other account created hereunder.

"Required Mill Levy" is defined in the Bond Resolution as follows:

(a) an ad valorem mill levy imposed upon all taxable property in the District each year in an amount, not less than the Minimum Mill Levy, sufficient, after taking into account expected revenue from the Specific Ownership Taxes, to pay the principal of, premium if any, and interest on the Bonds and any Parity Lien Bonds as the same become due and payable in such year, but not in excess of the number of mills set forth in (c) below (adjusted as provided in (b) below);

(b) in the event the method of calculating assessed valuation, including a change in the ratio of assessed valuation to actual valuation of residential property, is changed after the date when the Service Plan was originally approved, which is January 11, 2000, the mill levy limitations set forth in (c) below 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 tax revenues generated by the mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes; and

(c) the maximum number of mills the District may levy to pay debt service on its limited tax general obligation bonds is 40 mills, as may be adjusted pursuant to (b), above.

"Minimum Mill Levy" is defined in the Bond Resolution as 35 mills.

"Parity Lien Bonds" are defined as bonds, notes, debentures or other multiple fiscal year financial obligations having a lien upon the Pledged Revenue on a parity with the lien thereof of the Bonds.

Bond Account. Moneys in the Bond Account shall be used by the District solely to pay the principal of, premium, if any, and interest on the Bonds and any Parity Lien Bonds, in the following order:

FIRST, to the payment of any accrued amounts of interest on or principal of the Bonds, in that order, which became due and payable as of a previous payment date but remain unpaid;

SECOND, to the payment of interest due currently in connection with the Bonds and any Parity Lien Bonds; and

THIRD, to the extent any moneys are remaining in the Bond Account after the payment of such accrued amounts and such current interest, to the payment of the principal of the Bonds and any Parity Lien Bonds, whether due at maturity or upon prior redemption.

For so long as the District is required to maintain the Reserve Account, in the event that available moneys in the Bond Account are insufficient for the payment of the principal of, premium if any, and interest due on the Bonds and any Parity Lien Bonds on any due date, the District shall use moneys held

in the Reserve Account as described hereinafter. In the event that available moneys in the Bond Account and the Reserve Account are insufficient for the payment of the principal of and interest on the Bonds and any Parity Lien Bonds on any due date, the District shall use moneys on deposit in the Escrow Account, if any, to pay amounts due on the Bonds. If, after application of moneys in the Bond Account, the Reserve Account and the Escrow Account, there are insufficient funds to pay the amounts due on the Bonds and any Parity Lien Bonds, the District shall on the due date pay such amounts as are available, proportionally in accordance with the amount of interest and principal due on each Bond or Parity Lien Bond, as partial payment of the amounts due, but in accordance with the priority set forth above. Any partial payments of principal shall be in the amount of \$5,000 or integral multiples thereof, and the Bonds or Parity Lien Bonds or portions thereof to be paid pursuant to such partial payment shall be selected by lot. Any amount of principal of, premium if any, or interest on the Bonds or any Parity Lien Bonds which has become due but remains unpaid at the end of any year, shall be payable, solely from the Pledged Revenue, in the following years.

Escrow Account. The Escrow Account shall be held by the Escrow Agent. Quarterly, upon certification to the Escrow Agent by the District of the number of building permits issued for construction within the District, an amount equal to \$9,500.00 per building permit so certified shall be released from the Escrow Account to be deposited to the Construction Account. Moneys credited to the Escrow Account may be invested or deposited, at the direction of the District, in securities or obligations which are lawful investments and which are Permitted Investments (as defined in the Bond Resolution). Interest and other earnings, if any, on funds deposited in the Escrow Account shall be deposited into the Bond Account. Moneys on deposit in the Escrow Account shall be applied to the payment of principal of, premium if any, or interest on the Bonds and any Parity Lien Bonds to the extent the moneys in the Reserve Account and the Bond Account are insufficient for such purpose. Any amounts remaining in the Escrow Account on September 1, 2007 shall be used for the extraordinary mandatory redemption of Bonds on December 1, 2007.

Reserve Account.

(a) For so long as the District continues to maintain the Reserve Account, moneys in the Reserve Account shall be held by the Escrow Agent and used solely for the purpose of paying the principal of, premium if any, or interest on the Bonds and any Parity Lien Bonds to the extent the moneys in the Bond Account are insufficient for such purpose. The Reserve Account shall be funded to the extent provided in the Section of the Bond Resolution entitled "Flow of Funds" up to a maximum amount of \$250,000 and the District shall have no obligation to fund the Reserve Account except as provided in such Section. In the event the amounts credited to the Bond Account are insufficient to pay the principal of, premium if any, or interest on the Bonds and the Parity Lien Bonds when due, the Escrow Agent shall transfer from the Reserve Account to the Bond Account an amount which, when combined with moneys in the Bond Account, will be sufficient to make such payments when due; and in the event the amounts in the Bond Account and the Reserve Account are insufficient to pay all principal and interest on any due date, the Escrow Agent shall transfer all of the moneys in the Reserve Account to the Bond Account for use in accordance with the Bond Resolution. Amounts withdrawn from the Reserve Account will not be replenished.

(b) Moneys credited to the Reserve Account may be invested or deposited, at the direction of the District, in securities or obligations which are lawful investments and which are Permitted Investments. The investment of moneys credited to the Reserve Account shall, however, be subject to the covenants and provisions of the Section of the Bond Resolution entitled "Disposition and Investment of Proceeds Tax Covenants." All interest income from the investment or reinvestment of moneys credited to the Reserve Account shall remain in the Reserve Account until the maximum Reserve Account balance is reached, after which time any investment earnings will be deposited in the Bond Account.

(c) The District shall cease to maintain the Reserve Account when the total principal amount outstanding of the Bonds and any Parity Lien Bonds is less than or equal to 50% of the certified valuation for assessment of all taxable property in the District. At such time, any money in the Reserve Account shall be released by the Escrow Agent to the District and used by the District solely for capital improvements or payment of the Bonds.

Construction Account. All moneys deposited to the Construction Account will be transferred to District No. 1 to be applied solely to the payment of the Facilities Costs (as defined in the Bond Resolution). Upon the determination of the Board that all Facilities Costs have been paid or are determinable, any balance remaining in the Construction Account (less any amounts necessary to pay Facilities Costs not then due and owing) shall be credited to the Bond Account.

Moneys credited to the Construction Account may be invested or deposited in Permitted Investments only and in accordance with the laws of the State of Colorado. The investment of moneys credited to the Construction Account will, however, be subject to the covenants and provisions of the Section in the Bond Resolution entitled "Disposition and Investment of Proceeds; Tax Covenants." Interest income from the investment or reinvestment of moneys credited to the Construction Account will remain in and become part of the Construction Account.

Covenant to Levy the Required Mill Levy. The Bond Resolution provides that for the purpose of paying the principal of, premium, if any, and interest on the Bonds, the District shall certify and there shall be levied by the Board of County Commissioners of the County of Eagle, Colorado, on all of the taxable property in the District, in addition to all other taxes, direct annual taxes in each of the years 2002 to 2032, inclusive (and to the extent necessary to make up any defaults, in each year subsequent to 2023), in the amount of the Required Mill Levy. So long as any of the Bonds are outstanding, the District shall be obligated to impose the Required Mill Levy in each year. Nothing in the Bond Resolution shall be construed to require the District to levy an ad valorem property tax for payment of debt service on the Bonds in excess of the Required Mill Levy, but the District shall nonetheless be permitted to do so. For so long as the total principal amount of the Bonds outstanding and any Parity Lien Bonds outstanding is more than 50% of the certified valuation for assessment of all the taxable property in the District, the District is prohibited from levying less than the Minimum Mill Levy for payment of debt service on the Bonds and any Parity Lien Bonds.

It shall be 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 of the Bond Resolution 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 purpose of paying the principal of, premium, if any, and interest on the Bonds.

Additional Covenants of the District. The District also covenants in the Bond Resolution that for so long as any Bond is outstanding:

(a) The District will continue to operate and manage the District in an efficient and economical manner in accordance with all applicable laws, rules and regulations, and keep and maintain separate accounts of the receipts and expenses thereof in such manner that the Revenue and Pledged Revenue may at all times be readily and accurately determined.

(b) At least once a year in the time and manner provided by law, the District will cause an audit to be performed of the records relating to District revenues and expenditures. In addition, at least once a year in the time and manner provided by law, the District will cause a

budget to be prepared and adopted. Copies of the budget and the audit will be filed and recorded in the places, time and manner provided by law.

(c) The District will carry fire and extended coverage, workers' compensation, public liability and such other forms of insurance on insurable District property as would ordinarily be carried by entities having similar properties of equal value.

(d) Each District official or other person having custody of any Revenue or Pledged Revenue, or responsible for the handling of such funds, shall be fully bonded or insured against theft or defalcation at all times, which bond or insurance shall be conditioned upon the proper application of said funds.

(e) In the event the Pledged Revenue is insufficient or is anticipated to be insufficient to pay the principal of, premium, if any, and interest on the Bonds when due, the District shall use its best efforts to refinance, refund or otherwise restructure the Bonds so as to avoid such a default.

Additional Bonds. The Bond Resolution provides that the District shall not incur any additional debt or other financial obligation having a lien upon the Pledged Revenue superior to the lien thereof of the Bonds. The District may issue Parity Lien Bonds if:

(a) the District is then and as of the date of issuance of the Parity Lien Bonds will be, in substantial compliance with all of the covenants of the Bond Resolution;

(b) the Escrow Account is terminated and the funds in such account are released;

(c) the District is then and as of the date of issuance of the Parity Lien Bonds will be, current in the accumulation of all amounts required to be then accumulated in the Bond Account, as required by the Bond Resolution;

(d) either (i) all owners of the then outstanding Bonds consent in writing to the issuance of Parity Lien Bonds, or (ii) one or more of the following conditions are met: (A) the total principal amount of the then outstanding Bonds and the Parity Lien Bonds to be issued is 50% or less of the certified valuation for assessment of all the taxable property in the District, or (B) all proceeds of such Parity Lien Bonds (net of costs of issuance and capitalized interest, if any) are deposited in an escrow account to be released and pledged in the same manner as established under Section 16 of the Bond Resolution. The maximum principal amount of all parity lien Bonds issued pursuant to (d)(ii)(B) will be \$8,500,000. The Service Plan will require amendment in order to issue the full amount of the maximum principal amount of parity lien Bonds as set forth in the preceding sentence.

(e) Any Parity Lien Bonds will be payable as to interest on each June 1 and December 1, and will mature serially or be subject to mandatory sinking fund redemption on each December 1.

(f) A written certificate by the President or Treasurer of the District that the conditions set forth in clauses (a) and (d)(i) above are met and a written certificate by a Certified Public Accountant meeting the requirements of the Bond Resolution that the conditions set forth in clauses (b), (c) and (d)(ii)(A) above are met, or a written certificate of Bond Counsel to the District that the conditions set forth in (d)(ii) (B) above are met, will conclusively determine the

right of the District to authorize, issue, sell and deliver Parity Lien Bonds in accordance with the Bond Resolution.

The District voters authorized the issuance of \$40,090,000 of general obligation indebtedness at the May 2, 2000 and November 7, 2000 elections. After the Bonds are issued and outstanding, the District will have \$37,590,000 of authorized but unissued general obligation debt. See "RISK FACTORS" and "DEBT STRUCTURE – General Obligation Debt."

Events of Default. The occurrence or existence of any one or more of the following events is an event of default (each, an "Event of Default") under the Bond Resolution:

- (a) payment of any interest on or principal of any Bond is not made by the District when due (a "Payment Default");
- (b) the District fails to impose the Required Mill Levy or the Minimum Mill Levy in accordance with the terms of the Bond Resolution;
- (c) the District fails to collect and apply the Revenues in accordance with the terms of the Bond Resolution;
- (d) the District defaults in the performance of any other of its covenants in the Bond Resolution, and such default continues for sixty (60) days after written notice specifying such default and requiring the same to be remedied is given to the District by the Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding; or
- (e) the District files a petition under the federal bankruptcy laws or other applicable bankruptcy laws seeking to adjust the debt represented by the Bonds.

Remedies For Events of Default. The following are the remedies set forth in the Bond Resolution upon the occurrence of an Event of Default:

(a) Except as provided in paragraph (b) above, upon the occurrence and continuance of an Event of Default, the Owner of any Bond may proceed to protect and enforce the rights of any Owner under the Bond Resolution by mandamus or such other suit, action, or special proceedings in equity or at law, in any court of competent jurisdiction. All such proceedings are to be instituted, had, and maintained for the equal benefit of all Owners of the Bonds then outstanding.

(b) Notwithstanding the foregoing, the sole and exclusive remedies for a Payment Default which occurs, notwithstanding that the District has properly imposed, collected, and applied the Revenue and the Required Mill Levy, is as follows (for so long as such Payment Default has not been cured), and no other remedy shall lie for such a Payment Default:

(i) Not less than thirty (30) days prior to the date of certification by the District of any ad valorem property tax, the District shall mail to each Owner and beneficial owner at the address shown on the records of the Bond Registrar: (A) a copy of its current budget; (B) an accounting showing the property taxes anticipated to be imposed on the date of certification and the revenues anticipated to be received therefrom; (C) a notice showing the time, date, and location of the meeting at which the property tax is to be certified.

(ii) Not more than sixty (60) days following a Payment Default, the District shall mail to each Owner and beneficial owners at the address shown on the records of the Bond Registrar

a notice containing a description of the action taken by the District to enforce the collection of the Revenue and its application in accordance with the terms of the Bond Resolution.

(iii) At the request of any Owner or beneficial owner, the District shall provide such Owner or beneficial owner with access at all reasonable times to all financial and other records of the District (subject to any law requiring confidentiality of such records), and shall permit such Owner or beneficial owner to make copies of the same.

(iv) Not less than thirty (30) days after each April 1, July 1, October 1, and December 31, the District shall prepare and mail to each Owner at the address shown on the records of the Bond Registrar (including the address of any beneficial owner who has provided its name to the Bond Registrar) quarterly financial statements (which may be unaudited) for the District.

(v) At the request of any Owner or beneficial owner, the District shall mail to such Owner or beneficial owner notices of all meetings of the Board, each such mailing to be made not less than ten (10) days prior to the date of each such meeting.

The provisions of this paragraph (b) shall not be construed or interpreted to limit or restrict the rights of the Owners to pursue remedies for any Event of Default other than a Payment Default which occurs notwithstanding that the District has property imposed, collected, and applied the Required Mill Levy and the Revenue.

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Debt Service Requirements

The following schedule sets forth the debt service (excluding any optional or extraordinary mandatory prior redemptions) for the Bonds to be outstanding following the issuance of the Bonds.

TABLE I
Debt Service Requirements

Year	Principal (December 1)	Interest	Total
2003	\$	\$ 131,250	\$ 131,250
2004		175,000	175,000
2005		175,000	175,000
2006		175,000	175,000
2007		175,000	175,000
2008		175,000	175,000
2009		175,000	175,000
2010		175,000	175,000
2011		175,000	175,000
2012	5,000	175,000	180,000
2013	25,000	174,650	199,650
2014	45,000	172,900	217,900
2015	55,000	169,750	224,750
2016	65,000	165,900	230,900
2017	70,000	161,350	231,350
2018	75,000	156,450	231,450
2019	80,000	151,200	231,200
2020	90,000	145,600	235,600
2021	100,000	139,300	239,300
2022	110,000	132,300	242,300
2023	<u>1,780,000</u>	<u>124,600</u>	<u>1,904,600</u>
Total	<u>\$2,500,000</u>	<u>\$3,400,250</u>	<u>\$5,900,250</u>

Source: The Underwriter

THE DISTRICTS

Organization and Description

The Districts are quasi-municipal corporations and political subdivisions of the State of Colorado created pursuant to the Special District Act, Colorado Revised Statutes Title 32 for the purpose of financing and constructing public improvements and for dedicating, when appropriate, such public improvements to the Town of Gypsum, or to such other entity as appropriate for the use and benefit of the Districts' residents and property owners. The creation of District No. 1 and District No. 2 were ordered on May 17, 2000, and May 15, 2000, respectively, by the Eagle County District Court after the approval by the proposed Districts' electors at elections held for that purpose.

Planned Development

Buckhorn Valley Metropolitan District No. 1 is responsible for managing the construction and operation of the public improvements and services needed to serve the Development. Buckhorn Valley Metropolitan District No. 2 is responsible for providing the property tax base needed to support the Financing Plan for the public improvements and for operations. The "Financing Plan" refers to the consolidated financial plan for the Districts, which will be implemented to provide the public improvements and services needed for development in District No. 2, as set forth in "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements."

The Development includes 368.00 acres, 366.78 acres of which comprise District No. 2, and 1.22 acres of which comprise District No. 1. The area within the Development that is planned for residential development does not include District No. 1. For a description of proposed development within the District, see "DEVELOPMENT WITHIN DISTRICT NO. 2." Development within the District is expected to consist at build out of 621 single family homes and 278 multi-family homes, with 145 acres designated for public and open space uses. Pursuant to the District Facilities Agreement, District No. 1 has agreed to manage the construction of the Project and other facilities benefiting both Districts and to participate with the Town and other governmental entities in the ownership, operation and maintenance of District facilities. See "DISTRICT FACILITIES AND SERVICES—District Facilities Agreement."

District Powers

The rights, powers, privileges, authorities, functions and duties of the Districts are established by the laws of the State of Colorado, particularly Title 32, Article 1, C.R.S., which provides that the Districts have the power: to have a perpetual existence, to have and use a corporate seal, to enter into contracts and agreements; to sue and be sued and to be a party to suits, actions and proceedings; to borrow money and incur indebtedness and to issue bonds; to acquire, dispose of and encumber real and personal property, and any interest therein; to have the management, control and supervision of all the business affairs of the Districts; to appoint, hire and retain agents, employees, engineers and attorneys; to fix and from time to time to increase or decrease fees, rates, tolls, penalties or charges for services, programs, or facilities furnished by the Districts; to waive or amortize all or part of any such fees or extend the time period for paying all or part of such fees for property within the Districts; 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 accept real and personal property for use of the Districts and to accept gifts and conveyances made to the Districts; and to have and exercise all rights and powers necessary in, incidental to or implied from the specific powers granted to the Districts.

Subject to compliance with statutory procedures, the Boards may order the inclusion or exclusion of real property to or from the Districts, as the case may be, thereby modifying the boundaries of the

Districts; however, such excluded property is obligated to the same extent as all other property within the Districts for the payment of the Bonds.

Governing Board

The Districts are governed by boards of directors, each of which consist of five members. The members must be electors of the Districts as defined by state law and are elected to alternating four year terms of office at successive biennial elections. Vacancies on the board of directors are filled by appointment of the remaining directors, the appointee to serve until the next regular election, at which time the vacancy is filled by election for any remaining unexpired portion of the term. Pursuant to statute, with certain exceptions, no nonjudicial elected official of any political subdivision of the State can serve more than two consecutive terms in office; however, such term limitation may be lengthened, shortened or eliminated pursuant to voter approval. Voters in the Districts have voted to waive the statutory term limits, and therefore District directors are not subject to such limitations.

The directors hold consolidated regular meetings and special meetings as needed. Each director is entitled to one vote on all questions before the board of directors when a quorum is present. The directors have waived their right to receive compensation. As of the date of this Limited Offering Memorandum, the boards of directors are comprised of the same individuals as directors. The present directors, their positions on the boards, principal occupations, and lengths of service to the Districts are as follows (as referred to herein with respect to District No. 2, the "Board" and, together with the board of directors for District No. 1, the "Boards").

Districts' Boards of Directors

Name	Office	Length of Service	Term Expires
David Garton, Jr.	President	2	2004
Sande Garton	Vice President	2	2004
Robert J. Kingston	Secretary/Treasurer	2	2004
Samantha G. Gale	Assistant Secretary	2	2006
Mallie J. Kingston	Assistant Secretary	2	2006

Pursuant to state law, directors are required to disclose to the Colorado Secretary of State and the Board of potential conflicts of interest or personal or private interests which are proposed or pending before the Board. Directors of the Districts that own real property in the Districts that has not been subdivided or had improvements constructed thereon, excluding real property that is dedicated for park, recreation or open space purposes, which constitutes at least 20% of the land in a District must disclose the fact of this ownership before each meeting of the Board. According to affidavits executed by each director prior to taking any official action relating to the Bonds, all of the directors may have potential or existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof.

Administration

The Boards are responsible for the overall management and administration of the affairs of the Districts. The Districts have no employees, and all operations, administrative and construction functions are performed by District No. 1 pursuant to the District Facilities Agreement. See "DISTRICT FACILITIES AND SERVICES-District Facilities Agreement" and "DEVELOPMENT WITHIN DISTRICT NO. 2 - The Developer" herein. The Districts retain Ken Marchetti of Robertson &

Marchetti, P.C. as the District's Manager and White and Associates Professional Corporation, Englewood Colorado, as the Districts' general counsel.

Agreements of District No. 2

District Facilities Agreement. The Districts entered the District Facilities Agreement (previously defined) concerning the manner in which the Districts are to coordinate the financing, construction, operation and maintenance of facilities contemplated in the Service Plan and the provision of essential services to the Development. See "DISTRICT FACILITIES AND SERVICES - District Facilities Agreement." By an amendment to the District Facilities Agreement entered into prior to the issuance of the Bonds, certain obligations of District No. 2 thereunder have been fully subordinated to the Bonds. See "DISTRICT FACILITIES AND SERVICES - District Facilities Agreement." In addition, such amendment provided that in the event of a conflict of the District Facilities Agreement with the Bond Resolution, the provisions of the Bond Resolution shall control.

Agreements of District No. 1

District No. 1 has entered into various agreements with the Developer concerning reimbursement for Developer advances for payment of operations and maintenance expenses, reimbursement for Developer advances for payment of capital expenditures, and acquisition of public infrastructure designed, constructed and installed by the Developer.

Reimbursement Agreement. District No. 1 entered into the Reimbursement Agreement on July 20, 2000 with the Developer setting forth terms for reimbursement of operations and maintenance costs advanced by the Developer to or on behalf of the Districts. Pursuant to the Reimbursement Agreement, District No. 1 executed a promissory note to the Developer in a principal amount not to exceed \$500,000 under which any amounts advanced to pay operations and maintenance costs will be accumulated. Amounts advanced bear interest from the date of advancement at an annual rate of interest determined by the Board which will take into consideration the rate of interest paid by the Developer on its construction loans. Amounts due under the Reimbursement Agreement will be paid to the Developer from legally available revenues of the Districts on a basis subordinate to repayment of the Bonds. As of February 1, 2003, the Developer has advanced no funds to the District for operations and maintenance costs. The Developer's obligations to advance funds for payment of operations and maintenance expenses presently terminate in the year 2003; however, District No. 1 and the Developer intend to amend the Reimbursement Agreement to extend the agreement beyond the year 2003.

Loan Agreement. District No. 1 entered into the Loan Agreement on July 20, 2000 with the Developer setting forth terms for reimbursement of organizational costs advanced by the Developer to or on behalf of the Districts and of funding for future capital expenditures, including the acquisition, construction and installation of public improvements and facilities. Pursuant to the Loan Agreement, District No. 1 executed a promissory note to the Developer in a principal amount not to exceed \$9,000,000 under which any amounts advanced to the District will be accumulated for repayment. Amounts advanced bear interest at an annual rate of interest determined by the Board which will take into consideration the rate of interest paid by the Developer on its construction loans. As of December 31, 2002, the amount due under the note is \$5,571,211. Amounts due under the Loan Agreement will be paid to the Developer by District No. 1 from Bond proceeds (to the extent Bond proceeds are released from the Escrow Account and paid to District No. 1 from District No. 2 for such purpose) and from other legally available revenues of the Districts on a basis subordinate to repayment of the Bonds.

Acquisition Agreement. As set forth in the Acquisition Agreement (previously defined herein), public infrastructure will be designed, constructed and installed by the Developer and acquired by District

No. 1 to provide streets, traffic and safety controls, water, sanitary sewage, television relay and translator, mosquito control and park and recreation improvements (to the extent such park and recreation improvements do not overlap with improvements provided by the Recreation District and the District and the Recreation District agree upon the allocation of providing such improvements), to serve development in District No. 2. The public improvements will be constructed and funded by the Districts in accordance with the limitations set forth in the Service Plan and pursuant to the District Facilities Agreement. The Districts will cooperate to provide the necessary public improvements and services needed by the residents of the Districts. Amounts due under the Acquisition Agreement will be paid to District No. 1 by District No. 2 from Bond proceeds and District No. 1 will use such funds to acquire such public improvements from the Developer. Amounts due under the Acquisition Agreement may also be paid from other legally available revenues of the Districts on a basis subordinate to repayment of the Bonds.

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DISTRICT FACILITIES AND SERVICES

The Districts have the authority to provide streets, traffic and safety controls, water, sanitary sewage, television relay and translator, mosquito control and park and recreation improvements (to the extent such park and recreation improvements do not overlap with improvements provided by the Recreation District and the District and the Recreation District agree upon the allocation of providing such improvements), within and without the boundaries of the Districts as described hereafter.

District Facilities Agreement

The District Facilities Agreement provides that District No. 1 will provide certain streets, traffic and safety controls, water, sanitary sewage, television relay and translator, mosquito control and park and recreation improvements (to the extent such park and recreation improvements do not overlap with improvements provided by the Recreation District and the District and the Recreation District agree upon the allocation of providing such improvements) (the "Facilities") to the Districts. In addition, District No. 1 or other governmental entities will own, operate, maintain, and construct the Facilities benefiting both Districts and will maintain its accounts in accordance with generally accepted accounting principles and present regular financial reports to the Boards of the Districts.

Under the District Facilities Agreement, District No. 2 will fully fund the public facilities and services of benefit to both Districts including all costs related to the construction, operation, and maintenance of such facilities by District No. 1. District No. 2 pledges to levy ad valorem property taxes in an amount which, when levied on all of the taxable property in the District, shall raise tax revenues which, when added to other legally available funds of the District and as limited by the Service Plan to 40 mills (subject to adjustment related to future changes occurring after January 11, 2000 in the method of calculating the District's assessed valuation), will be sufficient to pay the District's obligations under the District Facilities Agreement, including the payment of the principal of and interest on the Bonds. By an amendment to the District Facilities Agreement entered into prior to the issuance of the Bonds, the obligation of District No. 2 described in the previous sentence has been fully subordinated to the Bonds. In addition, such amendment provided that in the event of a conflict of the District Facilities Agreement with the Bond Resolution, the provisions of the Bond Resolution shall control.

The financing plan presented in "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements" projects that all payments due on the Bonds and the additional bonds expected to be issued by District No. 2 can be paid from a total District No. 2 mill levy of initially 35 mills (for assessment year 2002 and collection year 2003), adjusted annually thereafter to reflect projected changes in the method of calculating assessed valuation after the date of issuance of the Bonds so that, to the extent possible, the actual tax revenues generated by such mill levy, as adjusted, are neither diminished nor enhanced as a result of such changes.

Payment of Operations and Maintenance Expenses

The Developer has agreed to advance the Districts moneys needed to pay for operations, maintenance and administrative costs pursuant to the Funding and Reimbursement Agreement entered into among District No. 1 and the Developer on July 20, 2000 (as previously defined, the "Reimbursement Agreement"). Amounts due under the Reimbursement Agreement will be paid to the Developer from legally available revenues of the Districts on a basis subordinate to repayment of the Bonds. As of February 1, 2003, the Developer has advanced no funds to the District for operations and maintenance costs. The Developer's obligations to advance funds for payment of operations and maintenance expenses presently terminate in the year 2003; however, District No. 1 and the Developer intend to amend the Reimbursement Agreement to extend the agreement beyond the year 2003.

Street System and Traffic Safety

The Service Plan authorizes the design, acquisition, installation, construction, operation and maintenance of street and roadway improvements, includes, but is 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, tunnels and other street improvements, together with all necessary, incidental and appurtenant facilities, land and easements and extensions of and improvements to said facilities. The design, acquisition, installation, construction, operation and maintenance of traffic and safety protection facilities and services includes devices on streets and highways, environmental monitoring, as well as other facilities and improvements including, but not limited to, main entry building, access gates, 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 extensions of and improvements to said facilities.

Roadway Infrastructure. Street improvements include the local and collector streets, together with a drainage plan. After conveyance by the Developer of the street rights-of-way or appropriate easements to the Districts, the Districts are expected to construct street curbs, gutters, culverts, drainage ditches, sidewalks, box culverts, tunnels, paving, lighting, landscaping and other road, street and drainage facility improvements which the project will require, as well as necessary traffic and safety protection devices and controls.

All public streets and streets dedicated by plat within the Districts will be maintained by Gypsum, upon their completion and acceptance by Gypsum.

Drainage Facilities. All storm drainage facilities outside the street rights-of-way will be owned, operated and maintained by the Districts thus eliminating any potential burden on Gypsum for these costs. The developers shall be responsible for the construction of storm drainage facilities within street rights-of-way although the facilities will be turned over to and operated by Gypsum. The proposed elements of the storm drainage system will provide a network of culverts, and curb and gutter designed and installed in accordance with applicable regulatory standards, the Annexation Agreement dated as of January 11, 2000 (the "Annexation Agreement") between the Developer, David Garton, Jr. and Gypsum, the Subdivision Improvement Agreement dated as of August 8, 2000 (the "Subdivision Improvement Agreement") between the Developer and Gypsum, any future subdivision agreements, the Gypsum Municipal Code and the Gypsum Public Works Manual and construction specifications.

Signals and Signage. Signals and signage will be installed by the Districts as required by traffic studies, the District's Rules and Regulations, and by Gypsum.

Water

The Service Plan authorizes the design, acquisition, installation, construction, operation and maintenance of a complete water and irrigation water system, includes, but is not limited to, water rights, water supply, treatment, storage, transmission and distribution systems for domestic and other public or private purposes, together with all necessary and proper reservoirs, treatment works and facilities, wells, water rights, equipment and appurtenances incident thereto which may include, but shall not be limited to, transmission lines, distribution mains and laterals, storage facilities, land and easements and extensions of and improvements to said systems.

General. District No. 1 will provide a water system to service the entire Development. The water system will provide a potable supply from Gypsum's municipal water supply for residential and

commercial customers. The proposed elements of the potable water system provide a hydraulically balanced network of transmission lines and distribution lines for the supply of treated water. The potable water system will deliver water from Gypsum's water system, and will be designed and installed to conform to the current standards and recommendations of the Colorado Department of Health, the Annexation Agreement, the subdivision agreement, the Gypsum Municipal Code and the Gypsum Public Works Manual and construction specifications.

All major elements of the potable water system required for proper operation will be designed and installed by District No. 1. The system will be designed according to Gypsum's standards and is to be connected to the Town's system during the construction of the "First Phase" as set forth in the Service Plan. The developers of each phase of development will be responsible for construction of the distribution lines within the development parcels and to meters monitoring usage. The homeowner will be responsible for construction of the service line from the meter to the house. All individual services will be metered.

Water Demand. Demands placed on the water system will fluctuate with use. Potable demand will be that required to satisfy the needs of the Districts' residents for domestic uses and fire protection. Provision of water service to the water system constructed and financed by the Districts will be subject to the terms of the Annexation Agreement. It is the intent that all irrigation shall be provided by a raw water irrigation system. District No. 1 will construct a raw water distribution system that will reduce the amount of potable water required. By utilizing a raw water system, the potable water demand will decrease and fire flow will become the controlling factor in the potable system design. Raw water systems will not be conveyed to Gypsum nor become Gypsum's responsibility for operations and maintenance. District No. 1 will also install, operate and maintain a separate raw water line for irrigation purposes.

Water Transmission and Storage. The potable water transmission system will distribute potable water from Gypsum's transmission lines, and will transport the treated water in a network that is accessible by each development parcel. The District will finance and construct a 1,000,000-gallon potable water storage tank and connecting main lines as provided in the Annexation Agreement. The transmission lines will be sized to deliver either the maximum day demand, plus fire flow or the peak hour demand, as appropriate.

Water Distribution. The potable water system will provide treated water through a network of transmission and distribution lines. Distribution lines will be sized based on the Gypsum Municipal Code, Public Works Manual and construction specifications. All lines are to be looped where practical to maximize capacity and improve circulation. Fire hydrants will be installed throughout the Districts based on requirements of the 1997 Uniform Fire Code, as reasonably interpreted by Gypsum.

Developer's Obligations. The District is obligated under the Annexation Agreement, at its sole cost and expense, to satisfy certain water requirements pursuant to the Town's Municipal Code. The Developer is obligated to dedicate 100 acre-feet of firm yield dry year constructed storage water and related water rights (the "Annexation Water"). The Annexation Water is to be conveyed with storage easements and utility corridor easements to allow the upstream exchange of water into storage and the release of water into Alkali Creek. The Annexation Water and such easements are to be conveyed to the Town by the Developer in an incremental manner at the rate of twenty (20) acre-feet every two (2) years.

Sanitary Sewer System

The Service Plan authorizes the design, acquisition, installation, construction, operation and maintenance of storm or sanitary sewers, or both, flood and surface drainage, treatment and disposal

works and facilities, lift stations, 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 facilities or systems.

General. District No. 1 proposes to provide a wastewater collection system to serve the Development. The proposed elements of the wastewater system will provide a network of laterals, trunk sewers, potential lift stations, and interceptor sewers, for the sanitary disposal of liquid borne wastes. All facilities will be designed and installed in accordance with applicable regulatory standards, the Annexation Agreement, future subdivision agreements, the Gypsum Municipal Code, the Gypsum Public Works Manual and construction specifications.

All major elements of the wastewater collection system required for proper operation will be designed, and installed by District No. 1. Individual developers will be responsible for collection sewers, which serve each development parcel, and for the service laterals extended from the sewer lines to each property.

Wastewater Flows. Wastewater flows generated by the Development will fluctuate with use. As established in the Service Plan, flows are from residential, industrial and commercial sources and were estimated by applying typically accepted unit flow rates to the land use designations and demographic information established in the Master Use Plan. Ultimately, the average annual wastewater flow is projected to reach 325,350 gd (3.8 gpm) with a peak flow projected to reach 813,375 gd (9.4 gpm).

Annual projections of the wastewater flow from the Development have been prepared. However, the Districts intend to review actual wastewater flows and adjust the annual projections as required.

Wastewater Collection. The wastewater collection system will collect sanitary sewage generated by customers and convey it to Gypsum's wastewater treatment plant. Laterals will be located in the streets, along back lot lines and in utility easements to serve the Development.

The sanitary sewer lines will be designed and installed to conform to the current standards and recommendations of the Colorado Department of Health, the Annexation Agreement, future subdivision agreements, the Gypsum Municipal Code and the Gypsum Public Works Manual and construction specifications. All major elements of the sanitary sewer lines required for proper operation will be designed, and installed by the Districts.

Parks and Recreation

The Service Plan authorizes the design, acquisition, installation, construction, operation and maintenance of public park and recreation facilities or programs includes, but is not limited to, swimming pools and spas, tennis courts, exercise facilities, bike paths, public fountains, snowshoe trails, botanical gardens, equestrian trails, hiking trails, pedestrian trails, picnic areas, skating areas and facilities, 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.

All park and recreational facilities and/or services will be constructed in accordance with engineering and design requirements appropriate for the surrounding terrain, and shall be consistent with the standards approved by Gypsum, as appropriate. The park and recreation improvements expected to be constructed and maintained by the Districts within Buckhorn Valley include, but are not limited to, botanical gardens, skating rink, general purpose ball fields, trails, landscaping, and basketball courts. Notwithstanding the descriptions contained herein, the Districts will not provide any park and recreation

improvements overlapping with improvements provided by the Recreation District and until such time as the District and the Recreation District agree on the allocation of such improvements.

Parks. The park improvements anticipated to be constructed are parking lots, grading, drainage facilities, irrigation system, playground equipment, sports field equipment, lighting, concessions, restrooms and may consist of irrigated turf, hardscape, walkways, shrubs, mulch beds, amenity features such as picnic tables, signage, etc., and other uses consistent with neighborhood parks.

Recreation. Recreation improvements will be built to Gypsum's development requirements pursuant to any future subdivision improvement agreements and consistent with the Annexation Agreement, the Gypsum Municipal Code and the Buckhorn Valley P.U.D. Preliminary Plan, and are expected to generally consist of a skating rink, general purpose fields, basketball courts and related amenities.

Trails. The trails are proposed to provide linkage between the major development parcels and other major roadways or other features within the property or immediately adjacent thereto. The trail system is anticipated to include a combination of concrete walkways, gravel trails, necessary signage and identification markers and other ancillary trail hardscape such as benches and tables.

Street Landscaping. The major streets are anticipated to have landscaping along both sides and any medians. This landscaping may consist of required fencing, identification markers, shrub and flower beds, mulch beds, irrigated and non-irrigated turf and native grasses, subdivision identification markers; trees, and other landscape features commonly associated with streetscape design.

Television Relay and Translator

The Service Plan authorizes the acquisition, construction, completion, installation and/or operation and maintenance of television relay and translator facilities, including, but not limited to, cable television and communication facilities, together with all necessary, incidental and appurtenant facilities, land and easement, and all necessary extensions of and improvements to said facilities. The television relay and translator lines will be designed and installed to conform to the current standards and recommendations of the local Gypsum supplier, Gypsum and Rules and Regulations adopted by the Districts.

Mosquito and Pest Control

The Service Plan authorizes the design, acquisition, installation, construction, operation and maintenance of systems and methods for the elimination and control of mosquitoes, rodents and other pests. District No. 1 contemplates that at some future date it may be prudent to participate in a mosquito and pest control program for the area. District No. 1 may, at the appropriate time, fund studies or improvements which are intended to provide mosquito and pest control for the Districts.

Construction Standards

The Districts will ensure that any proposed improvements set forth in this section will be designed and constructed in accordance with the standards and specifications set forth by the entity to whom the facilities will be dedicated for operations and maintenance, including the Districts. The Districts will obtain approval of civil engineering plans and a permit for construction and installation of improvements from Gypsum. In the event of any conflicts, the Gypsum Municipal Code, Public Works Manual and construction specifications shall govern.

Dedication of Improvements

Pursuant to the Service Plan, the Districts shall dedicate or cause all of the public water and wastewater improvements, all public streets and streets dedicated by plat and all public sidewalks as well as all rights-of-way and easements necessary for access to these facilities to be conveyed to the entity responsible for operations and maintenance upon completion of construction and installation. All storm drainage facilities outside the public streets will be owned, operated and maintained by the Districts. According to the Developer, the raw water facility will be owned and operated by District No. 1 and all other public improvements will be dedicated to the Town of Gypsum. Failure to comply with the dedication of improvements set forth in this paragraph will be deemed to be a material modification of the Service Plan.

Ownership/Operation of Facilities by District

Except for facilities and improvements described in this section, the Districts shall not be authorized to own or operate facilities to be provided pursuant to the Service Plan except through approval by Gypsum of an amendment to the Service Plan. The Districts shall have authority to operate and maintain the improvements described in this section. Most of the public improvements are expected to be turned over to Gypsum, for operations and maintenance.

Other Services Available Within the District

The Districts receive police protection from Eagle County, fire protection from either the Greater Eagle Fire Protection District or the Gypsum Fire Protection District, electricity and natural gas services from Holy Cross Electric, and local telephone service from Qwest Communications. The Districts' residents are served by Eagle County School District RE-50J.

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DEVELOPMENT WITHIN DISTRICT NO. 2

General

Buckhorn Valley is a master planned community located approximately 40 miles west of Vail, Colorado, in the central Rocky Mountains within the Town of Gypsum. The property, formerly rangeland in the Alkali Creek drainage, was purchased by the Developer in 1996 and 1999, and was annexed into the Town in 2000. The Development will feature a mix of residential units, including single family homes, townhomes, duplexes, and condominium residences, and amenities including an elementary school, a bike path, hiking trails, soccer fields, an overlook park, and a lake park. The purpose of the Development is to provide affordable housing in the Vail Valley.

The Developer

The Developer, Roark Partners LLLP, is a Colorado limited liability limited partnership whose General Partner is David Garton, Jr. The Developer was organized on December 5, 1996 for the purpose of acquiring, subdividing, developing and selling real property; to act as a general partner in other ventures to construct residential dwellings or commercial buildings; to sell, lease or otherwise dispose of any of its properties or any portion thereof or interest therein, or any other property or asset of the Developer; and to engage in any and all other activities incidental or related to the foregoing activities. The Limited Partnership Agreement of Roark Partners, LLLP dated as of December 5, 1996 (the "Partnership Agreement") provides that the partnership will dissolve on December 31, 2007, subject to the conditions set forth in the partnership agreement. The Developer represents that the Partnership Agreement is to be amended in order to extend such dissolution to a date not earlier than 2013, the year in which build-out of the Development is expected; however, such amendment will not be executed and effective prior to issuance of the Bonds. See "RISK FACTORS – Dissolution of Developer."

David Garton, Jr., as General Partner, manages the day to day business of the Developer and has the full, exclusive and absolute right, power and authority to manage and control the Developer and its assets and business activities. David Garton, Jr. has over 30 years experience in business and land development, management, marketing and operations of numerous real estate projects in the Vail Valley. With respect to the Development, he is responsible for sales and marketing programs, land planning and development, oversight all operations, implementation of all development plans, and coordination of all contractors working on site. Mr. Garton recently completed the development of Gypsum Estates, a planned residential community of 114 homes in the Town of Gypsum similar in scope to the Development. He holds a bachelor of arts degree from Amherst College, Massachusetts, and a masters in business administration from Northwestern University.

Development Plans

The Districts encompass approximately 368 acres within the Buckhorn Valley planned development. The Developer is utilizing the same business plan, personnel and management team utilized with the recently completed 114-unit Gypsum Estates development, also located in the Town of Gypsum. The "Buckhorn Valley Planned Unit Development" approved by the Town in 2000, authorizes certain land uses, development sites, public and open space parcels, and general street alignments for the Buckhorn Valley subdivision (the "Development Plan"). The Development Plan provides for the construction of 899 residential units, including 621 single family homes and 278 multifamily homes (including condominiums, apartments and townhomes). Pursuant to the Annexation Agreement, Gypsum has limited growth within the Development to no more than 100 residential units per year, to decrease the impact on the Town's existing infrastructure. See "RISK FACTORS – Growth Limitations." Current

zoning requires one third of the units to be multi-family units and one third of the land to be dedicated as open space and parks.

As of February 2003, infrastructure (including roads, sewer, potable water, raw water, electricity and telephone utilities) has been completed for 104 lots within the first and second phases of the Development. The Developer has completed installation of 56 manufactured homes, all of which have been sold and are occupied. Six spec homes are currently under construction, three of which are under contract with closing expected by the end of March 2003. The prices of homes in the Development range from \$236,000 to \$305,000. To increase architectural variety, residential lots are also currently being sold to individuals for home construction. Two of the three multi-family sites in the Development, each zoned for 60 units, are being marketed to commercial builders for sale and development.

According to the Developer, build-out of the Development is expected to be completed in the year 2013. There are expected to be 16 major phases of public infrastructure improvements to coincide with the planned build-out of the Development. All development projections are dependent upon market activity, governmental regulation, and other factors over which the Districts have little control. All land uses will be integrated through site-specific plans to be filed and approved by the Town.

As set forth in the Acquisition Agreement, public infrastructure will be designed, constructed and installed by the Developer and acquired by District No. 1 to provide the water, sewer, streets, drainage, parks and other public improvements needed to serve development in District No. 2. The public improvements will be constructed and funded by the Districts subject to the limitations set forth in the Service Plan. The Districts will cooperate to provide the necessary public improvements and services needed by the residents of the Districts.

Encumbrances on Land

The Developer represents that it has a revolving construction line of credit with Colorado Business Bank of the Rockies ("CBB") in the amount of \$5,100,000, of which the Developer has drawn approximately \$4,500,000 to date. In addition, the Developer has a capital improvement loan with CBB issued in the original principal amount of \$2,800,000, of which approximately \$1,900,000 is outstanding. The capital improvement loan is collateralized by a first deed of trust on all of the property owned by the Developer within the District. The promissory notes evidencing the foregoing loans have an initial interest rate of 6.75% (subject to change as set forth in the notes) and maturity dates of May 1, 2003 and October 1, 2004, respectively. CBB's commitment to funding is limited to \$6,000,000 unless CBB receives funding participation from an outside source acceptable to CBB. According to the Developer, CBB received funding participation and the Developer is not subject to this funding limitation for the foregoing loans.

A portion of the property owned by the Developer within the District, representing approximately 158 acres, is also encumbered by a second deed of trust securing a promissory note in the amount of \$1,540,000 from David Garton, Jr. (the "Borrower") for the benefit of Elgia S. LaGrow, III, the former owner of such property. The note accrues interest at the rate of 6.5% annually and matures in March, 2004. The Borrower is entitled to a partial release of portions of the subject property from the lien of the deed of trust upon the prepayment of a \$12,000 principal reduction for each acre to be released (or pro rata amount in the event that the partial release request is for a parcel which is more or less than a full acre).

Buckhorn Valley Homeowners Association

The development within the Development will be governed by a non-profit homeowners association, Buckhorn Valley Homeowners Association (the "Association"). Membership in the Association is automatic upon the purchase of a lot with each member entitled to one vote. The annual assessment for each lot within the Development has been established at \$900 for 2003 and may increase thereafter. The assessment is enforceable through a statutory lien on each lot which can be foreclosed by the Association for any assessment levied against that lot that is not paid.

Competition

Buckhorn Valley will be competing with other developments in the area, some of which are in close proximity to the Districts. The major residential communities in the Districts' surrounding area include Chatfield Corners, a 160 acre development consisting of vacant lots, single family homes, patio homes and townhomes, with home prices ranging from \$260,000 to \$350,000; The Bluffs, which has vacant lots ranging in price from \$80,000 to \$120,000; and Eagle Ranch, with home prices that range from \$190,000 to \$500,000. With the exception of a portion of Eagle Ranch, these developments offer home and lot prices below the typical price range in the Vail Valley. Both The Bluffs and Chatfield Corners are marketing vacant lots which may attract buyers seeking to construct their own homes. Eagle Ranch offers condominiums and townhomes priced below the Development's single family home price and will compete with the Development by offering a product to buyers unable to afford a single family home. In addition, Eagle Ranch is presently developing a commercial center which is expected to include a grocery store, movie theatre and shops, which may attract certain prospective buyers.

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FINANCIAL INFORMATION

Ad Valorem Property Taxes

The Districts' Boards have the power, subject to constitutional and statutory guidelines, to certify a levy for collection of ad valorem taxes against all taxable property within the Districts. Because District No. 1 will have no developed property within its boundaries, only District No. 2 is expected to impose a mill levy. Property taxes are uniformly levied against the assessed valuation of all taxable property within District No. 2. The property subject to taxation, the assessment of such property, and the property tax procedure and collections are discussed below.

Property Tax Reduction for Senior Citizens. On November 7, 2000, the electors of the State of Colorado approved a constitutional amendment which appeared on the ballot as Referendum A. Generally, beginning in 2003, Referendum A (i) reduces property taxes for qualified senior citizens by exempting fifty percent of the first \$200,000 of actual value of residential property from property taxation, (ii) requires that the State reimburse all local governments for any property tax revenue reduction resulting from Referendum A and (iii) excludes the State reimbursement to local governments from the revenue and spending limits established under Article X, Section 20 of the State Constitution (see "Constitutional Amendment Limiting Taxes and Spending" below). To qualify for the property tax reduction, the residential property must be owner-occupied and used as the primary residence of the owner-occupier for at least 10 years, and the owner-occupier must be sixty-five years of age as of the assessment date.

Property Subject to Taxation. Both real and personal property located within the boundaries of the District, unless exempt, are subject to taxation by the District. Exempt property generally includes property of the United States of America; property of the State and its political subdivisions; public libraries; public school property; charitable property; religious property; cemeteries; irrigation ditches, canals and flumes; household furnishings; personal effects; intangible personal property; 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; and agricultural equipment which is used on the farm or ranch in the production of agricultural products.

Assessment of Property. All taxable property is listed, appraised and valued for assessment as of January 1 of each year. The "actual" value of taxable property is determined by the county assessor. The "actual" value of most taxable property is determined based on a "level of value," which is the "actual" value of such property as ascertained from manuals and associated data prepared and published by the State property tax administrator for a statutorily defined period preceding the assessment date. The statutorily defined period for the valuation of property for any odd numbered year is the period beginning two years and ending six months prior to January 1 of such year. The statutorily defined period for the valuation of property does not change during even numbered years. The classes of property the "actual" value of which is not determined by a level of value include oil and gas leaseholds and lands, producing mines and other lands producing nonmetallic minerals.

The assessed value of taxable property is then determined by multiplying the "actual" value (determined as described in the immediately preceding paragraph) times an assessment ratio. The assessment ratio of residential property changes from year to year based on a constitutionally mandated requirement to keep the ratio of the assessed value of commercial property to residential property at the same level as it was in the property tax year commencing January 1, 1985 (the "Gallagher Amendment"). The Gallagher Amendment requires that statewide residential assessed values must be approximately 45% of the total assessed value in the State with commercial and other assessed values making up the other 55% of the assessed values in the State. In order to maintain this 45%/55% ratio, the commercial

assessment rate is established at 29% of the actual value of commercial property (including vacant land and undeveloped lots) and the residential assessment rate fluctuates. The assessment ratio of residential property was 10.36% for the 1996 levy year, 9.74% for the 1997 through 2000 levy years, and 9.15% for the 2001 and 2002 levy years.

The actual (market) value of residential property in the State has been increasing more rapidly than the actual (market) value of non-residential property, which has been causing the residential assessment rate to decline. The Colorado Legislative Council Staff's current forecast as contained in their report Assessed Values and Property Tax Projections prepared in December 2002 forecasts that the residential assessment rate will decline from the current rate of 9.15% to 8.13% in 2003 (for tax collections in 2004), to 7.68% in 2005 (for tax collections in 2006) and to 7.33% in 2007 (for tax collections in 2008). (For purposes of the homestead exemption provided for qualified senior citizens described above in "Property Tax Reduction for Senior Citizens," the exemption for qualified residential properties will not be considered in determining the assessment ratio for residential properties.)

Beginning in May of each year the county assessor hears taxpayers' objections to property valuations, and the county board of equalization hears assessment appeals. The assessor is required to complete the assessment roll of all taxable property no later than August 25 each year. The abstract of assessment prepared therefrom is reviewed by the State property tax administrator. Assessments are also subject to review at various stages by the State board of equalization, the State board of assessment appeals and the State courts. Therefore, the District's assessed valuation may be subject to modification as a result of the review of such entities. In the instance of the erroneous levy of taxes, an abatement or refund must be authorized by the board of county commissioners; and in no case will an abatement or refund of taxes be made unless a petition for abatement or refund is filed within two years after January 1 of the year following the year in which the taxes were levied. Refunded or abated taxes are prorated among all taxing jurisdictions which levied a tax against the property.

Taxation Procedure. The assessed valuation and statutory "actual" valuation of taxable property within the District is required to be certified by the county assessor to the District no later than August 25 each year. Such value is subject to recertification by the county assessor prior to December 10. The Board then determines a rate of levy which, when levied upon such certified assessed valuation, and together with other legally available revenues, will raise the amount required annually by the District for its General Fund and Bond Fund to defray its expenditures during the ensuing fiscal year. In determining the rate of levy, the Board must take into consideration the limitations on certain increases in property tax revenues as described in the captions "FINANCIAL OPERATIONS—Constitutional Amendment Limiting Taxes and Spending" and "—Budget and Appropriation Procedure." The Board must certify the District's levy to the board of county commissioners no later than December 15.

Upon receipt of the tax levy certification of the District and other taxing entities within the county, the board of county commissioners levies against the assessed valuation of all taxable property within the county the applicable property taxes. Such levies are certified by the board of county commissioners to the county assessor, who thereupon delivers the tax list and warrant to the county treasurer for the collection of taxes.

Property Tax Collections. Taxes levied in one year are collected in the succeeding year. Taxes certified in 2002, for example, will be collected in 2003. Taxes are due on January 1 in the year of collection; however, they may be paid in either one installment (not later than the last day of April) or two equal installments (not later than the last day of February and June 15) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of 1% per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16 of the collection year. The

county treasurer collects current and delinquent property taxes, as well as any interest, penalties, and other requirements and remits the amounts collected on behalf of the District to the District on a monthly basis.

All taxes levied on real and personal property, together with any interest and penalties prescribed by law, as well as other costs of collection, until paid, constitute a statutory perpetual lien on and against the taxed property. Such lien is on a parity with the liens of other general taxes. It is the county treasurer's duty to enforce the collection of delinquent real property taxes by sale of the tax lien on such realty in December of the collection year and of delinquent personal property taxes by the distraint, seizure and sale of such property at any time after October 1 of the collection year. There can be no assurance, however, that the value of taxes, penalty interest and costs due on the property can be recovered by the county treasurer. Further, the treasurer may set a minimum total amount below which competitive bids will not be accepted, in which event property for which acceptable bids are not received will be set off to the county. Taxes on real and personal property may be determined to be uncollectible after a period of six years from the date of becoming delinquent and canceled by the board of county commissioners.

Ad Valorem Property Tax Data

Due to its recent organization, the District did not begin levying for the collection of ad valorem property taxes until 2000 for collection in 2001. The following table sets forth assessed valuation, mill levy and property tax collections for the District since 2000. As set forth in the Service Plan, the District cannot impose a mill levy in excess of 40 mills (subject to adjustment related to future changes occurring after January 11, 2000 in the method of calculating the District's assessed valuation) upon all taxable property in the District each year.

TABLE II
District Assessed Valuation, Mill Levies, and Tax Collections

Levy Year/ Collection Year	Assessed Valuation	Mill Levies		Tax Collections	
		General Fund	Bond Redemption Fund	Tax Levy	Tax Collected
2000/2001	\$ 62,660	40.000	0.000	\$ 2,506	\$2,506
2001/2002	753,250	35.000	5.000	30,130	30,130
2002/2003	1,195,860	0.000	40.000	47,834	--

Source: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2000-2001 State of Colorado Property Tax Annual Reports and the Eagle County Assessor's Office and Eagle County Treasurer's Office and the District

The following table sets forth the 2002 assessed and "actual" valuations of specific classes of property within the District.

TABLE III
2002 Assessed and "Actual"
Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	"Actual" Valuation	Percent of "Actual" Valuation
Residential	\$ 863,830	72.2%	\$ 9,438,580	89.2%
Vacant	327,350	27.4	1,128,790	10.7
Agricultural	3,320	0.3	11,460	0.1
Commercial (personal)	<u>1,360</u>	<u>0.1</u>	<u>4,680</u>	<u>0.0</u>
Total	<u>\$1,195,860</u>	<u>100.0%</u>	<u>\$10,583,510</u>	<u>100.0%</u>

Source: Eagle County Assessors Office

Set forth in the following table are the persons or entities which represent the largest taxpayers within the District for the 2002 levy year, as provided by the Eagle County Assessors' Offices. No independent investigation has been made of and no representation is made herein as to the financial condition of any of the taxpayers listed below or that such taxpayers will continue to maintain their status as major taxpayers in the District. The District's mill levy is uniformly applicable to all of the properties included in the table, and thus taxes expected to be received by the District from such taxpayers will be in proportion to the assessed valuations of the properties. The total tax bill for each of the properties is dependent upon the mill levies of the other taxing entities which overlap the properties.

TABLE IV
2002 Major Taxpayers Within the District¹

Name	Assessed Valuation	Percent of Assessed Valuation ²
Roark Partners LLLP	\$346,750	29.0%
Sande & David Garton Jr.	40,090	3.4
Robert J. and Mallie J. Kingston	34,700	2.9
Timothy and Gina Lowry	<u>33,240</u>	<u>2.8</u>
Total	<u>\$454,780</u>	<u>38.0%</u>

¹The remaining property owners consist of individual home owners.

²Based on a certified assessed valuation of \$1,195,860.

Source: Eagle County Assessor's Office

Numerous entities located wholly or partially within the District are authorized to levy taxes on property located within the District. According to the Eagle County Assessor's Office, there are currently 10 entities overlapping all or a portion of the District. As a result, property owners within the District may be subject to one of three mill levies depending upon the location of their property. The following table sets forth the three total 2002 mill levies (for payment in 2003) attributable to taxpayers within the District. Additional taxing entities may overlap the District in the future. See also "DEBT STRUCTURE—General Obligation Debt."

TABLE V
Sample Total 2002 Mill Levy

Taxing Entity	2002 Mill Levies ¹		
Cedar Hill Cemetery District	--	0.596	--
Colorado Mountain College	3.997	3.997	3.997
Colorado River Water Conservancy District	0.255	0.255	0.255
Eagle Cemetery District	0.174	--	0.174
Eagle County	6.999	6.999	6.999
Eagle County School District No. RE-50J	21.981	21.981	21.981
Eagle Valley Library District	2.750	2.750	2.750
Greater Eagle Fire Protection District	7.927	--	7.927
Gypsum (Town of)	6.269	6.269	6.269
Gypsum Fire Protection District	--	7.367	--
Western Eagle County Ambulance District	5.328	5.328	5.328
Western Eagle County Metro Recreation District	<u>3.650</u>	<u>3.650</u>	<u>--</u>
Subtotal	59.330	59.192	55.680
District	<u>40.000</u>	<u>40.000</u>	<u>40.000</u>
Sample Overlapping Mill Levy	<u>99.330</u>	<u>99.192</u>	<u>95.680</u>

¹One mill equals 1/10 of one cent. Mill levies certified in 2002 are for the collection of ad valorem property taxes in 2003.

Source: Eagle County Assessor's Office

Other Revenues

The Bond Resolution provides that the District may apply other legally available funds and revenues to the payment of debt service on the Bonds, and upon the application of such other funds and revenues, the debt service mill levy imposed by the District may, to that extent, be diminished, subject to the Required Mill Levy. See "THE BONDS—Security for the Bonds."

Other Income. The District also receives income from the investment of District funds.

Accounting Policies and Financial Statements

The accounts of the Districts are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Such funds are segregated for the purpose of accounting for the operation of specific activities or attaining certain objectives. The District has established two governmental funds, the General Fund and the Debt Service Fund. The General Fund is the general operating fund of the Districts and is used to account for all financial resources except those required to be accounted for in another fund. The Debt Service Fund is used to account for the accumulation of revenues for, and the payment of, the Bonds and related costs.

In accordance with Title 29, Article 1, Part 6, C.R.S., an annual audit is required to be made of the District's financial statements at the end of the fiscal year unless an exemption from audit has been granted by the State Auditor's Office. The District was granted exemptions for the fiscal years ended December 31, 2000 and 2001; therefore, no audited financial statements are available for the District.

Budget and Appropriation Procedure

The Districts' budgets are prepared on a calendar year basis as required by §29-1-101, *et seq.*, C.R.S. The budgets must present a complete financial plan for the Districts, setting forth all estimated expenditures, revenues, and other financing sources for the ensuing budget year, together with the corresponding figures for the previous fiscal year.

On or before October 15th of each year, each District's budget officer must submit a proposed budget to the Board for the next fiscal year. Thereupon notice must be published stating, among other things, that the proposed budget is open for inspection by the public and that interested electors may file or register any objection to the budget prior to its adoption.

Before the beginning of the fiscal year, the Board must enact an appropriation resolution which corresponds with the budget. The income of the Districts must be allocated in the amounts and according to the funds specified in the budget for the purpose of meeting the expenditures authorized by the appropriation resolution. District expenditures may not exceed the amounts appropriated, except in the case of an emergency or a contingency which was not reasonably foreseeable. Under such circumstances, the Board may authorize the expenditure of funds in excess of the budget by a resolution adopted by a two-thirds vote of the Board following proper notice. If the Districts receive revenues which were unanticipated or unassured at the time of adoption of the budget, the Boards may authorize the expenditure thereof by adopting a supplemental budget and appropriation resolution after proper notice and a hearing thereon. The transfer of budgeted and appropriated moneys within a fund or between funds may be accomplished only in accordance with state law.

The Boards adopted the Districts' 2003 budget and appropriation resolutions as described above and filed such budget with the State Division of Local Government.

Limitation on Certain Tax Revenues. It is through the preparation of the budget and by taking into consideration all sources of revenue, costs of construction, expenses of operating the District, and the debt service requirements of the District's outstanding bonds and other obligations that the rate of mill levy is determined each year. Pursuant to the provisions of Section 20 of Article X of the Colorado Constitution, the Districts are subject to tax revenue limitations as described in "Constitutional Amendment Limiting Taxes and Spending," but have received voter approval to waive such limitations.

Budgeted Financial Information

Set forth hereafter is a summary of the Districts' adopted 2002 and 2003 budgets as compared with actual unaudited figures for the years ended December 31, 2000 and 2001 and year to date figures through September 30, 2002 for the General Fund. Also set forth hereafter is a summary of the Districts' adopted 2002 and 2003 budgets as compared with actual unaudited 2002 year to date figures through September 30, 2002 for the Debt Service Fund. The District did not utilize the Debt Service Fund until 2002. The modified accrual basis of accounting and governmental funds were used in the preparation of these budgets. Revenue is recorded when susceptible to accrual and expenditures are recorded when the liability is incurred.

TABLE VI
General Fund Budget Summary and Comparison

	2000 Unaudited Actual ¹	2001 Unaudited Actual	2002 Year to Date Actual (unaudited) ²	2002 Adopted Budget	2003 Adopted Budget
Revenues					
Property taxes	\$ --	\$2,506	\$3,781	\$3,766	\$ --
Specific ownership taxes	--	201	127	264	--
Developer advances	1,722	--	--	--	--
Interest income	--	4	12	--	15
Total Revenue	<u>1,722</u>	<u>2,711</u>	<u>3,920</u>	<u>4,030</u>	<u>15</u>
Expenditures					
Accounting	313	--	--	1,000	--
Elections	1,400	--	--	3,000	--
Insurance	--	1,640	2,100	1,625	1,625
Legal	--	--	12	--	--
Treasurer fees	--	75	109	113	--
Office supplies	--	33	9	50	100
Developer repayment	--	--	1,722	--	--
Total Expenditures	<u>1,713</u>	<u>1,748</u>	<u>3,952</u>	<u>5,788</u>	<u>1,725</u>
Revenue Over (Under)					
Expenditures	9	963	(32)	(1,758)	(1,710)
Transfer from Debt Service	--	--	--	1,500	1,435
Beginning Fund Balance	--	--	963	375	364
Ending Fund Balance	<u>\$ 9</u>	<u>\$ 963</u>	<u>\$ 931</u>	<u>\$ 117</u>	<u>\$ 89</u>

¹ Represents the period beginning with the District's organization, May 17, 2000, through December 31, 2000.

² Unaudited year to date figures through September 30, 2002.

Source: District 2002 and 2003 Budget documents, and the District

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TABLE VII
Debt Service Fund Budget Summary and Comparison

	2002 Year to Date Actual (unaudited) ¹	2002 Adopted Budget	2003 Adopted Budget
Revenues			
Property tax	\$26,468	\$26,364	\$ 47,834
Specific ownership tax	892	1,845	2,870
Interest income	<u>--</u>	<u>500</u>	<u>500</u>
Total Revenue	<u>27,360</u>	<u>28,709</u>	<u>51,204</u>
Expenditures			
Treasurer fee	763	--	1,435
Bond interest payment	--	--	175,000
Transfer to District No. 1	--	--	5,963
Developer loan interest	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>763</u>	<u>--</u>	<u>182,398</u>
Revenue Over Expenditures	26,597	28,709	(131,194)
Other (Uses) of Funds			
Transfer Out	--	(1,500)	(1,435)
Payments to District No. 1	<u>--</u>	<u>--</u>	<u>(142,500)</u>
Total Other (Uses)	<u>--</u>	<u>(1,500)</u>	<u>(143,935)</u>
Beginning Fund Balance	<u>--</u>	<u>--</u>	<u>1,983,209²</u>
Ending Fund Balance	<u>\$26,597</u>	<u>\$27,209</u>	<u>\$1,708,080</u>

¹ Unaudited year to date figures through September 30, 2002.

² Assumes receipt of Bond proceeds.

Source: District 2002 and 2003 Budget documents, and the District

Deposit and Investment of District Funds

State statutes set forth requirements for the deposit of District funds in eligible depositories and for the collateralization of such deposited funds. The District also may invest available funds in accordance with applicable state statutes. The investment of the proceeds of this issue also is subject to the provisions of the Tax Code. See "TAX MATTERS."

Risk Management

The Board acts to protect the District against loss and liability by maintaining certain insurance coverages which the District's Board believes to be adequate. However, there can be no assurance that the District will continue to maintain its current level of coverage.

Constitutional Amendment Limiting Taxes and Spending

On November 3, 1992, Colorado voters approved an amendment to the Colorado Constitution, which is commonly referred to as the Taxpayer's Bill of Rights, or Amendment One ("TABOR"), and now constitutes Section 20 of Article X of the Colorado Constitution. TABOR imposes various limits

and new requirements on the State of Colorado and all Colorado local governments which do not qualify as "enterprises" under TABOR (each of which is referred to in this section as a "governmental unit"). Any of the following actions, for example, now require voter approval in advance: (i) any increase in a governmental unit's spending from one year to the next in excess of the rate of inflation plus a "growth factor" based on the net percentage change in actual value of all real property in a governmental unit from construction of taxable real property improvements, minus destruction of similar improvements, and additions to, minus deletions from, taxable real property for government units other than school districts, and the percentage change in student enrollment for a school district; (ii) any increase in the real property tax revenues of a local governmental unit (not including the state) from one year to the next in excess of inflation plus the appropriate "growth factor" referred to in (i) above; (iii) any new tax, tax rate increase, mill levy above that for the prior year, valuation for assessment ratio increase for a property class, extension of an expiring tax or a tax policy change directly causing a net tax revenue gain; and (iv) except for refinancing bonded indebtedness at a lower interest rate or adding new employees to existing pension plans, creation of any multiple-fiscal year direct or indirect debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. Elections on such matters may only be held on the same day as a state general election, at the governmental unit's regular biennial election or on the first Tuesday in November of odd-numbered years, and must be conducted in accordance with procedures described in TABOR.

Revenue collected, kept or spent in violation of the provisions of TABOR must be refunded, with interest. TABOR requires a governmental unit to create an emergency reserve of 3% of its fiscal year spending (excluding bonded debt service) in 1995 and subsequent years. TABOR provides that "[w]hen [a governmental unit's] annual . . . revenue is less than annual payments on general obligation bonds, pensions, and final court judgments, the [voter approval requirement for mill levy and other tax increases referred to in clause (iii) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (i) and (ii) of the preceding paragraph] shall be suspended to provide for the deficiency." The preferred interpretation of TABOR shall, by its terms, be the one that reasonably restrains most the growth of government.

At the November 7, 2000 election, voters of the Districts approved an election question to allow the Districts to exceed the revenue and spending limitations of TABOR.

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DEBT STRUCTURE

The following is a discussion of the District's authority to incur general obligation indebtedness and other financial obligations and the amount of such obligations presently outstanding.

Required Elections

Various State constitutional and statutory provisions require voter approval prior to the incurrence of general obligation indebtedness by the District. Among such provisions, Article X, Section 20 of the Colorado Constitution requires that, except for refinancing bonded debt at a lower interest rate, the District must have voter approval in advance for the creation of any multiple-fiscal year direct or indirect district debt or other financial obligation whatsoever without adequate present cash reserves pledged irrevocably and held for payments in all future fiscal years. See "THE BONDS-Application of Bond Proceeds" and "DISTRICT FINANCIAL INFORMATION-Constitutional Amendment Limiting Taxes and Spending."

General Obligation Debt

Statutory Debt Limit. The District is subject to a statutory debt limitation established pursuant to §32-1-1101(6), C.R.S. Said limitation provides that, with specific exceptions, the total principal amount of general obligation debt issued by a special district shall not at the time of issuance exceed the greater of \$2 million or 50% of the District's assessed valuation. The District fits into the exception, as permitted by § 32-1-1101(6), C.R.S., that bonds can be sold to institutional investors or financial institutions as defined in the statute.

Outstanding and Authorized but Unissued Debt. Upon their issuance, the Bonds will constitute the District's only outstanding bonded indebtedness. On May 2, 2000 and November 7, 2000, the District's voters authorized the issuance of \$40,090,000 of indebtedness for public infrastructure improvements. Upon issuance of the Bonds, the District will have remaining voter authorization of \$37,590,000 for public infrastructure improvements. The Service Plan, however, places additional debt limitations on the District and following issuance of the Bonds, the District will have \$7,400,000 remaining in debt authorization under its Service Plan. The District expects to issue additional bonds as shown in "APPENDIX A—Report of Projected District Cash Surplus Balances, Receipts and Disbursements," to finance additional public infrastructure, assuming development progresses as expected. The debt service schedule for the Bonds is set forth in "THE BONDS-Debt Service Requirements." If the District issues additional bonds with an aggregate principal amount in excess of \$7,400,000, it will be necessary for the District to amend its Service Plan prior to doing so.

In addition to the indebtedness authorized for public infrastructure, on May 2, 2000 and November 7, 2000, the District's voters authorized \$42,560,000 of indebtedness for purposes of the District entering into a contract with one or more other political subdivisions of the State. The Master IGA represents this outstanding indebtedness and does not exceed such authorization. The obligations of the District under the Master IGA are fully subordinated to the Bonds.

Estimated Overlapping General Obligation Debt. Certain public entities whose boundaries may be entirely within, coterminous with, or only partially within the Districts are also authorized to incur general obligation debt, and to the extent that properties within the Districts are also within such overlapping public entities such properties will be liable for an allocable portion of such debt. For purposes of this Limited Offering Memorandum, the percentage of each entity's outstanding debt chargeable to District property owners is calculated by comparing the assessed valuation of the portion overlapping the Districts to the total assessed valuation of the overlapping entity. To the extent District

No. 2's assessed valuation changes disproportionately with the assessed valuation of overlapping entities, the percentage of general obligation debt for which District No. 2's property owners are responsible will also change. The following table sets forth the estimated overlapping general obligation debt chargeable to properties within the Districts as of the date of this Limited Offering Memorandum.

TABLE VIII
Estimated Overlapping General Obligation Debt

Overlapping Public Entity	Outstanding General Obligation Debt	Estimated Net Debt Chargeable to Properties in the District	
		Percent	Amount
Eagle County	\$ 1,970,000	0.04%	\$ 788
Eagle County School District No. RE-50J	78,912,846	0.04	31,565
Eagle Valley Library District	4,430,000	0.06	2,658
Gypsum (Town of)	340,000	1.09	371
Western Eagle Ambulance District	300,000	0.33	990
Total			<u>\$36,372</u>

Source: Eagle County Assessor's Office and individual entities

General Obligation Debt Ratios. The District has not issued general obligation debt since its organization in May 2000 and therefore, there are no historical general obligation debt ratios presented for the District.

Other Financial Obligations. The Districts entered into the District Facilities Agreement (previously defined) pursuant to which District No. 1 will own, maintain and operate the facilities for District No. 2. In return, District No. 2 pledges to pay the capital, operations and maintenance costs related to such facilities and the administrative costs of the Districts. District No. 2 will pay its obligations under the District Facilities Agreement from revenues generated through property tax revenue. By an amendment to the District Facilities Agreement entered into prior to the issuance of the Bonds, the obligation of District No. 2 described in the previous sentence has been fully subordinated to the Bonds. In addition, such amendment provides that in the event there are any conflicting provisions between the District Facilities Agreement and the Bond Resolution, the provisions of the Bond Resolution shall control. For a more detailed description of the District Facilities Agreement and the financial obligations it imposes on District No. 2, see "DISTRICT FACILITIES AND SERVICES – District Facilities Agreement."

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ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the larger metropolitan area within which the District is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, the reported data has not been adjusted to reflect economic trends, notably inflation. Finally, other economic and demographic information not presented herein may be available concerning the area in which the District is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the District or its officers, employees, or advisors.*

Population

The following table sets forth population statistics for the Town of Gypsum, Eagle County, and the State.

**TABLE IX
Population**

Year	Town of Gypsum	Percent Change	Eagle County	Percent Change	Colorado	Percent Change
1960	358	--	4,677	--	1,753,947	--
1970	420	17.3%	7,498	60.3%	2,207,259	25.8%
1980	743	76.9	13,320	77.6	2,889,964	30.9
1990	1,750	135.5	21,928	64.6	3,294,394	14.0
2000	3,654	108.8	41,659	90.0	4,301,261	30.6
2001	3,980	8.9	43,497	4.4	4,430,956	3.0

Sources: U.S. Department of Commerce, Bureau of the Census, and Colorado Division of Local Government, Demography Section

The 2000 median age of Eagle County and the Town of Gypsum was 31.2 years and 30.3 years respectively, as compared with 30.6 years and 30.0 years respectively, in 1990. The statewide median age in 2000 was 34.3 years.

Income

The following tables set forth historical median household effective buying income, the percentage of households by classification of effective buying income levels and per capita personal income for Eagle County, the State and the United States.

TABLE X
Median Household Effective Buying Income

	1997	1998	1999	2000	2001
Eagle County	\$49,791	\$52,260	\$55,669	\$58,811	\$61,066
Colorado	33,890	35,247	37,335	39,741	44,050
United States	34,618	35,377	37,233	39,129	38,365

Source: "Survey of Buying Power," *Sales & Marketing Management*, 1998-2002

TABLE XI
Percent of Households by Effective Buying Income Groups—2001

	Less Than \$20,000	\$20,000- \$34,999	\$35,000- \$49,999	\$50,000 and Over
Eagle County	6.0%	12.9%	16.5%	64.6%
Colorado	17.1	21.7	19.2	42.0
United States	22.0	23.5	19.3	35.3

Source: "Survey of Buying Power," *Sales & Marketing Management*, 2002

TABLE XII
Per Capita Personal Income

	1996	1997	1998	1999	2000
Eagle County	\$29,370	\$31,596	\$32,348	\$33,245	\$34,997
Colorado	25,514	27,067	28,764	30,206	32,434
United States	24,270	25,412	26,893	27,843	29,469

Source: State of Colorado, Division of Local Government, Demographic Section

School Enrollment

The following table presents a five-year history of school enrollment for the Eagle County School District RE-50J, the school district serving the District.

TABLE XIII
School District Enrollment

School Year	Enrollment	Percent Change
1998/1999	4,344	--
1999/2000	4,493	3.4%
2000/2001	4,649	3.5
2001/2002	4,912	5.7
2002/2003	4,899	(0.3)

Source: Colorado Department of Education

Housing Stock

According to the 2000 Census, there were 22,111 housing units in Eagle County and 1,210 housing units in the Town of Gypsum in 2000, compared to a total of 15,226 housing units in Eagle County and 602 housing units in the Town of Gypsum in 1990. There was a 45.2% and 100.9% increase, respectively, over the ten-year period.

Building Activity

The following table sets forth historical building permit activity for unincorporated Eagle County.

TABLE XIV
History of Estimated Building Permits Issued
for New Structures in Unincorporated Eagle County

Year	Permits	Valuation
1998	660	\$264,026,296
1999	624	232,141,414
2000	557	322,849,853
2001	409	240,113,084
2002	460	135,628,106

Source: Eagle County Community Development

Foreclosure Activity

The following table sets forth foreclosure activity in Eagle County over the past five years.

TABLE XV
History of Foreclosures

Year	Foreclosures Filed	Percent Change
1998	105	--
1999	64	(39.0)%
2000	108	68.8
2001	209	93.5
2002	214	(2.4)

Source: Eagle County Public Trustee's Office

Retail Sales

The retail trade sector employs a large portion of the county's work force and is important to the area's economy. The following table sets forth recent retail sales figures for Gypsum, Eagle County, and the State as reported by the Colorado Department of Revenue.

**TABLE XVI
Retail Sales**

Year	Town of Gypsum	Percent Change	Eagle County	Gypsum as Percent of County	State of Colorado
1997	\$ 33,664,072	--	\$1,250,239,733	5.3%	\$ 79,312,815,024
1998	57,589,349	71.1%	1,317,036,170	6.9	84,826,081,299
1999	82,069,368	42.5	1,325,593,098	7.5	90,455,587,551
2000	101,041,875	23.1	1,497,703,631	9.0	101,008,296,357
2001	73,992,604	(26.8)	1,459,636,412	9.9	103,657,546,794
2002 ¹	65,516,895	--	1,059,962,067	6.2	75,527,607,783

¹ Retail sales through September 30, 2002.

Sources: State of Colorado, Department of Revenue, *Annual Reports 1997-2002*

Employment

The following tables set forth historical labor force estimates and the most recent employment statistics by industry for Eagle County.

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TABLE XVII
Total Business Establishments and Employment—Eagle County

Industry ¹	Second Quarter 2001		Second Quarter 2002		Quarterly Change	
	Units	Average Employment	Units	Average Employment	Units	Average Employment
Agriculture, forestry, fishing and hunting	13	37	12	49	(1)	12
Mining ²	--	--	--	--	--	--
Utilities	6	47	7	51	1	4
Construction	776	5,020	809	4,422	33	(598)
Manufacturing	66	446	62	387	(4)	(59)
Wholesale trade	100	322	102	341	2	19
Retail trade	399	2,830	392	2,717	(7)	(113)
Transportation and warehousing	67	560	73	462	5	(98)
Information	38	334	38	328	0	(6)
Finance and insurance	104	548	110	529	6	(19)
Real estate and rental and Leasing	289	1,386	296	1,444	7	58
Professional and technical Services	323	1,214	341	1,149	18	(65)
Management of companies and enterprises	19	202	17	211	(2)	9
Administrative and waste services	196	1,420	219	1,365	23	(55)
Educational services	17	137	15	91	2	(46)
Health care and social assistance	86	1,316	96	1,313	10	(3)
Arts, entertainment, and Recreation	62	2,865	65	2,576	3	(289)
Accommodation and food services	229	5,500	238	5,371	9	(129)
Other services, except public administration	205	992	206	932	1	(60)
Non-classifiable	0	0	0	0	0	0
Government	46	2,436	47	2,467	1	31
Total	<u>3,044</u>	<u>27,622</u>	<u>3,148</u>	<u>26,213</u>	<u>104</u>	<u>(1,409)</u>

¹ Information provided herein reflects only those employers who are subject to state unemployment insurance law.

² Information suppressed due to confidentiality.

Source: Colorado Department of Labor and Employment

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TABLE XVIII
Labor Force Estimates

Year	Eagle County		Colorado	
	Labor Force	% Unemployed	Labor Force	% Unemployed
1997	19,127	2.7%	2,150,160	3.3%
1998	20,458	3.2	2,241,094	3.8
1999	20,734	2.5	2,264,105	2.9
2000	20,378	2.2	2,275,545	2.6
2001	20,941	2.8	2,294,893	3.7
2002 ¹	21,269	3.8	2,367,637	5.6

¹ Estimated average January through October, 2002.

Source: State of Colorado, Division of Employment and Training, Labor Market Information, Colorado Labor Force Review

The following table sets forth selected major employers in Eagle County. According to County officials, the services and retail sectors together comprise the majority of total County employment. Traditionally these sectors are tourist related, seasonal and low paying, which is typical for smaller, tourism-dependent Colorado communities. No independent investigation has been made of and there can be no representation as to the stability or financial condition of the entities listed below, or the likelihood that they will maintain their status as major employers in the County.

TABLE XIX
Selected Employers in the Area

Firm	Product or Service	Estimated Number of Employees ¹
Vail Associates, Inc./Vail Resorts	Resort management	1,200 (5,000)
Eagle County School District RE 50	Education	580
Vail Cascade Resort	Hotel	500
Gallegos Corp.	Masonry	400
Sonnenalp Resort at Vail	Hotel	375
Hyatt-Regency at Beaver Creek	Hotel	350
Eagle County	Government	390
Lodge at Vail	Hotel	250
Town of Vail	Government	200
Town of Avon	Government	200

¹ As of April 2002. Numbers in parenthesis represent seasonal employment.

Source: Individual employers

Tourism and Recreation

Tourism and skiing related businesses account for a significant portion of the employment and earned income of area residents with revenue being derived principally from retail trade, short-term lodging rentals, concessions, and restaurants. Summer activities in the area include bicycling, boating, fishing, water skiing, rafting and kayaking, horseback riding, camping, hiking, and cultural activities. Golfing is also available at numerous golf courses throughout the area. At the present time, there are four

public championship, 18-hole golf courses in Eagle County, located at Eagle-Vail, Cotton Ranch, Eagle Ranch and at Vail, as well as seven private courses, including Country Club of the Rockies at Arrowhead, Beaver Creek, Sonnenalp (formerly Singletree, at which some public play is required), Cordillera (mountain, summit and valley courses), and Eagle Springs. Winter activities include, among others, downhill skiing at Vail Mountain and Beaver Creek ski areas, as described hereafter, and cross country skiing, snowmobiling, and hunting.

Beaver Creek and Vail Mountain ski areas are both owned and operated by Vail Resorts. Effective December 21, 2002, full price daily lift ticket rates for both ski areas for the 2002-2003 ski season are \$71.00. The World Snowboarding Championships and the U.S. Freeskiing Open were both held in Vail during the 2001-2002 ski season. The two resorts posted 2,194,000 skier visits during the 2001-2002 ski season, down 5% from the 2000-2001 season. The two resorts have accounted for an average of approximately 19% of total skier visits in Colorado over each of the last five years.

Vail Mountain is located within the White River National Forest and operates under permits from the U.S. Forest Service. The ski area is directly adjacent to the Town of Vail, and rises approximately 3,450 vertical feet above the Town. There are 33 lifts, including one 12-passenger gondola, 13 high speed quad chairlifts, 9 fixed-grip chairs, and 9 surface lifts, 2 snowboard parks, 1 night-lit, on-mountain fun park, servicing approximately 5,289 acres of skiable terrain (380 of which are served by snowmaking facilities) and 193 trails, making Vail the largest single ski area in North America. Vail expanded its ski terrain by more than 500 acres to include three high speed chairlifts that provide access into and out of the new Blue Sky Basin.

Beaver Creek Resort is also located in the White River National Forest and operates under permits from the U.S. Forest Service. The ski area is approximately 10 miles southwest of Vail and rises approximately 4,040 vertical feet, has 146 trails (seven specifically contoured for snowboarders), six high speed quad chairlifts, three triples, four doubles, one surface lift and three snowboard parks, all servicing approximately 1,625 acres of skiable terrain (605 of which are served by snowmaking facilities).

Another major ski area in the State is Summit County, which hosts four major ski resorts, three of which are also owned by Vail Resorts, that have accounted for an average of approximately 34% of total skier visits in Colorado over the past five seasons. The Summit County ski areas are easily accessed via I-70 and are located about 15 miles east of the Town of Vail, closer to Denver.

Set forth below are the skier visits for the Beaver Creek and Vail Mountain ski areas from the 1997-1998 ski season through the 2001-2002 season, as well as skier visit data for the State.

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TABLE XX
Skier Visits

Ski Area	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Vail Mountain	1,597,932	1,338,460	1,371,702	1,645,902	1,536,000
Beaver Creek	<u>668,520</u>	<u>616,621</u>	<u>586,004</u>	<u>676,528</u>	<u>658,000</u>
Eagle County Total	<u>2,266,452</u>	<u>1,955,081</u>	<u>1,957,706</u>	<u>2,322,430</u>	<u>2,194,000</u>
Percent Change	(2.8)%	(13.7)%	0.1%	18.6%	(5.5)%
Colorado Total	11,979,719	11,405,344	10,891,318	11,666,672	11,145,181
Percent Change	1.1%	(4.8)%	(4.5)%	7.1%	(4.0)%
Eagle County as Percent of State	18.9%	17.1%	18.0%	19.9%	19.7%

Source: Colorado Ski Country and Vail Resorts

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LEGAL MATTERS

Sovereign Immunity

The Governmental Immunity Act, Title 24, Article 10, Part 1, C.R.S. (the "Act"), provides that, with certain specified exceptions, sovereign immunity acts as a bar to any action against a public entity, such as the District, for injuries which lie in tort or could lie in tort.

The Act provides that sovereign immunity does not apply to injuries occurring as a result of certain specified actions or conditions. In such instances, the public entity may be liable for injuries arising from an act or omission of the public entity, or an act or omission of its public employees, which are not willful and wanton, and which occur during the performance of their duties and within the scope of their employment. The maximum amounts that may be recovered under the Act, whether from one or more public entities and public employees, are as follows: (a) for any injury to one person in any single occurrence, \$150,000; (b) for an injury to two or more persons in any single occurrence, \$150,000 per person not to exceed the sum of \$600,000. Suits against both the District and a public employee do not increase such maximum amounts which may be recovered. The District may not be held liable either directly or by indemnification for punitive or exemplary damages. In the event that the District is required to levy an ad valorem property tax to discharge a settlement or judgment, such tax may not exceed a total of ten mills per annum for all outstanding settlements or judgments.

The District may be subject to civil liability and may not be able to claim sovereign immunity for actions founded upon various federal laws. Examples of such civil liability include, but are not limited to, suits filed pursuant to 42 U.S.C. §1983 alleging the deprivation of federal constitutional or statutory rights of an individual. In addition, the District may be enjoined from engaging in anti-competitive practices which violate the antitrust laws. However, the Act provides that it applies to any action brought against a public entity or a public employee in any Colorado state court having jurisdiction over any claim brought pursuant to any federal law, if such action lies in tort or could lie in tort.

Pending and Threatened Litigation Involving the Districts

General Counsel to the District is expected to render an opinion upon delivery of the Bonds stating that, to the best of its actual knowledge, there is no action, suit or proceeding now pending or threatened against the District that will materially and adversely affect the financial condition or operations of District No. 2 or of District No. 1; District No. 2's power to levy the Required Mill Levy; the Districts' power to enforce the District Facilities Agreement, as amended; to issue and deliver the Bonds; or to execute and perform the obligations under the Bond Resolution.

Bond Resolution Irrepealable

The Bond Resolution provides that after any of the Bonds are issued, such resolution shall remain irrepealable, but amendable in certain circumstances, until the Bonds and the interest accruing thereon shall have been fully paid, satisfied, and discharged.

Future Changes in Laws

Various Colorado laws and constitutional provisions apply to the imposition, collection, and expenditure of ad valorem property taxes and the operation of the District. There is no assurance that there will not be any change in the interpretation of, or additions to applicable laws, provisions, and regulations which would have a material effect, directly or indirectly, on the affairs of the District and the imposition, collection, and expenditure of ad valorem property taxes and fees.

Limitations on Remedies Available to Bondholders

The enforceability of the rights and remedies of the Owners, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers granted to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of Colorado and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

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TAX MATTERS

In the opinion of Brownstein, Hyatt & Farber, P.C., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming the accuracy or certain representations and continuous compliance with certain covenants, interest on the Bonds is excludable from gross income under federal income tax laws under Section 103 of the Internal Revenue Code of 1986, as amended (the "Tax Code"); interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, except that such interest is required to be included in calculating the "adjusted current earnings" adjustment applicable to corporations for purposes of calculating the alternative minimum taxable income of corporations as described below, and interest on the Bonds is not included in Colorado taxable income or Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the Bonds.

The Tax Code and Colorado law impose several requirements which must be met with respect to the Bonds in order for the interest thereon to be excluded from gross income, alternative minimum taxable income (except to the extent of the aforementioned adjustment 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 Bonds. These requirements include: (a) limitations as to the use of proceeds of the Bonds; (b) limitations on the extent to which proceeds of the 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 Bonds above the yield on the Bonds to be paid to the United States Treasury. The District will covenant and represent in the Indenture that it will take all steps necessary to comply with the requirements of the Tax Code and Colorado law to the extent necessary to maintain the exclusion of interest on the Bonds from gross income and alternative minimum taxable income (except to the extent of the aforementioned adjustment applicable to corporations) under present federal income tax laws and from Colorado taxable income and Colorado alternative minimum taxable income under present Colorado income tax laws. Bond Counsel's opinion as to the exclusion of interest on the Bonds from gross income, alternative minimum taxable income (except 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 Bonds to be included in gross income, alternative minimum taxable income, Colorado taxable income or Colorado alternative minimum taxable income, or a combination thereof, retroactive to the date of issuance. Bond Counsel's opinion is also rendered in reliance upon certifications of the District and other certificates furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

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 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 Bonds.

The Tax Code contains numerous provisions which may affect an investor's decision to purchase the Bonds. Owners of the 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. Bond Counsel's opinion relates only to the exclusion of interest on the 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 Bonds. Owners of the Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based upon existing law as of the delivery date of the 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 or 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 Bonds, the exclusion of interest on the Bonds from gross income, alternative minimum taxable income (to the extent described above), Colorado taxable income or Colorado alternative minimum taxable income or any combination thereof from the date of issuance of the Bonds or any other date, or which could result in other adverse federal or Colorado tax consequences. Further, the Internal Revenue Service (the "IRS") has initiated a program of expanded audits to tax-exempt bonds, which includes bonds randomly selected for audit as well as bonds specifically selected by the IRS. Bond Counsel is not obligated to defend the tax-exempt status of interest on the Bonds. If an audit is commenced, an owner of the Bonds has no right to participate in such examination. During any period when the Bonds may be under audit examination, the market value of the Bonds could be adversely affected, and the marketability of the Bonds may be limited. Bondowners are advised to consult with their own tax advisors with respect to such matters.

The Tax Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution's interest expense as the institution's average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax-exempt obligations may be treated as if issued prior to August 7, 1986 (and therefore are not subject to this rule), if they are "qualified tax-exempt obligations" as defined in the Tax Code and are designated for this purpose by the District.

The District has designated the Bonds for this purpose; however, under provisions of the Tax Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20% of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the Bonds bears to the average adjusted basis of all assets of the institution.

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MISCELLANEOUS

No Rating

No rating has been or will be applied for with respect to this financing.

Registration of Bonds

Registration or qualification of the offer and sale of the Bonds (as distinguished from registration of the ownership of the Bonds) is not required under the federal Securities Act of 1933, as amended, the Colorado Securities Act, as amended, or the Colorado Municipal Bond Supervision Act, as amended, pursuant to exemptions from registration provided in such acts. **THE DISTRICT ASSUMES NO RESPONSIBILITY FOR QUALIFICATION OR REGISTRATION OF THE BONDS FOR SALE UNDER THE SECURITIES LAWS OF ANY JURISDICTION IN WHICH THE BONDS MAY BE SOLD, ASSIGNED, PLEDGED, HYPOTHECATED, OR OTHERWISE TRANSFERRED.**

The "Colorado Municipal Bond Supervision Act," Article 59 of Title 11, C.R.S., generally provides for the Colorado Securities Commissioner (the "Commissioner") to regulate and monitor the issuance of municipal securities by special districts and certain other entities. Among other things, the act requires that all bonds, debentures, or other obligations (defined in the act as "bonds") issued by a special district must first be registered with the Commissioner unless exempt under the act. **The Bonds qualify for an exemption from registration because the Bonds are being issued in authorized denominations of not less than \$500,000.**

Interest of Certain Persons Named in this Limited Offering Memorandum

The legal fees to be paid to Bond Counsel and Underwriter's Counsel are contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being sold by the District at an underwriting discount of \$50,000.00 to the Underwriter pursuant to a purchase contract. See "THE BONDS—Application of Bond Proceeds." Expenses associated with the issuance of the 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 Bonds. The Underwriter has initially offered the Bonds at the prices or yields set forth on the cover page of this Limited Offering Memorandum, plus accrued interest from the date of the Bonds. Such prices or yields, as the case may be, may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other investment banking firms in offering the Bonds.

Additional Information

Copies of statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports and documents described in this Limited Offering Memorandum are either publicly available or available upon request and the payment of a reasonable copying, mailing, and handling charge from the sources noted in the "Introduction" hereto.

Limited Offering Memorandum Certification

The preparation of this Limited Offering Memorandum and its distribution have been authorized by the Board. This Limited Offering Memorandum is hereby duly approved by the Board as of the date on the cover page hereof. This Limited Offering Memorandum is not to be construed as an agreement or contract between the District and the purchasers or owners of any Bond.

**BUCKHORN VALLEY METROPOLITAN
DISTRICT NO. 2**

By /s/ _____
President

APPENDIX A
REPORT OF DISTRICT'S PROJECTED
CASH BALANCES, RECEIPTS AND DISBURSEMENTS

ROBERTSON & MARCHETTI, P.C.

Certified Public Accountants

March 3, 2003

Board of Directors
Buckhorn Valley Metropolitan District No. 2
Eagle County, Colorado

I have compiled the accompanying projected cash surplus balances and cash receipts and disbursements of Buckhorn Valley Metropolitan District No. 2 for the Debt Service Fund beginning with calendar year 2003 and for the 36 subsequent calendar years ending on December 31, in accordance with attestation guidelines established by the American Institute of Certified Public Accountants.

This report and the accompanying projected cash surplus 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 2002 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 and does not include evaluation of the support for the assumptions underlying the projections. I have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements 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. I have no responsibility to update this report for events and circumstances occurring after the date of this report.

As discussed in Note 4, the projection is presented on the cash basis of accounting for the Debt Service Fund only, whereas the historical financial statements for the projection period are expected to be presented in conformity with generally accepted accounting principles for all the funds of the District by fund type on the modified accrual basis of accounting and government-wide financial statements to be presented for the entire District on the accrual basis of accounting. 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. If the AICPA presentation guidelines were followed, the projection would indicate that the presentation reflects the cash balance and cash received and disbursed rather than the fund balance and revenue and expenditures that would be recognized under generally accepted accounting principles based on the modified accrual basis of accounting.

Robertson & Marchetti, PC



Kenneth J. Marchetti, CPA
President

BUCKHORN VALLEY METRO DISTRICT NO. 2
 PROJECTED CASH SURPLUS BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
 DEBT SERVICE FUND ONLY

03/03/03
 Date Printed

Year Assessed	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Year Lots Developed/Homes Constructed	15	10	15	17	18	20	20	20	20	20	20	20	20	20	20
Year Taxes Collected	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
LOT INVENTORY															
Lots Developed - Type I	15	10	15	17	18	20	20	20	20	20	20	20	20	20	20
Lots Developed - Type II		10	12	18	20	20	20	20	20	20	20	20	20	20	20
Lots Developed - Type III		5	8	10	12	20	20	20	20	20	20	20	20	20	20
Lots Developed - Type IV		4	16	20	20	40	40	40	40	40	40	40	40	40	40
Homes Built - Type I		(15)	(10)	(15)	(17)	(18)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(10)
Homes Built - Type II			(10)	(12)	(18)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(10)
Homes Built - Type III			(5)	(8)	(10)	(12)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(20)	(30)
Homes Built - Type IV			(4)	(16)	(20)	(20)	(40)	(40)	(40)	(40)	(40)	(18)			
Inventory of Developed Lots - Type I	15	10	15	17	18	20	20	20	20	20	20	20	20	20	20
Inventory of Developed Lots - Type II	-	10	12	18	20	20	20	20	20	20	20	20	20	20	20
Inventory of Developed Lots - Type III	-	5	8	10	12	20	20	20	20	20	20	20	20	20	20
Inventory of Developed Lots - Type IV	-	4	16	20	20	40	40	40	40	40	40	40	40	40	40
COMPLETED HOMES															
Ending Completed Homes - Type I	31	46	56	71	88	106	126	146	166	186	206	226	236	236	236
Ending Completed Homes - Type II	5	5	15	27	45	65	85	105	125	145	165	185	195	195	195
Ending Completed Homes - Type III	5	5	10	18	28	40	60	80	100	120	140	160	190	190	190
Ending Completed Homes - Type IV	-	-	4	20	40	60	100	140	180	220	260	278	278	278	278
Total Homes (Cumulative)	41	56	85	136	201	271	371	471	571	671	771	849	899	899	899
LOT AND HOME VALUES															
Lot Value - Type I	57,000	60,000	60,000	62,400	62,400	64,896	64,896	67,492	67,492	70,192	70,192	72,999	72,999	72,999	72,999
Lot Value - Type II	60,000	68,750	68,750	71,500	71,500	74,360	74,360	77,334	77,334	80,428	80,428	83,645	83,645	83,645	83,645
Lot Value - Type III	65,000	73,750	73,750	76,700	76,700	79,768	79,768	82,959	82,959	86,277	86,277	89,728	89,728	89,728	89,728
Lot Value - Type IV	-	-	52,500	54,600	54,600	56,784	56,784	59,055	59,055	61,418	61,418	63,874	63,874	63,874	63,874
Home Value - Type I	200,000	216,000	216,000	224,640	224,640	233,626	233,626	242,971	242,971	252,689	252,689	262,797	262,797	262,797	262,797
Home Value - Type II	-	247,500	247,500	257,400	257,400	267,696	267,696	278,404	278,404	289,540	289,540	301,122	301,122	301,122	301,122
Home Value - Type III	-	265,500	265,500	276,120	276,120	287,165	287,165	298,651	298,651	310,597	310,597	323,021	323,021	323,021	323,021
Home Value - Type IV	-	189,000	189,000	196,560	196,560	204,422	204,422	212,599	212,599	221,103	221,103	229,947	229,947	229,947	229,947
AGGREGATE ACTUAL VALUE															
Lots Actual Value - Type I	855,000	600,000	900,000	1,060,800	1,123,200	1,297,920	1,297,920	1,349,837	1,349,837	1,403,830	1,403,830	1,468,449	1,468,449	1,468,449	1,468,449
Lots Actual Value - Type II	-	987,500	925,000	1,287,000	1,430,000	1,487,200	1,487,200	1,546,688	1,546,688	1,608,556	1,608,556	1,672,541	1,672,541	1,672,541	1,672,541
Lots Actual Value - Type III	-	368,750	590,000	767,000	920,400	1,595,360	1,595,360	1,659,174	1,659,174	1,725,541	1,725,541	1,793,845	1,793,845	1,793,845	1,793,845
Lots Actual Value - Type IV	-	210,000	840,000	1,092,000	1,092,000	2,271,360	2,271,360	2,362,214	2,362,214	2,456,703	2,456,703	2,551,516	2,551,516	2,551,516	2,551,516
Homes Actual Value - Type I	6,200,000	9,936,000	12,096,000	15,949,440	19,768,320	24,764,314	29,436,826	35,473,711	40,333,124	47,000,238	52,054,026	59,392,128	62,020,088	62,020,088	62,020,088
Homes Actual Value - Type II	-	1,237,500	3,712,500	6,949,800	11,583,000	17,400,240	22,754,160	29,232,403	34,800,480	41,983,299	47,774,099	55,707,495	58,718,711	58,718,711	58,718,711
Homes Actual Value - Type III	-	1,327,500	2,655,000	4,970,160	7,731,360	11,486,592	17,229,858	23,992,111	29,865,139	37,271,694	43,483,643	51,683,415	61,374,056	61,374,056	61,374,056
Homes Actual Value - Type IV	-	-	756,000	3,931,200	7,862,400	12,265,344	20,442,240	29,763,901	38,267,873	48,642,719	57,486,850	63,925,377	63,925,377	63,925,377	63,925,377
ASSESSMENT RATIOS															
Commercial	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Residential	9.15%	8.13%	8.13%	7.68%	7.68%	7.33%	7.33%	6.96%	6.96%	6.62%	6.62%	6.42%	6.42%	6.42%	6.42%
Change in Residential Assessment Ratio	-	89%	-	94%	94%	95%	95%	95%	95%	95%	95%	97%	97%	97%	97%

BUCKHORN VALLEY METRO DISTRICT NO. 2
 PROJECTED CASH SURPLUS BALANCES AND
 DEBT SERVICE FUND ONLY

Year Lots Developed/Homes Constructed	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Assessed	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Taxes Collected	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
LOT INVENTORY															
Lots Developed - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Developed - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Developed - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Developed - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COMPLETED HOMES															
Ending Completed Homes - Type I	236	236	236	236	236	236	236	236	236	236	236	236	236	236	236
Ending Completed Homes - Type II	195	195	195	195	195	195	195	195	195	195	195	195	195	195	195
Ending Completed Homes - Type III	190	190	190	190	190	190	190	190	190	190	190	190	190	190	190
Ending Completed Homes - Type IV	278	278	278	278	278	278	278	278	278	278	278	278	278	278	278
Total Homes (Cumulative)	899	899	899	899	899	899	899	899	899	899	899	899	899	899	899
LOT AND HOME VALUES															
Lot Value - Type I	75,919	75,919	78,956	78,956	82,114	82,114	85,399	85,399	88,815	88,815	92,367	92,367	92,367	96,062	96,062
Lot Value - Type II	86,991	86,991	90,470	90,470	94,089	94,089	97,853	97,853	101,767	101,767	105,837	105,837	105,837	110,071	110,071
Lot Value - Type III	93,317	93,317	97,050	97,050	100,932	100,932	104,969	104,969	109,168	109,168	113,535	113,535	113,535	118,076	118,076
Lot Value - Type IV	66,429	66,429	69,086	69,086	71,850	71,850	74,724	74,724	77,713	77,713	80,821	80,821	80,821	84,054	84,054
Home Value - Type I	273,309	273,309	284,241	284,241	295,611	295,611	307,435	307,435	319,733	319,733	332,522	332,522	332,522	345,823	345,823
Home Value - Type II	313,166	313,166	325,693	325,693	338,721	338,721	352,270	352,270	366,360	366,360	381,015	381,015	381,015	396,255	396,255
Home Value - Type III	335,942	335,942	349,380	349,380	363,355	363,355	377,889	377,889	393,005	393,005	408,725	408,725	408,725	425,074	425,074
Home Value - Type IV	239,145	239,145	248,711	248,711	258,660	258,660	269,006	269,006	279,766	279,766	290,957	290,957	290,957	302,595	302,595
AGGREGATE ACTUAL VALUE															
Lots Actual Value - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Actual Value - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Actual Value - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Actual Value - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Actual Value - Type I	64,500,902	64,500,902	67,080,938	67,080,938	69,764,176	69,764,176	72,554,743	72,554,743	75,456,933	75,456,933	78,475,210	78,475,210	78,475,210	81,614,218	81,614,218
Homes Actual Value - Type II	61,067,459	61,067,459	63,510,157	63,510,157	66,050,564	66,050,564	68,692,586	68,692,586	71,440,290	71,440,290	74,297,901	74,297,901	74,297,901	77,289,817	77,289,817
Homes Actual Value - Type III	63,829,018	63,829,018	66,382,179	66,382,179	69,037,466	69,037,466	71,798,964	71,798,964	74,670,923	74,670,923	77,657,760	77,657,760	77,657,760	80,764,070	80,764,070
Homes Actual Value - Type IV	66,482,392	66,482,392	69,141,688	69,141,688	71,907,355	71,907,355	74,783,649	74,783,649	77,774,995	77,774,995	80,885,995	80,885,995	80,885,995	84,121,435	84,121,435
ASSESSMENT RATIOS															
Commercial	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Residential	6.22%	6.22%	6.16%	6.16%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%
Change in Residential Assessment Ratio	97%	97%	99%	99%	95%	95%	100%	100%	100%	100%	100%	100%	100%	100%	100%

BUCKHORN VALLEY METRO DISTRICT NO. 2
 PROJECTED CASH SURPLUS BALANCES AND
 DEBT SERVICE FUND ONLY

Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	Total
Year Lots Developed/Homes Constructed												
Year Assessed	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039
Year Taxes Collected	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
LOT INVENTORY												
Lots Developed - Type I												205
Lots Developed - Type II												190
Lots Developed - Type III												185
Lots Developed - Type IV												278
Homes Built - Type I												(205)
Homes Built - Type II												(190)
Homes Built - Type III												(185)
Homes Built - Type IV												(278)
Inventory of Developed Lots - Type I												
Inventory of Developed Lots - Type II												
Inventory of Developed Lots - Type III												
Inventory of Developed Lots - Type IV												
COMPLETED HOMES												
Ending Completed Homes - Type I	236	236	236	236	236	236	236	236	236	236	236	236
Ending Completed Homes - Type II	195	195	195	195	195	195	195	195	195	195	195	195
Ending Completed Homes - Type III	190	190	190	190	190	190	190	190	190	190	190	190
Ending Completed Homes - Type IV	278	278	278	278	278	278	278	278	278	278	278	278
Total Homes (Cumulative)	899	899	899	899	899	899	899	899	899	899	899	899
LOT AND HOME VALUES												
Lot Value - Type I	96,062	99,904	99,904	103,901	103,901	108,057	108,057	112,379	112,379	116,874	116,874	116,874
Lot Value - Type II	110,071	114,474	114,474	119,053	119,053	123,815	123,815	128,767	128,767	133,918	133,918	133,918
Lot Value - Type III	118,076	122,799	122,799	127,711	127,711	132,820	132,820	138,132	138,132	143,658	143,658	143,658
Lot Value - Type IV	84,054	87,416	87,416	90,913	90,913	94,550	94,550	98,332	98,332	102,265	102,265	102,265
Home Value - Type I	345,823	359,656	359,656	374,042	374,042	389,004	389,004	404,564	404,564	420,747	420,747	420,747
Home Value - Type II	396,255	412,106	412,106	428,590	428,590	445,734	445,734	463,563	463,563	482,105	482,105	482,105
Home Value - Type III	425,074	442,077	442,077	459,760	459,760	478,151	478,151	497,277	497,277	517,168	517,168	517,168
Home Value - Type IV	302,595	314,699	314,699	327,287	327,287	340,378	340,378	353,993	353,993	368,153	368,153	368,153
AGGREGATE ACTUAL VALUE												
Lots Actual Value - Type I												
Lots Actual Value - Type II												
Lots Actual Value - Type III												
Lots Actual Value - Type IV												
Homes Actual Value - Type I	81,614,218	84,878,787	84,878,787	88,273,939	88,273,939	91,804,898	91,804,898	95,477,092	95,477,092	99,296,176	99,296,176	99,296,176
Homes Actual Value - Type II	77,269,817	80,360,610	80,360,610	83,575,035	83,575,035	86,918,036	86,918,036	90,394,757	90,394,757	94,010,548	94,010,548	94,010,548
Homes Actual Value - Type III	80,764,070	83,994,633	83,994,633	87,354,418	87,354,418	90,848,595	90,848,595	94,482,539	94,482,539	98,261,840	98,261,840	98,261,840
Homes Actual Value - Type IV	84,121,435	87,486,292	87,486,292	90,985,744	90,985,744	94,625,174	94,625,174	98,410,181	98,410,181	102,346,588	102,346,588	102,346,588
ASSESSMENT RATIOS												
Commercial	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Residential	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%
Change in Residential Assessment Ratio												100%

BUCKHORN VALLEY METRO DISTRICT NO. 2
 PROJECTED CASH SURPLUS BALANCES AND CASH RECEIPTS AND DISBURSEMENTS
 DEBT SERVICE FUND ONLY

Date Printed 03/03/03

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Year Lots Developed/Homes Constructed	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Year Assessed	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Year Taxes Collected	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
ASSESSED VALUE															
Undeveloped Land Assessed Value	360,610	373,956	361,092	338,468	309,634	278,582	234,222	189,862	145,502	101,142	56,782	22,181			
Lots Assessed Value - Type I	247,950	174,000	261,000	307,632	325,728	376,387	376,387	391,453	391,453	407,111	407,111	211,688			
Lots Assessed Value - Type II	-	199,375	239,250	373,230	414,700	431,288	431,288	448,540	448,540	466,481	466,481	242,570			
Lots Assessed Value - Type III	-	106,938	171,100	222,430	266,916	462,654	462,654	481,161	481,161	500,407	500,407	780,635			
Lots Assessed Value - Type IV	-	60,900	243,900	316,980	316,980	658,694	658,694	685,042	685,042	712,444	320,800				
Total Lots Assessed Value	247,950	541,213	914,950	1,219,972	1,324,024	1,929,034	1,929,034	2,006,195	2,006,195	2,086,443	1,694,599	1,234,903			
Homes Assessed Value - Type I	587,300	807,797	983,405	1,224,917	1,518,207	1,815,224	2,157,719	2,470,212	2,808,597	3,109,218	3,443,543	3,811,113	3,979,746		
Homes Assessed Value - Type II	-	100,609	301,826	533,745	889,574	1,275,438	1,667,880	2,035,598	2,423,331	2,777,332	3,160,412	3,574,875	3,767,901		
Homes Assessed Value - Type III	-	107,926	215,852	381,708	593,768	841,967	1,262,951	1,663,727	2,079,659	2,465,644	2,876,584	3,316,455	3,938,290		
Homes Assessed Value - Type IV	-	-	61,463	301,916	603,832	899,050	1,498,416	2,072,809	2,664,763	3,217,874	3,802,942	4,102,005	4,102,005		
Total Homes Assessed Value	587,300	1,016,331	1,562,545	2,442,286	3,605,382	4,831,679	6,586,966	8,242,147	9,976,371	11,570,068	13,283,481	14,804,248	15,787,942		
Homes Assessed Value w/ 9.15% Assmt Ratio	1,143,842	1,756,584	2,909,755	4,295,475	6,031,359	8,222,475	10,830,135	13,108,895	16,003,162	18,373,074	21,109,820	22,512,499	22,512,499		
Total AV if Homes at 9.15%	2,059,010	3,034,626	4,468,195	5,929,133	8,238,974	10,385,730	13,026,192	15,260,592	18,190,747	20,124,454	22,366,904	22,512,500	22,512,500		
Mill Levy w/o Gallagher Adjustment	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Property Taxes w/o Gallagher Adjustment	72,065	106,212	156,387	207,520	288,364	363,501	455,917	534,121	636,676	704,356	782,842	878,938	987,938		
Total Assessed Value	1,195,660	1,931,500	2,838,587	4,000,726	5,239,040	7,039,294	8,750,222	10,438,204	12,128,068	13,757,663	15,034,862	16,061,332	15,787,942		
Debt Service Mill Levy	35,000	37,311	37,417	39,090	39,610	40,965	41,542	43,678	44,040	46,278	46,848	48,741	49,908		
IGA Service Costs Mill Levy	5,000	5,330	5,345	5,584	5,659	5,852	5,935	6,240	6,291	6,611	6,693	6,963	7,130		
REVENUES AND OTHER SOURCES OF FUNDS															
Property Taxes for Debt Service	41,855	72,066	106,211	156,388	207,518	288,365	363,502	455,920	534,120	636,677	704,353	782,845	878,945		
Property Taxes for IGA Service Costs	5,979	10,295	15,172	22,340	29,648	41,194	51,933	66,134	76,298	90,952	100,628	111,835	112,568		
Specific Ownership Taxes	2,511	4,324	6,373	9,383	12,451	17,302	21,810	27,355	32,047	38,201	42,261	46,971	47,277		
Treasurers Fees	(1,256)	(2,162)	(3,186)	(4,892)	(6,226)	(8,651)	(10,905)	(13,678)	(16,024)	(19,100)	(21,131)	(23,485)	(23,638)		
Interest Income	-	1,293	18,876	22,724	22,988	24,840	29,246	29,806	33,238	39,189	27,982	27,166	27,154		
Capitalized Interest	7,038	510,567	608,525	1,075,061	1,075,061	1,075,061	1,075,061	1,075,061	1,075,061	1,075,061	1,075,061	1,075,061	1,075,061		
Interest Income - Capitalized Interest	-	-	-	-	-	-	-	-	-	-	-	-	-		
Total Funds Available for Debt Service	56,128	600,900	753,877	217,326	273,565	1,441,219	475,339	577,231	665,171	765,918	854,094	945,332	951,305		
DEBT SERVICE															
Series 2002 Total Debt Service	146,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	180,000	199,650	217,900	224,750		
Series 2005 Total Debt Service	-	-	-	210,000	210,000	210,000	210,000	210,000	210,000	210,000	210,000	235,000	233,250		
Series 2008 Total Debt Service	-	-	-	-	-	-	371,000	371,000	371,000	371,000	371,000	381,000	395,300		
IGA Obligation For Services	5,979	10,295	15,172	22,340	29,648	41,194	51,933	65,134	76,298	90,952	100,628	111,835	112,568		
Total Debt Service	5,979	158,295	190,172	407,340	414,648	426,194	807,933	821,134	832,296	851,952	881,278	945,735	966,868		
Annual Surplus	50,149	444,805	563,704	(190,014)	(141,083)	1,015,025	(332,594)	(243,903)	(167,127)	(66,034)	(27,184)	(403)	(14,563)		
Cumulative Surplus Including Capitalized Interest	50,149	494,754	1,058,459	868,444	727,361	1,742,387	1,409,793	1,165,890	998,763	932,729	905,545	905,142	890,579		

BUCKHORN VALLEY METRO DISTRICT NO. 2
PROJECTED CASH SURPLUS BALANCES AND
DEBT SERVICE FUND ONLY

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Developed/Homes Constructed															
Year Assessed	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Taxes Collected	2018	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		
ASSESSED VALUE															
Undeveloped Land Assessed Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Lots Assessed Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Assessed Value - Type I	4,014,768	4,014,768	4,133,605	4,133,605	4,255,960	4,255,960	4,426,198	4,426,198	4,603,246	4,603,246	4,787,376	4,787,376	4,978,871	4,978,871	4,978,871
Homes Assessed Value - Type II	3,801,058	3,801,058	3,913,569	3,913,569	4,029,411	4,029,411	4,190,587	4,190,587	4,358,211	4,358,211	4,532,539	4,532,539	4,713,841	4,713,841	4,713,841
Homes Assessed Value - Type III	3,972,947	3,972,947	4,090,547	4,090,547	4,211,827	4,211,827	4,380,092	4,380,092	4,555,296	4,555,296	4,737,507	4,737,507	4,927,008	4,927,008	4,927,008
Homes Assessed Value - Type IV	4,138,103	4,138,103	4,260,591	4,260,591	4,386,704	4,386,704	4,562,172	4,562,172	4,744,659	4,744,659	4,934,446	4,934,446	5,131,824	5,131,824	5,131,824
Total Homes Assessed Value	15,926,876	15,926,876	16,398,312	16,398,312	16,883,702	16,883,702	17,559,050	17,559,050	18,261,412	18,261,412	18,991,868	18,991,868	19,751,543	19,751,543	19,751,543
Homes Assessed Value w/ 9.15% Assmt Ratio	23,412,999	23,412,999	24,349,519	24,349,519	25,323,500	25,323,500	26,336,440	26,336,440	27,389,897	27,389,897	28,485,493	28,485,493	29,624,913	29,624,913	29,624,913
Total AV if Homes at 9.15%	23,412,999	23,412,999	24,349,519	24,349,519	25,323,500	25,323,500	26,336,440	26,336,440	27,389,897	27,389,897	28,485,493	28,485,493	29,624,913	29,624,913	29,624,913
Mill Levy w/o Gallagher Adjustment	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Property Taxes w/o Gallagher Adjustment	819,455	819,455	852,233	852,233	886,322	886,322	921,775	921,775	958,646	958,646	996,992	996,992	1,036,872	1,036,872	1,036,872
Total Assessed Value	15,926,876	15,926,876	16,398,312	16,398,312	16,883,702	16,883,702	17,559,050	17,559,050	18,261,412	18,261,412	18,991,868	18,991,868	19,751,543	19,751,543	19,751,543
Debt Service Mill Levy	51,451	51,451	51,971	51,971	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496
IGA Service Costs Mill Levy	7,350	7,350	7,424	7,424	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499
REVENUES AND OTHER SOURCES OF FUNDS															
Property Taxes for Debt Service	619,454	619,454	652,237	652,237	686,327	686,327	721,780	721,780	758,651	758,651	796,997	796,997	836,877	836,877	836,877
Property Taxes for IGA Service Costs	117,063	117,063	121,741	121,741	126,611	126,611	131,675	131,675	136,942	136,942	142,420	142,420	148,117	148,117	148,117
Specific Ownership Taxes	49,167	49,167	51,134	51,134	53,180	53,180	55,307	55,307	57,519	57,519	59,820	59,820	62,213	62,213	62,213
Treasurers Fees	(24,584)	(24,584)	(25,567)	(25,567)	(26,590)	(26,590)	(27,653)	(27,653)	(28,760)	(28,760)	(29,910)	(29,910)	(31,106)	(31,106)	(31,106)
Interest Income	26,717	26,862	26,972	27,483	28,056	28,167	30,291	31,957	33,758	35,612	37,540	39,543	41,623	43,780	45,999
Capitalized Interest															
Interest Income - Capitalized Interest															
Total Funds Available for Debt Service	987,817	987,817	1,026,517	1,027,026	1,067,583	1,068,694	1,111,400	1,113,065	1,158,111	1,160,472	1,207,930	1,211,166	1,261,299	1,261,299	1,261,299
DEBT SERVICE															
Series 2002 Total Debt Service	230,900	231,350	231,450	231,200	235,600	239,300	242,300	244,600	246,200	247,100	252,300	251,450	254,900	254,900	254,900
Series 2005 Total Debt Service	236,500	239,400	246,950	248,800	250,300	246,450	252,600	253,050	263,150	262,200	265,900	263,900	271,550	271,550	271,550
Series 2008 Total Debt Service	398,550	396,450	409,350	406,200	418,050	418,850	429,300	433,700	433,100	431,450	439,450	441,400	452,650	452,650	452,650
IGA Obligation For Services	117,063	117,063	121,741	121,741	126,611	126,611	131,675	131,675	136,942	136,942	142,420	142,420	148,117	148,117	148,117
Total Debt Service	983,013	984,263	1,009,491	1,007,941	1,030,561	1,031,211	1,055,875	1,053,025	1,079,392	1,077,692	1,100,070	1,099,170	1,127,217	1,127,217	1,127,217
Annual Surplus	4,805	3,699	17,026	19,087	37,022	37,483	55,524	60,040	78,719	82,780	107,860	111,996	134,082	134,082	134,082
Cumulative Surplus Including Capitalized Interest	895,394	899,083	916,109	935,196	972,218	1,009,702	1,065,226	1,125,266	1,203,985	1,286,765	1,394,625	1,506,621	1,640,702	1,640,702	1,640,702

**BUCKHORN VALLEY METRO DISTRICT NO. 2
PROJECTED CASH SURPLUS BALANCES AND
DEBT SERVICE FUND ONLY**

Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	Total
Year Lots Developed/Homes Constructed														
Year Assessed	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
Year Taxes Collected	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039		
ASSESSED VALUE														
Undeveloped Land Assessed Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Lots Assessed Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Assessed Value - Type I	4,979,871	5,178,026	5,178,026	5,385,147	5,385,147	5,600,553	5,600,553	5,624,575	5,824,575	6,057,558	6,057,558	6,057,558	6,057,558	6,057,558
Homes Assessed Value - Type II	4,713,841	4,902,395	4,902,395	5,098,490	5,098,490	5,302,430	5,302,430	5,514,527	5,514,527	5,735,108	5,735,108	5,735,108	5,735,108	5,735,108
Homes Assessed Value - Type III	4,927,008	5,124,088	5,124,088	5,329,052	5,329,052	5,542,214	5,542,214	5,763,902	5,763,902	5,994,458	5,994,458	5,994,458	5,994,458	5,994,458
Homes Assessed Value - Type IV	5,131,824	5,337,096	5,337,096	5,550,580	5,550,580	5,772,604	5,772,604	6,003,508	6,003,508	6,243,648	6,243,648	6,243,648	6,243,648	6,243,648
Total Homes Assessed Value	19,751,543	20,541,605	20,541,605	21,363,269	21,363,269	22,217,800	22,217,800	23,106,512	23,106,512	24,030,772	24,030,772	24,030,772	24,030,772	24,030,772
Homes Assessed Value w/ 9.15% Assmt Ratio	29,624,913	30,809,910	30,809,910	32,042,306	32,042,306	33,323,998	33,323,998	34,656,958	34,656,958	36,043,236	36,043,236	36,043,236	36,043,236	36,043,236
Total AV if Homes at 9.15%	29,624,913	30,809,910	30,809,910	32,042,306	32,042,306	33,323,998	33,323,998	34,656,958	34,656,958	36,043,236	36,043,236	36,043,236	36,043,236	36,043,236
Mill Levy w/o Gallagher Adjustment	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Property Taxes w/o Gallagher Adjustment	1,036,872	1,078,347	1,078,347	1,121,481	1,121,481	1,166,340	1,166,340	1,212,994	1,212,994	1,261,513	1,261,513	1,261,513	1,261,513	1,261,513
Total Assessed Value	19,751,543	20,541,605	20,541,605	21,363,269	21,363,269	22,217,800	22,217,800	23,106,512	23,106,512	24,030,772	24,030,772	24,030,772	24,030,772	24,030,772
Debt Service Mill Levy	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496	52,496
IGA Service Costs Mill Levy	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499	7,499
REVENUES AND OTHER SOURCES OF FUNDS														
Property Taxes for Debt Service	1,036,877	1,078,352	1,078,352	1,121,486	1,121,486	1,166,346	1,166,346	1,212,999	1,212,999	1,261,519	1,261,519	1,261,519	1,261,519	1,261,519
Property Taxes for IGA Service Costs	148,117	154,041	154,041	160,203	160,203	166,611	166,611	173,276	173,276	180,207	180,207	180,207	180,207	180,207
Specific Ownership Taxes	62,213	64,701	64,701	67,289	67,289	69,981	69,981	72,780	72,780	75,691	75,691	75,691	75,691	75,691
Treasurers Fees	(31,105)	(32,351)	(32,351)	(33,645)	(33,645)	(34,990)	(34,990)	(36,390)	(36,390)	(37,846)	(37,846)	(37,846)	(37,846)	(37,846)
Interest Income	49,221	53,399	53,399	58,331	58,331	63,474	63,474	68,838	68,838	74,445	74,445	74,445	74,445	74,445
Capitalized Interest														
Interest Income - Capitalized Interest														
Total Funds Available for Debt Service	1,265,321	1,318,143	1,323,075	1,378,808	1,384,824	1,443,597	1,450,785	1,512,949	1,521,310	1,586,644	1,586,644	1,586,644	1,586,644	1,586,644
DEBT SERVICE														
Series 2002 Total Debt Service	257,300	263,650	263,650	267,500	267,500	270,000	270,000	272,500	275,000	277,500	277,500	277,500	277,500	277,500
Series 2005 Total Debt Service	268,150	274,400	274,400	284,100	284,100	293,800	293,800	303,500	303,500	313,200	313,200	313,200	313,200	313,200
Series 2008 Total Debt Service	452,500	461,650	461,650	476,450	476,450	491,900	491,900	507,400	507,400	522,900	522,900	522,900	522,900	522,900
IGA Obligation For Services	148,117	154,041	154,041	160,203	160,203	166,611	166,611	173,276	173,276	180,207	180,207	180,207	180,207	180,207
Total Debt Service	1,126,067	1,153,741	1,151,641	1,178,253	1,179,503	1,204,011	1,202,561	1,234,276	1,233,726	1,260,907	1,260,907	1,260,907	1,260,907	1,260,907
Annual Surplus	139,254	164,401	171,433	200,555	205,321	239,586	248,224	278,674	287,584	325,937	325,937	325,937	325,937	325,937
Cumulative Surplus Including Capitalized Interest	1,779,957	1,944,358	2,115,792	2,316,346	2,521,667	2,761,253	3,009,477	3,288,151	3,575,735	3,901,672	3,901,672	3,901,672	3,901,672	3,901,672

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

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 2003 (the "Series 2003 Bonds") of Buckhorn Valley Metropolitan District No. 2 (the "District"), located in Eagle County, Colorado. It is to display how the cash receipts and disbursements of the District will occur under the following assumptions, which are not all-inclusive.

This financial projection presents, to the best knowledge and belief of Management of the District, the District's expected cash position and results of cash receipts and disbursements for the projection period for the Debt Service Fund. Accordingly, the projection reflects Management's judgement, as of February 17, 2003, the date of this projection, of the expected conditions within the District and the District's expected course of action based upon such conditions for these funds.

The projection anticipates that the Series 2003 Bond proceeds, and any interest earned thereon, will be used to pay the bond issuance costs, original issue discount, capitalized interest and to reimburse Buckhorn Valley Metropolitan District No. 1 for a portion of the eligible capital outlay costs incurred by District No. 1 and/or to pay the debt service on or the redemption of the Series 2003 Bonds.

The assumptions disclosed herein are those that Management believes are significant to the projection, however, they are not all-inclusive. There usually will still 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 2002 dollars except that the market values of residential market prices are assumed to increase 2% per year throughout the projection period. The market value increases will be recognized as a 4% biennial increase pursuant to the biennial reassessment of property by Colorado statute. The residential assessment rate is assumed to decline as described in Note 5.

NOTE 2) ORGANIZATION

The District was created in conjunction with Buckhorn Valley Metropolitan District No. 1. The District was created to be the financing district and Buckhorn Valley Metropolitan District No. 1 ("District No. 1") was created to be the service

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

March 3, 2003

district to serve the needs of the Buckhorn Valley development (the "Development"), a master planned residential development in the Town of Gypsum (the "Town"), in Eagle County (the "County"), Colorado.

The Development includes 368.00 acres, some 366.78 acres of which comprise the District and 1.22 acres comprise District No. 1. Only the area within the District is planned for development. The Development is located in the eastern portion of the Town of Gypsum approximately 40 miles west of Vail, Colorado in the Vail Valley of the central Rocky Mountains.

The Districts are quasi-municipal corporations and political subdivisions of the State of Colorado created pursuant to the Special District Act, Colorado Revised Statutes Title 32 for the purpose of financing and constructing public improvements and for dedicating, when appropriate, such public improvements to the Town, or to such other entity as appropriate for the use and benefit of the Districts' residents and property owners. The creation of the Districts was ordered in May 2000 by the Eagle County District Court after the approval by the proposed Districts' electors at elections held for that purpose. The Town Council approved annexation of the Development in 2000.

The Districts were organized under a consolidated service plan dated January 11, 2000 (the "Service Plan") approved by the Town and are intended to provide, in a cooperative manner, certain essential public-purpose services and facilities for the use and benefit of their property owners, inhabitants and taxpayers, all in accordance with the laws of the State of Colorado. The types of services and facilities that the Districts have the power to provide include streets, park and recreation, traffic and safety controls, sanitation, water, television relay and translator and mosquito and pest control. The Districts have entered into various intergovernmental agreements between and among themselves and with other governmental entities in order to effectively and efficiently provide services and facilities to current and future residents and property owners in the Districts.

The district has no employees and all operations and administrative functions are contracted.

NOTE 3) BOARD OF DIRECTORS

The members of the Board of Directors of the District are employees or principals of the company that intends to develop the land included within the boundaries of the District. The developer of the District is Roark Partners LLLP (the "Developer"), a Colorado limited liability partnership.

SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS AND ACCOUNTING POLICIES

March 3, 2003

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 allowed by generally accepted accounting principles under which the District will prepare its financial statements.

NOTE 5) PROPERTY TAXES

The District's primary source of revenues (cash receipts) will be ad valorem property taxes. The property taxes are based on the assessed valuation of the property within the District as determined by the Eagle County Assessor and the mill levy rate as established on an annual basis by the District's Board of Directors and set by the Eagle County Board of Commissioners. A mill is 1/1,000 of the assessed valuation.

The projection is based on the District setting its 2002 mill levy rate (for collection in 2003) at 35 mills for general obligation bond debt service purposes and at 5 mills for service costs pursuant to an intergovernmental agreement with District No. 1. The projection assumes that the 2002 mill levy has not been adjusted according to the provisions of the Colorado Gallagher Amendment but that future mill levies will be adjusted for the Gallagher Amendment.

The Gallagher Amendment requires that State-wide residential assessed values must be approximately 45% of the total assessed values in the State with commercial and other assessed values making up the other 55% of the assessed values in the State. In order to maintain this 45%/55% ratio, the commercial assessment rate is established at 29% of the actual value of commercial property (including vacant land and developed lots) and the residential assessment rate fluctuates. The actual (market) value of residential property in the State has been increasing more rapidly than the actual (market) value of non-residential property which has been causing the residential assessment rate to decline. The Colorado Legislative Council Staff's current forecast as contained in their report, *Colorado Legislative Council Staff Forecasts, 2002-2008* prepared in December 2002 forecasts that the residential assessment rate will decline from the current rate of 9.15% to 8.13% in 2003 (for tax collections in 2004), to 7.68% in 2005 and to 7.33% in 2007. These residential assessment rates have been used in the projection.

Additionally, the projection anticipates that the residential assessment rate will decline to 6.96% in 2009, 6.62% in 2011, 6.42% in 2013, 6.22% in 2015, 6.16%

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

in 2017 and 6.10% in 2019. The residential assessment rate has been assumed to remain constant at 6.10% after 2019. The estimates of the residential assessment rate, as reflected in the projection, are projections only and may or may not occur as projected.

The projected assessed valuation of the District is based on the anticipated development of lots and construction of homes and the sale of the completed homes (or certain lots may be sold as developed lots) at the times and for the prices as projected by the Developer. At build-out, the District is expected to contain 613 single-family homes and 286 multi-family units. There is no assurance that the build-out of the District will occur at the rate or to the extent anticipated in the projection or that homes and lots can be sold for the prices anticipated.

The projection does not include any assessed valuation for State Assessed property that may be constructed or owned by public utilities in the District.

NOTE 6) SPECIFIC OWNERSHIP TAXES

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on automobile licensing within the County as a whole. The specific ownership taxes collected are allocated by the County Treasurer proportionately to all property taxing entities within the County. The District's share of specific ownership taxes have been assumed to be 6% of the property taxes collected.

NOTE 7) TREASURER'S FEES

The property taxes in the projection have been reduced by the Eagle County Treasurer's fee which is presently 3% of the property taxes.

NOTE 8) INTEREST INCOME

The projection anticipates that interest will be earned at a rate of 3% on the cumulative surplus existing at the end of the prior year except for the portion of the surplus that is derived from capitalized interest which is projected to earn interest at the rate of 2%.

NOTE 9) INFRASTRUCTURE IMPROVEMENTS

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

The infrastructure improvements for the Development will either be constructed by District No. 1 or District No. 1 will acquire the improvements from the Developer after the Developer has constructed the improvements. The proceeds of the Series 2003 Bonds will be used first to pay the cost of issuance and capitalized interest. The remaining bond proceeds will be deposited into a construction fund escrow account and may be withdrawn by the District at the rate of \$9,500 per building permit issued for construction in the Development. The funds withdrawn from the construction fund escrow account will be used by the District to reimburse District No. 1 for the eligible costs of constructing or acquiring the infrastructure improvements. All funds remaining in the construction fund escrow account on September 1, 2007 shall be used for a mandatory extraordinary redemption to redeem a portion of the outstanding Series 2003 bonds. The projection reflects the District's Debt Service Fund only and accordingly does not reflect the deposit of the bond proceeds into the construction fund escrow account or the withdrawal of funds from that account.

NOTE 10) DEBT SERVICE

Series 2003 Bonds

The projection anticipates the issuance by the District of \$2.5 million of general obligation limited tax bonds to be dated March 1, 2003 (the "Series 2003 Bonds"). The proceeds of the bonds will be used to pay the issuance costs and capitalized interest and all remaining funds will be deposited into a construction fund escrow account. The capitalized interest will pay the debt service on the Series 2003 bonds for 2003, 2004 and 2005. The funds deposited into the construction fund escrow account may be withdrawn by the District at the rate of \$9,500 per building permit issued and used to reimburse District No. 1 for a portion of the eligible costs of constructing or acquiring the infrastructure improvements.

The Series 2003 Bonds are assumed to bear interest at a rate of 7% per annum with the first payment becoming due on June 1, 2003. The bonds are amortized over 30 years with a balloon payment for the unamortized balance at the end of 20 years. The projection assumes that the balloon payment due at the end of 20 years will be refinanced at 7% and amortized with final maturity being due on December 1, 2032.

The bonds are anticipated to be subject to redemption prior to maturity, at the option of the District, beginning on a date to be specified in the resolution authorizing the issuance of the bonds and any date thereafter upon payment of the

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

par amount of the bond, accrued interest and a redemption premium as specified in the resolution authorizing the issuance of the bonds. All funds remaining in the construction fund escrow account on September 1, 2007 shall be used for a mandatory extraordinary redemption of a portion of the outstanding bonds.

Series 2005 Bonds

The projection anticipates the issuance by the District of \$3.0 million of general obligation limited tax bonds to be dated December 1, 2005 (the "Series 2005 Bonds"). The proceeds of the bonds will be used to pay the issuance costs and capitalized interest and all remaining funds will be used to reimburse District No. 1 for a portion of the eligible costs of constructing or acquiring the infrastructure improvements. The capitalized interest will pay the debt service on the Series 2005 bonds for 2006, 2007 and 2008.

The Series 2005 Bonds are assumed to start interest repayments on June 1, 2006 and are payable over 30 years with a final maturity being due on December 1, 2035. The bonds are assumed to bear interest at the rate of 7% per annum.

Series 2008 Bonds

The projection anticipates the issuance by the District of \$5.3 million of general obligation limited tax bonds to be dated December 1, 2008 (the "Series 2008 Bonds"). The proceeds of the bonds will be used to pay the issuance costs and capitalized interest and all remaining funds will be used to reimburse District No. 1 for a portion of the eligible costs of constructing or acquiring the infrastructure improvements. The capitalized interest will pay the debt service on the Series 2008 bonds for 2009, 2010 and 2011.

The Series 2005 Bonds are assumed to start interest repayments on June 1, 2006 and are payable over 30 years with a final maturity being due on December 1, 2038. The bonds are assumed to bear interest at the rate of 7% per annum.

The bond repayment schedules used in the projection has been provided by Kirkpatrick Pettis, the proposed underwriter of the proposed bond issue.

NOTE 11) IGA OBLIGATION FOR SERVICES

The District has entered into an intergovernmental agreement (IGA) with District No. 1 whereby District No. 1 is obligated to provide services to the District and the District is required to pay District No. 1 for the cost of providing such

**SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

services. The projection anticipates that the services to be provided by District No. 1 will cost 5 mills initially with such mill levy rate to be adjusted for the Gallagher Amendment in the same manner the general obligation bond debt service mill levy rate will be adjusted.

APPENDIX B

BOND REPAYMENT SENSITIVITY ANALYSIS

ROBERTSON & MARCHETTI, P.C.

Certified Public Accountants

March 3, 2003

Board of Directors
Buckhorn Valley Metropolitan District No. 2
Eagle County, Colorado

I have compiled the accompanying projected bond repayment sensitivity analysis of Buckhorn Valley Metropolitan District No. 2 for the Debt Service Fund beginning with calendar year 2003 and for the 36 subsequent calendar years ending on December 31, in accordance with attestation guidelines established by the American Institute of Certified Public Accountants.

This report and the accompanying projected bond repayment sensitivity analysis 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 2002 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 and does not include evaluation of the support for the assumptions underlying the projections. I have not examined the projection and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements 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. I have no responsibility to update this report for events and circumstances occurring after the date of this report.

As discussed in Note 4, the projection is presented on the cash basis of accounting for the Debt Service Fund only, whereas the historical financial statements for the projection period are expected to be presented in conformity with generally accepted accounting principles for all the funds of the District by fund type on the modified accrual basis of accounting and government-wide financial statements to be presented for the entire District on the accrual basis of accounting. 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. If the AICPA presentation guidelines were followed, the projection would indicate that the presentation reflects the cash balance and cash received and disbursed rather than the fund balance and revenue and expenditures that would be recognized under generally accepted accounting principles based on the modified accrual basis of accounting.

Robertson & Marchetti, PC



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President

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BUCKHORN VALLEY METRO DISTRICT NO. 2
 BOND REPAYMENT SENSITIVITY ANALYSIS
 DEBT SERVICE FUND ONLY

03/03/03 Date Printed

Year Assessed	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Year Lots Developed/Homes Constructed	15	10	15	17	20	20	20	20	20	20	20	20	20	20	20
Year Taxes Collected	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
LOT INVENTORY															
Lots Developed - Type I		10	15	17	20										
Lots Developed - Type II		10	12	18											
Lots Developed - Type III		5	8	10											
Lots Developed - Type IV		4	16	20											
Homes Built - Type I		(15)	(10)	(15)	(17)										
Homes Built - Type II			(10)	(12)	(18)										
Homes Built - Type III			(5)	(8)	(10)										
Homes Built - Type IV			(4)	(16)	(20)										
Inventory of Developed Lots - Type I	15	10	15	17											
Inventory of Developed Lots - Type II	-	10	12	18											
Inventory of Developed Lots - Type III	-	5	8	10											
Inventory of Developed Lots - Type IV	-	4	16	20											
COMPLETED HOMES															
Ending Completed Homes - Type I	31	46	56	71	88	88	88	88	88	88	88	88	88	88	88
Ending Completed Homes - Type II	5	5	15	27	45	45	45	45	45	45	45	45	45	45	45
Ending Completed Homes - Type III	5	5	10	18	28	28	28	28	28	28	28	28	28	28	28
Ending Completed Homes - Type IV	-	-	4	20	40	40	40	40	40	40	40	40	40	40	40
Total Homes (Cumulative)	41	56	85	136	201	201	201	201	201	201	201	201	201	201	201
LOT AND HOME VALUES															
Lot Value - Type I	57,000	60,000	60,000	62,400	62,400	64,896	64,896	67,482	67,482	70,192	70,192	72,999	72,999	72,999	72,999
Lot Value - Type II	80,000	68,750	68,750	71,500	71,500	74,360	74,360	77,334	77,334	80,428	80,428	83,645	83,645	83,645	83,645
Lot Value - Type III	65,000	73,750	73,750	76,700	76,700	79,768	79,768	82,959	82,959	86,277	86,277	89,728	89,728	89,728	89,728
Lot Value - Type IV	200,000	52,500	52,500	54,600	54,600	56,784	56,784	59,055	59,055	61,418	61,418	63,874	63,874	63,874	63,874
Home Value - Type I	228,000	228,000	228,000	237,120	237,120	246,605	246,605	256,489	256,489	266,728	266,728	277,387	277,387	277,387	277,387
Home Value - Type II	261,250	261,250	261,250	271,700	271,700	282,568	282,568	293,871	293,871	305,626	305,626	317,851	317,851	317,851	317,851
Home Value - Type III	280,250	280,250	280,250	291,460	291,460	303,118	303,118	315,243	315,243	327,853	327,853	340,967	340,967	340,967	340,967
Home Value - Type IV	199,500	199,500	199,500	207,480	207,480	215,779	215,779	224,410	224,410	233,387	233,387	242,722	242,722	242,722	242,722
AGGREGATE ACTUAL VALUE															
Lots Actual Value - Type I	855,000	600,000	900,000	1,060,800											
Lots Actual Value - Type II	-	687,500	825,000	1,287,000											
Lots Actual Value - Type III	-	368,750	590,000	767,000											
Lots Actual Value - Type IV	-	210,000	840,000	1,092,000											
Homes Actual Value - Type I	6,200,000	10,488,000	12,768,000	16,835,520	20,866,560	21,701,222	21,701,222	22,569,271	22,569,271	23,472,042	23,472,042	24,410,924	24,410,924	24,410,924	24,410,924
Homes Actual Value - Type II	-	1,306,250	3,918,750	7,335,900	12,226,500	12,715,580	12,715,580	13,224,182	13,224,182	13,753,150	13,753,150	14,303,276	14,303,276	14,303,276	14,303,276
Homes Actual Value - Type III	-	1,401,250	2,802,500	5,246,280	8,160,880	8,487,315	8,487,315	8,826,808	8,826,808	9,179,880	9,179,880	9,547,075	9,547,075	9,547,075	9,547,075
Homes Actual Value - Type IV	-	-	798,000	4,149,600	8,299,200	8,631,168	8,631,168	8,976,415	8,976,415	9,335,471	9,335,471	9,708,860	9,708,860	9,708,860	9,708,860
ASSESSMENT RATIOS															
Commercial	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Residential	9.15%	8.13%	8.13%	7.68%	7.68%	7.33%	7.33%	6.96%	6.96%	6.62%	6.62%	6.42%	6.42%	6.42%	6.42%
Change in Residential Assessment Ratio		89%	89%	94%	94%	95%	95%	95%	95%	95%	95%	97%	97%	97%	97%

**BUCKHORN VALLEY METRO DISTRICT NO. 2
BOND REPAYMENT SENSITIVITY ANALYSIS
DEBT SERVICE FUND ONLY**

Year Lots Developed/Homes Constructed	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Assessed	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	
Year Taxes Collected	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028		
LOT INVENTORY															
Lots Developed - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Developed - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Developed - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Developed - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Built - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Inventory of Developed Lots - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

COMPLETED HOMES

Ending Completed Homes - Type I	88	88	88	88	88	88	88	88	88	88	88	88	88	88	88
Ending Completed Homes - Type II	45	45	45	45	45	45	45	45	45	45	45	45	45	45	45
Ending Completed Homes - Type III	28	28	28	28	28	28	28	28	28	28	28	28	28	28	28
Ending Completed Homes - Type IV	40	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Total Homes (Cumulative)	201	201	201	201	201	201	201	201	201	201	201	201	201	201	201

LOT AND HOME VALUES

Lot Value - Type I	75,919	75,919	78,956	78,956	82,114	82,114	85,399	85,399	88,815	88,815	92,367	92,367	92,367	96,062	96,062
Lot Value - Type II	86,991	86,991	90,470	90,470	94,089	94,089	97,853	97,853	101,767	101,767	105,837	105,837	105,837	110,071	110,071
Lot Value - Type III	93,317	93,317	97,050	97,050	100,932	100,932	104,969	104,969	109,168	109,168	113,535	113,535	113,535	118,076	118,076
Lot Value - Type IV	66,429	66,429	69,086	69,086	71,850	71,850	74,724	74,724	77,713	77,713	80,821	80,821	80,821	84,054	84,054
Home Value - Type I	288,493	288,493	300,032	300,032	312,034	312,034	324,515	324,515	337,496	337,496	350,996	350,996	350,996	365,035	365,035
Home Value - Type II	330,565	330,565	343,787	343,787	357,539	357,539	371,840	371,840	386,714	386,714	402,182	402,182	402,182	418,270	418,270
Home Value - Type III	354,606	354,606	368,790	368,790	383,541	383,541	398,883	398,883	414,838	414,838	431,432	431,432	431,432	448,689	448,689
Home Value - Type IV	252,431	252,431	262,528	262,528	273,030	273,030	283,951	283,951	295,309	295,309	307,121	307,121	307,121	319,406	319,406

AGGREGATE ACTUAL VALUE

Lots Actual Value - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Actual Value - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Actual Value - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Actual Value - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Actual Value - Type I	25,387,361	25,387,361	26,402,855	26,402,855	27,458,989	27,458,989	28,557,328	28,557,328	29,699,621	29,699,621	30,887,606	30,887,606	30,887,606	32,123,110	32,123,110
Homes Actual Value - Type II	14,876,407	14,876,407	15,470,423	15,470,423	16,089,240	16,089,240	16,732,809	16,732,809	17,402,122	17,402,122	18,098,207	18,098,207	18,098,207	18,822,135	18,822,135
Homes Actual Value - Type III	9,928,958	9,928,958	10,326,117	10,326,117	10,738,161	10,738,161	11,168,728	11,168,728	11,615,477	11,615,477	12,080,096	12,080,096	12,080,096	12,563,300	12,563,300
Homes Actual Value - Type IV	10,097,246	10,097,246	10,501,136	10,501,136	10,921,181	10,921,181	11,358,028	11,358,028	11,812,349	11,812,349	12,284,843	12,284,843	12,284,843	12,776,237	12,776,237

ASSESSMENT RATIOS

Commercial	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Residential	6.22%	6.22%	6.16%	6.16%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%
Change in Residential Assessment Ratio	97%	99%	99%	99%	99%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%

BUCKHORN VALLEY METRO DISTRICT NO. 2
 BOND REPAYMENT SENSITIVITY ANALYSIS
 DEBT SERVICE FUND ONLY

Year	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	Total
Year Lots Developed/Homes Constructed														
Year Assessed														
Year Taxes Collected														
LOT INVENTORY														
Lots Developed - Type I														57
Lots Developed - Type II														40
Lots Developed - Type III														23
Lots Developed - Type IV														40
Homes Built - Type I														(57)
Homes Built - Type II														(40)
Homes Built - Type III														(23)
Homes Built - Type IV														(40)

Inventory of Developed Lots - Type I
 Inventory of Developed Lots - Type II
 Inventory of Developed Lots - Type III
 Inventory of Developed Lots - Type IV

COMPLETED HOMES

Ending Completed Homes - Type I	88	88	88	88	88	88	88	88	88	88	88	88	88	88
Ending Completed Homes - Type II	45	45	45	45	45	45	45	45	45	45	45	45	45	45
Ending Completed Homes - Type III	28	28	28	28	28	28	28	28	28	28	28	28	28	28
Ending Completed Homes - Type IV	40	40	40	40	40	40	40	40	40	40	40	40	40	40
Total Homes (Cumulative)	201	201	201	201	201	201	201	201	201	201	201	201	201	201

LOT AND HOME VALUES

Lot Value - Type I	96,062	99,904	99,904	103,901	103,901	108,057	108,057	112,379	112,379	116,874	116,874	116,874	116,874	116,874
Lot Value - Type II	110,071	114,474	114,474	119,053	119,053	123,815	123,815	128,767	128,767	133,918	133,918	133,918	133,918	133,918
Lot Value - Type III	118,076	122,799	122,799	127,711	127,711	132,820	132,820	138,132	138,132	143,658	143,658	143,658	143,658	143,658
Lot Value - Type IV	84,054	87,416	87,416	90,913	90,913	94,550	94,550	98,332	98,332	102,265	102,265	102,265	102,265	102,265
Home Value - Type I	365,035	379,637	379,637	394,822	394,822	410,615	410,615	427,040	427,040	444,121	444,121	444,121	444,121	444,121
Home Value - Type II	418,270	435,000	435,000	452,400	452,400	470,496	470,496	489,316	489,316	508,889	508,889	508,889	508,889	508,889
Home Value - Type III	448,689	466,637	466,637	485,302	485,302	504,714	504,714	524,903	524,903	545,899	545,899	545,899	545,899	545,899
Home Value - Type IV	319,406	332,182	332,182	345,469	345,469	359,288	359,288	373,660	373,660	388,606	388,606	388,606	388,606	388,606

AGGREGATE ACTUAL VALUE

Lots Actual Value - Type I														
Lots Actual Value - Type II														
Lots Actual Value - Type III														
Lots Actual Value - Type IV														
Homes Actual Value - Type I	32,123,110	33,408,035	33,408,035	34,744,356	34,744,356	36,134,130	36,134,130	37,579,496	37,579,496	39,082,676	39,082,676	39,082,676	39,082,676	39,082,676
Homes Actual Value - Type II	18,822,135	19,575,020	19,575,020	20,358,021	20,358,021	21,172,342	21,172,342	22,019,236	22,019,236	22,900,005	22,900,005	22,900,005	22,900,005	22,900,005
Homes Actual Value - Type III	12,563,300	13,065,832	13,065,832	13,588,465	13,588,465	14,132,004	14,132,004	14,697,284	14,697,284	15,285,175	15,285,175	15,285,175	15,285,175	15,285,175
Homes Actual Value - Type IV	12,776,237	13,287,287	13,287,287	13,818,778	13,818,778	14,371,529	14,371,529	14,946,390	14,946,390	15,544,246	15,544,246	15,544,246	15,544,246	15,544,246

ASSESSMENT RATIOS

Commercial	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%	29.00%
Residential	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%	6.10%
Change in Residential Assessment Ratio	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

BUCKHORN VALLEY METRO DISTRICT NO. 2
BOND REPAYMENT SENSITIVITY ANALYSIS
DEBT SERVICE FUND ONLY

03/03/03 Date Printed

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Year Lots Developed/Homes Constructed															
Year Assessed	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	
Year Taxes Collected	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015		
ASSESSED VALUE															
Undeveloped Land Assessed Value	380,610	344,926	275,942	154,623	154,623	160,808	160,808	167,240	167,240	173,930	173,930	180,887	180,887	180,887	180,887
Lots Assessed Value - Type I	247,950	174,000	261,000	307,632	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type II	-	199,375	239,250	373,230	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type III	-	106,938	171,100	222,430	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type IV	-	60,900	243,600	316,080	-	-	-	-	-	-	-	-	-	-	-
Total Lots Assessed Value	247,950	541,213	914,950	1,219,972	-	-	-	-	-	-	-	-	-	-	-
Homes Assessed Value - Type I	567,300	852,674	1,038,038	1,292,968	1,602,552	1,590,700	1,590,700	1,571,611	1,571,611	1,552,752	1,552,752	1,566,416	1,566,416	1,566,416	1,566,416
Homes Assessed Value - Type II	-	106,198	318,594	563,397	938,985	932,051	932,051	920,866	920,866	909,816	909,816	917,822	917,822	917,822	917,822
Homes Assessed Value - Type III	-	113,922	227,843	402,914	626,756	622,120	622,120	614,655	614,655	607,279	607,279	612,623	612,623	612,623	612,623
Homes Assessed Value - Type IV	-	-	64,877	318,689	637,379	632,665	632,665	625,073	625,073	617,572	617,572	623,006	623,006	623,006	623,006
Total Homes Assessed Value	567,300	1,072,794	1,649,353	2,577,969	3,805,661	3,777,535	3,777,535	3,732,205	3,732,205	3,687,418	3,687,418	3,719,867	3,719,867	3,719,867	3,719,867
Homes Assessed Value w/ 9.15% Assmt Ratio	1,207,368	1,856,283	3,071,408	4,534,112	4,715,477	4,715,477	4,715,477	4,904,096	4,904,096	5,100,260	5,100,260	5,304,270	5,304,270	5,304,270	5,304,270
Total AV if Homes at 9.15%	2,093,529	3,047,175	4,446,003	4,446,003	4,688,735	4,876,285	4,876,285	5,071,336	5,071,336	5,274,190	5,274,190	5,485,157	5,485,157	5,485,157	5,485,157
Mill Levy w/o Gallagher Adjustment	35	35	35	35	35	35	35	35	35	35	35	35	35	35	35
Property Taxes w/o Gallagher Adjustment	73,274	106,651	155,610	164,106	170,670	170,670	170,670	177,497	177,497	184,597	184,597	191,980	191,980	191,980	191,980
Total Assessed Value	1,195,860	1,958,935	2,840,245	3,952,584	3,960,304	3,938,343	3,938,343	3,899,445	3,899,445	3,861,348	3,861,348	3,900,754	3,900,754	3,900,754	3,900,754
Debt Service Mill Levy	35,000	37,405	37,550	39,369	41,438	43,335	43,335	45,518	45,518	47,806	47,806	49,216	49,216	49,216	49,216
IGA Service Costs Mill Levy	5,000	5,344	5,364	5,624	5,920	6,191	6,191	6,503	6,503	6,829	6,829	7,031	7,031	7,031	7,031
REVENUES AND OTHER SOURCES OF FUNDS															
Property Taxes for Debt Service	41,855	73,274	106,651	155,608	164,107	170,668	170,668	177,495	177,495	184,596	184,596	191,980	191,980	191,980	191,980
Property Taxes for IGA Service Costs	5,979	10,469	15,235	22,229	23,445	24,382	24,382	25,358	25,358	26,369	26,369	27,426	27,426	27,426	27,426
Specific Ownership Taxes	2,511	4,396	6,399	9,337	9,846	10,240	10,240	10,650	10,650	11,076	11,076	11,519	11,519	11,519	11,519
Treasurers Fees	(1,256)	(2,198)	(3,200)	(4,668)	(4,923)	(5,120)	(5,120)	(5,325)	(5,325)	(5,538)	(5,538)	(5,759)	(5,759)	(5,759)	(5,759)
Interest Income	-	1,293	18,913	22,776	23,018	23,529	24,259	25,010	25,995	27,010	27,010	28,898	28,898	28,898	28,898
Capitalized Interest	7,038	4,517	1,906	-	-	-	-	-	-	-	-	-	-	-	-
Interest Income - Capitalized Interest	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Funds Available for Debt Service	56,128	602,318	145,905	205,282	215,493	223,700	224,429	233,188	234,173	243,512	235,400	244,344	244,315	244,315	244,315
DEBT SERVICE															
Series 2002 Total Debt Service	146,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	175,000	180,000	199,650	217,900	224,750	224,750	224,750
Series 2005 Total Debt Service	5,979	10,469	15,235	22,229	23,445	24,382	24,382	25,358	25,358	26,369	26,369	27,426	27,426	27,426	27,426
Series 2008 Total Debt Service	5,979	156,469	190,235	197,229	198,445	199,362	199,362	200,358	200,358	206,369	206,369	216,019	216,019	216,019	216,019
IGA Obligation For Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Debt Service	158,958	342,938	360,470	394,458	396,890	399,754	399,754	400,726	400,726	402,738	402,738	404,405	404,405	404,405	404,405
Annual Surplus	50,149	445,849	(44,330)	8,053	17,048	24,317	25,047	32,830	33,815	37,143	9,381	(982)	(982)	(982)	(982)
Cumulative Surplus Including Capitalized Interest	50,149	495,998	451,668	459,721	476,769	501,086	526,133	558,963	592,778	629,921	639,302	638,320	638,320	638,320	638,320

BUCKHORN VALLEY METRO DISTRICT NO. 2
 BOND REPAYMENT SENSITIVITY ANALYSIS
 DEBT SERVICE FUND ONLY

Year Assessed	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Year Lots Developed/Homes Constructed															
Year Taxes Collected	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028

ASSESSED VALUE	186,123	186,123	195,647	195,647	203,473	203,473	211,612	211,612	220,077	220,077	228,880	228,880	228,880	228,880	238,035
Undeveloped Land Assessed Value															

Lots Assessed Value - Type I	Lots Assessed Value - Type II	Lots Assessed Value - Type III	Lots Assessed Value - Type IV	Total Lots Assessed Value

Homes Assessed Value - Type I	Homes Assessed Value - Type II	Homes Assessed Value - Type III	Homes Assessed Value - Type IV	Total Homes Assessed Value
1,580,201	1,626,974	1,675,133	1,675,133	1,675,133
925,899	953,305	981,523	981,523	981,523
618,014	636,307	655,142	655,142	655,142
628,489	647,092	686,246	686,246	686,246
3,752,602	3,863,679	3,978,044	3,978,044	3,978,044

Homes Assessed Value w/ 9.15% Assmt Ratio	Total AV if Homes at 9.15%
5,516,441	5,704,563
5,704,563	5,932,746

Mill Levy w/o Gallagher Adjustment	Property Taxes w/o Gallagher Adjustment	Total Assessed Value
35	199,660	3,940,725
35	207,646	4,059,327

Debt Service Mill Levy	IGA Service Costs Mill Levy
50,666	7,238
7,238	7,308

REVENUES AND OTHER SOURCES OF FUNDS
199,661
28,523
11,980
(5,990)
18,914

Property Taxes for Debt Service	Property Taxes for IGA Service Costs	Specific Ownership Taxes	Treasurers Fees	Interest Income	Capitalized Interest	Interest Income - Capitalized Interest	Total Funds Available for Debt Service
207,647	29,666	12,459	(6,229)	18,514		262,084	
207,647	29,666	12,459	(6,229)	18,514		262,084	
207,647	29,666	12,459	(6,229)	18,514		262,084	
207,647	29,666	12,459	(6,229)	18,514		262,084	
207,647	29,666	12,459	(6,229)	18,514		262,084	

DEBT SERVICE
230,900
28,523
259,423
(6,336)
624,123

Series 2002 Total Debt Service	Series 2005 Total Debt Service	Series 2008 Total Debt Service	IGA Obligation For Services	Total Debt Service	Annual Surplus	Cumulative Surplus Including Capitalized Interest
242,300	239,300	274,385	276,685	246,200	244,600	247,100
242,300	239,300	274,385	276,685	246,200	244,600	247,100
242,300	239,300	274,385	276,685	246,200	244,600	247,100
242,300	239,300	274,385	276,685	246,200	244,600	247,100
242,300	239,300	274,385	276,685	246,200	244,600	247,100

BUCKHORN VALLEY METRO DISTRICT NO. 2
 BOND REPAYMENT SENSITIVITY ANALYSIS
 DEBT SERVICE FUND ONLY

	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	Total
Year Lots Developed/Homes Constructed														
Year Assessed	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	
Year Taxes Collected	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039		
ASSESSED VALUE	238,035	247,556	247,556	257,459	257,459	267,757	267,757	278,467	278,467	289,606	289,606	289,606	289,606	
Undeveloped Land Assessed Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type I	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type II	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type III	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lots Assessed Value - Type IV	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Lots Assessed Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Homes Assessed Value - Type I	1,959,669	2,038,055	2,038,055	2,119,578	2,119,578	2,204,361	2,204,361	2,292,535	2,292,535	2,384,236	2,384,236	2,384,236	2,384,236	
Homes Assessed Value - Type II	1,148,243	1,194,173	1,194,173	1,241,940	1,241,940	1,291,618	1,291,618	1,343,282	1,343,282	1,397,014	1,397,014	1,397,014	1,397,014	
Homes Assessed Value - Type III	766,423	797,080	797,080	828,964	828,964	862,122	862,122	896,607	896,607	932,471	932,471	932,471	932,471	
Homes Assessed Value - Type IV	779,414	810,590	810,590	843,014	843,014	876,734	876,734	911,804	911,804	948,276	948,276	948,276	948,276	
Total Homes Assessed Value	4,653,749	4,839,899	4,839,899	5,033,495	5,033,495	5,234,835	5,234,835	5,444,228	5,444,228	5,661,987	5,661,987	5,661,987	5,661,987	
Homes Assessed Value w/ 9.15% Assmt Ratio	6,980,058	7,259,260	7,259,260	7,549,630	7,549,630	7,851,615	7,851,615	8,165,680	8,165,680	8,492,307	8,492,307	8,492,307	8,492,307	
Total AV if Homes at 9.15%	7,218,093	7,508,816	7,508,816	7,807,089	7,807,089	8,119,373	8,119,373	8,444,477	8,444,477	8,781,913	8,781,913	8,781,913	8,781,913	
Mill Levy w/o Gallagher Adjustment	35	35	35	35	35	35	35	35	35	35	35	35	35	
Property Taxes w/o Gallagher Adjustment	252,633	262,739	262,739	273,248	273,248	284,178	284,178	295,545	295,545	307,367	307,367	307,367	307,367	
Total Assessed Value	4,891,784	5,087,455	5,087,455	5,290,954	5,290,954	5,502,592	5,502,592	5,722,695	5,722,695	5,951,603	5,951,603	5,951,603	5,951,603	
Debt Service Mill Levy	51,644	51,644	51,644	51,644	51,644	51,644	51,644	51,644	51,644	51,644	51,644	51,644	51,644	
IGA Service Costs Mill Levy	7,378	7,378	7,378	7,378	7,378	7,378	7,378	7,378	7,378	7,378	7,378	7,378	7,378	
REVENUES AND OTHER SOURCES OF FUNDS														
Property Taxes for Debt Service	252,631	262,737	262,737	273,246	273,246	284,176	284,176	295,543	295,543	307,365	307,365	307,365	307,365	
Property Taxes for IGA Service Costs	36,092	37,535	37,535	39,037	39,037	40,598	40,598	42,222	42,222	43,911	43,911	43,911	43,911	
Specific Ownership Taxes	15,158	15,764	15,764	16,395	16,395	17,051	17,051	17,733	17,733	18,442	18,442	18,442	18,442	
Treasurers Fees	(7,579)	(7,882)	(7,882)	(8,197)	(8,197)	(8,525)	(8,525)	(8,866)	(8,866)	(9,221)	(9,221)	(9,221)	(9,221)	
Interest Income	21,914	22,659	23,548	24,465	25,617	34,829	44,655	54,775	65,551	76,650	86,447	86,447	86,447	
Capitalized Interest														
Interest Income - Capitalized Interest														
Total Funds Available for Debt Service	318,216	330,813	331,702	344,945	346,097	368,128	377,954	401,407	412,182	437,146	448,943	448,943	448,943	
DEBT SERVICE														
Series 2002 Total Debt Service	257,300	263,650	263,600	267,500										
Series 2005 Total Debt Service														
Series 2008 Total Debt Service														
IGA Obligation For Services	36,092	37,535	37,535	39,037	39,037	40,598	40,598	42,222	42,222	43,911	43,911	43,911	43,911	
Total Debt Service	293,392	301,185	301,135	306,537	306,537	318,126	318,126	330,722	330,722	343,812	343,812	343,812	343,812	
Annual Surplus	24,824	29,628	30,566	38,408	307,060	327,530	337,356	359,185	369,960	393,235	393,235	393,235	393,235	
Cumulative Surplus including Capitalized Interest	755,300	784,928	815,494	853,902	1,160,963	1,488,493	1,825,849	2,185,033	2,554,993	2,948,229	3,353,261	3,353,261	3,353,261	

6,384,000

**BOND REPAYMENT SENSITIVITY ANALYSIS
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

NOTE 1) NATURE AND LIMITATION OF PROJECTION

This projection of financial information is for the purpose of a sensitivity analysis prepared in connection with the proposed issuance of General Obligation Limited Tax Bonds, Series 2003 (the "Series 2003 Bonds") of Buckhorn Valley Metropolitan District No. 2 (the "District"), located in Eagle County, Colorado. It is to display how the cash receipts and disbursements of the District will occur under the following assumptions, which are not all-inclusive.

This financial projection is intended to be used in conjunction with the Projected Cash Surplus Balances and Cash Receipts and Disbursements Report of even date herewith and this sensitivity analysis is intended to present, to the best knowledge and belief of Management of the District, the District's cash position and results of cash receipts and disbursements for the projection period for the Debt Service Fund based on the assumption that no homes are constructed after 2005 in the District. Accordingly, the projection reflects Management's judgement, as of February 17, 2003, the date of this projection, of the projected conditions within the District assuming that no homes are constructed after 2005 within the District and the District's expected course of action based upon such conditions.

The projection anticipates that the Series 2003 Bond proceeds, and any interest earned thereon, will be used to pay the bond issuance costs, original issue discount, capitalized interest and to reimburse Buckhorn Valley Metropolitan District No. 1 for a portion of the eligible capital outlay costs incurred by District No. 1 and/or to pay the debt service on or the redemption of the Series 2003 Bonds.

The assumptions disclosed herein are those that Management believes are significant to the projection, however, they are not all-inclusive. There usually will still 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 2002 dollars except that the market values of residential market prices are assumed to increase 2% per year throughout the projection period. The market value increases will be recognized as a 4% biennial increase pursuant to the biennial reassessment of property by Colorado statute. The residential assessment rate is assumed to decline as described in Note 5.

**BOND REPAYMENT SENSITIVITY ANALYSIS
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

NOTE 2) ORGANIZATION

The District was created in conjunction with Buckhorn Valley Metropolitan District No. 1. The District was created to be the financing district and Buckhorn Valley Metropolitan District No. 1 ("District No. 1") was created to be the service district to serve the needs of the Buckhorn Valley development (the "Development"), a master planned residential development in the Town of Gypsum (the "Town"), in Eagle County (the "County"), Colorado.

The Development includes 368.00 acres, some 366.78 acres of which comprise the District and 1.22 acres comprise District No. 1. Only the area within the District is planned for development. The Development is located in the eastern portion of the Town of Gypsum approximately 40 miles west of Vail, Colorado in the Vail Valley of the central Rocky Mountains.

The Districts are quasi-municipal corporations and political subdivisions of the State of Colorado created pursuant to the Special District Act, Colorado Revised Statutes Title 32 for the purpose of financing and constructing public improvements and for dedicating, when appropriate, such public improvements to the Town, or to such other entity as appropriate for the use and benefit of the Districts' residents and property owners. The creation of the Districts was ordered in May 2000 by the Eagle County District Court after the approval by the proposed Districts' electors at elections held for that purpose. The Town Council approved annexation of the Development in 2000.

The Districts were organized under a consolidated service plan dated January 11, 2000 (the "Service Plan") approved by the Town and are intended to provide, in a cooperative manner, certain essential public-purpose services and facilities for the use and benefit of their property owners, inhabitants and taxpayers, all in accordance with the laws of the State of Colorado. The types of services and facilities that the Districts have the power to provide include streets, park and recreation, traffic and safety controls, sanitation, water, television relay and translator and mosquito and pest control. The Districts have entered into various intergovernmental agreements between and among themselves and with other governmental entities in order to effectively and efficiently provide services and facilities to current and future residents and property owners in the Districts.

The district has no employees and all operations and administrative functions are contracted.

**BOND REPAYMENT SENSITIVITY ANALYSIS
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

NOTE 3) BOARD OF DIRECTORS

The members of the Board of Directors of the District are employees or principals of the company that intends to develop the land included within the boundaries of the District. The developer of the District is Roark Partners LLLP (the "Developer"), a Colorado limited liability partnership.

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 allowed by generally accepted accounting principles under which the District will prepare its financial statements.

NOTE 5) PROPERTY TAXES

The District's primary source of revenues (cash receipts) will be ad valorem property taxes. The property taxes are based on the assessed valuation of the property within the District as determined by the Eagle County Assessor and the mill levy rate as established on an annual basis by the District's Board of Directors and set by the Eagle County Board of Commissioners. A mill is 1/1,000 of the assessed valuation.

The projection is based on the District setting its 2002 mill levy rate (for collection in 2003) at 35 mills for general obligation bond debt service purposes and at 5 mills for service costs pursuant to an intergovernmental agreement with District No. 1. The projection assumes that the 2002 mill levy has not been adjusted according to the provisions of the Colorado Gallagher Amendment but that future mill levies will be adjusted for the Gallagher Amendment.

The Gallagher Amendment requires that State-wide residential assessed values must be approximately 45% of the total assessed values in the State with commercial and other assessed values making up the other 55% of the assessed values in the State. In order to maintain this 45%/55% ratio, the commercial assessment rate is established at 29% of the actual value of commercial property (including vacant land and developed lots) and the residential assessment rate fluctuates. The actual (market) value of residential property in the State has been increasing more rapidly than the actual (market) value of non-residential property which has been causing the residential assessment rate to decline. The Colorado Legislative Council Staff's current forecast as contained in their report, *Colorado Legislative Council Staff Forecasts, 2002-2008* prepared in December 2002

**BOND REPAYMENT SENSITIVITY ANALYSIS
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forecasts that the residential assessment rate will decline from the current rate of 9.15% to 8.13% in 2003 (for tax collections in 2004), to 7.68% in 2005 and to 7.33% in 2007. These residential assessment rates have been used in the projection.

Additionally, the projection anticipates that the residential assessment rate will decline to 6.96% in 2009, 6.62% in 2011, 6.42% in 2013, 6.22% in 2015, 6.16% in 2017 and 6.10% in 2019. The residential assessment rate has been assumed to remain constant at 6.10% after 2019. The estimates of the residential assessment rate, as reflected in the projection, are projections only and may or may not occur as projected.

The projected assessed valuation of the District is based on the anticipated development of lots and construction of homes and the sale of the completed homes (or certain lots may be sold as developed lots) at the times and for the prices as projected by the Developer. Under this sensitivity analysis, the District is expected to contain 161 single-family homes and 40 multi-family units. There is no assurance that the build-out of the District will occur at the rate or to the extent anticipated in the projection or that homes and lots can be sold for the prices anticipated.

The projection does not include any assessed valuation for State Assessed property that may be constructed or owned by public utilities in the District.

NOTE 6) SPECIFIC OWNERSHIP TAXES

Specific ownership taxes are set by the State and collected by the County Treasurer, primarily on automobile licensing within the County as a whole. The specific ownership taxes collected are allocated by the County Treasurer proportionately to all property taxing entities within the County. The District's share of specific ownership taxes have been assumed to be 6% of the property taxes collected.

NOTE 7) TREASURER'S FEES

The property taxes in the projection have been reduced by the Eagle County Treasurer's fee which is presently 3% of the property taxes.

NOTE 8) INTEREST INCOME

**BOND REPAYMENT SENSITIVITY ANALYSIS
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
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The projection anticipates that interest will be earned at a rate of 3% on the cumulative surplus existing at the end of the prior year except for the portion of the surplus that is derived from capitalized interest which is projected to earn interest at the rate of 2%.

NOTE 9) INFRASTRUCTURE IMPROVEMENTS

The infrastructure improvements for the Development will either be constructed by District No. 1 or District No. 1 will acquire the improvements from the Developer after the Developer has constructed the improvements. The proceeds of the Series 2003 Bonds will be used first to pay the cost of issuance and capitalized interest. The remaining bond proceeds will be deposited into a construction fund escrow account and may be withdrawn by the District at the rate of \$9,500 per building permit issued for construction in the Development. The funds withdrawn from the construction fund escrow account will be used by the District to reimburse District No. 1 for the eligible costs of constructing or acquiring the infrastructure improvements. All funds remaining in the construction fund escrow account on September 1, 2007 shall be used for a mandatory extraordinary redemption to redeem a portion of the outstanding Series 2003 bonds. The projection reflects the District's Debt Service Fund only and accordingly does not reflect the deposit of the bond proceeds into the construction fund escrow account or the withdrawal of funds from that account.

NOTE 10) DEBT SERVICE

Series 2003 Bonds

The projection anticipates the issuance by the District of \$2.5 million of general obligation limited tax bonds to be dated March 1, 2003 (the "Series 2003 Bonds"). The proceeds of the bonds will be used to pay the issuance costs and capitalized interest and all remaining funds will be deposited into a construction fund escrow account. The capitalized interest will pay the debt service on the Series 2003 bonds for 2003, 2004 and 2005. The funds deposited into the construction fund escrow account may be withdrawn by the District at the rate of \$9,500 per building permit issued and used to reimburse District No. 1 for a portion of the eligible costs of constructing or acquiring the infrastructure improvements.

The Series 2003 Bonds are assumed to bear interest at a rate of 7% per annum with the first payment becoming due on June 1, 2003. The bonds are amortized

**BOND REPAYMENT SENSITIVITY ANALYSIS
SUMMARY OF SIGNIFICANT PROJECTION ASSUMPTIONS
AND ACCOUNTING POLICIES**

March 3, 2003

over 30 years with a balloon payment for the unamortized balance at the end of 20 years. The projection assumes that the balloon payment due at the end of 20 years will be refinanced at 7% and amortized with final maturity being due on December 1, 2032.

The bonds are anticipated to be subject to redemption prior to maturity, at the option of the District, beginning on a date to be specified in the resolution authorizing the issuance of the bonds and any date thereafter upon payment of the par amount of the bond, accrued interest and a redemption premium as specified in the resolution authorizing the issuance of the bonds. All funds remaining in the construction fund escrow account on September 1, 2007 shall be used for a mandatory extraordinary redemption of a portion of the outstanding bonds.

This sensitivity analysis anticipates that the District will have no bond issues other than the Series 2003 Bonds.

NOTE 11) IGA OBLIGATION FOR SERVICES

The District has entered into an intergovernmental agreement (IGA) with District No. 1 whereby District No. 1 is obligated to provide services to the District and the District is required to pay District No. 1 for the cost of providing such services. The projection anticipates that the services to be provided by District No. 1 will cost 5 mills initially with such mill levy rate to be adjusted for the Gallagher Amendment in the same manner the general obligation bond debt service mill levy rate will be adjusted.