

NEW ISSUE
BOOK-ENTRY-ONLY

NOT RATED
BANK QUALIFIED

In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance by the District with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax. Such interest is also excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the Bonds. The District has designated the Bonds as "qualified tax-exempt obligations" under Section 265(b)(3) of the Tax Code. For a more complete description, see "TAX MATTERS."

\$7,370,000
BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
(in the Town of Gypsum)
EAGLE COUNTY, COLORADO
GENERAL OBLIGATION LIMITED TAX REFUNDING AND IMPROVEMENT BONDS
SERIES 2010

Dated: Date of Delivery

Due: December 1, as shown below

The Bonds are limited tax general obligations of the District issued on a parity basis with the District's General Obligation Limited Tax Bonds, Series 2003 currently outstanding in aggregate principal amount of \$2,060,000 (the "2003 Bonds"), secured by and payable from the Pledged Revenue, consisting of the moneys derived by the District from the following sources, net of any costs of collection: (a) the Required Mill Levy; (b) the Specific Ownership Tax; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund. The Bonds are also secured by the 2010 Reserve Fund. Under certain circumstances, moneys accumulated in the Surplus Account, if any, will be used to pay the Bonds. The District has covenanted to levy an ad valorem mill levy upon all taxable property of the District in an amount sufficient to pay the principal of, premium if any, and interest on the Bonds and the 2003 Bonds as the same become due and payable, to replenish the 2010 Reserve Fund to the Reserve Requirement, but not in excess of 40 mills (subject to adjustment for changes occurring after January 11, 2000 in the method of calculating assessed valuation, which, as currently adjusted, is 48.945 mills), and for so long as (i) the Surplus Account is less than the Maximum Surplus Amount of \$500,000 or (ii) the Series 2008 Subordinate Bonds are Outstanding, not less than 40 mills (subject to adjustment for changes occurring after January 11, 2000 in the method of calculating assessed valuation, which, as currently adjusted, is 48.945 mills). Capitalized terms used on the cover page of this Limited Offering Memorandum are defined in the Introduction and APPENDIX B herein.

The Bonds are being issued in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof as fully registered bonds. Interest on the Bonds is payable semiannually on June 1 and December 1 each year, commencing December 1, 2010, at the rates set forth below.

\$1,500,000 7.250% Term Bond due December 1, 2024 – Price 100.000% CUSIP 118383 AB4 ¹©

\$5,870,000 8.500% Term Bond due December 1, 2039 – Price 100.000% CUSIP 118383 AC2 ¹©

The Bonds are being issued pursuant to a Resolution dated as of May 13, 2010. UMB Bank, n.a. will act as Paying Agent and Registrar for the Bonds and DTC 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.

Proceeds from the sale of the Bonds will be used for the purposes of (a) paying or reimbursing a portion of the costs of acquiring, constructing, relocating, and installing certain public improvements and facilities; (b) refunding a portion of the District's outstanding Subordinate General Obligation Limited Tax Bonds, Series 2008 (the "2008 Subordinate Bonds") and refunding the Original Developer Note (collectively, the "Refunded Bonds") (c) funding the 2010 Reserve Fund; and (d) paying the costs of issuance of the Bonds and refunding the Refunded Bonds.

REPAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS IS SUBJECT TO A HIGH DEGREE OF INVESTMENT RISK. THE BONDS ARE BEING OFFERED AND SOLD ONLY TO A "FINANCIAL INSTITUTION OR INSTITUTIONAL INVESTOR" AS SUCH TERMS ARE DEFINED IN SECTION 32-1-103(6.5), COLORADO REVISED STATUTES, AS AMENDED. SEE "RISK FACTORS" HEREIN.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read this 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 Kutak Rock LLP, Denver, Colorado, as Bond Counsel, and certain other conditions. Certain matters will be passed upon by Icenogle, Norton, Smith, Gilida & Pogue, P.C., Denver, Colorado, as General Counsel to the District. Kutak Rock LLP, Denver, Colorado, has also acted as Special Counsel to the District for purposes of assisting the District with the preparation of this Limited Offering Memorandum. Peck, Shaffer & Williams LLP has served as counsel to the Underwriter. The Bonds are expected to be available for delivery through the facilities of DTC on or about May 25, 2010.

GEORGE K. BAUM & COMPANY
This Limited Offering Memorandum is dated May 20, 2010.

¹ The District takes no responsibility for the accuracy of the CUSIP numbers, which are included solely for the convenience of the owners of the Bonds.
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BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
(in the Town of Gypsum)
EAGLE COUNTY, COLORADO

Board of Directors

Samantha Gale, President
Gayl Hill, Secretary/Treasurer
David Garton, Jr., Assistant Secretary

General Counsel to the District

Icenogle, Norton, Smith, Gilida & Pogue, P.C.
Denver, Colorado

Underwriter

George K. Baum & Company
Denver, Colorado

Paying Agent and Escrow Agent

UMB Bank, n.a., Denver, Colorado

Bond/Special Counsel

Kutak Rock LLP
Denver, Colorado

Underwriter's Counsel

Peck, Shaffer & Williams 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.

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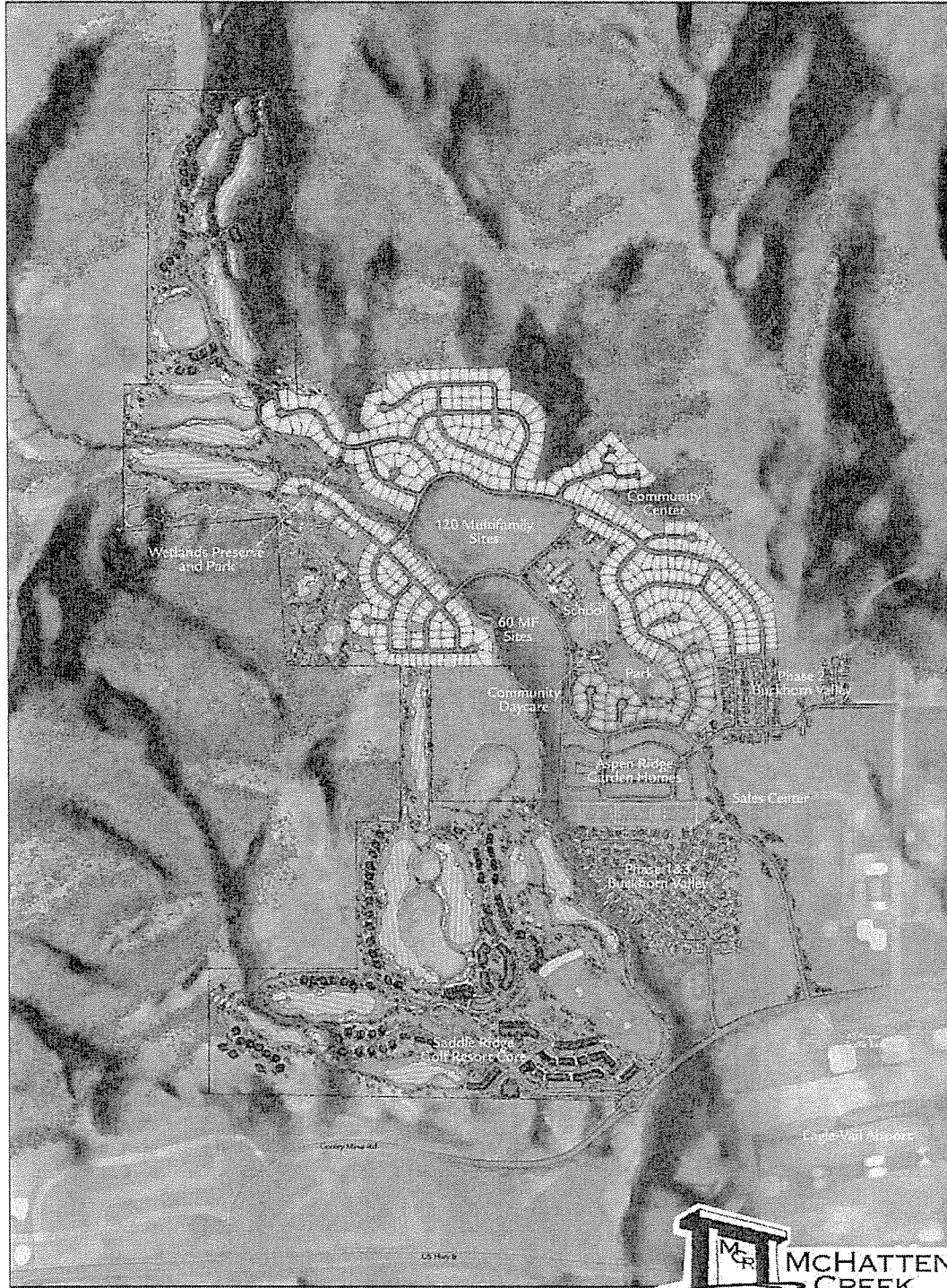
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Neither the Securities and Exchange Commission nor any securities regulatory authority of any state has approved or disapproved the Bonds or this Limited Offering Memorandum. Any representation to the contrary is unlawful.

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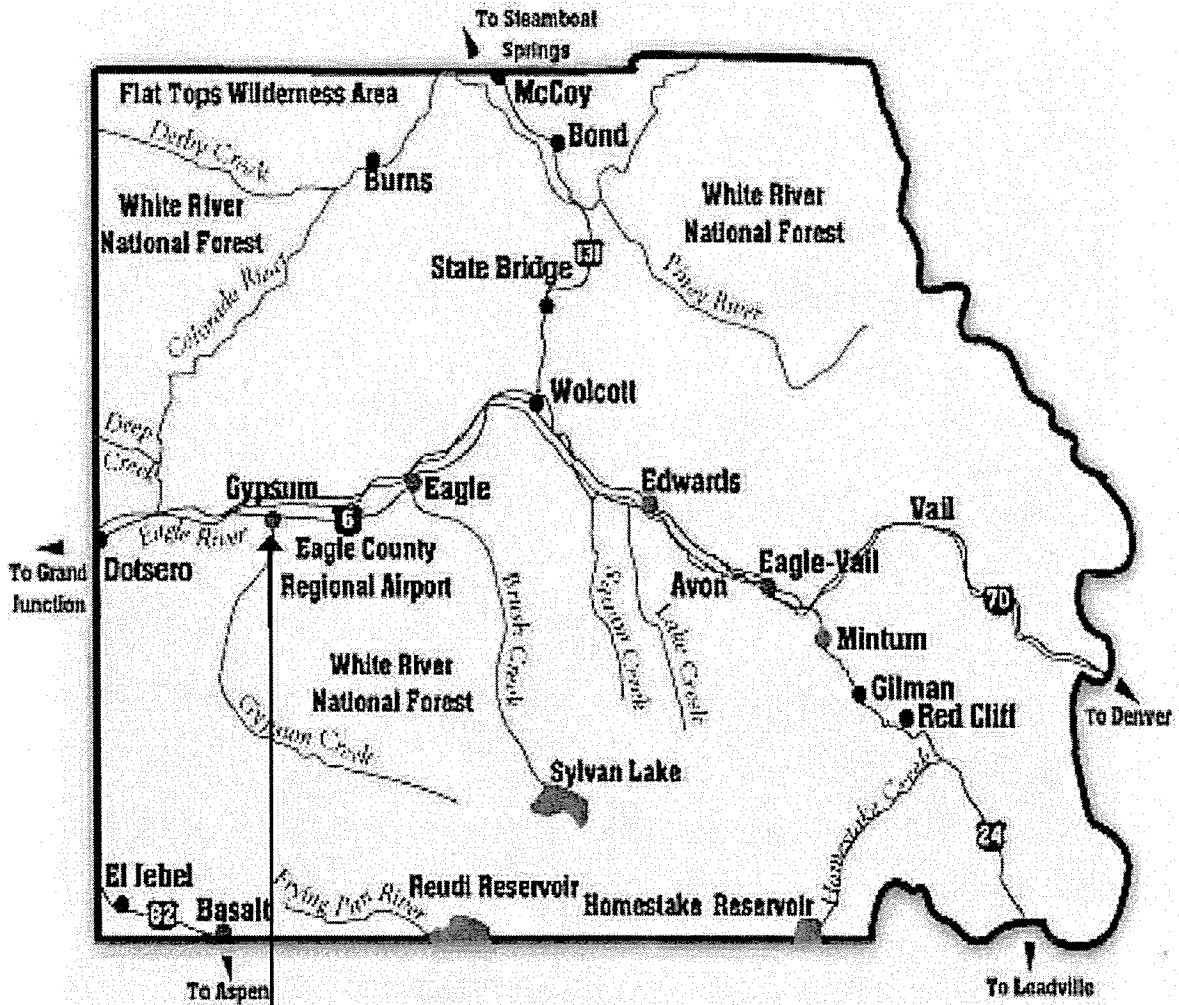
DEVELOPMENT COMMUNITY PLAN



CONCEPTUAL MASTER PLAN

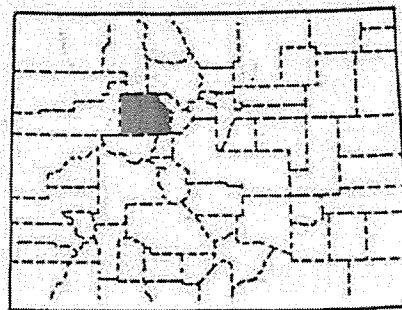


EAGLE COUNTY MAP

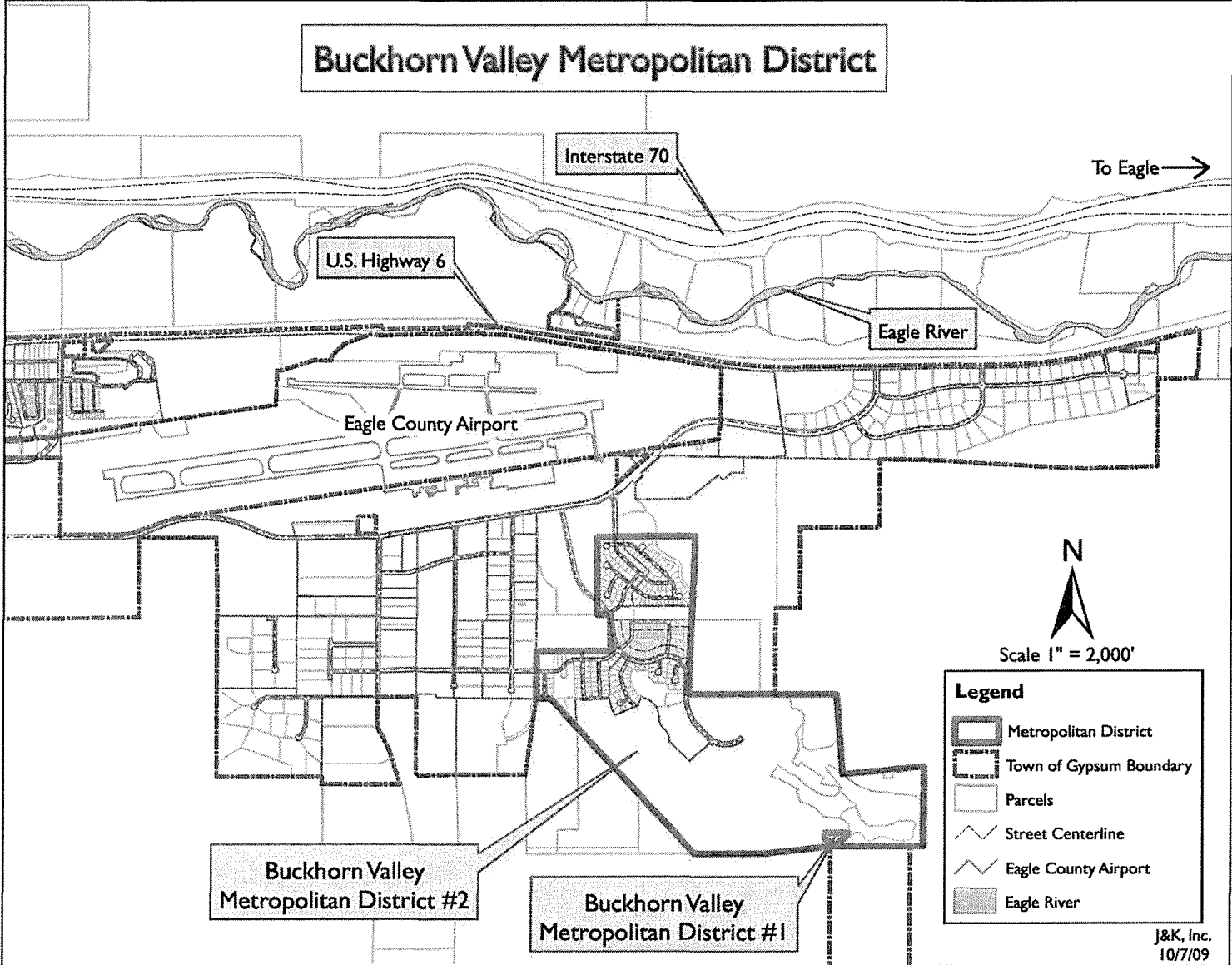


District
Vicinity

Colorado



Buckhorn Valley Metropolitan District



DISTRICT MAP

J&K, Inc.
10/7/09

INTRODUCTION

This Limited Offering Memorandum is furnished to prospective purchasers of \$7,370,000 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010 (the “Bonds” or the “2010 Bonds”), issued by Buckhorn Valley Metropolitan District No. 2 (the “District”), in the Town of Gypsum (the “Town”), Eagle County (the “County”), Colorado (the “State”). 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 District, the Developer (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.”

Capitalized terms used and not otherwise defined in this Limited Offering Memorandum have the respective meanings assigned to them in the “Selected Definitions” set forth in APPENDIX B hereto, 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.

District..... 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 the District, the “Districts”) in May 2000 to provide improvements within and without the boundaries of the Districts, and as part of a common plan to serve the needs of the Buckhorn Valley master planned residential development (the “Development”). Only the area within the District is planned for development, with District No. 1 being the service district. The District is located in the central Rocky Mountains, and is approximately one mile from the Eagle County Regional Airport, four miles from Interstate 70 and approximately 40 miles west of Vail, Colorado. See “THE DISTRICTS” and the preceding “DEVELOPMENT COMMUNITY PLAN,” “EAGLE COUNTY MAP” and “DISTRICT MAP.”

The Districts were organized pursuant to a consolidated service plan approved by the Town Council of Gypsum on January 11, 2000, as amended and restated by the 2009 Consolidated Service Plan for Buckhorn Valley Metropolitan District Nos. 1 and 2, dated July 14, 2009 and recorded August 6, 2009 (as replaced and superseded, the “Service Plan”) to provide street, drainage, traffic and safety control, transportation, water, sanitary sewage, television relay and translator, mosquito and pest control and park and recreation improvements and facilities within and without the Districts. See “THE DISTRICTS—Facilities and Services Provided by the Districts.”

The creation of the Districts was approved by the eligible electors of the Districts voting at the election held on May 2, 2000 (the “May 2000 Election”). The order and decrees creating the District and District No. 1 were entered by the Eagle County District Court on May 15, 2000 and May 17, 2000, respectively.

The Districts together encompass approximately 367.88 acres, with the District encompassing 366.78 acres and District No. 1 encompassing an additional 1.10 acres.

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—Agreements of the Districts” and “—Agreements of District No. 1.”

The Development;

Developer

The Development, the boundaries of which are generally coterminous with the boundaries of the District, is a residential planned unit development for which the PUD (defined herein) permits the construction of 899 residences, on approximately 223 acres, as well as related uses on approximately 145 acres, including an elementary school, an athletic field, bicycle paths, trails, parks and a lake. The Developer currently anticipates platting for 899 single family homes, including 699 single family detached homes and 200 single family attached homes. With respect to such homes, 212 lots have been platted pursuant to Filing Nos. 1 through 4 (each defined herein) and 110 lots (10 of which will include two residential units per lot, for a total of 120 residential units) have been platted pursuant to the Aspen Ridge Final Plat (defined herein). With respect to the approximately 567 remaining planned single family homes, it is anticipated that the land for such homes will be platted in phases as development progresses, and the current PUD accommodates the planned density for the 899 single family homes. The policy of the Town Council and planning department is to make allowances for density transfers within the PUD, so long as the maximum number of units is confined to 899 units. See “THE DEVELOPMENT—Annexation, Zoning, Land Use and Public Approvals—*Platting Phases*.”

Lot development and home construction within the Development is being carried out in phases. Lot development with respect to the 212 lots within Filing Nos. 1 through 4 was completed in four phases (“Phases 1 through 4,” respectively) by Roark Partners LLLP, a Colorado limited liability limited partnership (the “Original Developer”). The Original Developer sold the approximately 16.824 acres of raw land within the Aspen Ridge Final Plat (“Aspen Ridge”) to a third-party subdeveloper, Gypsum Aspen Ridge, LLC (“Gypsum LLC”), which subdeveloper has developed all 110 lots (10 of which include two single family attached homes per lot) and buildout is approximately 13% complete as of the date of this Limited Offering Memorandum. With respect to the

remaining 567 sites in the Development to be known as McHatten Creek Ranch at Buckhorn Valley, it is anticipated that all such lots will be finished by Buckhorn Valley Development LLC, a Texas limited liability company (the “Developer”) in five phases and sold to third party homebuilders for home construction, with “Phase 5” expected to consist of about 129 single family detached homes; “Phase 6” expected to consist of 180 single family attached homes; “Phase 7” expected to consist of 63 single family detached homes; “Phase 8” expected to consist of 91 single family detached homes; and “Phase 9” expected to consist of 104 single family detached homes.

As of the date of this Limited Offering Memorandum, approximately 182 lots of the 212 platted lots in Phases 1 through 4, have been sold or are under contract for homes for permanent residents, with fully completed single family homes on 177 of these lots, 173 of which have been sold to homeowners and the remaining four homes are for sale. There is currently one home under construction in Phases 4, with an additional 10-12 homes expected to be completed in the next six to eight months. Aspen Ridge is platted to include approximately 120 single family homes, including approximately 100 single family detached homes and 20 single family attached homes. As of the date of this Limited Offering Memorandum, the property within Aspen Ridge is owned by a third-party homebuilder, with 16 single family detached homes fully constructed. Home construction within Phases 5 through 9 is expected to occur as infrastructure development progresses. Complete buildout of the Development is anticipated in 2017.

According to the Developer, the development of public infrastructure necessary to serve the Development is being completed in phases to coincide with home construction. Construction of infrastructure necessary to serve Phases 1 through 4 and Aspen Ridge, encompassing approximately 332 single family homes, is complete. Construction of all water and sewer improvements necessary to serve Phases 5 through 9, is also complete. Development of the remaining public on-site infrastructure (including roads, curbs and gutters) necessary to serve the 567 planned homes in Phases 5 through 9 is expected to be completed in phases by 2015-2016 in conjunction with the completion of the Development. See “THE DEVELOPMENT—Public Infrastructure Status; Development Costs.”

Authority for Issuance..... The Bonds are issued in full conformity with the constitution and laws of the State of Colorado, including Title 11, Article 57, Part 2, Colorado Revised Statutes, as amended (the “Supplemental Public Securities Act”); Title 32, Article 1, Colorado Revised Statutes, as amended (the “Special District Act”); pursuant to an authorizing resolution adopted by the District’s Board of Directors (the “Board”) prior to the issuance of the Bonds (the “Resolution”) dated as of May 13, 2010; and pursuant to the District’s authorizing elections held on May 2, 2000 and November 7, 2000, respectively (together, the “Elections”).

At the Elections, the District's qualified voters voting at such elections approved indebtedness of \$40,090,000 for the purpose of financing the costs of acquiring, constructing, relocating, installing, completing, and otherwise providing public improvements within the District, including those improvements constituting the Project (as defined in APPENDIX B hereto), and indebtedness of \$42,560,000 for the purpose of refunding outstanding financial obligations of the District. See "DEBT STRUCTURE—General Obligation Debt" for a description of the District's remaining authorized but unissued voted debt authorization. The Service Plan, however, establishes a total debt limit for the District of \$26,000,000.

Sources of Payment..... The Bonds are limited tax general obligations of the District issued on a parity basis with the District's General Obligation Limited Tax Bonds, Series 2003 currently outstanding in aggregate principal amount of \$2,060,000 (the "2003 Bonds" and together with the 2010 Bonds, the "Senior Bonds"), secured by and payable from the Pledged Revenue, consisting of the moneys derived by the District from the following sources, net of any costs of collection (the "Pledged Revenue"): (a) the Required Mill Levy; (b) the Specific Ownership Tax; and (c) any other legally available moneys which the District determines, in its absolute discretion, to credit to the Bond Fund. The 2010 Bonds are also secured by the 2010 Reserve Fund. Under certain circumstances, moneys accumulated in the Surplus Account, if any, will be used to pay the Senior Bonds.

The District has covenanted to levy an ad valorem mill levy upon all taxable property of the District in an amount sufficient to pay the principal of, premium if any, and interest on the Senior Bonds as the same become due and payable, to replenish the 2010 Reserve Fund to the Reserve Requirement, but not in excess of 40 mills, subject to adjustment for changes occurring after January 11, 2000 (as currently adjusted, 48.945 mills), with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occurring which would alter the revenue received based on such debt service mill levy limit, in these events, the mill levy cap will be automatically adjusted so that the tax liability of individual property owners neither increases nor decreases as a result of any such changes, and for so long as the Surplus Account is less than the Maximum Surplus amount of \$500,000, not less than 40 mills (as currently adjusted, 48.945 mills), thereby maintaining a constant level of tax receipts of the District and overall tax payments from property owners. Capitalized terms used on the cover page of this Limited Offering Memorandum are defined in the Introduction or APPENDIX B herein. See "THE BONDS—Security for the Bonds" for definitions and descriptions of the Required Mill Levy, the Specific Ownership Tax, and other capitalized terms used above. Also see "DISTRICT FINANCIAL INFORMATION."

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.

Purpose Proceeds from the sale of the Bonds will be used for the purposes of: (a) paying or reimbursing a portion of the costs of acquiring, constructing, relocating, and installing certain public improvements and facilities; (b) refunding a portion of the District’s outstanding Subordinate General Obligation Limited Tax Bonds, Series 2008 (the “2008 Subordinate Bonds”) and refunding the Original Developer Note (collectively, the “Refunded Bonds”) (c) funding the 2010 Reserve Fund; and (d) paying the costs of issuance of the Bonds and refunding the Refunded Bonds.

Payment Provisions..... The Bonds mature and bear interest (computed on the basis of a 360-day year of twelve 30-day months) at the rate set forth on the cover page hereof. Interest on the Bonds is payable semiannually on June 1 and December 1 of each year, commencing on December 1, 2010. Payment of the principal of and interest on the Bonds will be made as described in “APPENDIX E—Book-Entry-Only System.”

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 denominations of \$500,000 in principal amount or integral multiples of \$1,000 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 whom 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 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 “APPENDIX E—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.

Exchange and Transfer While the Bonds remain in book-entry-only form, transfer of ownership by Beneficial Owners (as defined by the rules of DTC) may be made as

described under the caption “APPENDIX E—Book-Entry-Only System.”

Prior Redemption..... The Bonds are subject to optional and mandatory sinking fund redemption by the District as set forth in “THE BONDS—Prior Redemption.”

Registration

and Denominations The Bonds are being issued in fully registered form in denominations of \$500,000 or any integral multiple of \$1,000 in excess thereof.

Tax Status In the opinion of Kutak Rock LLP, Bond Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance by the District with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes, and is not a specific preference item for purposes of the federal alternative minimum tax. Such interest is also excluded from Colorado taxable income and Colorado alternative minimum taxable income under Colorado income tax laws in effect as of the date of delivery of the Bonds. The District has designated the Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Tax Code. See “TAX MATTERS.”

Continuing Disclosure

Obligation Although George K. Baum & Company (the “Underwriter”) has determined that the Bonds are exempt from the requirements of the Securities and Exchange Commission Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (“Rule 15c2-12”), the District and the Developer have agreed to provide certain information to the Trustee on a quarterly and/or annual basis for dissemination to each Beneficial Owner of the Bonds who has provided its name and address to the Trustee. The form of the Continuing Disclosure Agreement is attached as APPENDIX F hereto.

Financial Statements..... Appended hereto are the audited financial statements of the District as of and for the year ended December 31, 2008, being the most recent audited financial statements available for the District.

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” as defined in § 32-1-103(6.5), C.R.S. The Bonds are offered when, as, and if issued by the District and accepted by the Underwriter, subject to prior sale, approval of legality and other matters by Bond Counsel and certain other conditions. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about May 25, 2010.

Additional Information 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: Buckhorn Valley Metropolitan District No. 2, c/o Icenogle, Norton, Smith, Gilida & Pogue, P.C., 1331 Seventeenth Street, Suite 500, Denver, Colorado, Telephone: (303) 292-6400; or George K. Baum & Company, 1400 Wewatta Street, Suite 800, Denver, CO 80202, Denver, Colorado 80202, Telephone: (303) 292-1600.

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

District 2009 Assessed Valuation ¹	\$18,864,630.00
District 2009 Statutory “Actual” Valuation ¹	\$117,071,440.00
Estimated Population ²	606
Senior District General Obligation Debt Outstanding Upon Issuance of the Bonds ^{1,3}	\$9,430,000.00
Senior District Debt as a Ratio of:	
2009 Assessed Valuation ¹	50%
2009 Statutory “Actual” Valuation ¹	8%
Senior District Debt Per Capital ¹	\$15,561
Total District General Obligation Debt Outstanding Upon Issuance of the Bonds ^{1,4}	\$14,878,836.47
Total District Debt as a Ratio of:	
2009 Assessed Valuation ¹	79%
2009 Statutory “Actual” Valuation ¹	13%
Total District Debt Per Capital ¹	\$24,553.00
Estimated Overlapping General Obligation Debt ¹	\$1,210,771.00
Sum of District and Overlapping Debt.....	\$16,089,607.47
District and Overlapping Debt as a Ratio of:	
2009 Assessed Valuation ¹	85%
2009 Statutory “Actual” Valuation ¹	14%
District and Overlapping Debt Per Capita.....	\$26,551.00

¹ For definitions of and descriptions of the methodology used in computing assessed valuation, statutory “actual” value, estimated population, general obligation debt outstanding, and estimated overlapping general obligation debt, see “THE BONDS—Security for the Bonds,” “DISTRICT FINANCIAL INFORMATION” and “DEBT STRUCTURE.” See “DEBT STRUCTURE—General Obligation Debt” for information on historical debt ratios.

² Estimated based on an assumed population of approximately 3.5 persons for each single family home completed within the District (173).

³ Consists solely of the Bonds.

⁴ Represents the value at issuance of the Bonds, and consists of the Bonds and the District’s outstanding Subordinate General Obligation Limited Tax Bonds, Series 2008.

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

FORWARD-LOOKING STATEMENTS

This Limited Offering Memorandum, and particularly the information contained under the headings entitled “INTRODUCTION,” “RISK FACTORS,” “THE DISTRICTS” and “THE DEVELOPMENT,” 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 predict the expected development will not be realized and unanticipated events and circumstances will occur. Therefore, it can be expected that there will be differences between the expected development 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.”

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.

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.

General

The purchase of the Bonds involves certain risk factors 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 risk 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 a “financial institution or institutional investor” as defined in § 32-1-103(6.5), C.R.S.

Capitalized terms used and not otherwise defined in this Limited Offering Memorandum have the respective meanings set forth in APPENDIX B hereto.

Secondary Market; No Ratings

While the Underwriter expects, insofar as possible, to maintain a secondary market for the Bonds, no assurance can be given concerning the future existence of such a secondary market or its maintenance by the Underwriter or others at a particular price, and prospective purchasers of the Bonds should therefore be prepared, if necessary, to hold the Bonds to maturity or prior redemption. No application has been or is intended to be made to any securities rating agency for a rating of the Bonds.

Limited Tax Obligations; No Mortgage; No Conversion to Unlimited Mill Levy Pledge

The primary source of District revenue pledged for debt service is expected to be revenue generated from ad valorem taxes assessed against all taxable property of the District in an amount necessary to pay the principal of and interest on the Senior Bonds when due, subject, however, to the limitations of the Required Mill Levy. Holders of the Bonds cannot require the District to raise the mill levy above the maximum mill levy of 40 mills, subject to adjustment for changes occurring after January 11, 2000 (as currently adjusted 48.945 mills), with respect to the assessment of property for

taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occurring which would alter the revenue received based on such 40 mill debt service levy limit, in these events, the mill levy cap will be automatically adjusted so that the tax liability of individual property owners neither increases nor decreases as a result of any such changes, and for so long as the Surplus Account is less than the Maximum Surplus, not less than 40 mills (as currently adjusted 48.945 mills), thereby maintaining a constant level of tax receipts of the District and overall tax payments from property owners, for the payment of debt service on the Bonds, whether or not the tax revenues generated from the Required Mill Levy, together with the Specific Ownership Tax, are sufficient to pay the Bonds. The mill levy as currently adjusted is 48.945 mills. Such mill levy limitation is not subject to release upon the achievement of any particular assessed valuation of the District. See “THE BONDS—Security for the Bonds—*Definition of Required Mill Levy.*”

The District’s ability to retire the indebtedness created by the issuance of the Bonds is dependent, in part, upon continued assessed values being maintained and continued growth in development within the District and then maintenance of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Required Mill Levy. See “—Development Not Assured,” below; “THE BONDS—Security for the Bonds” herein.

In the event that the revenue derived from the Required Mill Levy and the other components of the Pledged Revenue is insufficient to pay the scheduled principal of and/or interest on the Bonds when due, the unpaid principal will continue to bear interest, and the unpaid interest will compound until the total repayment obligation of the District for the Bonds equals the amount permitted by law. During this period of accrual, so long as the District is enforcing collection of the Pledged Revenue the District will not be in default on the payment of such principal and interest, and the Owners will have no recourse against the District to require such payments (other than to require the District to continue to assess and enforce the Required Mill Levy and collect the revenue derived from such levy and the other components of the Pledged Revenue, to the extent permitted under the Service Plan and other applicable law). In addition, the District will not be liable to the Owners for unpaid principal and interest beyond the amount permitted by law and, upon payment of such permitted amount, it is possible that all Bonds may be deemed defeased. See “THE BONDS—Resolution Provisions—*Events of Default*” and “—*Remedies on Occurrence of Event of Default.*”

Payment of the principal of and interest on the Bonds is not secured by any deed of trust, mortgage or other lien or security interest on any property within the District or assets of the District

Development Not Assured

General. The District’s ability to collect ad valorem property tax revenue and Specific Ownership Tax revenue for timely payment of the Bonds depends, among other things, upon continued assessed valuation being maintained. At buildout, the District (which includes all of the Development) is expected to contain approximately 899 single family homes, including approximately 699 single family detached homes and 200 single family attached homes. As of the date of this Limited Offering Memorandum, approximately 193 of the 332 single family homes planned for Phases 1 through 4 and Aspen Ridge are fully constructed, with 189 sold or are under contract, including 173 homes in Phases 1 through 4, and 16 homes in Aspen Ridge. The four remaining constructed homes are located in Phases 1 through 4 and are for sale. There is currently one home under construction in Phase 4, and it is expected that an additional 10 to 12 homes are to be completed in the next six to eight months in Phases 1 through 4. Furthermore, approximately 10 lots within Phase 4 of the Development are under contract to various third party custom homebuilders for home construction. All home construction within the Development is anticipated to be completed by 2017.

PUD; Platting. As of the date of this Limited Offering Memorandum, the approximately 368 acres within the Development have been approved by the Town pursuant to the PUD (defined herein). The PUD permits the construction of 899 single family homes, including 699 single family detached homes and 200 single family attached homes. However the PUD allows for different building styles within the density allowance of 899 dwellings. The Developer current anticipates platting for 899 single family homes, including 699 single family detached homes and 200 single family attached homes. Single family attached housing is allowed a density of seven (7) per acre as long as the subdeveloper or homebuilder conforms to the land area requirements, various building styles can be constructed within those sites designated as “single family attached.” For example, the sub-development of Aspen Ridge is 83% single family platting, yet conforms to the PUD density allowance. The PUD also provides for permitted uses of particular tracts within the Development, subject to further modification by the final plat within the limitations set forth in the PUD. In addition, approximately 103 acres within the Development have been platted pursuant to Filing Nos. 1 through 4 and approximately 17 acres have been platted pursuant to the Aspen Ridge Final Plat. Together, such platting provides for 312 single family detached homes and 10 sites (two residential units per site) for 20 single family attached homes.

The development within the District as anticipated by the Developer requires the platting of the additional approximately 567 homes, which in turn requires final approval by the Town, subject to the terms of the PUD. As a result of the Town’s approval of the PUD, the Developer’s rights to complete development within the District in accordance with the PUD are assured so long as development continues to progress (a new plat each 2-3 years), provided, however, that the Developer may extend such rights during a hiatus in development with Town consent. Nevertheless, there can be no assurance that approval of such platting will be received by the Town in the timeframe anticipated by the Developer, if at all. If such approval is not received as anticipated by the Developer, the Development may not be completed in the time and manner as expected by the Developer.

Construction and Lot Sales Activity. At buildout, the District is expected to contain approximately 899 single family homes, including 699 single family detached home and 200 single family attached homes, and other amenities. According to the Developer, as of February 26, 2009, lot development was 100% complete in Phases 1 through 4 and Aspen Ridge. In addition, approximately 193 of the 332 single family homes planned for Phases 1 through 4 and Aspen Ridge are fully constructed, with 189 homes sold or are under contract, including 173 homes in Phases 1 through 4 and 16 homes in Aspen Ridge. There is currently one home under construction in Phase 4, and it is expected that an additional 10 to 12 homes are to be completed in the next six to eight months in Phases 1 through 4 of the Development. Furthermore, approximately 10 lots within Phase 4 of the Development are under contract to various third party custom homebuilders for home construction. Lot development and home construction has not yet begun in Phases 5 through 9 of the Development. Complete buildout of the Development is anticipated in 2017. While purchasers of lots within the District are under obligation to construct homes thereon within one year of such lot purchase pursuant to the lot sales contract, there can be no assurance that such purchasers will construct homes in any particular timeframe, if at all. See “THE DEVELOPMENT—Home Construction; Sales Activity.”

Public Infrastructure. Construction of public infrastructure required for the Development began in 2001. According to the Developer, as of the date of this Limited Offering Memorandum, construction of all on-site public improvements necessary to serve Phases 1 through 4 of the Development and Aspen Ridge, encompassing approximately 332 homes, is complete. In addition, all water and sewer improvements necessary to serve the remainder of the Development in Phases 5 through 9, encompassing approximately 567 homes, is complete. Construction of the remaining on-site improvements necessary to serve Phases 5 through 9 of the Development, including construction of roads, curbs and gutters, is expected to be completed by 2015-2016. The Developer does not anticipate constructing any private improvements within the Development. According to the Developer, it is anticipated that a portion of

Bond proceeds will be used to complete construction of the improvements necessary to serve Phases 5 and 6 of the Development. See “THE DEVELOPMENT—Water and Sewer” and “—Public Infrastructure Status; Development Costs.”

The total estimated cost of infrastructure improvements necessary to serve the Development is approximately \$30,000,000. The Developer represents that, as of the date of this Limited Offering Memorandum, approximately \$15,000,000 of such infrastructure improvements have been completed and funded by the Developer or the prior developer. Therefore, there remains approximately \$15,000,000 of infrastructure improvements necessary to serve the Development yet to be funded. It is anticipated that a portion of the proceeds of the Bonds available for Project costs will be used to finance all remaining infrastructure improvements necessary for the development of Phases 5 and 6 of the Development. The Developer anticipates that the remaining approximately 20-25% in non-public infrastructure costs related to the Development will be funded under additional equity investment and/or loans to be entered into as development progresses. There can be no assurance that the Developer will be able to secure funding necessary to pay for or otherwise complete the construction of the planned public improvements nor that home construction will occur in the time and manner expected. If the Developer cannot secure the necessary financing to fund the remaining infrastructure costs, the expected development may not be realized. See “THE DEVELOPMENT—Public Infrastructure Status; Development Costs,” “—Encumbrances on Property.”

Other Factors Affecting Rate of Development. Many unpredictable factors could influence the actual rate of development and construction of homes within the Development, including prevailing interest rates, availability of development and construction funding, economic conditions generally, development and supply of residential housing in the area, availability of mortgages, construction costs, labor conditions and unemployment rates, access to and cost of building supplies, availability and costs of fuel, and transportation costs, among other things. In particular, the housing market has slowed across the United States over the last two years. See “—Foreclosures” below.

According to the U.S. Commerce Department-Census Bureau (the “Census Bureau”), nationwide, housing starts in 2009 were down approximately 39% from 2008, and housing starts for February 2010 were up approximately 0.2% from February 2009. Housing start estimates in the State reflect a decline of approximately 51% from 2008 to 2009, however, were up approximately 37.7% year-to-date through February 2010 from February 2009. The Census Bureau also reports that, nationally, new home sales from 2008 to 2009 were down approximately 23%, for the month of February 2008 compared to the month of February 2009, new home sales were down approximately 13%, and 2010 year-to-date through February, new home sales were also down approximately 13%. With respect to home prices, according to S&P/Case Shiller Home Price Indices, based on a 20-city composite, existing home prices declined approximately 3% from 2008 to 2009, with home prices in Denver increasing approximately 1% for the same time period. However, the S&P/Case Shiller Home Price Indices also show that the annual rate of decline improved in January 2010 compared to December 2009, with the 20-city composite being down 0.7% versus January 2009 and Denver being up approximately 2.6%.

According to the Developer, the Development has had a slightly lower rate of price decline. Of the original purchasers within the Development, 85% still reside in the homes they bought new there within the past eight years. A limited number of existing residences are for sale (four listings were on the local multiple listing service (“MLS”) on November 15, 2009). In the past eight years, there have been only five foreclosures in the project, and those were generally resold in a few months at prices higher than the original sales price of the home.

In addition to slowing home construction and sales, foreclosure rates in Colorado and within the Denver metropolitan area in general have experienced an increase. See “—Foreclosures” below. See also “APPENDIX C—Economic and Demographic Information—Foreclosure Activity.”

There has been no independent investigation of and no representation is made in this Limited Offering Memorandum regarding the financial soundness of the Developer or any of its affiliates, or of their managerial capability to develop and market the property within the Development as planned. The Developer is not under a binding obligation to develop its property within the District as planned, nor is there any restriction on the right of the Developer to sell any or all of its property within the District or to withdraw completely from the development. Prospective investors are urged to make such investigation as deemed necessary concerning the financial soundness of the Developer and its ability to implement the plan of development as described herein.

There can be no assurance that construction will occur as anticipated and that the corresponding assessed value will be sufficient to produce tax revenue and other Pledged Revenue in an amount sufficient to fully repay the Bonds when due. See “—Enforcement of Collection Remedies” below. See also “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Tax Data.”

Competition With Other Developments

The Development will be competing with other developments in the area, some of which are in close proximity to the District, and also will be competing generally with developments throughout Colorado’s various mountain regions. Such competition may adversely affect the rate of development within the District. See “THE DEVELOPMENT—Competition.”

Present Concentration of Taxpayers in the District

As of the date of this Limited Offering Memorandum, four entities own property within the District representing approximately 66.5% of the District’s total 2009 certified assessed valuation. The Developer’s land owning entity BVD-ACQ LLC (the “Land Owner”) owns property representing 47.2% of the District’s total assessed valuation, with Gypsum Aspen Ridge LLC, the Original Developer and 2001 Properties LLC owning property representing 10.0%, 5.6% and 3.7%, respectively, of the District’s total 2009 certified assessed valuation. Until such time as this concentration changes significantly, the District will be dependent upon timely payment of property taxes by such parties in order for the District to have sufficient tax revenue with which to pay the debt service on the Bonds. Future sales of property within the District may result in such buyers becoming major taxpayers in the District. However, in the interim and until the concentration of ownership within the District diversifies, the District is dependent on a limited number of taxpayers for timely payment of property taxes. See “THE DEVELOPMENT.”

Property taxes on land are not personal obligations of the Developer or any other property owner. No party has guaranteed the payment of the principal of or interest on the Bonds, and no financial information regarding the Developer or any other entity which may own property within the District is provided in this Limited Offering Memorandum. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.”

No Acceleration

The Resolution provides that notwithstanding anything therein to the contrary, acceleration of the Bonds shall not be an available remedy for an Event of Default.

Risk of Reductions in Assessed Value; Market Value of Land

The owners of the Bonds are dependent upon the assessed value of property within the District to provide a tax base from which ad valorem tax revenues are collected for the payment of debt service on the Bonds. The assessed value of property within the District is determined by multiplying the “actual value” of the property by an assessment rate, and the “actual value” of the property is determined by the county assessor, all as more particularly 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, State 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, certain types of 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, 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 nonpayment.

In addition, the projected assessed value of property in the District is based on certain assumptions as to the manner in which various properties will be assessed by the county assessor. While these assumptions are based on information provided by the county assessor, no assurance is given that any particular methodology presently used by the county assessor to determine the actual value of property will continue to be used in the future. Any change in the methodology by which the actual value of property is determined could adversely affect the assessed value of property in the District and the property taxes that may be generated thereby.

The District’s assessed valuation increased substantially in 2009 to \$18,864,630 (from \$11,715,460) following the sale of certain property to the Developer for \$30,662,836 in August 2008 and the Developer’s appeal of its assessed valuation within the District. There can be no assurance that the assessed valuation for property within the District will not go down in the future if development does not occur, if market conditions change or if assessment methodologies change. See DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes” for a fuller description of the assessment methodology and the history of the District’s assessed valuations. Upon issuance of the Bonds, the Developer and Land Owner have agreed to execute an agreement with the District not to challenge the current assessed valuation for its property in the District in a way that would materially decrease the assessed value of the Developer and Land Owner’s property. Such an agreement, however, will not necessarily prevent a reduction in the assessed valuation of the Developer’s or Land Owner’s property in the District.

Foreclosures

The District’s ability to collect property tax revenue and Specific Ownership Tax revenue for timely payment of the Bonds depends, among other things, upon continued development within the District and the maintenance of an adequate tax base from which the District can collect sufficient property tax revenue from the imposition of the Required Mill Levy. Foreclosures in and around the District could have an adverse impact on the assessed value of property in the District and the rate of development therein. Property owned by a lending institution as a result of foreclosure is typically resold

in the market at a depressed price, resulting in a decrease in assessed valuation of the foreclosed property. In addition, a home foreclosure may have an immediate and/or long-term effect of depressing home prices in the surrounding area. Furthermore, the number of foreclosed homes reentering the market at lower prices may result in a reduction of demand for new construction housing, including property within the Development. Increased foreclosure rates could also cause lenders to tighten their lending practices and decrease their approvals of home loans, making it more difficult for potential homebuyers to finance home acquisitions, which could have an impact on the rate of home sales within the Development.

According to the Colorado Division of Housing (“CDH”), on a statewide level, foreclosure filings in 2009 (all counties reporting) totaled 46,394, an increase of approximately 18.0%, from 2008, with foreclosure sales at auction totaling 20,437 in 2009, a decrease of approximately 4.1% from 2008. In comparison, foreclosure filings in 2008 totaled 39,333, a decrease of approximately 1.5% from 2007, with foreclosure sales at auction totaling 21,306 in 2008, an increase of approximately 15.0% from 2007. Comparing year-over-year from 2009 to 2010, foreclosure filings in January decreased 3.2% overall with totals falling from 2,819 to 2,729, while foreclosure sales increases 60.7% from 1,193 to 1,917.

According to the Eagle County Public Trustee’s office, County-wide foreclosure rates have increased from 178 in 2005 to 452 in 2009, an increase of approximately 153.9% over such period, with a year-to-date total of 186 foreclosures filed through May 3, 2010. According to the Colorado Division of Local Government, from 2007–2008 (the most recent period for which data is available), total housing units in the County (including single family, multi-family and rental units, among others) increased approximately 9.7%, while the population in the County increased approximately 11.9% for the same period. In Eagle County, a high ratio of the foreclosures have been for resort area (Vail and Avon area) time-share units. Within the Development, there have been only five foreclosures (about 2.5%) in the past eight years, which represents a less than 0.5% foreclosure rate over that period.

Not all foreclosure filings, as reported in the above paragraphs, result in a final foreclosure sale. In the State, once a borrower is approximately three months late with payment, and only at the request of the lender, the public trustee of the county in which the borrower resides will send the borrower a “Notice of Election and Demand.” At this point, the property is officially in foreclosure. Such filings can be “cured” or “withdrawn” before the home is sold at auction. Currently, the period between the foreclosure filing and the foreclosure sale at auction in the State must be at least 120 days by law, but in some cases, this period may actually last much longer. The current foreclosure timeline (effective as of January 1, 2008) was modified to allow for a longer cure period and ended the use of the “redemption period” concept.

Economic conditions, residential growth rates, employment rates, and other factors all have an impact on foreclosure rates. See “APPENDIX C—Economic and Demographic Information—Foreclosure Activity.”

Directors’ Private Interests

Pursuant to state law, 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 disclosure statements filed with the Secretary of State and the District by Board members prior to taking any official action relating to the Bonds, some of the directors have potential or existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof because they are one or more of the following: an owner or employee of the Developer, an owner of property located within the District, or an owner or employee of an affiliate of the Developer that has an interest in real property within the District. As described hereafter, it is anticipated that a portion of the proceeds of the Bonds available for Project Costs will be used to partially reimburse

the Developer for amounts previously advanced to the District by the Developer. See “THE DISTRICTS—Governing Board,” and “—Agreements of the Districts.”

Legal 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.

Enforcement of Collection Remedies

The duty to pay property taxes does not constitute a personal obligation of the property owners within the District. 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. To enforce the liens for delinquent (but not future) property taxes, the county treasurer has the power to sell such tax liens and, if not redeemed within the statutory period of approximately three years, the county treasurer has the right to issue a tax deed vesting title of such property to the person or entity owning such tax liens, as provided by law. Such remedies for realization of delinquent property taxes are time consuming and expensive and there is no assurance that such procedures will result in recovery of all amounts due. See “DISTRICT FINANCIAL INFORMATION—Ad Valorem Property Taxes.”

Enforceability of Bondholders’ Remedies Upon Default

The remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including specifically the federal Bankruptcy Code. The legal opinions to be delivered concurrently with delivery of the Bonds will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, and insolvency or other similar laws affecting the rights of creditors generally, now or hereafter in effect; to usual equity principles which may limit the specific enforcement under State law of certain remedies; to the exercise by the United States of America of the powers delegated to it by the federal constitution; and to the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies, in the interest of serving an important public purpose.

Restrictions on Purchase; Investor 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 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.

THE BONDS

Description

The total principal amount, dated date, maturity date, and interest rate of the Bonds are set forth on the cover page hereof. Certain matters relating to the Bonds are described in detail in “INTRODUCTION” and are not restated under this caption. These include provisions regarding registration and denominations of the Bonds; exchange and transfer of the Bonds; payment of the principal of and interest on the Bonds; a description of the authority for issuance of the Bonds; and information regarding delivery of the Bonds. See the caption “INTRODUCTION” for a description of the matters referred to in the previous sentence, as well as other information relating to the Bonds.

Prior Redemption

Optional Redemption. The Bonds maturing on and before December 1, 2019 are not subject to redemption prior to their respective maturities. The Bonds maturing on and after December 1, 2020 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, and if less than an entire maturity is to be redeemed, then by lot within such maturity, on December 1, 2019, and on any date thereafter, upon payment of par and interest accrued to the date of redemption, without redemption premium.

Mandatory Sinking Fund Redemption. The Bonds also are subject to mandatory sinking fund redemption, in part, by lot, commencing on December 1, 2024, and on each December 1 thereafter prior to the maturity date of such Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption (December 1)	Redemption Amount
2012	\$ 70,000
2013	80,000
2014	85,000
2015	90,000
2016	95,000
2017	105,000
2018	115,000
2019	110,000
2020	130,000
2021	140,000
2022	150,000
2023	160,000
2024 ¹	170,000

¹ Final maturity, not a sinking fund redemption.

The Bonds also are subject to mandatory sinking fund redemption, in part, by lot, commencing on December 1, 2039, and on each December 1 thereafter prior to the maturity date of such Bonds, upon payment of par and accrued interest, without redemption premium, in the annual amounts set forth below:

Year of Redemption (December 1)	Redemption Amount
2025	\$170,000
2026	185,000
2027	200,000
2028	215,000
2029	235,000
2030	315,000
2031	350,000
2032	380,000
2033	425,000
2034	460,000
2035	500,000
2036	535,000
2037	585,000
2038	630,000
2039 ¹	685,000

¹ Final maturity, not a sinking fund redemption.

Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than 30 days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the registration books maintained by the Bond Registrar, in the manner set forth in the Bond Resolution. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice. All Bonds 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.

The District and Bond Registrar shall not be required to issue or transfer any Bonds: (a) during a period beginning at the close of business on the Record Date and ending at the opening of business on the first business day following the ensuing Interest Payment Date; or (b) during the period beginning at the opening of business on a date 45 days prior to the date of any redemption of Bonds and ending at the opening of business on the first business day following the day on which the applicable notice of redemption is mailed. The Bond Registrar shall not be required to transfer any Bonds selected or called for redemption, in whole or in part.

General Redemption Provisions. The Bonds will 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 will be treated for the purposes 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 this Bond is redeemed, the Bond Registrar shall, without charge to the registered owner of this Bond, authenticate and deliver a replacement Bond or Bonds for the unredeemed portion.

Notice and Effect of Redemption. Notice of prior redemption shall be given by mailing a copy of the redemption notice, not less than 30 days prior to the date fixed for redemption, to the registered owner of this Bond at the address shown on the registration books maintained by the Bond Registrar, in

the manner set forth in the Bond Resolution. The redemption of the Bonds may be contingent or subject to such conditions as may be specified in the notice. All Bonds 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

General. Proceeds from the sale of the Bonds will be used for the purposes of (a) paying or reimbursing a portion of the costs of acquiring, constructing, relocating, and installing certain public improvements and facilities; (b) refunding a portion of the District's outstanding Subordinate General Obligation Limited Tax Bonds, Series 2008 (the "2008 Subordinate Bonds") and refunding the Original Developer Note (collectively, the "Refunded Bonds") (c) funding the 2010 Reserve Fund; and (d) paying the costs of issuance of the Bonds and refunding the Refunded Bonds.

Refunding Plan.

2008 Subordinate Bonds. On February 13, 2008, the District issued its 2008 Subordinate Bonds in the original principal amount of \$8,500,000, which bonds are currently outstanding in the principal amount of \$8,500,000. The 2008 Subordinate Bonds bear interest at a simple interest rate of 6%. Pursuant to the resolution authorizing the issuance of the 2008 Subordinate Bonds, the 2008 Subordinate Bonds are subject to redemption prior to maturity on any date upon payment of the principal amount so redeemed, plus accrued interest thereon to the date of redemption, without redemption premium (the "2008 Redemption Price"). A portion of the proceeds from the Bonds will be used to redeem a portion of the 2008 Subordinate Bonds on the date of issuance of the Bonds.

Upon issuance of the Bonds, \$5,448,836.47 of the 2008 Subordinate Bonds will remain outstanding.

Original Developer Note. The District also anticipates refunding a Note issued to the Original Developer (the "Original Developer Note") in the original principal amount of \$80,482 to evidence District No. 1's repayment obligation as a result of advances made to District No. 1 by the Original Developer upon issuance of the Bonds.

The Project. The District anticipates that a portion of the net proceeds of the Bonds will be used for the purposes of funding the costs of acquiring, constructing, relocating, and installing certain public improvements and facilities. See "THE DISTRICTS—Facilities and Services Provided by the Districts" and "—Agreements of the Districts." Pursuant to the terms of the Subordination Agreement (defined hereafter), Bond proceeds shall only be spent for capital improvements or infrastructure approved with the prior written consent of the holder of the 2008 Bonds on improvements are designed to increase the assessed valuation of the District.

Sources and Uses of Funds. The sources and uses of the proceeds of the Bonds are as follows:

SOURCES:

Par amount of the Bonds	\$7,370,000
Total	<u>\$7,370,000</u>

USES:

Payment of Refunded Bonds ¹	\$4,000,000
Deposit to Project Account.....	2,737,340
Deposit to 2010 Reserve Fund	300,000
Costs of issuance, including professional fees, printing costs, contingency, and underwriting discount ²	<u>332,660</u>
Total	<u>\$7,370,000</u>

¹ For partial refunding of the 2008 Subordinate Bonds.

² See "MISCELLANEOUS—Underwriting."

Source: The Underwriter

Security for the Bonds

The Bonds are limited tax general obligations of the District secured by and payable from the Pledged Revenue, consisting of the moneys derived by the District from the following sources, net of any costs of collection: (i) the ad valorem property taxes generated from the Required Mill Levy; (ii) Specific Ownership Taxes; (iii) amounts on deposit, if any, in the Surplus Account; and (iv) any other legally available funds of the District deposited or required to be deposited to the Bond Account pursuant to the provisions of the Resolution.

The 2010 Bonds shall be limited tax obligations of the District payable to the extent of the Required Mill Levy on a parity with the 2003 Bonds and any additional Parity Lien Bonds. All of the Parity Lien Bonds, together with the interest thereon and any premium due in connection therewith, shall be payable solely from and to the extent of the Pledged Revenue, and the Pledged Revenue is hereby pledged to the payment of the Bonds pursuant to and in accordance with Title 32, Article 1, C.R.S.; Section 11-57-208, C.R.S.; and all other laws of the State. The Parity Lien Bonds shall constitute an irrevocable first lien upon the Pledged Revenue, but not necessarily an exclusive such lien. The Pledged Revenue may or may not be sufficient to pay the principal of and interest on the Bonds, and no representation is made by the District or the employees, agents, or attorneys for the District that the Pledged Revenue will be sufficient to pay the principal of and interest on the Parity Lien Bonds.

The District has covenanted to levy an ad valorem mill levy upon all taxable property of the District in an amount sufficient to pay the principal of, premium if any, and interest on the Senior Bonds as the same become due and payable, to replenish the Reserve Account to the Reserve Requirement, but not in excess of 40 mills subject to adjustment for changes occurring after January 11, 2000, with respect to the assessment of property for taxation purposes, the ratio for determining assessed valuation changes, or other similar changes occurring which would alter the revenue received based on such 40 mill debt service levy limit, in these events, the mill levy cap will be automatically adjusted so that the tax liability of individual property owners neither increases nor decreases as a result of any such changes, and for so long as the Surplus Account is less than the Maximum Surplus Amount of \$500,000, not less than 40 mills, thereby maintaining a constant level of tax receipts of the District and overall tax payments from property owners. The mill levy as currently adjusted is 48.945 mills. Capitalized terms used and not otherwise defined in this section and elsewhere in this Limited Offering Memorandum have the respective meanings set forth in APPENDIX B hereto. See also "DISTRICT FINANCIAL INFORMATION."

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.

Required Mill Levy. The definition of Required Mill Levy is set forth below. The Bonds are not secured by property lying within the District, but rather by, among other things, 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 Eagle County Board of County Commissioners in an amount sufficient to pay, along with other legally available revenues, the principal of and interest on the Bonds when due and replenish the 2010 Reserve Fund to the Reserve Requirement. See "*Covenant to Impose the Required Mill Levy*" below and "RISK FACTORS—Enforcement of Collection Remedies." See also "*Board Determination of Adjusted Mill Levies*" below for an explanation of the difference in the maximum mill levy of 40.00 mills contained in the definition of the Required Mill Levy in the Resolution (as set forth below and in the definition of Required Mill Levy contained in APPENDIX B), and the maximum mill levy of 40 mills reflected elsewhere throughout this Limited Offering Memorandum.

Definition of Required Mill Levy. The Resolution defines "Required Mill Levy" as follows:

(a) Subject to paragraph (b) below, a rate of ad valorem property tax levy expressed in mills (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the 2010 Bonds, the 2003 Bonds and any other Parity Lien Bonds as the same become due and payable, to fund the 2010 Reserve Fund in an amount up to the Reserve Requirement, but not in excess of 40 mills, and, for so long as (i) the Surplus Account is less than the Maximum Surplus Amount or (ii) the 2008 Subordinate Bonds are outstanding, not less than 40 mills; provided however, that in the event the method of calculating assessed valuation is or was changed after January 11, 2000, the maximum and minimum mill levy provided herein shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues realized from the mill levy, as adjusted, are neither diminished nor enhanced from those which would have been realized without such changes in calculation method. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

(b) Notwithstanding anything herein to the contrary, in no event shall the Required Mill Levy be established at a rate which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District's electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District's electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

Board Determination of Adjusted Mill Levies. The maximum mill levy set forth in the definition of Required Mill Levy above is the mill levy that was in effect on July 14, 2009, the date of approval of the Service Plan, which is the relevant date for mill levy adjustment purposes resulting from a change in the ratio of actual value to assessed value. This mill levy has been adjusted by the Board as a result of subsequent changes in the ratio of actual valuation to assessed valuation occurring since January 11, 2000. The Resolution provides that, in light of the fact that the method of calculating assessed valuation has changed since January 11, 2000, the maximum mill levy set forth in the definition of Required Mill

Levy in the Bond Resolution is currently 48.945 mills (in 2009 mills). This current year maximum mill levy is the levy shown throughout this Limited Offering Memorandum, rather than the mill levy set forth in the Bond Resolution, which was the mill levy in 2000, without adjustment.

Covenant To Impose the Required Mill Levy. 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 2010 to 2039, inclusive (and to the extent necessary to make up any defaults, in each year subsequent to 2039), 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 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. As of the date of the Resolution, the District finds that the Required Mill Levy to be levied in 2010 is, after making adjustments for changes occurring after January 11, 2000 in the method of calculating assessed valuation 48.945 mills.

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 hereof with reference to the levying and collection of taxes; and the Board shall levy, certify, and collect said taxes in the manner provided by law for the purpose of paying the principal of and interest on the Bonds.

Specific Ownership Tax. “Specific Ownership Tax” is defined in the Resolution to mean all amounts paid to the District by the County with respect to taxes collected on motor vehicle registrations. Specific ownership taxes represent the amounts received by the District from the County pursuant to such statute which are derived primarily from motor vehicle licensing. Such tax is collected by all counties and distributed to every taxing entity within a county, such as the District, in the proportion that the taxing entity’s ad valorem taxes represents of the cumulative amount of ad valorem taxes levied county-wide. Only that portion of the Specific Ownership Tax receipts which are collected as a result of the imposition of the Required Mill Levy are pledged to the payment of the Bonds.

Establishment of 2010 Reserve Fund. A reserve fund will be established upon the issuance of the Bonds funded from 2020 Bond proceeds in the amount of \$300,000, which amount shall be the “Reserve Requirement.” Moneys in the 2010 Reserve Fund shall be held and used by the Escrow Agent, if necessary, only to prevent non-payment of the principal of, premium if any, or interest on the 2020 Bonds when due. Only the 2020 Bonds (and not the 2003 Bonds or the 2008 Subordinate Bonds) are secured by the 2010 Reserve Fund. See “—Resolution Provisions—2010 Reserve Fund” below.

Resolution Provisions

The following is a description of certain provisions of the Resolution and is subject in all respects to the more specific provisions of the Resolution. See “APPENDIX B—Selected Definitions” for definitions of certain capitalized terms used below and elsewhere in this Limited Offering Memorandum.

Project Account. The Project Account shall be maintained by the District in accordance with the terms of the Resolution. All moneys credited to the Project Account shall be applied solely to the payment of the costs of the Project and must comply with the provisions of the Subordination Agreement and the Resolution with respect to such expenditures. See “—Additional Covenants of the District” below. Upon adoption by the Board of a resolution determining that all costs of the Project have been paid, any balance remaining in the Project Account shall be credited to the Bond Account. The Project Account shall terminate at such time as no further moneys remain therein.

Moneys credited to the Project Account may be invested or deposited by the District in Permitted Investments only and in accordance with the laws of the State of Colorado. The investment of moneys credited to the Project Account shall, however, be subject to the covenants and provisions of the Section hereof entitled "Disposition and Investment of Proceeds; Tax Covenants." Except to the extent otherwise required by the Resolution, all interest income from the investment or reinvestment of moneys credited to the Project Account shall remain in and become part of the Project Account. The District is solely responsible for determining if the investments made thereunder are Permitted Investments.

Creation of Funds and Accounts. Under the Resolution there are created and established the Bond Account maintained by the Paying Agent, the 2010 Reserve Fund and the Surplus Account maintained by the Escrow Agent and the Project Account maintained by the District, which shall be established and maintained in accordance with the provisions of the Resolution; provided, however, so long as the 2003 Bonds are outstanding, the provisions of the 2003 Resolution shall govern in the event the 2003 Resolution and the 2010 Resolution conflict.

Under the Resolution there are created and established the following funds and accounts, which shall be established with the Escrow Agent and maintained by the Escrow Agent in accordance with the provisions of the Bond Resolution:

Flow of Funds. The Resolution remains subject to the Flow of Funds described in the 2003 Resolution. This section supplements the Flow of Funds described in the 2003 Resolution and describes the Flow of Funds upon issuance of the Series 2010 Bonds. Immediately upon receipt by the District of any Revenue, the District shall apply such Revenue 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 2003 Bonds, the 2010 Bonds and any other 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 Surplus Account, any remaining Revenue shall be credited to the Surplus Account (up to a maximum amount of \$500,000) for use as described in the section of the Resolution entitled "Surplus Account"; and

THIRD, for so long as the 2010 Reserve Fund has not been terminated, to the credit of the 2010 Reserve Fund, the amount required to replenish the 2010 Reserve Fund to the Reserve Requirement, and to the credit of any other similar fund or account established to secure payment of the principal of, premium if any, and interest on any Parity Bonds, the amounts required by the resolution or other enactment authorizing issuance of the Parity Bonds;

FOURTH, to the credit of any other fund or account established for the payment of the principal of, premium if any, and interest on Subordinate Bonds (including the 2008 Subordinate Bonds), including any sinking fund, reserve fund, or similar fund or account established therefore, the amounts required by the resolution or other enactment authorizing issuance of the Subordinate Bonds; and

FIFTH, After the Subordinate Bonds are no longer outstanding, to the credit of any other fund or account as may be designated by the District, to be used for any lawful purpose, any Revenue remaining after the payments and accumulations set forth above.

Bond Account. Pursuant to the Resolution, the Bond Account is established and held as an account of the Paying Agent. Moneys in the Bond Account shall be used by the District solely to pay the principal of 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.

(a) For so long as the District is required to maintain the Surplus 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 Surplus Account as described hereinafter. In the event that available moneys in the Bond Account and the Surplus 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 Surplus 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.

(b) Moneys credited to the Bond 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 Bond Account shall, however, be subject to the covenants and provisions of the section of the Resolution entitled "Disposition and Investment of Proceeds; Tax Covenants." All interest income from the investment or reinvestment of moneys credited to the Bond Account shall remain in and become part of the Bond Account.

Surplus Account. For so long as the District continues to maintain the Surplus Account, moneys in the Surplus Account shall be held by the Escrow Agent under the terms hereof and used solely for the purpose of paying the principal of, premium if any, or interest due on the 2003 Bonds, the 2010 Bonds and any other Parity Lien Bonds to the extent the moneys in the Bond Account are insufficient for such purpose. The Surplus Account shall be funded to the extent provided in the Resolution, up to a maximum amount of \$500,000 (the "Maximum Surplus Amount"), and the District shall have no obligation to fund the Surplus Account except as provided in the Resolution. In the event the amounts credited to the Bond Account are insufficient to pay the principal of or interest on the Bonds and any Parity Lien Bonds when due, the Escrow Agent shall transfer from the Surplus 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 Surplus Account are insufficient to pay all

principal and interest on any due date, the Escrow Agent shall transfer all of the moneys in the Surplus Account to the Bond Account in accordance with the Resolution.

Moneys credited to the Surplus 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 Surplus Account shall, however, be subject to the covenants and provisions of the section of the Resolution entitled "Disposition and Investment of Proceeds; Tax Covenants." All interest income from the investment or reinvestment of moneys credited to the Surplus Account shall be credited to the Surplus Account until such time as the Maximum Surplus Account balance is reached, after which time any investment earnings will be deposited in the Bond Account.

The District shall cease to maintain the Surplus Account when the Bonds are no longer Outstanding after which the Surplus Account shall be terminated and any moneys therein remitted to the District for application first, for payment of the 2008 Bonds to the extent the 2008 Bonds are still outstanding and then, second, to any lawful purpose of the District.

2010 Reserve Fund. Moneys in the 2010 Reserve Fund shall be held and used by the Escrow Agent, if necessary, only to prevent a default in the payment of the principal of, premium, if any, and interest on the 2010 Bonds when due, (including on any mandatory sinking fund Redemption Date or at final maturity) and the 2010 Reserve Fund is pledged to the payment of the 2010 Bonds (but not for the 2003 Bonds or any other Parity Lien Bonds) for such purpose.

If on any date the amounts then on deposit in the Bond Account (including amounts transferred thereto from the Surplus Account) are insufficient to pay the principal of, premium, if any, and/or interest on the 2010 Bonds when due, the Escrow Agent shall transfer from the 2010 Reserve Fund to the Bond Account an amount which, when combined with moneys then on deposit therein (including amounts transferred thereto from the Surplus Account, will be sufficient to make such payment of the Bonds when due. In the event that moneys in the 2010 Reserve Fund, together with moneys in the Bond Account (including amounts transferred thereto from the Surplus Account), are insufficient to make such payment when due, the Escrow Agent is to nonetheless transfer all moneys in the 2010 Reserve Fund to the Bond Account for the purpose of making partial payments as provided in the section of the Resolution entitled "Bond Account."

Subject to the receipt of sufficient Revenue to replenish any draws on the 2010 Reserve Fund, the 2010 Reserve Fund shall be maintained in the amount of the Reserve Requirement. If at any time the 2010 Reserve Fund is drawn upon so that the amount of the 2010 Reserve Fund is less than the Reserve Requirement, then the District is to deposit to the 2010 Reserve Fund amounts sufficient to bring the amount credited to the 2010 Reserve Fund to the Reserve Requirement. Such deposits and payments shall be made as soon as is practicable succeeding such use, in accordance with and subject to the limitations above in "*Flow of Funds.*"

The 2010 Reserve Fund shall be maintained by the Escrow Agent until the date upon which the Bonds are no longer Outstanding, after which the 2010 Reserve Fund shall be terminated and any moneys therein remitted to the District for application to any lawful purpose of the District. It is intended that amounts in the Surplus Account are to be transferred to the Bond Account prior to any transfer of moneys from the Reserve 2010 Fund to the Bond Account.

Investments. Investments credited to the 2010 Reserve Fund may be invested or deposited in Permitted Investments only and in accordance with the laws of the State of Colorado and at the direction of the District and shall be valued on the basis of their current market value, as reasonably determined by the District, which value shall be determined at least annually. The amount credited to the 2010 Reserve

Fund shall never exceed the amount of the Reserve Requirement. All investment earnings on moneys on deposit in the 2010 Reserve Fund shall remain in the 2010 Reserve Fund, provided, however, that if such earnings cause the amount therein to be in excess of the Reserve Requirement, such excess amount shall be transferred to the Bond Account.

Additional Covenants of the District. For so long as any Bond is Outstanding, the District covenants in the Resolution as follows:

(i) The District will operate and manage the District and its facilities 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.

(ii) 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.

(iii) The District will carry fire and extended coverage, worker's 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.

For so long as any 2008 Bond is Outstanding, the District covenants in the Resolution as follows:

(i) The District shall not issue any additional Parity Lien Bonds or other obligations (including those that are subject to annual appropriations of the Board) payable from the Required Mill Levy without the prior written consent of the Owners of 100% of the outstanding 2008 Bonds

(ii) Any amendment or supplement to the Resolution (or any succeeding bond resolution governing Parity Lien Bonds) which would modify any provision under section 22(b) of the Resolution or negatively impact the repayment rights or priority of the Owners of 2008 Bonds shall not be made without the prior written consent of the Owners of 100% of the outstanding 2008 Bonds.

(iii) Until the 2008 Bonds are paid in full, defeased or otherwise no longer outstanding obligations of the District, the District shall levy a debt service mill levy in each year at the maximum amount permitted by its Service Plan.

(iv) Upon the release of the moneys in the Surplus Account, the District shall apply all such moneys to the redemption of outstanding principal on the 2008 Bonds.

(v) Use of the proceeds from the Project Account shall only be for capital improvements or infrastructure approved with the prior written consent of the Owners of 100% of the outstanding 2008 Bonds and designed to increase the assessed valuation of the District, all as set forth more particularly in the Subordination Agreement.

Additional Bonds. 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:

(i) 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 Resolution;

(ii) if the 2003 Bonds are still outstanding under the 2003 Resolution, if such Parity Lien Bonds comply with the provisions of the Resolution authorizing the 2003 Bonds governing the issuance of additional Parity Lien Bonds.

(iii) 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 Resolution; and

(iv) either all owners of the then outstanding Bonds consent in writing to the issuance of Parity Lien Bonds, or the total 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 taxable property in the District.

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

A written certificate by the President or Treasurer of the District that the conditions set forth in paragraph (i) and (ii) 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 paragraphs (iii) and (iv) above are met shall conclusively determine the right of the District to authorize, issue, sell and deliver Parity Lien Bonds in accordance with the Bond Resolution.

So long as no Event of Default shall have occurred and be continuing, nothing herein shall prevent the District from issuing obligations payable from sources other than the Pledged Revenue.

Events of Default. The occurrence or existence of any one or more of the following events shall be an Event of Default under the 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 in accordance with the terms hereof;

(c) the District fails to collect and apply the Revenues in accordance with the terms hereof;

(d) the District defaults in the performance of any other of its covenants in the 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 on Occurrence of Event of Default.

(a) Except as provided in paragraph (b) of this section, 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 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 shall 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, shall be 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 hereof.

(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.

Debt Service Requirements

Set forth in the following table are the debt service requirements for the Bonds. See the cover page of this Limited Offering Memorandum for the actual interest rate for the Bonds.

TABLE I
Debt Service Requirements ¹

Year	The Bonds			2003 Bonds ²	Total Senior Debt Service
	Principal	Interest	Total		
2010	\$ --	\$ 313,978	\$ 313,978	\$ 144,200	\$ 458,178
2011	--	607,700	607,700	144,200	751,900
2012	70,000	607,700	677,700	144,200	821,900
2013	80,000	602,625	682,625	144,200	826,825
2014	85,000	596,825	681,825	144,200	826,025
2015	90,000	590,663	680,663	144,200	824,863
2016	95,000	584,138	679,138	144,200	823,338
2017	105,000	577,250	682,250	144,200	826,450
2018	115,000	569,637	684,637	144,200	828,837
2019	110,000	561,300	671,300	144,200	815,500
2020	130,000	553,325	683,325	214,200	897,525
2021	140,000	543,900	683,900	239,300	923,200
2022	150,000	533,750	683,750	242,300	926,050
2023	160,000	522,875	682,875	1,904,600	2,587,475
2024	170,000	511,275	681,275	--	681,275
2025	170,000	498,950	668,950	--	668,950
2026	185,000	484,500	669,500	--	669,500
2027	200,000	468,775	668,775	--	668,775
2028	215,000	451,775	666,775	--	666,775
2029	235,000	433,500	668,500	--	668,500
2030	315,000	413,525	728,525	--	728,525
2031	350,000	386,750	736,750	--	736,750
2032	380,000	357,000	737,000	--	737,000
2033	425,000	324,700	749,700	--	749,700
2034	460,000	288,575	748,575	--	748,575
2035	500,000	249,475	749,475	--	749,475
2036	535,000	206,975	741,975	--	741,975
2037	585,000	161,500	746,500	--	746,500
2038	630,000	111,775	741,775	--	741,775
2039	685,000	58,225	743,225	--	743,225
Total	<u>\$7,370,000</u>	<u>\$13,172,941</u>	<u>\$20,542,941</u>	<u>\$4,042,400</u>	<u>\$24,585,341</u>

¹ Assumes no redemptions, other than mandatory sinking fund redemptions, prior to maturity. Figures have been rounded and thus may vary slightly from actual payment.

² Includes principal and interest payments on the 2003 Bonds.

Source: The Underwriter

Pro Forma Debt Service Coverage. Set forth below is a pro forma debt service coverage table showing what be the District's coverage of the maximum annual debt service on the 2003 Bonds and the 2010 Bonds from Pledged Revenues in the years 2010 through 2014, inclusive, based on the District's most recent assessed valuation. Such pro forma debt service coverage is not necessarily indicative of

future coverage and takes into account the District’s recent increase in assessed valuation. Such assessed valuation is subject to change. See “RISK FACTORS—Risk of Reductions in Assessed Value; Market Value of Land.”

TABLE II
Pro Forma Debt Service Coverage

	2010	2011	2012	2013	2014
Revenues Available for Debt Service ¹	\$926,977	\$926,977	\$926,977	\$926,977	\$926,977
2003 Bonds and 2010 Bonds Debt Service	\$458,178	\$751,900	\$821,900	\$826,825	\$826,025
Pro Forma Coverage Ratio	2.02x	1.23x	1.13x	1.12x	1.12x

¹ Revenues reflect anticipated surplus revenue in the Surplus Account.

Source: The Underwriter

THE DISTRICTS

Organization

The Districts are quasi-municipal corporations and political subdivisions of the State of Colorado created pursuant to the Special District Act for the purpose of financing and constructing public improvements and for dedicating, when appropriate, such public improvements to the Town of Gypsum, Colorado (as previously defined, the “Town”), 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.

Description of Districts

Buckhorn Valley Metropolitan District No. 1 (as previously defined, “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 (as previously defined, “District No. 2” or the “District” and, together with District No. 1, the “Districts”) is responsible for providing the property tax base needed to support the public improvements and for operations.

The Districts currently encompass 367.88 acres, including 366.78 acres within the District and 1.10 acres within District No. 1. See “—Inclusions and Exclusions” below. Residential development within the Development is expected to occur solely in the District and not in District No. 1. At buildout, development within the District is currently expected to include approximately 899 single family homes, including approximately 699 single family detached homes and 200 single family attached homes, as well as approximately 145 acres for open space and community and right of way uses. Pursuant to the District Facilities Agreement (defined herein), 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 “—Agreements of the Districts—*District Facilities Agreement.*”

Inclusions and Exclusions

Subject to compliance with statutory procedures, the Board may order the inclusion or exclusion of real property to or from the District, as the case may be, thereby modifying the boundaries of the District; however, if any property is excluded from the boundaries of the District subsequent to the issuance of the Bonds, such excluded property would be obligated to the same extent as all other property within the District for the payment of the Bonds. Subsequent to an order of exclusion granted by the Eagle County District Court on July 22, 2009 and recorded on August 3, 2009 at Reception No. 200916828, the Districts together currently encompass 367.88 acres, with the District encompassing 366.78 acres and District No. 1 encompassing an additional 1.10 acres.

District Powers

The rights, powers, privileges, authorities, functions and duties of the Districts are established by the laws of the State of Colorado, particularly the Special District Act, 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 District is governed by a five member Board, which currently consist of four members with one vacancy. The Board must be electors of the District as defined by State law and are elected to alternating four year terms of office at successive biennial elections. Vacancies on the Board are filled by appointment of the remaining Board members, 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 State statute, with certain exceptions, no judicial 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.

The Board holds regular meetings and special meetings as needed. Current Board members may receive a maximum compensation of \$1,200 per year, not to exceed \$75 per meeting attended. Board members elected subsequent to July 2005 may receive a maximum compensation of \$1,600 per year, not to exceed \$100 per meeting attended. With the exception of this compensation, Board members may not receive compensation from the District as employees of the District. Currently, the District's Board receives no compensation for meeting attendance. Each Board member is entitled to one vote on all

questions before the Board when a quorum is present. The present Board, their positions on the Board, principal occupations and years of service are as follows.

District Board of Directors

Name	Office	Occupation	Years of Service	Term Expires (May)
Samantha Gale	Secretary/Treasurer	Administrative Manager and Director of Marketing	9	2012
Gayl Hill	Assistant Secretary	Real Estate Finance	1	2014
David Garton, Jr.	Assistant Secretary	Real Estate Developer	9	2012
Vacant	Director	N/A	N/A	N/A
Vacant	Director	N/A	N/A	N/A

Pursuant to State law, 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 disclosure statements filed with the Secretary of State and the District by Board members prior to taking any official action relating to the Bonds, all of the directors have potential or existing personal or private interests relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof because they are one or more of the following: an owner or principal in the Developer entity, an employee of the Developer entity, an owner or employee of an affiliate of the Developer entity, or an owner of property located within the District. It is anticipated that a portion of the proceeds of the Bonds available for Project Costs will be used to partially reimburse the Developer for amounts previously advanced to the District by the Developer.

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 “—Agreements of the Districts—*District Facilities Agreement*” below and “THE DEVELOPMENT—The Developer” herein. The Districts retain Ken Marchetti of Robertson & Marchetti, P.C. as the District’s Accountant, Monahan, Lampman & Hays, P.C., Certified Public Accountants, Glenwood Springs, Colorado, as its auditor, and Icenogle, Norton, Smith, Gilida & Pogue, P.C., Denver, Colorado, as its General Counsel. See “—Agreements of the Districts—*Management Services Agreement*” below.

Agreements of the Districts

District Facilities Agreement. The Districts have entered into the First Amended and Restated District Facilities Construction and Service Agreement, dated as of March 3, 2003 (the “District Facilities Agreement”), which amends and restates the District Facilities Construction and Service Agreement dated as of July 20, 2000, pursuant to which the Districts established the arrangement described in the Service Plan for the financing, construction, operation and maintenance of those facilities and improvements serving the Districts (the “Facilities”), the administration of the Districts’ finances and the provision of services to the Development.

Pursuant to the District Facilities Agreement, District No. 1 is to manage the financing, construction, operation and maintenance of the Facilities for the benefit of the Districts, including the Project. District No. 1 is to acquire and own the Facilities or transfer them to other governmental entities, as appropriate, and operate and maintain such Facilities to the extent no other governmental entity has accepted the responsibility to do so. In addition, District No. 1 is to provide all operations, maintenance

and administrative services to the District as set forth in the Service Plan (the “Services”), which Services are to be provided in accordance with duly adopted rules and regulations of District No. 1. District No. 1 is authorized to impose and collect all fees, rates, toll and charges permitted by law in connection with the Facilities and the provision of the Services, as well as to impose and collect system development charges, tap fees, participation charges and other such fees in connection with the use of the Facilities.

In accordance with the District Facilities Agreement, the District is to fully fund the costs relating to the construction of the Facilities (the “Capital Costs”) and all costs incurred by District No. 1 in performance of its operation, maintenance and administration responsibilities under the District Facilities Agreement (the “Service Costs”). Capital Costs are to be funded with the proceeds of general obligation bonds issued by the District, which proceeds are to be transferred by the District to District No. 1; provided, however, that the District is not precluded from raising funds for the payment of Capital Costs in any lawful manner, including through the imposition of ad valorem taxes. District No. 1 is obligated to use the proceeds of any bonds issued by the District to acquire or construct public infrastructure and facilities benefiting the Districts. The District is to pay Service Costs by imposing ad valorem taxes on the taxable property within District boundaries and transferring the proceeds thereof to District No. 1; provided, however, that the District is not precluded from raising funds for the payment of Service Costs in any lawful manner, including through the issuance of bonds. The District’s obligation to transfer funds to District No. 1 under the District Facilities Agreement is fully subordinate to the payment of any bonds issued by the District for the purpose of satisfying its obligations under the District Facilities Agreement, including the Bonds.

Management Services Agreement. On January 13, 2009, the Districts entered into a Management Services Agreement (as amended, the “Management Agreement”) with the Developer, pursuant to which the Developer agreed to provide on-going management, consulting, administrative and property management services in conjunction with the continuing obligations of the Districts, all as directed by District No. 1. The Developer agreed to provide those services set forth in the Management Agreement pursuant to a fee schedule also set forth therein. The Developer is to obtain approval from District No. 1 prior to providing any services not set forth in the Management Agreement. The Management Agreement expires two years from the date thereof and includes management of the water system servicing the residents of the District.

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.

Advance and Reimbursement Agreement. On January 13, 2009, the District, District No. 1 and the Developer entered into an Advance and Reimbursement and Facilities Acquisition Agreement (the “Reimbursement Agreement”), pursuant to which the Developer agreed to make advance funds to the Districts for the purposes of paying organization, operation and maintenance costs of the District (“O&M Advances”) and for capital construction of certain public improvements and facilities as authorized by the Service Plan (“Capital Advances”). The Districts agreed to reimburse the Developer for O&M Advances, together with interest thereon at the rate of 8% per annum, accruing from the date of such O&M Advance. Reimbursement of O&M Advances is to be made, subject to annual appropriation and budget approval, from available funds of the Districts, and such reimbursement obligation is subordinate to any bonded indebtedness of the Districts, including the Bonds. Capital Advances are to be repaid from proceeds of bonds to be issued by the District, or, if such bonds are not issued, from other available funds of the Districts. In addition, pursuant to the Reimbursement Agreement, the Developer agreed to dedicate

certain public improvements (the “District Improvements”), and the Districts agreed to reimburse the Developer for the eligible costs thereof as set forth in the Reimbursement Agreement. The Reimbursement Agreement sets forth the procedure by which the District Improvements are to be acquired by the Districts and by which construction costs are to be certified as eligible for reimbursement.

As of the date of this Limited Offering Memorandum, the Districts’ reimbursement obligation pursuant to the Reimbursement Agreement is approximately \$500,000.

Assignment Agreement. In connection with the sale of property in the District from the Original Developer to the Developer, the Original Developer, the Developer and District No. 1 executed that certain Transfer, Conveyance and Assignment Agreement dated August 29, 2008 (the “Assignment Agreement”), pursuant to which certain agreements involving the Original Developer and District No. 1 and certain obligations owed to the Original Developer stemming therefrom were addressed. A subordinated note in the principal amount of up to \$9,000,000 was issued by District No. 1 to the Developer on March 17, 2009. To date, no amounts have been drawn on this Note and the District intends to use the Advance and Reimbursement Agreement as the primary method of financing advances and facilities acquisition from Developer in the future.

In addition, the 2008 Subordinate Bonds were issued by the District to the Original Developer to represent the reimbursement obligation of the District for amounts advanced to District No. 1 by the Original Developer. Pursuant to the Assignment Agreement, the 2008 Subordinate Bonds were acknowledged as outstanding and are to be retained by the Original Developer and not transferred to the Developer. A portion of the proceeds of the Bonds will be used to refinance the 2008 Subordinate Bonds. See “THE BONDS—Application of Bond Proceeds—*Refunding Plan*” and “—*Subordination Agreement*” below.

Original Developer Note. District No. 1 also issued to the Original Developer a promissory note (the “Original Developer Note”) in the original principal amount of \$80,482 to evidence District No. 1’s repayment obligation as a result of advances made to District No. 1 by the Original Developer. The maturity date of the Original Developer Note was December 31, 2008. It is anticipated that the Original Developer Note will be paid in conjunction with the issuance of the Bonds. See “THE BONDS—Application of Bond Proceeds—*Refunding Plan*.”

Subordination Agreement. As part of the Refunding Plan, prior to the issuance of the Bonds, District No. 1 and the Original Developer will enter into a Subordination Agreement (the “Subordination Agreement”) whereby the Original Developer will agree to subordinate the 2008 Subordinate Bonds not refunded with proceeds of the Bonds to the Bonds issued by the District and any subsequent refunding bonds thereof. After issuance of the Bonds, the remaining \$5,448,836.47 principal of the 2008 Subordinate Bonds will continue to bear interest at 6% per annum.

Facilities and Services Provided by the Districts

The Districts have the authority pursuant to the Service Plan to provide for the financing, construction, acquisition and installation of street, traffic and safety control, water, sanitary sewage, storm drainage, television relay and translator, transportation, mosquito control and park and recreation improvements and facilities, within and without the boundaries of the District. District No. 1 is responsible for managing the construction and operation of the public improvements and services needed to serve the Development. District No. 2 is responsible for providing the property tax base needed to support the public improvements and the operations of the Districts. The Districts will dedicate improvements to the Town or other governmental entity, as set forth in the Service Plan. All improvements shall be transferred and conveyed with any necessary easements or rights of way upon

completion of their construction and installation and applicable warranty periods. See “—Agreements of the Districts—*District Facilities Agreement*” below.

According to the Developer, construction of on-site improvements necessary to serve Phases 1 through 4 and Aspen Ridge of the Development is 100% complete, including all water and sewer improvements. All water and sewer improvements necessary to service future development of Phases 5 through 9 of the Development are also complete. The construction of the remaining on-site improvements necessary to serve Phases 5 through 9 of the Development, including construction of roads, curbs and gutters, is expected to commence after the issuance of the Bonds and be completed by 2015-16. The Developer is not expected to construct any private improvements within the Development.

The costs of improvements necessary to serve the Development are estimated at approximately \$30,000,000, of which approximately \$15,000,000 has been expended as of the date of this Limited Offering Memorandum. The Developer anticipates that the remaining approximately \$15,000,000 in unfunded infrastructure costs will be funded by the Developer with Bond proceeds and with additional funding to be provided by Developer through equity infusion and/or loans to be entered into as development progresses. For additional information concerning the financing and anticipated completion dates for such improvements, see “THE DEVELOPMENT—Public Infrastructure Status; Development Costs.”

Other Services Available Within the District

Residents of the Districts are provided a wide range of services by various entities other than the Districts. The Districts receive police protection from the 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. Residents of the District are served by Eagle County School District RE-50J. See “THE DEVELOPMENT—Schools.”

THE DEVELOPMENT

The following information has been supplied by the Developer. Neither the District, the District’s advisors nor the Underwriter makes any representation regarding projected development plans within the Development, the financial soundness of the Developer, or the Developer’s managerial ability to complete development as planned. The development of the property within the District may be affected by factors such as governmental policies with respect to land development, the availability of water and other utilities, the availability of energy, construction costs, interest rates, competition from other developments, and other political, legal, and economic conditions. Further, property within the District not owned by the District or the Developer may be subject to encumbrances as security for obligations payable to various parties, the default of which could adversely affect construction activity. See “RISK FACTORS—Development Not Assured.”

Development Overview

The Buckhorn Valley residential development (as previously defined, the “Development”), the boundaries of which are generally coterminous with the boundaries of the District, is a residential planned unit development currently expected to include approximately 899 residences on approximately 223.1 net developable acres, as well as related uses, including an elementary school, an athletic field, bicycle paths, trails, parks and a lake. The Development is located in the central Rocky Mountains within the boundaries of the Town of Gypsum, and is located approximately one mile from the Eagle County Regional Airport, four miles from Interstate 70, and is in close proximity to world class skiing at Vail, Beaver Creek and Aspen. The Development is approximately 33% complete.

The Development was approved by the Town for 899 residences pursuant to the PUD (defined herein). With respect to such homes, 212 lots have been platted pursuant to Filing Nos. 1 through 4 (each defined herein) and 110 lots (of which 10 lots are planned for two single family attached homes each) have been platted pursuant to the Aspen Ridge Final Plat (defined herein). With respect to the approximately 387 remaining planned single family homes and 180 low-density multifamily homes, it is anticipated that the land for such homes will be platted in phases as development progresses, and the current PUD accommodates the planned density for the 899 total residences.

Lot development and home construction within the Development is being carried out in phases. Lot development with respect to the 212 lots within Filing Nos. 1 through 4 was completed in four phases (“Phases 1 through 4,” respectively) by the Original Developer. The Original Developer also sold the approximately 16.824 acres of raw land within the Aspen Ridge Final Plat (as previously defined, “Aspen Ridge”) to a third-party subdeveloper, which subdeveloper is has developed all 110 lots and buildout is approximately 13% complete. With respect to the remaining 567 sites in the Development, to be known as McHatten Creek Ranch at Buckhorn Valley, it is anticipated that all such lots will be finished by the Developer in five phases and sold to third party homebuilders for home construction, with “Phase 5” expected to consist of about 129 single family detached homes; “Phase 6” expected to consist of 180 single family attached homes; “Phase 7” expected to consist of 63 single family detached homes; “Phase 8” expected to consist of 91 single family detached homes; and “Phase 9” expected to consist of 104 single family detached homes.

Phases 1 through 4 are platted to include approximately 212 single family homes. As of the date of this Limited Offering Memorandum, approximately 182 lots of the 212 platted lots in Phases 1 through 4, have been sold or are under contract for homes for permanent residents, with fully constructed single family homes on 177 of these lots, 173 of which have been sold to homeowners and the remaining four homes are for sale. There is currently one home under construction in Phase 4, and it is expected that an additional 10 to 12 homes are to be completed in the next six to eight months in Phases 1 through 4. Aspen Ridge is platted to include approximately 120 single family homes, including approximately 100 single family detached homes and 20 single family attached homes. As of the date of this Limited Offering Memorandum, the property within Aspen Ridge is owned by a third-party homebuilder, with 16 single family detached homes fully constructed. Home construction within Phases 5 through 9 is expected to occur as infrastructure development progresses. Complete buildout of the Development is anticipated in 2017.

According to the Developer, the development of public infrastructure necessary to serve the Development is being completed in phases to coincide with home construction. Construction of infrastructure necessary to serve Phases 1 through 4 and Aspen Ridge, encompassing approximately 332 single family homes, is complete. Construction of water, sewer, roads, drainage, electric, gas and cable television improvements off-site, necessary to serve Phases 5 through 9 is also complete. Development of the remaining public on-site infrastructure necessary to serve the 567 planned homes in Phases 5 through 9 is expected to begin after the closing of the Bonds and be completed in phases by 2015-2016 in conjunction with the completion of the Development. See “—Public Infrastructure Status; Development Costs” below.

Water Rights, Raw Water Infrastructure. According to the Developer, the Development, during its approval processes, has acquired all the water rights that it will ever be needed for both potable and irrigation water for completion of the Development, including ‘back-up’ senior reserve water rights. All of these water rights and entitlements are now owned in their entirety by the District, to be used for completion of the Development to its full 899 dwelling units along with the irrevocable right to irrigate at least 5,000 square feet of lawn area per residence.

The irrigation water infrastructure is independently owned by the District, which owns and controls (i) the aforementioned water rights, (ii) a headworks and ditch system to channel mountain stream runoff into the District reservoir, (iii) the 60 acre-foot irrigation water reservoir, (iv) a pumping station at Eagle River (a tributary to the Colorado River), some 2.5 miles of pipeline for supply, and a second, or midway booster pump station, and (v) a distribution network of including approximately two miles of pipeline. All of this infrastructure, with a direct value of approximately \$6 million, is operational. Calculated at today's water rights costs, the value of the District's water rights (given that the Town of Gypsum now requires about 1.5 ac-ft per dwelling unit), would be over \$34 million. According to the Developer, the water rights and water system alone can be valued at some \$40 million.

Annexation, Zoning, Land Use and Public Approvals

Annexation. The property comprising the Development was originally annexed into the Town on January 11, 2000 subject to the respective obligations of the property owner and the Town for certain infrastructure development and the provision of governmental services as set forth in an Annexation Agreement dated as of such date (the "Annexation Agreement"). The Annexation Agreement provides that such property will be zoned as a planned unit development for 899 residential units in accordance with a preliminary plan (as subsequently entered into, described below under "*PUD/Land Use*"), and also sets forth, among other matters, the responsibilities of the property owner for: (i) the dedication of water rights and acceptable storage and utility easements to the Town, (ii) the development of raw water supply for irrigation purposes and associated irrigation systems, (iii) the provision of certain public infrastructure improvements, (iv) the mitigation the impacts of development on the property, (v) the provision of certain easements, including an aviation easement, and (vi) the payment of various fees, all as more particularly described therein, and which responsibilities were further delineated and modified pursuant to the Subdivision Agreement, described below. See "*Subdivision Improvement Agreement*" below.

PUD/Land Use. In accordance with the Town's zoning process, the property is fully entitled for its intended uses pursuant to the Buckhorn Valley P.U.D. – Preliminary Plan approved by the Town on July 11, 2000 (the "PUD"). The PUD provides for permitted uses of particular subareas of the Development, subject to further delineation and boundary modification by final plat within the limitations set forth in the PUD. The PUD limits the total number of residential units in the Development to 899. It is currently anticipated the there will be 899 residential units within the Development. The following table sets forth the land use summary for the entire Development pursuant to the PUD. See "*Subdivision Improvement Agreement*" below for further restrictions on the use of property comprising the Development.

**TABLE III
Development Land Use Summary**

Land Use	Number of Units	Approximate Acreage	Percentage of the Development
Single-Family Detached	602		
Single-Family Attached	297	223.1 ¹	60.6% ¹
Open Space/Parks	--	114.9	31.2
Community Use	--	10.9	3.0
Street ROW	--	<u>19.2</u>	<u>5.2</u>
Development Total	<u>899</u>	<u>368.1</u>	<u>100.0%</u>

¹ Acreage includes both single family detached and single family attached areas. The acreage presented in this table is prior to an order of exclusion of 0.12 acres recorded with the Eagle County District Court in August 2009. Due to rounding of the acreage figures in the PUD, the acreage presented in this table (net of the exclusion of 0.12 acres) varies slightly from the acreage presented throughout the Limited Offering Memorandum. See "THE DISTRICTS—Inclusions and Exclusions."
Source: PUD

The Development is currently anticipated to include 699 single family detached homes and 200 single family attached homes. The PUD approval is based on water rights and usage for 899 units, of which there are 387 unused single family detached lots and 180 single family attached lots allocated to Phase 6 (parcels K and L). Aspen Ridge was developed on a site originally designated as single family attached (density allocation 7 dwelling units/acre x 16.824 acres = 118 dwelling units), and was developed into 100 single family detached lots and 10 single family attached lots (20 homes). This ±2 units was picked up in the running total kept by the Town.

Platting Phases. In accordance with the Town’s subdivision process, Phases 1 through 4 and Aspen Ridge have been fully platted as set forth in the table below. Plats for Phases 5 through 9 have not yet been submitted to Town for approval; however, anticipated platting for such phases are also included in the table below.

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TABLE IV
Buckhorn Development Platting Summary

Plat Filings	Land Use	Acreage	Units
Final Approved Plat Filings			
<i>Phase 1</i>			
Lots	Single-Family	12.746	53
Tracts A-C	Recreation/Open Space	0.638	
	Roads	<u>4.209</u>	
		17.593	
<i>Phase 2A</i>			
Lots	Single-Family	13.779	53
Tracts A-G	Recreation/Open Space/Pocket Park/Easements	7.069	
	Roads	<u>5.251</u>	
		26.099	
<i>Phase 3</i>			
Lots	Single-Family	13.859	60
Tracts A-C	Open Space/Easements	8.771	
	Roads	<u>3.237</u>	
		25.867	
<i>Phase 4</i>			
Lots	Single-Family	11.406	46
Tracts A-B	Open Space/Easements	0.248	
Tract C	Daycare Site	1.288	
Tract D	School Site	10.000	
	Overlook Park	5.673	
	Roads	<u>4.535</u>	
		33.150	
<i>Aspen Ridge</i>			
Lots	Single-Family	12.422	100
Lots	Single-Family Duplex	1.450	20 ²
Parks 1-3	Recreation/Open Space	0.973	
Tract A	Town of Gypsum	0.055	
	Roads	<u>1.924</u>	
		16.824	
Total Final Approved Plat Filings		<u>119.533</u>	<u>332</u>
Anticipated Plat Filings¹			
<i>Phase 5</i>	Single-Family		129
<i>Phase 6</i>	Single-Family Duplex		180 ³
<i>Phase 7</i>	Single-Family		63
<i>Phase 8</i>	Single-Family		91
<i>Phase 9</i>	Single-Family		<u>104</u>
Total Anticipated Plat Filings			<u>567</u>
			<u>899</u>
Total Development			

¹ It is anticipated that Filing Nos. 6 through 10 will be submitted to the Town for approval beginning in 2009 and progressing as home sales dictate.

² Comprises 10 lots with 2 residential units per lot.

³ Number of lots, and number of residential units per lot, yet to be determined.

Source: Final Plat Filings Nos. 1 through 4, Aspen Ridge Final Plat and the Developer

Subdivision Improvement Agreement. The Development is being undertaken in accordance with the Subdivision Improvement Agreement Buckhorn Valley PUD, 899 Units, approved by the Town on

August 8, 2000 and recorded in the County land records on August 30, 2000 at Reception No. 737976 (“Original SIA”), as amended by the First Amendment to Subdivision Improvement Agreement Buckhorn Valley PUD, 899 Units, approved by the Town on April 26, 2005 and recorded in the County land records on April 27, 2005 at Reception No. 913695 (“SIA Amendment No. 1”), and as amended by the Second Amendment to Subdivision Improvement Agreement Buckhorn Valley PUD, 899 Units, approved by the Town on February 19, 2008 and recorded in the County land records on February 20, 2008 at Reception No. 200803476 (collectively, the “SIA”). Pursuant to the SIA, all matters not covered by specific agreement are to be controlled by the Gypsum Municipal Code, or other authority as set forth therein.

Pursuant to the SIA, and consistent with the Annexation Agreement, the Developer, in addition to the requirement to make full payment of various water right dedication fees (which have now all been paid for the full 899 dwelling units), tap fees and airport area service surcharges, there are specific requirements that are intended to limit total equivalent residential unit (“EQR”) development, which will not allow plat approvals unless the Developer can demonstrate to the Town that certain water needs have been met. Prior to any plat recordation, the Developer is to provide the Town (i) an acceptable security or letter of credit to secure the construction of public improvements and (ii) public improvement design plans for approval. Public improvements are to include (a) streets, private streets, driveways, drainage systems and signs, street lights, curb, gutter and pedestrian/bicycle paths, and sidewalks with accompanying structures, (b) domestic water systems, (c) fire hydrants, (d) survey monuments, (e) sanitary sewer, (f) non-potable irrigation system, (g) perimeter cattle fencing (as approved by the Colorado Division of Wildlife), (h) electricity, natural gas, telephone and cable television, (i) storm sewer, storm drainage facilities, subsurface drainage lines and erosion control, and (j) parks, open space and recreational trails. No certificate of occupancy or temporary certificate of occupancy is to be issued until all required public improvements are completed. The Developer is also to meet land for public use and land for public school dedication requirements. According to the Developer, these requirements have all been met.

The Town provides all potable water utility service and sewage utility service to the Development with the Developer having met all the Town’s requirements, including, water rights dedication. There are remaining only standard payments for water tap fees and sewer tap fees at the time a building permit is pulled, payment of an airport water service surcharge and payment for cost recovery for wastewater facilities previously installed in the airport sewer service area (Development is located within such area). The Developer has demonstrated adequacy of raw water supply for the Development, construction and installation of water and sewer service lines, stub-outs and associated necessary improvements and facilities for such lines. The Developer has also constructed a one million gallon water tank, and as described above, provided a non-potable irrigation system, has made the contribution-in-aid of construction for pumps and pipeline to bring the Norgaard Treatment Plant water to the airport pressure zone, has constructed storm water drainage and facilities, has completed a sewer main to be extended from the Airport Gateway Commercial Center to the Development, and has made payment of certain connection fees and payment of lift station surcharge and service fees.

As the Developer had not completed all obligations as set forth under the Annexation Agreement and the Original SIA with regard to developing and construction of raw water, SIA Amendment No. 1 contemplated the Developer entering into the “Saddle Ridge Agreement.” The purpose of this agreement was for the creation of a joint raw water supply system between the Developer and the adjoining development known as “Saddle Ridge.” SIA Amendment No. 1 also contemplated a joint and modified water supply plan between the Developer and Saddle Ridge, dated October 4, 2004 and referred to as the “Resources Engineering Plan.” For a discussion of the Saddle Ridge Agreement and the Resources Engineering Plan, please see “—Water and Sewer” below. All of the improvements contemplated thereunder have been completed and are in place, and are owned either by the District or the Town.

Home Construction; Sales Activity

Home Construction. Approximately 193 of the 332 single family homes planned for Phases 1 through 4 and Aspen Ridge are completed, with 189 sold or are under contract, including 173 homes in Phases 1 through 4, and 16 homes in Aspen Ridge. The four remaining constructed homes are located in Phases 1 through 4 and are for sale. There is currently one home under construction in Phase 4, and it is expected that an additional 10 to 12 homes are to be completed in the next six to eight months in Phases 1 through 4. Furthermore, approximately 10 lots within Phase 4 of the Development are under contract to various third party custom homebuilders for home construction. It is anticipated that home construction within Phases 1 through 4 and Aspen Ridge will be completed by 2011-2012. Newly constructed homes are in a 'Mountain Ranch' and classic style, with three or more bedrooms, with sizes ranging from 1,700 to 2,400 square feet. All homes are of high quality construction and are carefully monitored by the Homeowner's Associations' Design Review Board and the Town. Full landscaping is required for all homes, with the front lawns and landscape to be fully maintained by the HOA. Home construction has not yet begun in Phases 5 through 9 of the Development and is expected to occur as infrastructure development progresses. Complete buildout of the Development is anticipated in 2017. See "RISK FACTORS—Development Not Assured."

Sales Activity.

Phases 1 through 4. The Original Developer commenced selling completed home-lot combinations in Phases 1 through 4 of the Development in 2000. The Original Developer's marketing plan was to develop lots and build homes in the "affordable" range (at an approximately \$300,000 sales price), and market such homes as a family community for local residents. Homes in Phases 1 through 4 included modular homes which conform to Uniform Building Code standards used throughout the United States. In 2007 through 2008, the sales price of homes in Phases 1 through 4 averaged approximately \$475,000. The Original Developer was a sole-operator/builder, and the sales pace reflects the total volume capability of the Original Developer, rather than the marketplace demand. The current Developer has initiated its plan to sell sites to third-party builders, thereby increasing the volume capability in order to serve the stabilized market demand. During the period 2000-2008, the vicinity market absorbed over 100 similarly priced homes per annum. Home-lot sales in Phases 1 through 4 of the Development from 2000-2010 were as follows.

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TABLE V
Sales History Buckhorn Development
PUD Phases 1-4

Year	Lot Sales
2000	6
2001	27
2002	20
2003	19
2004	21
2005	39
2006	33
2007	1
2008	4
2009	12
2010 ¹	--
Total Home-Lot Sales	<u>182</u>

¹ According to the Developer, there have been no lot sales as of May 13, 2010.

Source: Developer

Note: Sales in 2008-2009 are lot only sales to builders.

Public Infrastructure Status; Development Costs

Lot development within the Development has occurred and is expected to be completed in phases, such phases currently established as follows; Phases 1 through 4 encompassing 212 single family homes; Aspen Ridge encompassing 100 single family detached homes and 20 single family attached homes; Phase 5 encompassing 129 single family detached homes; Phase 6 encompassing 180 single family attached homes; Phase 7 encompassing 63 single family detached homes; Phase 8 encompassing 91 single family detached homes; and Phase 9 encompassing 104 single family detached homes.

Construction of public infrastructure required for the Development began in 2001. According to the Developer, as of the date of this Limited Offering Memorandum, construction of all on-site public improvements necessary to serve Phases 1 through 4 of the Development was completed by the Original Developer. The Original Developer sold the property comprising Aspen Ridge to a third-party subdeveloper who completed lot development with respect thereto. In addition, all water and sewer improvements necessary to serve Phases 5 through 9 of the Developer, encompassing approximately 567 homes, are complete. Construction of the remaining on-site improvements necessary to serve Phases 5 through 9 of the Development, including construction of roads, curbs and gutters, The construction of the remaining on-site improvements necessary to serve Phases 5 through 9 of the Development, including construction of roads, curbs and gutters, is expected to commence after the issuance of the Bonds and be completed by 2015-16. The Developer does not anticipate constructing any private improvements within the Development. According to the Developer, it is anticipated that a portion of Bond proceeds will be used to complete construction of the improvements necessary to serve Phases 5 and 6 of the Development. See “—Water and Sewer” below. See also “RISK FACTORS—Development Not Assured—*Public Infrastructure.*”

The total estimated cost of infrastructure improvements necessary to serve the Development is approximately \$30,000,000. The Developer represents that, as of the date of this Limited Offering Memorandum, approximately \$15,000,000 of such infrastructure improvements have been completed and

funded by the Developer. The costs of such improvements necessary to serve the Development are estimated at approximately \$30,000,000, of which approximately \$15,000,000 has been expended as of the date of this Limited Offering Memorandum. The Developer anticipates that the remaining approximately \$15,000,000 in infrastructure costs will be funded by the Developer with Bond proceeds and with additional funding to be provided by Developer through equity infusion and/or loans as development progresses. It is anticipated that all of the proceeds of the Bonds available for Project costs will be used to finance taxable value enhancing infrastructure improvements necessary for the development of Phases 5 and 6 of the Development. The Developer anticipates that the remaining approximately 20-25%% in unfunded infrastructure costs related to the Development will be funded through equity infusion and/or loans as development progresses. See “RISK FACTORS—Development Not Assured—*Public Infrastructure.*”

Homebuilders

According to the Developer, generally, there are few national builders in the area due to the fact that there have been few projects large enough to warrant their set-up costs. Regional builders that construct 10 to 150 homes a year have also been limited by lot inventory, and in the immediate market, there are no “developer” lots currently available. Builders in the County are accustomed to buying lots for cash when the lots are delivered with approvals and infrastructure, and a typical arrangement might be 1/3 down at contract (pre-development) and the balance upon delivery. Lot takedown contracts, found in other places in the United States, are less common in the County.

The Developer expects to continue to sell lots to homebuilders on a wholesale level, on a multi-lot takedown arrangement, whereby homebuilders acquire an initial number of lots (i.e. 10 lots) and thereafter, a specified number of lots per period. Homebuilders are responsible for their own finance, sales forces and sales transactions. Anticipated homebuilders are expected to include, Boulder Creek Builders, Capital Homes, LLC, ER Bau USA, Inc., Golf Resort Homes, Inc., Mesa Homes and Shelter Corporation of America. Other homebuilders may be considered in the future.

Boulder Creek Builders. Boulder Creek Builders, a Colorado front range builder of renown for community and life-style building, Boulder Creek Builders has targeted its initial efforts in Eagle County within the Development, and aims it price point squarely at the employer initiative housing as described in “—*Employee Housing Initiatives*” below. Boulder Creek Builders is expected to acquire single-family attached sites in phases from Parcels K and L (Phase 6) of the Development.

Capital Homes, LLC. Capital Homes, LLC (“Capital Homes”) is a collaboration of three custom builders in the Eagle County market, with building experience totaling over a half-century. Craig Jagoe, Tom Scrivens, and Bob Roderick have constructed their first model home in the Development. Capital Homes brings building experience to bear on the affordable Eagle County market.

ER Bau USA, Inc. ER Bau USA, Inc. is the United States subsidiary of German based luxury builder, ER Bau. In its first venture outside of Germany, ER Bau owns four lots for construction, with 2 homes underway in McHatten Creek Ranch.

Golf Resort Homes. Golf Resort Homes (“GRH”) is an Eagle County builder with long experience in moderately priced, yet well designed and quality homes that receive popular support in the west Eagle County marketplace. President Don Dotson enjoys a great local reputation with both clients and financiers for delivering on-time and on-budget, with few calls-back. GRH has built three new homes, sold one, and has plans for immediate construction of another home on lots optioned within the Development, all priced below \$400,000.

Mesa Homes. Mesa Homes is a regional builder with broad experience across the market range and type. Mesa Homes currently building luxury homes and condos under the Fairmont Hotel flag in Breckenridge, CO; mid-priced single family homes in Eagle County at Eagle Ranch, and affordable homes in their Grande-View project in Garfield County, CO. This well financed and experienced building team is currently designing three model homes for immediate construction, and is expected to acquire single-family attached sites when developed in 2010 and 2011.

Builder Finance Assistance. The Developer, through its affiliate, International Capital, LLC, (see “—The Developer” below), is working with local banks to provide construction financing through financial enhancements such as subordinated land purchase money mortgages and liquidity enhancements. These facilities are offered to builders who commit to the project and give them opportunity to increase their model homes and homes ready-to-sell, further facilitating the project sales pace.

Employee Housing Initiatives. The Developer is currently working with area employers to help develop employee housing initiatives which will further facilitate the sales pace within the Development. This group of employers includes the following business-cycle exempt employers: the Town, the Town of Vail, Eagle County School District RE-50J, Holy Cross Electric Cooperative and Vail Valley Medical Center.

Land Acquisition and Appraisals

Land Acquisition. The Developer acquired the property comprising the Development in August 2008 for a purchase price of \$30,662,836.

Appraisal. Colorado Business Bank, Eagle, Colorado, engaged Wildrose Appraisal Incorporated, Buena Vista, Colorado, to conduct an appraisal dated February 26, 2008 (the “Appraisal”), encompassing approximately 196.3 acres comprising the Phases 4, 5, 6A, 7, 8 and 9 of the Development (the “Appraised Property”). The Appraisal is conditioned on Phase 4 encompassing 46 finished single family lots, and the rest of the site having preliminary approvals in place for 388 additional single family lots and two sites approved for a total of 180 multi-family units. As represented in the Appraisal, the estimated values of the Appraised Property and the estimated aggregate retail sales value are set forth in Table IV below. Such valuations are fee simple and are subject to the assumptions and limiting conditions set forth in the Appraisal. Pursuant to the Appraisal, the “As Completed” appraised value of Phases 5 through 9 of the Development is \$80,000,000.

TABLE VI
Appraisal Market Value and Estimated Aggregate Retail Sales Conclusions

Appraisal Premise	Phases	Effective Date ¹	Appraised Value Conclusion	Aggregate Retail Sales ²
As Is	4, 5, 6A, 7, 8, 9	February 26, 2008	\$41,200,000	--
As Is	Phase 4 Lots	February 26, 2008	6,800,000	\$ 7,820,000
As Completed	Phase 5 Lots	October 1, 2008	16,200,000	23,210,950
As Completed	Phase 6A Site (multi-family)	October 1, 2009	4,400,000	5,355,000
As Completed	Phase 6B Site (multi-family)	October 1, 2010	8,900,000	11,526,638
As Completed	Phase 7 Sites	October 1, 2010	16,000,000	21,445,003
As Completed	Phase 8 Sites	October 1, 2012	14,400,000	17,612,686
As Completed	Phase 9 Sites	October 1, 2012	20,100,000	27,749,734

¹ Effective date of the appraised values.

² The aggregate retail sales totals do not equate to the value of the subject as a whole, but represent the anticipated revenue generated by the sale of the subject lots and sites over its absorption period.

Source: Appraisal

Encumbrances on Property

The Developer represents that the property within the District is subject to the following encumbrances.

Land Acquisition Loan; First Priority Deed of Trust. The Developer obtained a loan (the “Texas Capital Loan”) from Texas Capital Bank, National Association (“Texas Capital Bank”) pursuant to the terms of a loan agreement between the Developer and Texas Capital Bank. The Texas Capital Loan is evidenced by a promissory note that is secured by property owned by the Developer within the Development. The proceeds of the loan were used by the Developer to finance the costs of acquiring the land within the Development owned by the Developer. In connection with the Texas Capital Loan, the Developer gave Texas Capital Bank a Promissory Note in the principal amount of \$10,700,000 (the “Texas Capital Note”) on August 29, 2008, which matures on August 29, 2010. The Texas Capital Note is secured by a Deed of Trust dated as of August 22, 2008 (the “Texas Capital Deed of Trust”), executed and delivered by the Developer for the benefit of Texas Capital Bank. The Texas Capital Deed of Trust grants Texas Capital Bank a security interest in all of the property within the District that is owned by the Developer. Pursuant to certain subordination agreements, the Texas Capital Deed of Trust represents a first priority lien on the property within the District owned by the Developer.

Land Acquisition Loan; Subordinate Lien Deed of Trust. The Developer entered into a loan agreement with Roark Partners, LLC, a Colorado limited liability company (“Roark Partners”) evidenced by a promissory note that is secured by property owned by the Developer within the Development (the “Roark Loan”). The proceeds of the Roark Loan were used by the Developer to finance a portion of the costs of acquiring the land within the Development owned by the Developer. In connection with the Roark Loan, the Developer gave Roark Partners a Promissory Note in the principal amount of \$18,416,178.00 (the “Roark Note”) on August 29, 2008, which matures on August 29, 2010. The Roark Note is secured by a Deed of Trust dated as of August 29, 2008 (the “Roark Deed of Trust”), executed and delivered by the Developer for the benefit of Roark Partners. The Roark Deed of Trust grants Roark Partners a security interest in all of the property within the District owned by the Developer. Pursuant to

certain subordination agreements, the Roark Deed of Trust represents a subordinate lien on the property within the District owned by the Developer.

Land Acquisition Loan; Subordinate Lien Deed of Trust. The Developer is a party to a loan agreement (the “LaGrow Loan”) with Elgia LaGrow, evidenced by a promissory note that is secured by property owned by the Developer within the Development. The proceeds of the LaGrow Loan were used by the Developer to finance a portion of the costs of acquiring the land within the Development owned by the Developer. In connection with the LaGrow Loan, Roark Partners gave Elgia LaGrow a Promissory Note in the principal amount of \$1,540,000.00 (the “LaGrow Note”) on March 7, 1999, which matures on March 8, 2013. The LaGrow Note is secured by a Deed of Trust dated as of March 7, 1999 (the “LaGrow Deed of Trust”), executed and delivered by the Developer for the benefit of Elgia LaGrow. The LaGrow Deed of Trust grants Elgia LaGrow a security interest in all of the property within the District owned by the Developer. As of March 3, 2010, the outstanding balance under the LaGrow Note was \$1,640,100. Pursuant to certain subordination agreements, the LaGrow Deed of Trust represents a subordinate lien on the property within the District owned by the Developer.

Utility Easements and Rights of Way. In addition to the foregoing encumbrances, the property within the Development is subject to various utility easements and rights of way of record. The Developer has stated that such use rights will not impact the development of the property within the Development, and that no other encumbrances presently exist that would adversely affect the Development as planned. Property in the Development may also become subject to certain encumbrances securing construction financing obtained by the various homebuilders and commercial developers within the Development.

Environmental Assessments

Environmental Site Assessment. A Phase I Environmental Site Assessment, dated March 9, 2008, of approximately 750 building lots as platted comprising the Development was conducted by Environmental Property Investigations, Inc., Conifer, Colorado. The ESA found that the subject site had historically been used for cattle grazing purposes, but is currently graded for development purposes. The ESA states that no environmental concerns or recognized environmental conditions were identified during the historical search, the review of regulatory database files or the subject site and aerial reconnaissance, and no additional investigation is recommended for the site.

Airport Noise Impact Study. Eagle County Regional Airport is a public airport located four miles west of the central business district (“CBD”) of Eagle, Colorado. The airport serves the County and visitors to the nearby Vail and Beaver Creek ski resorts. It covers 632 acres and has one long runway to accommodate Boeing 757s.

The airport traffic is seasonal, with most of the scheduled flights operating during the winter months, although year-round service is available to and from select cities. The Eagle County Airport is also popular with private aircraft operators, serving as a parking facility for private aircrafts.

Although the airport can be seen from the Development, it is not immediately affected by noise emissions. The runway at Eagle County Airport is laid out in an East-West direction, with the Development located to the south of the runway. Commercial and modern private airplanes have the turbines constructed in a way that the noise emission is spread out over a very small angle, which causes the noise not to be heard at the Development. However, private jets with older turbines can still be heard. The Developer does not expect airport noise to be a detrimental factor in marketing the Development

Water and Sewer

Water. The Town provides potable water to the Development through its water supply infrastructure, including water treatment, storage and distribution, which infrastructure is owned and operated by the Town. Pursuant to the Annexation Agreement, the Developer was required to dedicate to the Town sufficient firm yield dry year constructed water storage and related water rights for service of the Development, which requirement was satisfied by the Developer through payment to the Town in lieu of dedication of water storage and water rights. Also, in accordance with the Annexation Agreement, District No. 1 provides non-potable water for irrigation to the Development through an irrigation system constructed by the Developer and subsequently conveyed to District No. 1 for ownership, operation and maintenance.

In addition, pursuant to the Annexation Agreement, the Developer is required to pay to the Town a water rights dedication fee ("Water Dedication Fee") in the amount of \$7,000 per EQR. The Water Dedication Fee is payable as follows: 29% of such fee is payable by the Developer at the time of preliminary plat approval for the subject property, and the balance is payable upon final plat approval of the subject property. The Water Dedication Fees with respect to Phases 1 through 4 in the Development have been paid in full, and the Water Dedication Fee with respect to the remaining phases in the Development will be paid in accordance with the schedule set forth above. In accordance with the Annexation Agreement, as the Developer provided sufficient raw water to the Town, the Developer is entitled to a credit in the amount of 50% of the Water Dedication Fee already paid, which credit will be applied against future fees owed to the Town by the Developer.

Pursuant to the Annexation Agreement, the Developer is also required to pay to the Town water tap fees ("Water Tap Fee") in the amount of \$6,000 per EQR, \$1,200 of which is due upon final plat approval for the subject property and the balance of which is due upon issuance of a building permit for the subject property. All Water Tap Fees with respect to Phases 1 through 4 in the Development have been paid, and the Water Tap Fees with respect to the remaining phases in the Development will be paid in accordance with the schedule set forth above.

Sewer. The Town provides sewer service to the Development. Pursuant to the Annexation Agreement, all sewer improvements necessary to serve the Development were constructed by the Developer and dedicated to the Town for ownership, operation and maintenance. Pursuant to the Annexation Agreement, the Developer is required to pay to the Town a sewer service tap fee ("Sewer Tap Fee") in the amount of \$6,000 per EQR. The Sewer Tap Fee is payable as follows: 25% of such fee is payable upon final plat approval for the subject property and the balance is payable upon issuance of a building permit for the subject property. The Sewer Tap Fees with respect to Phase 1 through 4 in the Development have been paid in full, and the Sewer Tap Fees with respect to the remaining phases in the Development will be paid in accordance with the schedule set forth above.

Covenants, Conditions and Restrictions, and Owners Associations

The Developer has executed a Master Declaration of Covenants, Conditions and Restrictions for Buckhorn Valley, Town of Gypsum, Colorado on December 13, 2000 and recorded with the Eagle County Clerk and Recorder (the "County Clerk") on December 14, 2000 at Reception No. 746273 (the "Master Covenants") to ensure and facilitate the integrated ownership, use, enjoyment and development of the property within the Development. The Master Covenants were amended by the First Amendment to Master Declaration of Covenants, Conditions and Restrictions for Buckhorn Valley, Town of Gypsum, Colorado on April 28, 2009 and recorded with the County Clerk on July 22, 2009 at Reception No. 200915464. The Buckhorn Valley Mater Owners Association, a Colorado nonprofit corporation (the

“Master HOA”) was organized on November 21, 2000, to provide a means of self-government for the owners of property within the Development (the “Property Owners”), to provide for the care, management, control, preservation, operation, maintenance, repair, restoration and replacement of areas required within the Development, to promote safety and welfare of the Property Owners, and to adopt and enforce the Master Covenants.

The Developer has also executed a Declaration of Covenants, Conditions and Restrictions for the Single Family Residences at Buckhorn Valley on December 13, 2000, and recorded with the County Clerk on December 14, 2000 at Reception No. 746274 (the “Single Family Covenants”) to ensure and facilitate the integrated ownership, use, enjoyment and development of the property within the Development. The Single Family Covenants were amended by the First Amendment to the Declaration of Covenants, Conditions and Restrictions for the Single Family Residences at Buckhorn Valley on April 28, 2009, and recorded with the County Clerk on July 22, 2009 at Reception No. 200915463. The Homeowners Association for the Single Family Residence at Buckhorn Valley, a Colorado nonprofit corporation (the “Single Family HOA”) was organized on September 26, 2000, to provide a means of self-government for the owners of property within the Development (the “Homeowners”), to provide for the care, management, control, preservation, operation, maintenance, repair, restoration and replacement of areas required within the Development, to promote safety and welfare of the Homeowners, and to adopt and enforce the Single Family Covenants.

The Master and Single Family Covenants create certain rights, privileges, obligations, duties and easements and impose certain restrictions and covenants upon such property. Every lot owner will be a member of the Master HOA and the Single Family HOA and will be subject to the payment of assessments established as set forth in the respective covenants.

The Developer is to remain in control of the Master HOA and the Single Family HOA until 75% of the buildout of the Development has occurred, however the Developer will retain all the right of the declarant until the last lot is sold. It is anticipated that as the multi-family parcel (Parcels D, E, K and L) are developed, each development will create it owns multi-family homeowners association, being sub-associations of the Master HOA.

Marketing and Advertising

The Developer markets the Development’s project identity and benefits to community through a local media promotional and advertising program, in an effort to drive traffic to the sales center of the Development. Developer staff receives prospects that are shown the entire variety of builder stock that is available, helping them identify the home product of their interest and financial range. In the Development welcome center, each builder’s product is displayed on video flat screens and with conventional printed material. There is also an on-site mortgage finance office to pre-qualify clients, who are then directed to the homebuilder’s products and homebuilder’s sales representatives. See “—Homebuilders” above.

All builders are encouraged to present their sales materials through the Development team office, but they may have their own realtors arrange showings, and they are free to use this welcome center for client meetings, and to negotiate terms and select options with buyers. In providing the sales center and project advertising, the Developer feels this greatly increases builder exposure, and with its broader buying-power and volume discounts, assists the area’s smaller builders to gain market exposure they would not otherwise have.

The Developer can build homes, but feels that by attracting some of the best area builders, the Development’s buildout speed may be increased.

Area Housing Market

According to the Developer, in the western part of the County, (including townships of Eagle, and Gypsum), the Development is the only large development on the market with new, non-deed restricted (limited buyership and appreciation) homes priced under \$400,000. The attractive pricing gives this project its competitive advantage over other competing projects. The Developer is currently marketing completed lots in the Phase 4 plat in the range of \$125,000 and will offer developed single family lots in Phase 5 for bulk sale to builders at a price of approximately \$145,000 per developed SF lot. As of November 25, 2009, the following single-family lots were listed on the Town's MLS (not including the McHatten Creek Ranch portion of Buckhorn Valley Development).

Development	Number of Lots Listed	Mean Price of Lots
Bluffs at Eagle	4	\$122,180
Brightwater in Vail Valley	9	252,580
Cotton Ranch	27	149,137
Eagle Ranch	80	258,054
Sky Legend	7	196,986
Chatfield Corners	4	214,200

Source: Developer

Competition

According to the Developer, the market area immediately surrounding the Development, and within the Town, currently only has two new home active projects, Brightwater and Stratton Flats, neither of which the Developer considers to be in direct competition with the Development.

Brightwater in Gypsum Valley ("Brightwater") which is a master planned private residential community and private golf club to contain 535 single-family detached homes, comprised of 315 custom homes and 220 single-family enclave homes. Homes are currently ranging in price from just below \$1 million to \$2.6 million.

Stratton Flats, a government-private partnership development, is a mix of deed-restricted and free market condos, townhomes and single-family homes, expected to include approximately 226 residential units. The project is a partnership between the town of Town, Meritage Development Group and Eagle County. A third of the homes are free-market, a third are deed-restricted under the Town's terms, and a third are deed-restricted under the County's terms, meaning that buyers have to meet, among others, income limitations. Deed-restricted residences begin under \$300,500 for town homes, and under \$350,000 for single-family homes.

Other Developments and Potential Developments in the Area.

The following information was gathered by the Developer and reflects information available as of May 1, 2010.

Eagle Ranch. Located a few miles east of the Development, in Eagle, Colorado, "Eagle Ranch" is a master planned community with a golf course and other amenities. Eagle Ranch is essentially built out and has only a few in-fill multi-family projects remaining. Eagle Ranch had 80 un-built lots for sale, ranging from \$149,000 to \$416,500. Lots in this development are not viewed as competition due to much higher asking prices.

Bluffs at Eagle. This project in Eagle, Colorado, is comparable to Buckhorn in lot sizes and prices; but only four a few lots remain. In addition, there are no larger undeveloped tracts left in this development. This project has no amenities and a wide variation of architectural styles, home size and quality.

Cotton Ranch. Cotton Ranch is an older project that principally sold lots to individuals. As of March 1, 2009 there were 27 lots left, but no bulk sales available. Some home prices exceed \$1 million, with many homes in the \$700,000's and above. Lot prices in Cotton Ranch reflect the "close-out" status of the project.

Sky Legend. Sky Legend is a small development adjacent to Cotton Ranch, which is mostly now built-out with homes which sold in the \$600,000 and above price range. There are currently only seven lots listed in Sky Legend.

Two Rivers. This is a manufactured/modular community that was originally laid out for manufactured homes, but now has a combination of both. It lies in Dotsero, Colorado, which is about six miles to the west of Gypsum. The developer of Two Rivers sells lot-home packages. Due to its location, dense design, construction standards, buyer profile, and traffic noise, it is not seen as competition.

Haymeadow. Project sponsors petitioned the Town of Eagle, Colorado for approval of a 1,200 dwelling units mixed used residential project to the east of Eagle Ranch. The anticipated market at Haymeadow is expected to be similar to Eagle Ranch in price point at \$650,000 to over \$2,000,000. The project is said to have adequate water rights, but has major access and traffic issues. If launched, Haymeadow could contribute significant inventory to the area, but due to its pending status regarding the traffic issues, it is expected that this project will be delayed more than 24-36 months, if not longer. Therefore, it is not viewed as competition at this stage and in the near future.

Gypsum Creek Valley Undeveloped and Unapproved Tracts. This area contains one of the large tracts in the Town along Gypsum Creek with significant water rights. There are no projects beyond the discussion or initial stages, but the Town has made it clear that it will not settle for a "subdivision" development, but rather requires acreage tracts in keeping with the agricultural history there. The valley's access is via Gypsum Creek Road, and unless and until the Town addresses significant urbanization of this road, it is estimated that at most, perhaps two hundred, one or two acre tracts could be approved there. Based on land costs and the current market, these acreage lots would likely be in the \$300,000 and up price range. Due to its current project status and the expected high price range for finished lots, any such development will not be viewed as competition.

Schools

The Development is served by Eagle County School District RE-50J (the "School District"), which includes the following schools: Red Hill Elementary School (grades K-5); Gypsum Creek Middle School (grades 6-8); and Eagle Valley High School (grades 9-12). All schools are all located within approximately three miles the Development. The School District is currently in the active planning stages for an expanded Pre-K through 8th grade school campus at the Development. This school is to be financed through a School District bond issue in 2011-2012 and construction is expected to take place in the following year. This site is in the central area of the Development, and would be completely serviced with all utilities with development from the Project. Please see the following website for additional information with respect to the school district: www.eagleschools.net. The property within the Development, which is anticipated to be dedicated to the School District, still remains to be dedicated.

The Developer

General. The Development is being undertaken by Buckhorn Valley Development LLC, a Texas limited liability corporation (as previously defined, the “Developer”). The Developer is manager-managed, with Buckhorn Valley Development LLC serving as its manager. Pursuant to the Company Agreement of Buckhorn Valley Development, LLC, executed in August 2008, the current non-equity and equity members of ICI, and their respective membership interests are as follows: “Non-Equity Members”: ICI Buckhorn Valley, LLC, a Texas limited liability company (0.00%). “Equity Members” (cash contributors): ICI-SB Buckhorn, LP, a Texas limited partnership (45.83%), ABCH Gap, LLC, a Texas limited liability company (50.00%) and Foursome-GYP, LLC, a Colorado limited liability company (4.17%).

Developer Management Team. The development team for the Development is comprised of the following individuals.

John V. Hill, Project General Manager. John V. Hill is a civil engineer with 40 years of experience in land planning, approvals and development both in the United States and internationally. Mr. Hill has worked with major resorts and residential projects from inception to completion, serving as engineering and development supervisor, and has performed financial engineering and arranged financing for numerous land development projects at home and abroad. Mr. Hill holds a Bachelor of Science degree in Civil Engineering from the Southern Methodist University and is a registered professional engineer in the State of Florida. Currently, Mr. Hill is a director of the Eagle Valley Home Builder’s Association, a delegate to the Colorado Association of Home Builders, and a member of the National Association of Home Builders, with residences in Eagle County, Colorado and Dallas, Texas.

Steven A. Kelley, Contract Project Development Superintendent. Mr. Kelley has served as a project development superintendent for major commercial and residential developments through the State and the western United States for 31 years. Mr. Kelley has directed construction activities for both infrastructure and vertical construction for major malls, hotels, residential developments, resort facilities and mixed use developments, with individual project values ranging to in excess of \$100 million. Mr. Kelley also advises the Boards of Directors of the Districts with respect to infrastructure design, contract bidding and construction administration for the Development. Mr. Kelley has accredited college engineering, surveying, and Occupational Safety and Health Administration education as well as Computer-Aided Design certification from Rocky Mountain College.

Samantha Gale, District Board Secretary/Treasurer, Marketing Director, HOA Manager and Accountant. Samantha Gale has been actively involved in the project since 1998, and has served as administrative manager for the Developer, the Districts, the Master HOA and Single Family HOA since that time. In addition to administration, Mrs. Gale is currently the marketing director for the Development. Mrs. Gale has been actively involved in real estate development and construction for 17 years, serving as office manager and secretary for Garton Development for four years, serving as director of finance/accounting and office manager of Gypsum Estates, LLLP for four years, and serving as director of finance/accounting and office manager of the Original Developer for 10 years. Mrs. Gale is a graduate of University of San Diego, with a degree in Business Administration.

Dave Garton, Jr., District Board Assistant Secretary, Consultant and Government Liaison. Mr. Garton served as the general partner of the Original Developer, managing its day to day business affairs. Mr. Garton has over 30 years experience in business and land development, management, marketing and operations with numerous real estate projects in the Vail Valley. Mr. Garton continues to serve the current Developer in the role of consultant and liaise with governmental authorities on an as-needed basis, and it is anticipated that he will remain in this role throughout the duration of the Development. He holds

a Bachelor of Arts degree from Amherst College, Massachusetts, and a Masters in Business Administration from Northwestern University.

International Capital, LLC Management Team

International Capital, LLC is an international commercial real estate company located in Dallas, Texas (“ICI”).

Overview of International Capital, LLC

ICI has been active in Texas since 1980 and has been involved in a variety of commercial and residential investments, developments and financial structures. At this time ICI has invested in two other large residential developments in the Dallas/Ft. Worth Metroplex. In addition to the Development, ICI operates or supervises approximate 40 investment projects and over 100 corporations and partnerships and limited liability companies. ICI has a staff of 18 and offers a high level of expertise in acquisition, sales, development, property and asset management as well as financing of all manners of real estate that is being held for investment purposes.

ICI’s Investment Team

Andreas K. Bremer, Executive Vice President and Partner. Andreas K. Bremer joined the company as its Chief Financial Officer in October of 2002 and has over 20 years of financial and general management experience, with extensive knowledge of corporate finance and commercial lending. He is responsible for all financial aspects of the company’s operations. Mr. Bremer received a law degree from the Johannes-Gutenberg University in Mainz, Germany.

Rick Bigelow, Chief Financial Officer. Rick Bigelow began his career with Arthur Andersen & Company, Dallas, Texas, immediately after graduating from the University of Illinois. He is a Certified Public Accountant and has over 20 years of financial and accounting experience in a variety of businesses including real estate, financial services and business technology services. Mr. Bigelow is responsible for all accounting, reporting, systems and controls for the company and its investors. Prior to joining ICI in May of 2003, Mr. Bigelow serviced as the Chief Financial Officer of PRIMEDIA Workplace Learning, a learning and information company in Dallas, Texas. His professional experience also includes over ten years with The Associates (now Citigroup) and five years with Trammell Crow Company as Controller.

Martina Crevecoeur, Vice President Acquisitions & Dispositions. Martina Crevecoeur joined ICI in 1999. Ms. Crevecoeur had worked for a German consulting engineers company in Essen/Germany where, from 1993 until leaving the company, she was responsible for personnel matters for the firm's large free-lance consultant pool. Ms. Crevecoeur studied at the University of Houston. Ms. Crevecoeur, who holds a Texas Real Estate license, coordinates ICI’s disposition and acquisition activities and is the contact person and liaison for foreign investors.

Peter Geier, Private Placement Specialist. Peter Geier is a Private Placement Specialist at ICI and is responsible for developing new and enhancing existing relationships with high net worth individuals and resellers. Mr. Geier joined ICI in October 2005. Mr. Geier has over 20 years of management experience, building and maintaining strategic relationships with leading persons from large corporations and entrepreneurs in the high tech industry.

Ron Thomas, Director of Consulting Services and Land Development. Ron Thomas is Director of Consulting Services and Land Development at ICI and is responsible for identifying and acquiring new land investments, as ICI’s consulting agent on current projects including highest and best use analysis and

future marketing strategies. Mr. Thomas has over 35 years of experience in commercial real estate. He excels in a broad range of roles including investment sales, acquisitions, and consulting along with bankruptcy advisory and expert witness services. Mr. Thomas was a Vice President of NationsBank (subsequently Bank of America) with the responsibility of marketing and disposition of over \$250 million of bank-owned commercial real estate in the Texas region.

ICI Management Team. Please see the following website for additional information with respect to ICI: www.international-capital.com.

DISTRICT FINANCIAL INFORMATION

Ad Valorem Property Taxes

The Board has the power, subject to constitutional and statutory guidelines, to certify a levy for collection of ad valorem taxes against all taxable property of the District. Property taxes are uniformly levied against the assessed valuation of all taxable property of the District. 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 and Disabled Veterans. On November 7, 2000 and November 7, 2006, respectively, the electors of the State of Colorado approved Referendum A and Referendum E, constitutional amendments granting a property tax reduction to qualified senior citizens and qualified disabled veterans. Generally, the reduction (a) reduces property taxes for qualified senior citizens and qualified disabled veterans by exempting 50% of the first \$200,000 of actual value of residential property from property taxation; (b) requires that the State reimburse all local governments for any decrease in property tax revenue resulting from the reduction; and (c) excludes the State reimbursement to local governments from the revenue and spending limits established under Article X, Section 20 of the State Constitution. However, during the 2009 Legislative Session, the Colorado State Legislature has disallowed the qualified senior citizens exemption for the 2009 levy year (2010 collection year), and during the current 2010 Legislative Session the Colorado State Legislature has introduced a bill that would extend such disallowance through the 2011 levy year (2012 collection year).

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; 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; agricultural equipment which is used on the farm or ranch in the production of agricultural products; and non-profit cemeteries.

Assessment of Property. All taxable property is listed, appraised and valued for assessment as of January 1 of each year by the county assessor. The “actual” value, with certain exceptions, is determined by the county assessor annually based on a biennially recalculated “level of value” set on January 1 of each odd-numbered year. The “level of value” is ascertained for each two-year reassessment period from manuals and associated data prepared and published by the State property tax administrator for the eighteen-month period ending on the June 30 immediately prior to the beginning of each two-year reassessment period. For example, “actual” values for the 2007 levy/2008 collection year as well as the 2008 levy/2009 collection year are based on market data obtained from the period January 1, 2005 – June 30, 2006. “Actual” values for the 2009 levy/2010 collection year will be based on market data from the period January 1, 2007 - June 30, 2008. The “level of value” calculation does not change for 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 is subject to change 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. Over the past nine years the residential ratio has decreased from 9.74% for the 2000 levy year and 9.15% for the 2001 and 2002 levy years, to 7.96% for the 2003 through 2009 levy years. The Colorado Legislative Council Staff’s December 2009 forecast (as contained in its “Focus Colorado: Economic and Revenue Forecast, 2009-2012”), projects that the residential assessment ratio will remain at 7.96% through the 2012 levy year (for tax collection in 2013).

Beginning in May of each year each 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 “—Constitutional Amendment Limiting Taxes and Spending” and “—Budget and Appropriation Procedure” below. 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 2009, for example, will be collected in 2010. Taxes are due on January 1 in the year of

collection; however, they may be paid, at the election of the taxpayer, 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 become delinquent on, and interest thereon will accrue from, March 1 (with respect to the first installment) and June 16 (with respect to the second installment) until the date of payment, provided that if the full amount of taxes is to be paid in a single payment, such amount will become delinquent on May 1 and will accrue interest thereon from such date until paid. 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 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 district, 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

The District's assessed valuation and mill levies from 2004 to date is set forth in the following table. See "*—Ad Valorem Property Taxes—Assessment of Property*" above for a description of the assessment ratios for taxable property used in each of such years. See "*—Constitutional Amendment Limiting Taxes and Spending*" below. In 2009, the District's assessed valuation increased substantially in 2009 to \$18,864,630 (from \$11,715,460) following the sale of certain property to the Developer for \$30,662,836 in August 2008 and the Developer's appeal of its assessed valuation within the District. There can be no assurance that the assessed valuation for property within the District will not go down in the future if development does not occur or if market conditions change. Upon issuance of the Bonds, the Developer has agreed that it will execute an agreement with the District not to challenge the current assessed valuation for its property in the District in a way that would materially decrease the assessed value of the Developer's property. Such an agreement, however, will not necessarily prevent a reduction in the assessed valuation of the Developer's property in the District.

TABLE VII
History of District's Assessed Valuation and Mill Levy

Levy/Collection Year	Assessed Valuation	General Fund Mill Levy ¹	Bond Fund Mill Levy	Total Mill Levy
2004/2005	\$ 2,564,470	5.000	38.000	43.000
2005/2006	3,220,310	5.000	38.000	43.000
2006/2007	5,685,710	5.000	37.934	42.934
2007/2008	8,170,190	5.000	38.118	43.118
2008/2009	11,715,460	5.000	37.728	42.728
2009/2010	18,864,630	6.118	48.945	55.063

¹ The District pays for operations expenses via a mill levy imposed for service contractual obligations. Beginning in levy/collection year 2009/2010, the District's General Fund levy includes a non contractual operating mill levy.

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2004-2008 State of Colorado Property Tax Annual Reports; and the Eagle County Assessor's Office

The following table sets forth a history of the District's ad valorem property tax collections within the District since the 2004 levy year (the District's first levy year) on a calendar year basis.

TABLE VIII
History of District's Property Tax Collections

Levy/Collection Year	Current Taxes Levied	Current Taxes Collected ¹	Percent Taxes Collected
2004/2005	\$ 110,272	\$110,261	100.0%
2005/2006	138,473	138,434	100.0
2006/2007	244,110	244,110	100.0
2007/2008	352,282	352,151	100.0
2008/2009	500,578	490,803	98.1
2009/2010 ²	1,038,743	1,186,347	114.2%

¹ Figures reflect current tax collections interest and delinquent taxes. The amounts above do not include treasurer fees.

² Estimated collections through May 14, 2010.

Sources: State of Colorado, Colorado Department of Local Affairs, Division of Property Taxation, 2003-2008 State of Colorado Property Tax Annual Reports and the Eagle County Treasurer's office

The following table sets forth the 2009 assessed and "actual" valuations (for the 2010 tax collection year) of specific classes of property within the District. As shown below, vacant property has accounted for the largest percentage of the assessed valuation.

TABLE IX
2009 Valuation of Classes of Property in the District

Class	Assessed Valuation	Percent of Assessed Valuation	“Actual” Valuation	Percent of “Actual” Valuation
Vacant	\$12,726,510	67.5%	\$ 43,882,830	37.2%
Residential	5,822,280	30.9	73,139,920	61.9
State Assessed	272,210	1.4	938,660	0.8
Commercial	<u>43,630</u>	<u>0.2</u>	<u>150,420</u>	<u>0.1</u>
Total	<u>\$18,864,630</u>	<u>100.0%</u>	<u>\$118,111,830</u> ¹	<u>100.0%</u>

¹ Due to adjustments and abatements the total “actual” valuation figures from which these percentages were determined differ slightly from the District’s certified “actual” valuation figures set forth elsewhere in this Limited Offering Memorandum.
Source: Eagle County Assessor’s Office

Set forth in the following table are the persons or entities which represent the largest taxpayers within the District for the 2009 levy year (2010 collection year), as provided by the County Assessor’s Office. A determination of the largest taxpayers within the District can be made only by manually reviewing individual tax records. Therefore, it is possible that owners of several small parcels may have an aggregate assessment in excess of those set forth in the following table. Furthermore, the taxpayers shown in the table may own additional parcels within the District. 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.

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TABLE X
2009 Largest Taxpayers Within the District

Name	Assessed Valuation	Percent of Assessed Valuation ¹
BVD-ACQ LLC (as defined, the Land Owner)	\$ 8,903,680	47.2%
Gypsum Aspen Ridge LLC	1,883,000	10.0
Roark Partners LLLP	1,064,750	5.6
2001 Properties LLC	704,480	3.7
Public Service Company of Colorado	221,530	1.2
Williams Properties	89,900	0.5
John Warner Griswold Family Trust	89,900	0.5
Holy Cross Electric Association Inc.	50,680	0.3
Individual	47,970	0.3
ER-BAU USA Inc.	46,900	0.2
Total	<u>\$12,966,740</u>	<u>69.5%</u>

¹ The 2009 assessed valuation figure of the District used in computing the above was \$18,864,630. Figures have been rounded.

Source: Eagle County Assessor's Office

Overlapping Mill Levies

Numerous entities located wholly or partially within the District are authorized to levy taxes on property located within the District. According to the County Assessor's office, there are currently 12 entities overlapping all or a portion of the District. As a result, property owners within the District may be subject to various mill levies depending upon the location of their property. According to the County Assessor's office, the lowest total mill levy imposed in 2009 (for payment in 2010) on a taxpayer located in the District was 110.160 and the highest was 133.766. The following table is representative of sample total 2009 mill levies (for payment in 2010) attributable to the majority of taxpayers within the District (according to the County Assessor) and is not intended to portray the mills levied against all properties within the District. Additional taxing entities may overlap the District in the future. See also "DEBT STRUCTURE—General Obligation Debt—*Estimated Overlapping General Obligation Debt.*"

TABLE XI
Sample Total 2009 Mill Levy

Taxing Entity	2009 Mill Levy ¹
Cedar Hill Cemetery District	0.490
Colorado Mountain College	3.997
Colorado River Water Conservancy District	0.166
Eagle County	8.499
Eagle County School District RE-50J	19.402
Eagle Valley Library District	2.750
Gypsum (Town of)	5.094
Gypsum Fire Protection District	6.833
Western Eagle County Ambulance District	5.000
Western Eagle County Metro Recreation District	<u>3.650</u>
Overlapping Mill Levy	55.881
The District	<u>55.063</u>
Total Overlapping Mill Levy	<u>110.994</u>

¹ One mill equals 1/10 of one cent. Mill levies certified in 2009 are for the collection of ad valorem property taxes in 2010.
Source: Eagle County Assessor's Office

Specific Ownership Taxes

Specific Ownership Taxes represent the amounts received by the District from the State pursuant to statute primarily on motor vehicle licensing. Such tax is collected by all counties and distributed to every taxing entity within a county, such as the District, in the proportion that the taxing entity's ad valorem taxes represents the cumulative amount of ad valorem taxes levied county-wide. See "THE BONDS—Security for the Bonds."

Other Revenues; Operational Mill Levy

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 may, to that extent, be diminished. However, the Bonds do not constitute a lien or encumbrance on such revenues. Other revenues available to the District include interest and other earnings on investments and, to the extent not prohibited by other contractual obligations, fees for services and facilities allowed under the Service Plan.

Accounting Policies and Financial Statements

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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's audited financial statements for the year ended

December 31, 2008 are appended hereto and represent the District's most current audited financial statements.

Historical Financial Information

For auditing purposes, the District maintains two governmental funds, the General Fund and the Debt Service Fund. The General Fund is utilized for the general operating activities of the District and is primarily supported from interfund transfers. The Debt Service Fund is used to account for the accumulation of financial resources for the payment general long-term obligations, interest and other related costs. Set forth hereafter is a five-year comparative statement of revenues, expenditures and changes in fund balances for the District's General Fund and Debt Service Fund. The following information should be read together with the District's financial statements and accompanying notes appended thereto.

TABLE XII
History of General Fund Revenues, Expenditures and Changes in Fund Balance

	2004	2005	2006	2007	2008
Revenues					
Net Investment Income	\$ <u>47</u>	\$ <u>3,844</u>	\$ <u>7,932</u>	\$ <u>9,521</u>	\$ <u>2,439</u>
Total Revenues	<u>47</u>	<u>3,844</u>	<u>7,932</u>	<u>9,521</u>	<u>2,439</u>
Expenditures					
Audit	4,100	4,400	4,600	4,758	4,973
Elections and Notices	--	--	888	--	--
Insurance	1,535	1,560	1,274	--	--
Office Supplies and Other	<u>34</u>	<u>334</u>	<u>406</u>	<u>1,705</u>	<u>1,888</u>
Total Expenditures	<u>5,669</u>	<u>6,294</u>	<u>7,168</u>	<u>6,463</u>	<u>6,861</u>
Excess of Revenues Over (Under)					
Expenditures	(5,622)	(2,450)	764	3,058	(4,422)
Other Financing Sources (Uses)					
Transfers In (Out)	<u>11,942</u>	<u>6,000</u>	<u>4,797</u>	--	<u>3,000</u>
Excess of Revenues Over (Under)					
Expenditures and Other Financing Sources	6,320	3,550	5,561	3,058	(1,422)
Beginning Fund Balance	<u>1,991</u>	<u>8,311</u>	<u>11,861</u>	<u>17,422</u>	<u>20,480</u>
Ending Fund Balance	<u>\$ 8,311</u>	<u>\$ 11,861</u>	<u>\$ 17,422</u>	<u>\$ 20,480</u>	<u>\$ 19,058</u>

Source: District Audited Financial Statements for years ended December 31, 2004-2008

TABLE XIII
History of Debt Service Fund Revenues, Expenditures and Changes in Fund Balance

	2004	2005	2006	2007	2008
Revenues					
Property Taxes	\$ 105,970	\$ 110,257	\$ 138,434	\$ 244,109	\$ 352,151
Specific Ownership Taxes	6,528	7,029	8,953	15,179	17,215
Net Investment Income	<u>24,554</u>	<u>26,086</u>	<u>31,978</u>	<u>26,995</u>	<u>410</u>
Total Revenues	<u>137,052</u>	<u>143,372</u>	<u>179,365</u>	<u>286,283</u>	<u>369,776</u>
Expenditures					
General Government					
Treasurer's Fees	3,180	3,310	4,157	7,327	10,573
Paying Agent Fees	500	500	--	--	--
Intergovernmental					
Capital Obligation to BMVD No. 1	174,746	327,284	199,500	323,500	8,476,709
Service Obligation to BMVD No. 1 ¹	--	--	--	67,853	205,142
Debt Service					
Bond Issuance Costs					
Principal	--	--	--	440,000	--
Interest	175,150	175,150	175,000	175,000	144,200
Fees	--	--	<u>1,250</u>	<u>2,062</u>	<u>163</u>
Total Expenditures	<u>353,576</u>	<u>506,244</u>	<u>379,907</u>	<u>1,015,742</u>	<u>8,836,787</u>
Excess of Revenues Over (Under)					
Expenditures	(216,524)	(362,872)	(200,542)	(729,459)	(8,467,011)
Other Financing Sources (Uses)					
Proceeds From Bond Issuance	--	--	--	--	8,500,000
Bond Issue Costs	--	--	--	--	(23,291)
Transfers In (Out)	<u>(11,942)</u>	<u>(6,000)</u>	<u>(4,797)</u>	--	<u>(3,000)</u>
Total Other Financing Sources (Uses)	<u>(11,942)</u>	<u>(6,000)</u>	<u>(4,797)</u>	--	<u>8,473,709</u>
Excess of Revenues Over (Under)					
Expenditures and Other Financing Sources	(228,466)	(368,872)	(205,399)	(729,459)	6,698
Beginning Fund Balance	<u>1,633,186</u>	<u>1,404,721</u> ²	<u>1,035,849</u>	<u>830,510</u>	<u>101,051</u>
Ending Fund Balance	<u>\$1,404,720</u> ²	<u>\$1,035,849</u>	<u>\$ 830,510</u>	<u>\$ 101,051</u>	<u>\$ 107,749</u>

¹ The District is to pay Service Costs by imposing ad valorem taxes on the taxable property within District boundaries and transferring the proceeds thereof to District No. 1. See "THE DISTRICTS—Agreements of the Districts—*District Facilities Agreement*."

² Difference in ending and beginning balance due to rounding.

Source: District Audited Financial Statements for years ended December 31, 2004-2008

Budget and Appropriation Procedure

The District's budgets are prepared on a calendar year basis as required by Title 29, Article 1, Part 1, C.R.S. The budgets must present a complete financial plan for the District, 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 15 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 District 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 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 majority vote of the Board following proper notice. If the District receives revenues which were unanticipated or unassured at the time of adoption of the budget, the Board may authorize the expenditure thereof by adopting a supplemental budget and appropriation resolution after proper notice and a hearing thereon. In the event that revenues are lower than anticipated in the adopted budget, the District may adopt a revised 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.

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 District is subject to tax revenue limitations as described in "—Constitutional Amendment Limiting Taxes and Spending," but has received voter approval to waive such limitations.

Budgeted Financial Information

The following tables set forth a comparison and a summary of the 2009 and 2010 budgets as adopted, the 2010 actual year to date unaudited figures for the District's General Fund and Debt Service Fund. The Board adopted the District's 2010 budget and appropriation resolution as described above and the District filed such budget with the State Division of Local Government on December 11, 2009. The modified accrual basis of accounting and governmental funds was used in the preparation of these budgets.

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TABLE XIV
General Fund Budget Summary and Comparison

	2009 Budget ¹	2009 Year- End Actual (unaudited)	2010 Budget ¹	2010 Year-to-Date Actual (unaudited) ²
Revenues				
Property Taxes	\$ --	\$ --	\$115,414	\$19,521
Specific Ownership Taxes	--	--	4,039	1,320
Interest Income	<u>488</u>	<u>900</u>	<u>64</u>	<u>20</u>
Total Revenues	<u>488</u>	<u>900</u>	<u>119,517</u>	<u>20,861</u>
Expenditures				
Audit	5,150	5,308	5,300	2,500
Insurance	2,000	1,648	2,000	1,963
Treasurer's Fees	--	--	3,462	586
Miscellaneous/Other	--	110	--	40
Contingency	<u>2,000</u>	<u>--</u>	<u>2,000</u>	<u>--</u>
Total Expenditures	<u>9,150</u>	<u>7,066</u>	<u>12,762</u>	<u>5,089</u>
Excess of Revenues Over (Under) Expenditures	(8,662)	(6,166)	106,755	15,772
Other Financing Sources (Uses) Transfers In (Out)	<u>9,000</u>	<u>--</u>	<u>(115,000)</u>	<u>(19,521)</u>
Excess of Revenues Over (Under) Expenditures and Other Financing Sources	338	(6,166)	(8,245)	(3,749)
Beginning Fund Balance	<u>19,504</u>	<u>19,058</u>	<u>12,810</u>	<u>12,892</u>
Ending Fund Balance	<u>\$19,842</u>	<u>\$12,892</u>	<u>\$ 4,565</u>	<u>\$ 9,143</u>

¹ Budgets as adopted.

² Unaudited year to date figures through April 30, 2010.

Source: District 2009 and 2010 Budget Documents and the District

TABLE XV
Debt Service Fund Budget Summary and Comparison

	2009 Budget ¹	2009 Year- End Actual (unaudited)	2010 Budget ¹	2010 Year-to- Date Actual (unaudited) ²
Revenues				
Property Taxes Bonds	\$438,006	\$429,336	\$ 923,329	\$156,177
Property Taxes IGA Services ³	62,572	61,334	--	--
Specific Ownership Taxes	25,029	20,328	32,317	10,560
Interest Income	<u>2,654</u>	<u>15,204</u>	<u>29,505</u>	<u>210</u>
Total Revenues	<u>528,261</u>	<u>526,202</u>	<u>985,151</u>	<u>166,947</u>
Expenditures				
Treasurer's Fees	15,017	15,181	27,700	4,685
Bond Interest Payments- 2003	144,200	144,200	--	--
Bond Interest Payments- 2008	293,806	306,279	282,540	--
Bond Principal Payments- 2009	--	--	5,000	--
Bond Interest Payments- 2009	--	--	1,112,500	--
Paying Agent and Bank Fees	2,100	150	5,000	--
Payment to BVMD No. 1 – Capital Costs	--	--	--	--
Payment to BVMD No. 1 - Service Costs ³	62,572	61,334	--	--
Payment to BVMD No. 1 – Construction Fund Release	--	--	956,970	--
Contingency	<u>2,000</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Expenditures	<u>519,695</u>	<u>527,144</u>	<u>2,389,710</u>	<u>4,685</u>
Excess of Revenues Over (Under)				
Expenditures	8,566	(942)	(1,404,559)	162,262
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(9,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues Over (Under)				
Expenditures and Other Financing Sources	(434)	(942)	(1,404,559)	162,262
Beginning Fund Balance	<u>106,175</u>	<u>107,749</u>	<u>5,900,950</u>	<u>106,807</u>
Ending Fund Balance	<u>\$105,741</u>	<u>\$106,807</u>	<u>\$4,496,391</u>	<u>269,069</u>

¹ Budgets as adopted.

² Unaudited year to date figures through November 30, 2009.

³ The District is to pay Service Costs by imposing ad valorem taxes on the taxable property within District boundaries and transferring the proceeds thereof to District No. 1. See "THE DISTRICTS—Agreements of the Districts—*District Facilities Agreement*."

Source: District 2008 and 2009 Budget Documents and the District

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. The Board acts to protect the District against loss and liability by maintaining certain insurance coverage. Currently, the District maintains insurance through the Colorado Special Districts Property and Liability Pool ("CSDPLP"). CSDPLP was

established by the Special District Association of Colorado in 1988 to provide special districts with general liability, auto/property liability, and public officials' liability insurance coverage as an alternative to the traditional insurance market. Since 2001, CSDPLP has also offered workers' compensation insurance. The District's current policy expires on January 1, 2010. However, there can be no assurance that the District will continue to maintain their current levels of coverage.

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."

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 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: (a) 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; (b) 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 clause (a) above; (c) 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 (d) 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 (c) of the preceding paragraph and the voter approval requirement for spending and real property tax revenue increases referred to in clauses (a) and (b) of the preceding paragraph] will be suspended to provide for the deficiency." The preferred interpretation of TABOR will, by its terms, be the one that reasonably restrains most the growth of government.

De-Brucing. At the November 7, 2000 election, voters of the Districts approved an election question allowing the District to collect and expend any amounts raised annually in 2000 and any year

thereafter from its mill levy, and form specific ownership taxes, interest income, tap fees, grants and any other income of the Districts, without regard to the revenue and spending limitations of TABOR.

Proposed Amendments - November 2010 Election. The State Constitution provides that people of the State reserve to themselves the power to propose laws and amendments to the State Constitution (referred to as initiatives), and to enact or reject such initiatives by a vote of the people by a Statewide ballot. Three initiated measures (the “Ballot Initiatives”) have been placed on the November 2010 statewide general election ballot which would amend TABOR (as well as Article XI of the Colorado Constitution) through the addition of the following:

Proposition 101 would amend State tax statutes to substantially reduce several sources of State and local revenue, including the State income tax, vehicle fees and taxes and telecommunication charges. If Proposition 101 is approved, it is anticipated that specific ownership taxes otherwise payable to the District will decline, and the District would have less Pledged Revenue available to provide for payment of the Bonds as a result.

Amendment 60 would amend the Colorado Constitution to further restrict the ability of local governments to impose and collect property taxes, require voter approval of property tax increases and extensions of expiring taxes but limit the effectiveness of such approvals to 10 years, and prohibit voters from approving the collection and spending of property tax revenues in excess of TABOR limits (as described in “—*De-Brucing*” above) for periods greater than 4 years. If Amendment 60 is approved, it could decrease the property taxes available to the District for its general operations. However, Amendment 60 is not anticipated to impact the District’s ability to impose the debt service mill levy required for payment of the Bonds because it provides that nothing therein “shall limit the payment of bonded debt issued before 2011.”

Amendment 61 would amend the Colorado Constitution to (a) prohibit the State, its agencies and instrumentalities, from borrowing, entering into lease purchase agreements or contracting loans in any other form for any purpose or any period of time and (b) require a broad range of government financing, including traditional governmental bonds but also some financing transactions that historically have not been treated as debt under State law, such as lease purchase agreements, etc., and whether or not issued by enterprises, to be approved by the voters of the local government unit and to mature within 10 years, without extension. Amendment 61 would also lower the debt limit of the District from the current limit, which is the greater of \$2 million or 50% of the assessed valuation of real and personal taxable property within the District (subject to certain exceptions; see “DEBT STRUCTURE—General Obligation Debt—*Statutory Debt Limit*”), to 10% of the assessed valuation of only real property in the District.

Each of the Ballot Initiatives would take effect January 1, 2011. It is not possible to predict whether any or all of the Ballot Initiatives will be approved by a majority of the voting electors at the November 2010 election.

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 will not at the time of issuance exceed the greater of \$2 million or 50% of the District’s assessed valuation. The issuance of the Bonds is permitted by § 32-1-1101(6), C.R.S. because the Bonds will be sold only to “financial institutions or institutional investors” as such terms are defined in § 32-1-103(6.5), C.R.S.

Outstanding and Authorized but Unissued Debt. The following table set forth the District’s outstanding general obligation debt upon the issuance of the Bonds.

**TABLE XVI
General Obligations of the District**

Obligation	Principal Amount Outstanding ¹
2003 Bonds	\$ 2,060,000.00
Subordinate General Obligation Limited Tax Bonds, Series 2008	5,448,836.47
2010 Bonds	<u>7,370,000.00</u>
Total	<u>\$14,878,836.47</u>

¹ Upon issuance of the Bonds.
Source: The District

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 and \$42,560,000 of indebtedness for the purpose of refunding outstanding financial obligations of the District. Upon issuance of the Bonds, the District will have remaining voter authorization of \$24,771,163.53 for public infrastructure improvements. The Service Plan, however, places additional debt limitations on the District of \$26,000,000, and following issuance of the Bonds, the District will have \$10,681,163.53 debt authorization remaining under its Service Plan.

See “RISK FACTORS” and “DISTRICT FINANCIAL INFORMATION—Constitutional Amendment Limiting Taxes and Spending.”

Estimated Overlapping General Obligation Debt. Certain public entities whose boundaries may be entirely within, coterminous with, or only partially within the District are also authorized to incur general obligation debt, and to the extent that properties within the District 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 District to the total assessed valuation of the overlapping entity. To the extent the District’s assessed valuation changes disproportionately with the assessed valuation of overlapping

entities, the percentage of general obligation debt for which the District's property owners are responsible will also change.

TABLE XVII
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 School District RE-50J	\$170,065,000	0.58%	\$ 986,377
Eagle Valley Library District	2,235,000	0.84	18,774
Western Eagle County Ambulance District	45,000	3.60	1,620
Western Eagle County Metro Recreation District	10,000,000	2.04	<u>204,000</u>
Total			<u>\$1,210,771</u>

Source: County Assessor's Offices and individual entities

General Obligation Debt Ratios. Set forth in the following table are selected historical general obligation debt ratios for the District for the last five years. See "INTRODUCTION—Debt Ratios" for general obligation debt ratios for the District upon issuance and delivery of the Bonds.

TABLE XVIII
Historical Debt Ratios

	Fiscal Years Ended December 31				
	2005	2006	2007	2008	2009
Senior General Obligation Debt Outstanding	\$2,500,000	\$2,500,000	\$2,060,000	\$2,060,000	\$2,060,000
Total General Obligation Debt Outstanding (Senior and Subordinate)	\$2,500,000	\$2,500,000	\$2,060,000	\$10,560,000	\$10,560,000
Estimated Population ¹	462	578	599	599	606
Senior Debt Per Capita	\$5,411	\$4,325	\$3,439	3,439	\$3,399
Total Debt Per Capita	\$5,411	\$4,325	\$3,439	\$17,629	\$17,426
Assessed Value	\$3,220,310	\$5,685,710	\$8,170,190	\$11,715,460	18,864,630
Senior Ratio of Debt to Assessed Value	77.63%	43.97%	25.21%	17.58%	10.92%
Total Ratio of Debt to Assessed Value	77.63%	43.97%	25.21%	90.14%	55.98%
Personal Income Per Capita (Eagle County)	\$46,499	\$50,954	\$52,929	\$52,684	unavailable
Senior Ratio of Debt Per Capita to Personal Income Per Capita (Eagle County)	11.64%	8.49%	6.50%	6.53%	unavailable
Total Ratio of Debt Per Capita to Personal Income Per Capita (Eagle County)	11.64%	8.49%	6.50%	33.46%	unavailable

¹ Estimated based on an assumed population of approximately 3.5 persons for each single family home within the District.
Sources: District Audited Financial Statements, 2005-2008; Eagle County Assessor's office; State of Colorado, Division of Property Taxation, Annual Reports 2005-2008; Regional Economics Information System Bureau of Economic Analysis and the District

LEGAL MATTERS

Sovereign Immunity

The Colorado Governmental Immunity Act, Title 24, Article 10, C.R.S. (the “Governmental Immunity 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 Governmental Immunity 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 Governmental Immunity 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 Governmental Immunity 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 District

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 the District or the District’s power to levy the Required Mill Levy, or the District’s power to issue and deliver the Bonds, or execute and perform the obligations of the Resolution.

Legal Representation

Legal matters incident to the authorization and issuance of the Bonds are subject to approval by Kutak Rock LLP, Denver, Colorado, Bond Counsel. In addition to acting as Bond Counsel, Kutak Rock LLP has been retained to advise the District concerning, and has assisted the District in the preparation of, this Limited Offering Memorandum. Certain matters will be passed upon Icenogle, Norton, Smith, Gilida & Pogue, P.C., Denver, Colorado, as General Counsel to the District.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to legal issues expressly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of the

result indicated by that expression of professional judgment, or of the transaction on which the opinion is rendered, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

TAX MATTERS

Generally. In the opinion of Kutak Rock LLP, 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 excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described in the preceding sentence assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (as previously defined, the “Code”) that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The District has covenanted to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Bonds.

The accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the owners of the Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

Under State of Colorado statutes existing on the date hereof, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income. We express no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

Bank Qualified. The District has represented that it does not reasonably anticipate issuing greater than \$30,000,000 of tax-exempt obligations in calendar year 2010 (excluding certain private activity and refunding bonds) and that it has properly designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. Accordingly, Bond Counsel is of the opinion that in the case of certain banks, thrift institutions or other financial institutions owning the Bonds, a deduction is allowed for 80% of that portion of such institutions’ interest expense allocable to interest on the Bonds. Bond Counsel has expressed no opinion with respect to any deduction for federal tax law purposes of interest on indebtedness incurred or continued by a holder of the Bonds or a related person to purchase or carry the Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of

itself affect or alter the excludability of interest on the Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Changes in Federal and State Tax Law. From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds or the market value thereof would be impacted thereby. Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives, or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives, or litigation.

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 Special Counsel to the District are contingent upon the sale and delivery of the Bonds.

Underwriting

The Bonds are being sold by the District at an underwriting discount of \$132,660 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 Samantha Gale
President

Underwriting

The Bonds are being sold by the District at an underwriting discount of \$132,660 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.

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BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2

By Samantha Gale 
President

APPENDIX A

AUDITED FINANCIAL STATEMENTS FOR YEAR ENDED DECEMBER 31, 2008

**MONAHAN
LAMPMAN
& HAYS, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Buckhorn Valley Metropolitan District No. 2
Gypsum, Colorado

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of the Buckhorn Valley Metropolitan District No. 2, as of and for the year ended December 31, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Buckhorn Valley Metropolitan District No. 2, as of December 31, 2008 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison information as listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Buckhorn Valley Metropolitan District No. 2's basic financial statements, taken as a whole. The accompanying financial information listed as other supplemental information in the table of contents is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

: Hays, P.C.

MONAHAN, LAMPMAN & HAYS, P.C.

March 27, 2009

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Buckhorn Valley Metropolitan District No. 2 was formed May 2, 2000 along with Buckhorn Valley Metropolitan District No. 1 as part of a multiple District structure for the purpose of providing public improvements for the use and benefit of the Districts' residents and taxpayers. Buckhorn Valley Metropolitan District No. 2 has been established as the "Taxing District" which is responsible for providing the funding and tax base needed to support the costs of District capital improvements. Buckhorn Valley Metropolitan District No. 1 has been established as the "Operating District" which is responsible for managing the construction and operation of facilities and improvements needed for Buckhorn Valley. Each District is governed by an elected Board of Directors which is responsible for setting policy, appointing personnel and adopting an annual budget in accordance with state statutes.

The discussion and analysis of the Buckhorn Valley Metropolitan District No. 2's financial performance provides an overall review of the District's financial activities for the fiscal year. The intent of this discussion and analysis is to look at the District's financial performance as a whole; it should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for the fiscal year ended December 31, 2008 are as follows:

- In total, the District's *overall* net assets decreased \$536,855 or 4.3%, from the previous fiscal year, primarily due to increases in the District's Capital and Service Obligations to Buckhorn Valley Metropolitan District No. 1 that were in excess of repayments made from current year bond proceeds.
- General Revenues of \$372,215 accounted for 100% of all revenues. These general revenues include taxes, grants and entitlements not restricted to specific programs, and general interest and other revenues not related to specific programs.
- The District had \$909,070 in expenses, of which \$570,265 was related to the District's Facilities Construction and Service Agreement with Buckhorn Valley Metropolitan District No. 1 and \$315,734 was for interest and other fiscal charges. The remaining amount of \$23,071 was for general government operations.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two types of information on the same statement that present different views of the District:

- *Government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- *Fund financial statements* that focus on *individual parts* of the District government, reporting the District's operations *in more detail* than the government-wide statements.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Additional supplemental information has also been included to enhance the reader's understanding of the financial statements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

REPORTING THE DISTRICT AS A WHOLE

Statement of Net Assets and Statement of Activities

While this report contains all funds used by the District to provide programs and activities, the statement of net assets and the statement of activities overall view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the current fiscal year?"

The statement of net assets and statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid. The focus of the government-wide financial statements is on the overall financial position and activities of the District; therefore, the statement of net assets and the statement of activities are constructed around the concept of an overall primary reporting government, which includes all funds of the District.

The statement of net assets and the statement of activities report the District's *net assets* and changes in those assets. The District's net assets – the difference between assets and liabilities – are one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net assets is one indicator of whether its *financial health* is improving or deteriorating. Other non-financial factors, however, such as changes in the District's property tax base and condition of infrastructure, are needed to assess the *overall health* of the District.

In the statement of net assets and the statement of activities District operations are reported as a "Governmental Activity." Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. All of the District's programs and services are currently reported here, which were primarily the construction of District infrastructure. There are currently no business-type activities of the District.

FUND FINANCIAL STATEMENTS

The fund financial reports provide more detailed information about the District's *funds*, focusing on its most significant funds – not on the District as a whole. The District has one major governmental fund, the General Fund. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Such information may be useful in evaluating a government's near-term financing requirements.

Governmental Funds

The District's activity is reported as a governmental fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending in future periods. The funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is provided in reconciliations following the fund financial statements. The District maintains the following governmental fund:

General Fund – The general fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund.

Debt Service Fund – The debt service fund is used to account for the accumulation of financial resources to be used for the payment of general long-term obligations, interest and other related costs.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

THE DISTRICT AS A WHOLE

The District is the "Taxing District" in a dual district structure whereby Buckhorn Valley Metropolitan District No. 1 ("BVMD No.1) is constructing, operating and maintaining the infrastructure for the constituents of the District. The District entered into a District Facilities Construction and Service Agreement with BVMD No. 1 pursuant to which BVMD No. 1 is obligated to construct and provide the initial financing for the primary infrastructure for the District. The District will ultimately pay a "capital obligation" to reimburse BVMD No. 1 for the cost to install the infrastructure. The District will also pay a "service obligation" to reimburse BVMD No. 1 for the operating costs associated with administering and maintaining the assets until they are conveyed to BVMD No. 2 or to the Town of Gypsum, Colorado.

Statement of Net Assets

The perspective of the statement of net assets is of the District as a whole. Following is a summary of the District's net assets for the current and prior fiscal year:

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Increase(Decrease)</u>
<u>ASSETS:</u>			
Current and Other Assets	\$ 627,385	\$ 473,813	\$ 153,572
Non-current Assets	<u>103,705</u>	<u>86,051</u>	<u>17,654</u>
Total Assets	<u>731,090</u>	<u>559,864</u>	<u>171,226</u>
<u>LIABILITIES:</u>			
Current Liabilities	683,966	364,299	319,667
Non-current Liabilities	<u>13,161,036</u>	<u>12,772,622</u>	<u>380,414</u>
Total Liabilities	<u>13,845,002</u>	<u>13,136,921</u>	<u>708,081</u>
<u>NET ASSETS:</u>			
Restricted	206	194	12
Unrestricted	<u>(13,114,118)</u>	<u>(12,577,251)</u>	<u>(536,867)</u>
Total Net Assets	<u>\$ (13,113,912)</u>	<u>\$ (12,577,057)</u>	<u>\$ (536,855)</u>

The District's primary function is to finance the construction of the infrastructure serving the constituents of Buckhorn Valley. As such, the infrastructure is constructed by BVMD No. 1 and the District is obligated to ultimately reimburse BVMD No. 1 for its construction costs and for the costs incurred to operate and maintain the infrastructure. The District's obligation to BVMD No. 1 has been reflected on the balance sheet as a long-term capital and service obligations along with the District's long-term obligation for bonds issued in 2003. BVMD No. 2 anticipates issuing bonds and paying the proceeds from the bond issuance to BVMD No. 1 to fulfill these obligations in future years.

The District's overall financial position, as measured by net assets, decreased by \$536,855. This resulted primarily from increases in the District's Capital and Service Obligations to BVMD No. 1 that exceeded amounts repaid from current year bond proceeds. Current assets and current liabilities increased as a result of increases in deferred property taxes which are based on the assessed valuation of properties within the District's boundaries.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

Statement of Activities

The statement of activities reflects the cost of program services and the changes for services and sales, grants, and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, unrestricted state entitlements, and other general revenues, resulting in the overall change in net assets for the fiscal year 2008:

	<u>Governmental Activities</u>		
	<u>2008</u>	<u>2007</u>	<u>Increase(Decrease)</u>
<u>REVENUES:</u>			
<i>Program Revenues:</i>			
Charges for Services & Sales	\$ -	\$ -	\$ -
Operating Grants & Contributions	-	-	-
Capital Grants & Contributions	-	-	-
<i>General Revenues:</i>			
Property and Other Taxes	369,366	259,288	110,078
Interest & Investment Earnings	<u>2,849</u>	<u>36,516</u>	<u>(33,667)</u>
Total Revenues	<u>372,215</u>	<u>295,804</u>	<u>76,411</u>
<u>EXPENSES:</u>			
General Government	23,071	19,168	3,903
Intergovernmental Agreement	570,265	2,452,273	(1,882,008)
Interest and Other Fiscal Charges	<u>315,734</u>	<u>174,496</u>	<u>141,238</u>
Total Expenses	<u>909,070</u>	<u>2,645,937</u>	<u>(1,736,867)</u>
Increase (Decrease) in Net Assets	<u>\$ (536,855)</u>	<u>\$ (2,350,133)</u>	<u>\$ 1,813,278</u>

The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The District's primary activity during the current year was the payment of interest on the bonds and payments to BVMD No. 1 towards the District's long-term intergovernmental obligations to BVMD No. 1.

Property taxes increased due to increases in the overall assessed valuation of property in the District. Specific ownership taxes, which are dependent upon the number of vehicles registered in the county and are beyond the control of District management, were comparable to the prior period.

General government expenses increased with additional treasurer's fees on property tax collections. Current year intergovernmental expenses were for capital contributions of \$532,813 and service contributions of \$37,452 pursuant to the intergovernmental agreement with BVMD No. 1. Interest expense increased with unpaid but accrued interest payable on the Series 2008 bond issue.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

THE DISTRICT'S GENERAL FUND

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District utilizes a General Fund for its general operating activities and a Debt Service Fund to reflect the activities related to its long-term obligations. The fund level financial statements focus on how services were financed in the short-term as well as what remains for future spending. As discussed above, for financial reporting purposes the District's General Fund and Debt Service Fund are considered governmental funds and are reported on the modified accrual basis of accounting. At the fund level, under the modified accrual basis of accounting, depreciable assets and their related depreciation expense are not reflected as they are not a current period financial resource or use. In addition, at the fund level, any inflows from loans are presented as a revenue item while outflows for capital outlay and any debt service payments are presented as an expenditure item, as these items represent current period financial resources and uses.

The District's General Fund is primarily supported from investment income and inter-fund transfers, as needed. The General Fund ending fund balance decreased from \$20,480 to \$19,058 during the fiscal year. This represents the excess of current period expenditures (financial uses) over current period revenues (financial sources). The ending fund balance of \$19,058 is the amount of net resources available for future spending.

The District's Debt Service Fund is primarily supported from property and other taxes. The Debt Service Fund ending fund balance increased from \$101,051 to \$107,749 during the fiscal year. This represents the excess of current period revenues (financial sources) over current period expenditures (financial uses). The ending fund balance of \$107,749 is the amount of net resources available for future debt service.

The District, pursuant to the TABOR Amendment, reserves funds for emergencies. As discussed in *Note 11* of the financial statements, the District reserves 3% of the total of all operational expenses every fiscal year. As operational expenses increase, this reserve will grow accordingly. At the end of each fiscal year, if the emergency reserves were not used, the funds are carried into the next year's operational funds.

GENERAL FUND BUDGETING HIGHLIGHTS

The District's procedures in establishing the budgetary data reflected in the financial statements are summarized in *Note 1(E)* of the financial statements. Budgets are adopted on a basis consistent with generally accepted accounting principles for governmental entities. The District uses a line-item based budget. The budgeting systems are designed to control line-item expenditures, but provide flexibility for overall budgetary management. The Board of Directors and management strive to budget appropriate amounts for each individual line-item in order to provide services in the most economical manner.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2008, the District had no Capital Assets.

Long-term Obligations

The District's long-term debt consists of the capital and service obligation to BVMD No. 1, the Series 2003 General Obligation Bonds payable, and the Series 2008 Subordinate General Obligation Limited Tax Bonds payable. Additional information can be found in *Note 4* of the financial statements. The District's total outstanding obligations of \$13,161,036 as of December 31, 2008 includes the Service Obligation of \$263,495 and Capital Obligation of \$2,337,541 due to Buckhorn Valley Metropolitan District No. 1, and \$10,560,000 of general obligation debt.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
For the Fiscal Year Ended December 31, 2008

CURRENT ISSUES, ECONOMIC CONDITION AND OUTLOOK

As presently planned, the development of Buckhorn Valley will proceed in several phases, each of which will require the extension of public services and facilities. The multiple district structure will assure that the construction and operation of each phase of public facilities will be primarily administered by a single Board of Directors consistent with a long-term construction and operations program. Use of the Operating District as the entity responsible for construction of each phase of improvements and for management of operations will facilitate a well-planned financing effort through all phases of construction and will assist in assuring coordinated extension of services. The use of a consolidated service plan for the Districts will help assure proper coordination of the powers and authorities of the independent Districts and will help avoid confusion regarding the separate, but coordinated, purposes of the Districts. The multiple district structure will also help assure that facilities and services needed for future build-out of Buckhorn Valley will be provided when needed, and not sooner. This, in turn, allows the full costs of public improvements to be allocated over the full build-out of Buckhorn Valley and helps avoid disproportionate cost burdens being imposed on the early phases of development.

The District's primary activities budgeted for 2009 are the continued payment to BVMD No. 1 and the collection of property taxes to pay the debt service on the Series 2003 and Series 2008 bonds.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional information, please contact the:

Buckhorn Valley Metropolitan District No. 2
c/o Robertson & Marchetti, P.C.
28 Second Street, Suite 213
Edwards, CO 81632
Tel: (970) 926-6060
Fax: (970) 926-6040

GOVERNMENT-WIDE FINANCIAL STATEMENTS

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF NET ASSETS
December 31, 2008

	Governmental Activities
<u>ASSETS:</u>	
Current:	
Cash and Cash Equivalents	\$ 122,395
Receivables:	
Intergovernmental	1,719
Cash with County Treasurer	1,045
Property Taxes	500,578
Prepaid Expenses	1,648
Total Current Assets	627,385
Non-current:	
Bond Issue Costs, Net of Amortization of \$32,527	103,705
Total Non-current Assets	103,705
TOTAL ASSETS	731,090
 <u>LIABILITIES:</u>	
Current:	
Deferred Property Taxes	500,578
Accrued Interest Payable	183,388
Non-current:	
Service Obligation to BVMD No. 1	263,495
Capital Obligation to BVMD No. 1	2,337,541
Long-term Bonds Payable	10,560,000
TOTAL LIABILITIES	13,845,002
 <u>NET ASSETS:</u>	
Restricted for:	
Emergencies	206
Unrestricted	(13,114,118)
TOTAL NET ASSETS (DEFICIT)	\$ (13,113,912)

The accompanying notes are an integral part of these financial statements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended December 31, 2008

	PROGRAM REVENUES		
EXPENSES	Charges For Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
GOVERNMENTAL ACTIVITIES:			
General Government	\$ 23,071	\$ -	\$ -
Intergovernmental Agreement	570,265	-	-
Interest & Other Fiscal Charges	315,734	-	-
TOTAL PRIMARY GOVERNMENT	\$ 909,070	\$ -	\$ -

GENERAL REVENUES:

Property Taxes, Levied for Debt Service Purposes
Property Taxes Levied for Contractual Obligations
Specific Ownership Taxes
Interest and Investment Earnings

Total General Revenues

Change in Net Assets

NET ASSETS – BEGINNING OF YEAR

NET ASSETS – END OF YEAR

The accompanying notes are an integral part of these financial statements.

NET (EXPENSE) REVENUE AND
CHANGES IN NET ASSETS

Governmental
Activities

\$ (23,071)
(570,265)
(315,734)

(909,070)

147,009
205,142
17,215
2,849

372,215

(536,855)
(12,577,057)

\$ (13,113,912)

FUND FINANCIAL STATEMENTS

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General Fund	Debt Service Fund	Total Governmental Funds
<u>ASSETS:</u>			
Cash and Cash Equivalents	\$ 17,410	\$ 104,985	\$ 122,395
Receivables:			
Intergovernmental	-	1,719	1,719
Cash with County Treasurer	-	1,045	1,045
Property Taxes Receivable	-	500,578	500,578
Prepaid Expenses	1,648	-	1,648
TOTAL ASSETS	\$ 19,058	\$ 608,327	\$ 627,385
<u>LIABILITIES AND FUND EQUITY:</u>			
Liabilities:			
Deferred Property Taxes	\$ -	\$ 500,578	\$ 500,578
Total Liabilities	-	500,578	500,578
Fund Equity:			
Reserved for Emergencies	206	-	206
Reserved for Debt Service	-	107,749	107,749
Unreserved	18,852	-	18,852
Total Fund Equity	19,058	107,749	126,807
TOTAL LIABILITIES AND FUND EQUITY	\$ 19,058	\$ 608,327	\$ 627,385

The accompanying notes are an integral part of these financial statements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2008

TOTAL GOVERNMENTAL FUND BALANCES \$ 126,807

Amounts reported for governmental activities on the statement of net assets are different because of the following:

Bond issue costs related to governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Bond Issue Costs	\$ 136,232	
Less Accumulated Amortization	<u>(32,527)</u>	103,705

The District's long-term obligation in excess of deposits held by another District (BVMD No. 1) toward payment for installation and operation of infrastructure built on behalf of the District represent long-term liabilities and are not reported in the funds. (2,601,036)

Some liabilities are not due and payable in the current year; therefore, they are not reported in the governmental funds. This is the amount of accrued interest payable. (183,388)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. (10,560,000)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (13,113,912)

The accompanying notes are an integral part of these financial statements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended December 31, 2008

	General Fund	Debt Service Fund	Total Governmental Funds
<u>REVENUES:</u>			
Property Taxes	\$ -	\$ 352,151	\$ 352,151
Specific Ownership Taxes	-	17,215	17,215
Net Investment Income	2,439	410	2,849
Total Revenues	2,439	369,776	372,215
<u>EXPENDITURES:</u>			
General Government:			
Audit	4,973	-	4,973
Insurance	1,888	-	1,888
Treasurer's Fees	-	10,573	10,573
Intergovernmental:			
Capital Obligation to BMVD No. 1	-	8,476,709	8,476,709
Service Obligation to BVMD No. 1	-	205,142	205,142
Debt Service:			
Principal	-	-	-
Interest	-	144,200	144,200
Fees	-	163	163
Total Expenditures	6,861	8,836,787	8,843,648
Excess of Revenues Over (Under) Expenditures	(4,422)	(8,467,011)	(8,471,433)
<u>OTHER FINANCING SOURCES (USES):</u>			
Bond Proceeds	-	8,500,000	8,500,000
Bond Issue Costs	-	(23,291)	(23,291)
Transfers In (Out)	3,000	(3,000)	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(1,422)	6,698	5,276
FUND BALANCE—BEGINNING OF YEAR	20,480	101,051	121,531
FUND BALANCE—END OF YEAR	\$ 19,058	\$ 107,749	\$ 126,807

The accompanying notes are an integral part of these financial statements.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Buckhorn Valley Metropolitan District No. 2, herein referred to as the District, conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The District applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Significant accounting policies of the District are described below.

A. Financial Reporting Entity

The Buckhorn Valley Metropolitan District No. 2 was established May 2, 2000 as a quasi-municipal corporation and political subdivision of the State of Colorado. The District was formed primarily to finance construction and operation of the basic public infrastructure in an area of approximately 368 acres of land near the Town of Gypsum, Colorado.

The District is governed by an elected Board of Directors which is responsible for setting policy, appointing personnel and adopting an annual budget in accordance with state statutes.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria discussed above, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity, nor is the District a component unit of any other government. The District's financial statements include the accounts of all District operations.

B. Basis of Presentation

GOVERNMENT-WIDE STATEMENTS

The statement of net assets and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government. The statement of net assets presents the financial condition of the governmental activities of the District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the District's governmental activities.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Basis of Presentation-continued

GOVERNMENT-WIDE STATEMENTS - continued

In the statement of activities, direct expenses are those that are specifically associated with a service, program or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the District's funds. During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The major governmental funds of the District are the General Fund and the Debt Service Fund. The fund focus is on current available resources and budget compliance.

Governmental funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are included on their balance sheets. The reported fund balance (net current assets) is considered a measure of "available expendable resources."

C. Basis of Accounting

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District receives value without directly giving equal value in return, consist of property taxes. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Basis of Accounting - continued

FUND FINANCIAL STATEMENTS

Governmental funds are reported using the *current financial resources measurement focus* and the *modified accrual-basis of accounting*. Under this method, revenues are recognized when measurable and available. The District considers all revenues available if they are collected within 60 days after year-end. The following material revenue sources are considered susceptible to accrual because they are both measurable and available to finance expenditures of the current period:

- Property Taxes
- Specific Ownership Taxes

Taxpayer-assessed local property and specific ownership taxes are considered “measurable” when in the hands of intermediary collecting governments and are recognized as revenue at that time. Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt, which is recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

D. Property Taxes Receivable and Deferred Revenue

Property taxes are levied on December 15, and attach as an enforceable lien on property on January 1st of the following year. They may be paid in either one installment (no later than April 30th) or two equal installments (not later than February 28th and June 15th) without interest or penalty. Taxes which are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16th. Property taxes are levied and collected on behalf of the District by Eagle County and are reported as revenue when received by the County Treasurer. Property taxes levied in the current year and payable in the following year are reported as a receivable at December 31. However, since the taxes are not available to pay current liabilities, the receivable is recorded as deferred revenue.

E. Budgets and Budgetary Accounting

The District uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 15, the District submits to the Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. A “Notice of Budget” is published when the budget is received.
2. Public hearings are held to obtain taxpayer comments.
3. Prior to December 15, the Board shall adopt, by resolution, the budget for the ensuing fiscal year and shall certify the tax levy to the Board of County Commissioners.
4. On or before December 31, the Board shall pass an annual appropriating resolution in which such sums of money shall be appropriated as the Board deems necessary to defray all expenses and liabilities of the District during the ensuing year.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

E. Budgets and Budgetary Accounting – continued

5. The District's budgets are adopted on a basis consistent with generally accepted accounting principles for governmental entities. Annual appropriated budgets are adopted for all funds. The level of control at which expenditures exceed appropriations is at the fund level.
6. After adoption of the budget ordinance, the District may make by ordinance the following changes: a) supplemental appropriations to the extent of revenues in excess of the estimated budget; b) emergency appropriations; c) reduction of appropriations for which originally estimated revenues are insufficient.
7. Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on final legally amended budgets.
8. Budget appropriations lapse at the end of each year.

The District legally adopted annual budgets for all of the District's funds for 2008. Budget appropriations for the Debt Service Fund were increased from \$367,271 to \$8,867,271 to reflect additional available financing from the \$8,500,000 Series 2008 bond issue.

F. Cash and Investments

The District's policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills, and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimate fair value. Additional cash disclosures are found in *Note 2* of the financial statements.

G. Interfund Receivables and Payables

To the extent that operating expenses of the District's general fund are paid by the debt service fund (or vice-verse) and/or transfers are made between the funds and these advances have not been repaid as of year-end, balances of interfund amounts receivable or payable are recorded.

H. Restricted Assets/Reservations of Fund Balance

Assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by enabling legislation. *Reservations* of fund balance arise from certain board designations of fund balance.

Emergencies – As discussed in *Note 11* of the financial statements, Colorado voters passed an amendment to the State Constitution. One of the provisions of this amendment requires local governments to establish an emergency reserve which is calculated at 3% of certain expenditures. These funds may only be expended in cases of emergencies as defined by the amendment, and are used to fund appropriations only after unrestricted resources are depleted.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -continued

I. Bond Issue Costs

Issue costs for bonds are deferred and amortized over the term of the bonds using the straight-line method in the Statement of Net Assets.

J. Capital and Service Obligations to BVMD No. 1

The District is obligated under the District Facilities Construction and Service Agreement to reimburse BVMD No. 1 over time for the cost of infrastructure constructed by BVMD No. 1. Additionally, the District is obligated to reimburse BVMD No. 1 for certain operating costs. Cash payments made by the District to BVMD No. 1 and revenues earned by BVMD No. 1 from outside parties reduce the amount of these liabilities. These items represent the portion of the obligations that have not been paid by the District as of year-end.

K. Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund Balance Sheet includes reconciliation between *fund balance – governmental funds* and *net assets of governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that “The District’s long-term obligation in excess of deposits held by another District (BVMD No. 1) toward payment for installation and operation of infrastructure built on behalf of the District represent long-term liabilities and are not reported in the funds.” The details of this \$2,601,036 difference are the District’s long-term service and capital obligations to BVMD No. 1 of \$263,495 and \$2,337,541 respectively.

Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances includes reconciliation between *net change in fund balances of governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide Statement of Activities. One element of that reconciliation explains that “Construction of fixed assets and performance of service by BVMD No. 1 create a liability of the District. This liability is decreased by both cash payments made by the District and through revenues earned from other sources by BVMD No. 1.” The details of this \$8,111,586 difference are as follows:

Change in Service Obligation	\$ 167,690
Change in Capital Obligation	<u>7,943,896</u>
TOTAL	<u>\$ 8,111,586</u>

L. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenses. Actual results could vary from the estimates that were used.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 - CASH AND INVESTMENTS

Deposits

In order to facilitate the recording of cash transactions and maximize interest earnings, the District has pooled cash deposits for all funds. The District maintains accountability for each fund's equity in pooled cash. Interest earnings are generally distributed based on monthly cash balances.

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which included obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and financial services is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. There is no custodial credit risk for public deposits collateralized under PDPA. At December 31, 2008, the District's bank deposits were entirely insured or collateralized with securities held by the entity's agent in the District's name and had bank balances of \$122,376 which were fully covered by FDIC insurance.

Investments

It is the policy of the District to invest public funds in a manner which will provide the highest investment return with the maximum security, meet daily cash flow demands, and conform to all federal, state and local statutes governing the investment of public funds. This policy applies to the investment of all financial assets of all funds of the District over which it exercises financial control. Colorado statutes specify investment instructions meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, the Tennessee valley authority, and certain international agency securities, including the World Bank.
- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- Bankers' acceptances of certain banks
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed Investment contracts
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 2 - CASH AND INVESTMENTS - continued

Summary of Cash and Investments

Included in cash and cash equivalents are money market funds as follows:

	Fair Value
Bond Fund - Money Market	\$ 19
Checking - Money Market	122,376
Less Outstanding Items	-
Total Cash and Cash Equivalents	\$ 122,395

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are included in the notes below.

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The concentration of credit risk, or the risk of loss attributed to the magnitude of a government's investment in a single issuer, occurs when deposits are not diversified. The District's policy places no limit on the amount it may invest in any one issuer; however the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore are not subject to concentration of credit risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows as approved by the Board. As of December 31, 2008, the District had no investments that were subject to interest rate risk as described above.

The District was not subject to foreign currency risk as of December 31, 2008.

NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates that the fair values of its financial instruments at December 31, 2008 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 4 - GENERAL OBLIGATION BONDS

A summary of changes in Long-term Obligations follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Series 2003					
G.O. Lim. Tax Bonds	\$ 2,060,000	\$ -	\$ -	\$ 2,060,000	\$ -
Series 2008 Subordinate					
G.O. Lim. Tax Bonds	-	8,500,000	-	8,500,000	-
Totals	<u>\$ 2,060,000</u>	<u>\$ 8,500,000</u>	<u>\$ -</u>	<u>\$ 10,560,000</u>	<u>\$ -</u>

Limited Tax General Obligation Bonds, Series 2003

The District issued \$2,500,000 of general obligation bonds dated March 1, 2003, with interest of 7% payable on June 1 and December 1, to partially reimburse Buckhorn Valley Metro District No. 1 for costs related to the construction of infrastructure within the District. The principal on the bonds is payable on December 1 and matures in various increments from 2020 through 2023. The Bonds were subject to mandatory redemption to the extent of monies still held by the trustee September 1, 2007 and \$440,000 was repaid in 2007 as required by the bond documents. Bonds maturing on and after December 1, 2013 are subject to optional redemption at the District's option without redemption premium upon payment of principal plus accrued interest to the redemption date. The Bonds are limited tax general obligations of the District, payable from ad valorem taxes to be imposed, at a total rate not to exceed 40 mills, adjusted for any changes in law and the assessment ratio. The annual debt service requirements to maturity for the Series 2003 Limited Tax General Obligation Bonds are as follows:

Year Ended December 31,	Principal	Interest	Total
2009	\$ -	\$ 144,200	\$ 144,200
2010	-	144,200	144,200
2011	-	144,200	144,200
2012	-	144,200	144,200
2013	-	144,200	144,200
2014-2018	-	721,000	721,000
2019-2023	<u>2,060,000</u>	<u>684,600</u>	<u>2,744,600</u>
	<u>\$ 2,060,000</u>	<u>\$ 2,126,600</u>	<u>\$ 4,186,600</u>

Subordinate Limited Tax General Obligation Bonds, Series 2008

The District issued \$8,500,000 of subordinate general obligation bonds dated February 13, 2008, with simple interest of 6% payable annually on December 15 until the principal amount and interest due thereon is paid at maturity or upon prior redemption, to partially reimburse Buckhorn Valley Metro District No. 1 for costs related to the construction of infrastructure within the District. The Series 2008 bonds, together with interest thereon shall be payable solely from and to the extent of the Subordinate Pledged Revenue. The Bonds shall constitute an irrevocable lien upon the Subordinate Pledged Revenue, *subordinate* to the lien of any Senior Bonds. The Subordinate Pledged Revenue means (a) all Ad Valorem Revenues payable to the District and (b) any other legally available amounts. To the extent pledged revenues are insufficient to make the interest payments due, such shortfall will continue to accrue to future years. As of December 31, 2008 the balance of accrued but unpaid interest on the Series 2008 bonds is \$171,371. As amounts are payable from Subordinate Pledged Revenue, there is no annual debt service schedule for the Series 2008 Subordinate Limited Tax General Obligation Bonds.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 5 - CONTINGENCIES

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at December 31, 2008.

NOTE 6 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The District is a member of the Colorado Special Districts Property and Liability Pool (Pool). The Pool is an organization created by intergovernmental agreement to provide property, liability, public officials' liability, boiler and machinery and workers compensation coverage to its members. The Pool provides coverage for property claims up to the values declared and liability coverage for claims up to \$1,000,000. Settled claims have not exceeded this coverage in any of the past three fiscal years. The District pays annual premiums to the Pool for liability, property and public officials' liability coverage. In the event aggregated losses incurred by the Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Pool, the Pool may require additional contributions from the Pool members. Any excess funds which the Pool determines are not needed for purposes of the Pool may be returned to the members pursuant to a distribution formula. During the year ended December 31, 2008, the pool made no distributions to the District.

NOTE 7 - RELATED PARTY TRANSACTIONS

During 2008, pursuant to the sale of the project to the new Developer, the District's board members resigned and a new Board was appointed, accordingly. All of the original members of the District's Board of Directors had a direct financial interest in the original Developer, Roark Partners, LLLP; however, none of the newly appointed Board members have a direct financial interest in the new Developer, Buckhorn Valley Development, LLC.

NOTE 8 - DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT

The First Amended and Restated District Facilities Construction and Service Agreement dated March 3, 2003, generally provides that Buckhorn Valley Metropolitan District No. 2 (the "Taxing District") will pay to Buckhorn Valley Metropolitan District No. 1 (the "Operating District") over a period of years the costs of: 1) the construction, acquisition, and equipping of certain public facilities and services (the "Facilities"); and 2) the operation and maintenance of the Facilities. The Agreement states that the obligation required thereunder is a general obligation debt of the Taxing District subject to certain limitations, and as such the question of whether the Taxing District should enter into and perform the Agreement was submitted at an election held on May 2, 2000 and was approved by the District electorate.

Under the Agreement, the Taxing District covenants to levy the taxes necessary, together with other available funds, to meet the payment obligations set forth in the Agreement. In return for the payment of the monies required to be paid under the Agreement, the Operating District agrees to: 1) acquire, construct and equip the Facilities; 2) thereafter provide for their operation and maintenance; and 3) utilize the Facilities, provide or have others provide to the property within, and the inhabitants of both Districts, all related services (the "Services"), including but not limited to water and sanitation services, street maintenance, television services, parks and recreation services and mosquito control services, as well as certain administrative services.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 8 - DISTRICT FACILITIES CONSTRUCTION AND SERVICE AGREEMENT - continued

As set forth in the Agreement, though the total obligation of the Taxing District represented by the Agreement will be treated for financial disclosure purposes as a \$45,590,000 debt obligation, the actual obligations to provide for the construction, acquisition and equipping of the Facilities and for the provision of the Services, are classified as two separate obligations and each is contingent and limited to the extent that the Taxing District is able to meet its obligations through certain limited means. In the case of the Facilities, except as provided below, in any given year the Taxing District is obligated to fund its construction and acquisition only to the extent it would be capable of funding it through the issuance of general obligation debt in an aggregate principal amount not to exceed the greater of \$2 million or 50% of the assessed value of the taxable property within the boundaries of the Taxing District as they may, from time to time, be enlarged. Such general obligation debt limitation is subject to automatic increase if applicable Colorado law increases the amount by which such debt may be issued. The Taxing District has the option in any year to pay for the construction, acquisition and equipping costs of the Facilities on an annual basis pursuant to the provisions of and the schedule set forth in the Agreement.

Similarly, in the case of the Services, in any given year the Taxing District is obligated to fund its costs only to the extent it is capable of funding through tax revenues resulting from the certification by the Taxing District against the assessed value of the taxable property lying within its boundaries, as such boundaries may from time to time be enlarged.

To the extent that in any year the Taxing District does not fund its obligations under the Agreement, the amounts not funded are carried forward as obligations in future years under the Agreement. In addition, the Operating District may supplement the revenues from the Taxing District through the imposition of fees against the properties and inhabitants of the Taxing District for the services that the Operating District provides.

The Agreement may be terminated by either District upon one year's notice, provided that the Taxing District may terminate the Agreement only if, prior to the time of termination, all remaining payments and financial obligations set forth in the Agreement are paid to the Operating District in full. The Operating District may terminate the Agreement only if, in the context of the termination, the Operating District either: 1) transfers to the Taxing District, free and clear and in its entirety, its interest in the Facilities and in each and every one and all of the water rights, contracts, leases, easements, properties held in fee, and any other personal, real or intangible property then held or owned by the Operating District and necessary for the continued provision of the Services; or 2) makes the transfer to another governmental entity or entities pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be satisfactory to the Board of Directors of the Taxing District; or 3) in the event the Operating District is dissolving in accordance with Colorado law, makes the transfer pursuant to such terms and conditions for the continued provision of the Facilities and Services as may be held in accordance with that law by an appropriate Colorado Court.

During the year ended December 31, 2008 the Taxing District remitted to the Operating District \$8,476,709 for capital expenses incurred by the Operating District in the construction of Facilities and \$205,142 for reduction of service cost reimbursement from the Taxing District.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 9 - ADVANCE AND REIMBURSEMENT AND FACILITIES ACQUISITION AGREEMENT

The Advance and Reimbursement and Facilities Acquisition Agreement entered into between Buckhorn Valley Metropolitan District No. 1 and Buckhorn Valley Metropolitan District No. 2 (the "Districts"), and Buckhorn Valley Development, LLC (the "Developer"), generally provides that the advance of funds by the Developer for the organization of the Districts, maintenance and operation costs shall be reimbursed together with an interest rate of 8% per annum on such sums advanced. In addition, the advance of funds by the Developer for capital construction of certain public improvements and facilities shall be reimbursed, upon certification and approval by the Districts, from the issuance of Bonds, whereas the Districts are authorized to issue public debt instruments, including general obligation bonds, which the Districts may issue for the purpose of satisfying its obligations to construct or acquire the public infrastructure necessary for the development of the Districts. In the event the Bonds do not issue, the proceeds from such Bonds are not sufficient to repay the advances, or additional advances are made thereunder, the Districts shall make payment for the actual capital construction costs from funds available within any fiscal year and not otherwise required for operations, capital improvements and debt service costs and expenses of the Districts. This reimbursement obligation is and shall be subordinate to any bonded indebtedness of the Districts now in existence or hereafter created, and shall be subject to the limitations of the Districts' Service Plan. The payment of obligations under the agreement are subject to annual appropriation by the Board of Directors of the Districts in their sole discretion, and the terms and conditions of the agreement shall not be construed as a multiple-fiscal year direct or indirect District debt or other financial obligation within the meaning of Article X, Section 20 of the Colorado Constitution.

NOTE 10 - MANAGEMENT SERVICES AGREEMENT

A Management Services Agreement was entered into between Buckhorn Valley Metropolitan District No. 1 and Buckhorn Valley Metropolitan District No. 2 (the "Districts"), and Buckhorn Valley Development, LLC (the "Manager"), January 13, 2009, and generally provides that the Manager shall conduct all of the Districts' ordinary operational and business affairs, shall provide general supervision and project administration for all projects, facilities and contracts, and provide property management services. District No. 1 shall direct the Manager in the provision of the Management Services under the agreement, and the Manager shall obtain approval from District No. 1 prior to providing any Management Services that vary from the Management Services set forth in the agreement, whereas District No. 1 is responsible for the management of the affairs of both District No. 1 and District No. 2 pursuant to the Master IGA between the Districts. The Manager shall be paid under the Management Services Fee Schedule which may be adjusted upon amendment to the agreement. The Agreement was amended June 16, 2009, effective retroactively to January 14, 2009, establishing a base management fee of \$10,320 per month.

NOTE 11 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax, and debt limitations, which apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE 11 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - continued

TABOR Amendment – Revenue and Spending Limitation Amendment - continued

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

On May 2, 2000 the District's voters approved an increase in debt up to \$45,590,000 and a related increase in taxes up to \$53,796,200, annually, or by such lesser annual amount as may be necessary to pay the District's debt. The debt is to be incurred for the acquisition, construction, or otherwise providing infrastructure, including but not limited to streets, roads, sidewalks, bridges, traffic controls, water supply and distribution system, sewage collection system, storm drainage system, park and recreation facilities, open space, television relay and translation system improvements, and mosquito control. In addition, the District's voters approved taxes to be increased \$500,000 annually, or by such lesser amount as may be necessary to pay for the District's operations, maintenance and other expenses. All debt and tax increases constitute voter-approved revenue changes and are to be collected and spent by the District without regard to any spending, revenue raising, or other limitation of TABOR, and without limited in any year the amount of other revenues that may be collected and spent by the District.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of spending (excluding bonded debt service). The required reserve at December 31, 2008 is approximately \$206.

The initial base for local government spending and revenue limits is December 31, 2000 fiscal year spending. Future spending and revenue limits are determined based on the prior year's fiscal year spending adjusted for inflation in the prior calendar year plus annual local growth. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions. Revenue, if any, in excess of the fiscal year spending limit must be refunded in the next fiscal year unless voters approve retention of such revenue.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

BUCKHORN VALLEY METROPOLITAN DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
Fiscal Year Ended December 31, 2008

	GENERAL FUND		
	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
<u>REVENUES:</u>			
Net Investment Income	\$ 2,500	\$ 2,439	\$ (61)
Total Revenues	2,500	2,439	(61)
<u>EXPENDITURES:</u>			
General Government:			
Audit Fees	5,000	4,973	27
Insurance	1,750	1,888	(138)
Contingency	2,000	-	2,000
Total General Government	8,750	6,861	1,889
Excess (Deficiency) of Revenues Over (Under) Expenditures	(6,250)	(4,422)	1,828
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers (to) from Debt Service Fund	5,284	3,000	(2,284)
Excess of Revenues Over (Under) Expenditures and Other Financing Sources (Uses)	(966)	(1,422)	(456)
Fund Balance – Beginning of Year	22,234	20,480	(1,754)
Fund Balance – End of Year	\$ 21,268	\$ 19,058	\$ (2,210)

The accompanying notes are an integral part of these financial statements.

APPENDIX B

SELECTED DEFINITIONS

“*2003 Bonds*” means District’s General Obligation Limited Tax Bonds, Series 2003 currently outstanding in aggregate principal amount of \$2,060,000.

“*2003 Resolution*” means the District’s Resolution dated March 3, 2003 approving the issuance of the 2003 Bonds.

“*2010 Reserve Fund*” means the “Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2010, Reserve Fund,” established by the provisions hereof and held by the Escrow Agent as security for the Bonds.

“*2010 Surplus Account*” means the “Buckhorn Valley Metropolitan District No. 2 Limited Tax General Obligation Refunding and Improvement Bonds, Series 2010, 2010 Surplus Account,” established by the provisions hereof for the purposes set forth herein.

“*Act*” means Title 32, Article 1, Parts 11 and 13, C.R.S.

“*Beneficial Owner*” means any person for which a Participant acquires an interest in the Bonds.

“*Bond Account*” means the Bond Account created pursuant to the 2003 Resolution to pay the 2003 Bonds and any Parity Lien Bonds, such as the 2010 Bonds.

“*Bond Purchase Agreement*” means the Bond Purchase Agreement between the Underwriter and the District pursuant to which the Underwriter agrees to purchase the Bonds upon the terms and conditions set forth therein.

“*Bond Registrar*” means UMB Bank, n.a., Denver, Colorado, or its successor, which shall perform the function of registrar with respect to the Bonds.

“*Bonds*” means the District’s General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010, dated their date of delivery, in the total principal amount not to exceed \$7,370,000.

“*Certified Public Accountant*” means a certified public accountant within the meaning of § 12-2-115, C.R.S., and any amendment thereto, licensed to practice in the State of Colorado.

“*Closing Date*” means such date as designated by the Sale Delegate.

“*Code*” means the Internal Revenue Code of 1986, as amended to the date of issuance of the Bonds.

“*Continuing Disclosure Undertaking*” means the Continuing Disclosure Undertaking to be executed by the District on the Closing Date.

“*C.R.S.*” means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

“*DTC*” means The Depository Trust Company (“DTC”), New York, New York, and its successors and assigns.

“*Escrow Agent*” means UMB Bank, n.a., Denver, Colorado, or its successor, which shall perform the function of escrow agent under the Resolution.

“*Event of Default*” means any one or more of the events set forth in the Section hereof entitled “Events of Default.”

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

“*Interest Payment Date*” means each June 1 and December 1 in any year the Bonds are Outstanding, commencing December 1, 2010.

“*Limited Offering Memorandum*” means the Limited Offering Memorandum relating to the Bonds.

“*Maximum Surplus Amount*” means \$500,000.

“*Outstanding or Outstanding Bonds*” means, as of any particular time, all Bonds which have been duly authenticated and delivered by the Paying Agent under the Resolution, except:

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

(b) Bonds which have been defeased pursuant to the applicable provisions of Section 22 hereof; and

(c) Bonds in lieu of which other Bonds have been authenticated and delivered pursuant to Section 10 or Section 12 hereof.

“*Owner*” means the registered owner of any Bond, as shown by the registration books maintained by the Bond Registrar.

“*Parity Lien Bonds*” means the 2003 Bonds, the 2010 Bonds and any additional Parity Lien Bonds issued pursuant to the Resolution.

“*Participant*” means any broker-dealer, bank or financial institution from time to time for which DTC or another depository holds the Bonds.

“*Paying Agent*” means UMB Bank, n.a., Denver, Colorado, or its successor, which shall perform the function of paying agent with respect to the Bonds.

“*Paying Agent and Registrar Agreement*” means the Paying Agent and Registrar Agreement by and between the District and the Paying Agent.

“*Permitted Investments*” means any investment or deposit the District is permitted to make under then-applicable law.

“*Person*” means a corporation, firm, other body corporate, partnership, association or individual and also includes an executor, administrator, trustee, receiver or other representative appointed according to law.

“*Pledged Revenue*” the following moneys and revenues pledged by the District to the payment of the Bonds: (i) the ad valorem property taxes generated from the Required Mill Levy; (ii) Specific Ownership Taxes; (iii) amounts on deposit, if any, in the Surplus Account; and (iv) any other legally available funds of the District deposited or required to be deposited to the Bond Account pursuant to the provisions of the Resolution.

“*Preliminary Limited Offering Memorandum*” means the Preliminary Limited Offering Memorandum concerning the Bonds, which will be superseded and replaced in its entirety by the Limited Offering Memorandum.

“*Project*” means the acquisition, construction and installation of public facilities the debt for which was approved at the District Elections held May 2, 2000 and November 7, 2000.

“*Project Account*” means the “Buckhorn Valley Metropolitan District No. 2 General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010, Project Account,” established by the provisions hereof for the purpose of paying the costs of the Project.

“*Record Date*” means the fifteenth day of the calendar month next preceding each Interest Payment Date.

“*Redemption Date*” means the date designated by the Sale Delegate.

“*Refunded Note*” means the note issued by District No. 1 to Roark Partners LLLP in the original principal amount of \$82,411 evidencing District No. 1’s repayment obligation with respect to advances made by Roark Partners LLLP to District No. 1.

“*Required Mill Levy*” means:

(a) Subject to paragraph (b) below, a rate of ad valorem property tax levy expressed in mills (a mill being equal to 1/10 of 1 cent) imposed upon all taxable property of the District each year in an amount sufficient to pay the principal of, premium if any, and interest on the 2010 Bonds, the 2003 Bonds and any other Parity Lien Bonds as the same become due and payable, to fund the 2010 Reserve Fund in an amount up to the Reserve Requirement, but not in excess of 40 mills, and, for so long as (i) the Surplus Account is less than the Maximum Surplus Amount or (ii) the 2008 Subordinate Bonds are outstanding, not less than 40 mills; provided however, that in the event the method of calculating assessed valuation is or was changed after January 11, 2000, the maximum and minimum mill levy provided herein shall be increased or decreased to reflect such changes, such increases or decreases to be determined by the Board in good faith (such determination to be binding and final) so that to the extent possible, the actual tax revenues realized from the mill levy, as adjusted, are neither diminished nor enhanced from those which would have been realized without such changes in calculation method. For purposes of the foregoing, a change in the ratio of actual valuation to assessed valuation shall be deemed to be a change in the method of calculating assessed valuation.

(b) Notwithstanding anything herein to the contrary, in no event shall the Required Mill Levy be established at a rate which would cause the District to derive tax revenue in any year in excess of the maximum tax increases permitted by the District’s electoral authorization, and if the Required Mill Levy as calculated pursuant to the foregoing would cause the amount of taxes collected in any year to exceed the maximum tax increase permitted by the District’s electoral authorization, the Required Mill Levy shall be reduced to the point that such maximum tax increase is not exceeded.

“*Reserve Requirement*” means the amount of \$300,000 which is the required amount of the 2010 Reserve Fund.

“*Resolution*” means the Resolution which authorizes the issuance of the Bonds.

“*Revenue*” means the revenue derived directly or indirectly by the District (including any interest income thereon) from: (i) the imposition of the Required Mill Levy; and (ii) the Specific Ownership Taxes.

“*Sale Certificate*” means the certificate executed by the Sale Delegate under the authority delegated to him/her pursuant to the Section of the Resolution entitled “Delegated Authority and Parameters.”

“*Sale Delegate*” means the President of the Board.

“*Special Record Date*” means the record date for determining Bond ownership for purposes of paying defaulted interest, as such date may be determined pursuant to the Resolution.

“*Specific Ownership Taxes*” means all amounts paid to the District by Eagle County, Colorado with respect to taxes collected on motor vehicle registrations.

“*State*” means the State of Colorado.

“*Subordinate Bonds*” means bonds, notes, debentures, or other multiple fiscal year financial obligations having a lien upon the Pledged Revenue or any part thereof junior and subordinate to the lien thereon of the Bonds. Any Subordinate Bonds hereafter issued may be issued pursuant to such resolutions, indentures, or other documents as may be determined by the District. For purposes of the Resolution any 2008 Subordinate Bonds not refunded with the proceeds of the Bonds shall be Subordinate Bonds.

“*Subordination Agreement*” means the Subordination Agreement by and between District No. 1 and Roark Partners LLLP, the holder of both the 2008 Subordinate Bonds and the Refunded Note.

“*Supplemental Public Securities Act*” means Title 11, Article 57, Part 2, C.R.S.

“*Surplus Account*” the “Buckhorn Valley Metropolitan District No. 2 Surplus Account,” created pursuant to Section 18 for the purpose of paying the principal of, premium if any, and interest on the 2010 Bonds, 2003 Bonds and any Parity Lien Bonds, if necessary.

“*Underwriter*” means George K. Baum & Co., Denver, Colorado, the original purchaser of the Bonds.

APPENDIX C

ECONOMIC AND DEMOGRAPHIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the 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 (the “Town”), Eagle County (the “County”) and the State.

Year	Population					
	Town of Gypsum ¹		Eagle County		Colorado	
	Population	Percent Change	Population	Percent Change	Population	Percent Change
1960	358	--	4,677	--	1,753,947	--
1970	420	17.3%	7,498	60.3%	2,209,596	26.0%
1980	743	76.9	13,320	77.7	2,889,964	30.8
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
2008 ¹	6,248	71.0	54,044	29.7	5,011,390	16.5

¹ Estimate.

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

The 2000 median age of the County was 31.2 years, as compared with 30.6 years in 1990. The State’s median age for the same period increased from 32.4 in 1990 to 34.3 years in 2000, with the median age of the United States being 32.9 and 35.3 years in 1990 and 2000, respectively.

Housing Stock

According to the U.S. Department of Commerce, Bureau of the Census, the number of housing units in the Town and the County, respectively in 2000 was 1,210 and 22,111, and in 2008 was 2,087 and 30,021, with respective increases of approximately 72.5% and 35.8%.

Income

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

Median Household Income

	2005	2006	2007	2008	2009
Eagle County	\$74,654	\$79,470	\$83,721	\$84,494	\$84,370
Colorado	55,698	58,522	60,976	62,469	62,597
United States	49,747	51,546	53,154	54,749	54,719

Source: *ERSI* – Sourcebook of County Demographics 2005-2009

Percent of Households by Household Income Distribution—2009 ¹

	Less Than \$25,000	\$25,000- \$49,999	\$50,000- \$99,999	\$100,000- \$149,999	\$150,000 or more
Eagle County	6.8%	15.0%	37.5%	26.2%	14.4%
Colorado	15.5	22.5	37.5	15.8	8.6
United States	20.9	24.4	35.3	11.7	7.6

¹ Data may not equal exactly 100% due to rounding.
Source: *ERSI* – Sourcebook of County Demographics -2009

Per Capita Personal Income

	2004	2005	2006	2007	2008
Eagle County	\$43,861	\$46,499	\$50,954	\$52,929	\$52,684
Colorado	36,652	38,555	40,899	42,449	43,021
United States	33,881	35,424	37,698	39,392	40,166

Source: Bureau of Economic Analysis, Regional Economic Accounts

Building Permits

The following tables set forth historical building permit activity for the County and the Town over the past five years.

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

Year	Permits ¹	Valuation
2005	643	\$208,319,298
2006	640	195,304,749
2007	576	190,179,625
2008	541	113,469,589
2009	369	78,523,433
2010 ²	42	8,352,032

¹ Total building permits issued include permits for single-family residences, multi-family residences, commercial buildings and home repairs.

² Building permits issued through March 31, 2010.

Source: Eagle County Community Development, Building Division

History of Estimated Building Permits Issued for New Structures the Town of Gypsum

Year	Single-Family		Multi-Family		Commercial/Industrial	
	Permits	Valuation	Permits	Valuation	Permits	Valuation
2005	120	\$27,167,794	8	\$1,141,000	13	\$18,331,534
2006	110	31,812,253	41	7,325,487	22	18,597,582
2007	76	23,354,928	7	4,730,988	15	28,291,556
2008	41	13,161,002	6	1,984,120	8	9,895,071
2009	8	1,583,201	1	1,742,453	4	1,285,450
2010 ¹	--	--	--	--	1	704,395

¹ Building permits issued through April, 30, 2010.

Source: Town of Gypsum Building Division

Foreclosure Activity

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

History of Foreclosures—Eagle County

Year	Foreclosures Filed	Percent Change
2005	178	--
2006	198	11.2%
2007	140	(29.3)
2008	179	27.9
2009 ¹	452	152.5
2010 ²	186	--

¹ A high percentage of 2009 foreclosures were timeshare interval ownership units in the resort areas of Vail and Avon

² Foreclosures filled through May 3, 2010.

Source: Eagle County Public Trustee's Office

School Enrollment

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

District Enrollment

School Year	Enrollment	Percent Change
2005/2006	5,365	--
2006/2007	5,426	1.1%
2007/2008	5,679	4.7
2008/2009	6,007	5.8
2009/2010	6,244	4.0

Source: Colorado Department of Education

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 the Town and the County as reported by the Colorado Department of Revenue.

Retail Sales					
Year	Town of Gypsum	Percent Change	Eagle County	Town as a % Eagle County	State of Colorado
2004	\$ 97,614,837	--	\$1,604,352,108	6.1%	\$114,280,780,304
2005	117,820,566	20.7%	1,817,783,920	6.5	122,907,090,008
2006	225,342,562	91.3	2,134,863,640	10.6	133,531,307,352
2007	273,375,297	21.3	2,367,788,919	11.6	148,673,215,731
2008	268,553,034	(1.8)	2,355,829,334	11.4	152,747,684,188
2009 ¹	137,412,154	--	1,409,794,689	9.8	95,895,752,607

¹ Retail sales through September 30, 2009.

Sources: State of Colorado, Department of Revenue, Sales Tax Statistics

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Employment

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

Total Business Establishments and Employment—Eagle County

Industry ¹	First Quarter 2008		First Quarter 2009		Annual Change	
	Units	Employment	Units	Employment	Units	Employment
Agriculture, Forestry, Fishing and Hunting	14	66	14	57	--	(9)
Mining	4	13	5	17	1	4
Utilities	8	63	8	64	--	1
Construction	882	4,949	859	3,592	(23)	(1,357)
Manufacturing	67	382	60	286	(7)	(96)
Wholesale Trade	121	415	118	390	(3)	(25)
Retail Trade	402	3,292	393	2,972	(9)	(320)
Transportation and Warehousing	69	418	73	336	4	(82)
Information	45	395	42	348	(3)	(47)
Finance and Insurance	127	598	125	575	(2)	(23)
Real Estate and Rental and Leasing	393	1,503	386	1,354	(7)	(149)
Professional and Technical Services	453	1,424	455	1,118	2	(306)
Management of Companies and Enterprises	23	159	26	142	3	(17)
Administrative and Waste Services	237	1,830	247	1,547	10	(283)
Educational Services	20	134	19	126	(1)	(8)
Health Care and Social Assistance	123	1,788	129	1,845	6	57
Arts, Entertainment and Recreation ²	83	2,747	84	2,746	1	(1)
Accommodation and Food Services	261	6,751	258	6,215	(3)	(536)
Other Services	222	1,151	211	1,073	(11)	(78)
Non-Classifiable ²	--	--	--	--	--	--
Government	<u>52</u>	<u>2,870</u>	<u>55</u>	<u>3,052</u>	<u>3</u>	<u>182</u>
Total	<u>3,608</u>	<u>30,938</u>	<u>3,570</u>	<u>27,857</u>	<u>(38)</u>	<u>(3,081)</u>

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

² Information suppressed due to confidentiality as set forth in State law. Totals may not add because they include figures for all employment, including suppressed information.

Source: Colorado Department of Labor and Employment, Quarterly Census of Employment and Wages ("QCEW") Colorado

Labor Force Estimates

Year	Eagle County		Colorado	
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed
2005	28,640	3.9%	2,585,986	5.1%
2006	30,155	3.4	2,651,378	4.3
2007	31,199	2.9	2,705,557	3.8
2008	31,628	3.6	2,730,447	4.9
2009	30,192	7.4	2,701,026	7.7
2010 ¹	31,431	7.3	2,637,389	8.3

¹ Average as of February 28, 2010

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

A selection of some of the largest employers in the County is set forth below. No independent investigation of the stability or financial condition of the employers listed hereafter has been conducted; therefore, no representation can be made that these employers will continue to maintain their status as major employer in the County.

Selected Major Employers in Eagle County

Employer	Product or Service	Estimated Number of Employees ¹	
		Ski Season	Off Season and Summer
Vail Resorts, Inc.	Ski resorts	11,600	4,500
Eagle County School District RE-50J	Education	850	n/a
Vail Valley Medical Center ²	Health care	799	660
Vail Cascade Resort & Spa	Hotel	457	350
Eagle County	Government	500	n/a
Ritz Carlton-Bachelor Gulch	Hotel	380	350
Sonnenalp Resort of Vail	Hotel	340	n/a
Park Hyatt Beaver Creek Resort & Spa	Hotel	325	250
Vail (Town of)	Government	332	260
Gallegos Corporation	Construction	291	500
Walmart Stores	Retail	277	n/a

¹ As of January 15, 2010.

² This figure represents the medical center operations at seven locations spanning a 70-mile distance across Eagle and Summit Counties.

Sources: Economic Council of Eagle County

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. 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.

According to the Colorado Tourism Office, in 2008, approximately 28 million overnight travelers visited the State, an all time high. These visitors reflect an increase of approximately 4.1% over the previous year's figure of overnight visitors coming to the State.

Year-round tourism and skiing-related businesses account for a significant portion of the employment and earned income of Vail Valley area residents. Vail Valley provides a variety of winter activities including skiing at Beaver Creek and Vail Mountain, as further described under this caption, ice fishing, camping, nordic skiing, ice skating (indoors or out) snowmobiling, and snowshoeing.

The Ski Industry in the State. In June 2009, Colorado Ski Country USA, a ski industry group, reported that the State's ski resorts hosted an estimated 11.85 million skier and snowboarder visits during the 2008-2009 ski season, representing a decrease of 5.5%, or approximately 690,000 skier visits, compared to last season, which was the second best season on record. On a national level, skier visits overall are down 5.5% with the Rocky Mountain region seeing a decrease of 7.2%.

Colorado Ski Country USA is the not-for-profit trade association representing 22 of Colorado ski & snowboard resorts. Information about the organization and its members can be found at www.coloradoski.com.

The Ski Industry in the Vail Valley. Skier visits at the two largest ski areas in the vicinity, Beaver Creek and Vail Mountain, accounted for approximately 20% (combined) of the total skier visits for the State during the 2008-2009 ski season (the most recent statistics available). Set forth in the following table are the skier visits for the Vail Valley ski areas of Beaver Creek and Vail Mountain from the 2004-05 ski season through the 2008-09 ski season, as well as skier visit data for the State. Skier visits represent one person visiting a ski area for all or any part of a day or night for the purpose of skiing or snowboarding.

Ski Area	Skier Visits ¹				
	2004-05	2005-06	2006-07	2007-08	2008-09
Vail Mountain	1,568,192	1,676,119	1,608,204	1,569,788	1,517,985
Beaver Creek	<u>815,350</u>	<u>875,455</u>	<u>889,812</u>	<u>917,863</u>	<u>905,931</u>
Vail Valley Total	<u>2,383,542</u>	<u>2,551,574</u>	<u>2,498,016</u>	<u>2,487,651</u>	<u>2,423,916</u>
Percent Change	2.6%	7.1%	(2.1)%	(0.4)%	2.6%
Colorado Total	11,816,193	12,533,108	12,566,299	12,540,603	11,855,498
Percent Change	5.0%	6.1%	0.3%	(0.2)%	(5.46)%
Vail Valley as Percent of State	20.2%	20.4%	19.9%	19.8%	20.4%

¹ Skier visits are measured by the number of lift tickets issued by Colorado Ski Country USA member areas for any part of the day or night, including half day, child, complimentary, and season pass uses.

Source: Colorado Ski Country U.S.A. and Vail Resorts

Summer Activities. At the present time, there are fifteen championship 18-hole golf courses located in the Vail Valley region and surrounding Eagle County area. There are three championship 18-hole public golf courses which include Eagle Ranch Golf Club, Eagle-Vail Golf Club and Vail Golf Club.

There are five private championship 18-hole courses including Adams Rib, Beaver Creek Club, Brightwater Club, Country Club of the Rockies and Eagle Springs and seven semi-private championship 18-hole courses including Cotton Ranch Club, The Club at Cordillera (three courses), Red Sky Ranch (two courses), and Sonnenalp Golf Club. There are also two 9-hole par-3 courses available for play which include the semi-private The Club at Cordillera Short Course and the public Willow Creek Golf Club at Eagle Vail. In addition to golfing, Vail Valley residents and visitors enjoy bicycling, boating, fishing, rafting and kayaking, horseback riding, camping, hiking, and cultural activities during the summer months. The following table sets forth primarily 18-hole equivalent rounds played from 2004 through 2008, the most recent statistics available.

Golf Rounds Played ^{1, 2}

Golf Course	2004	2005	2006	2007	2008
Beaver Creek Club	15,500	15,000	14,025	12,500	14,748
Cordillera ³	23,000	34,360	37,640	32,736	32,000
Cotton Ranch Club	12,000	12,850	13,200	13,000	13,837
Country Club of the Rockies (Arrowhead)	9,750	10,000	10,000	10,000	9,800
Eagle Ranch Golf Club	16,795	20,760	21,100	22,586	22,000
Eagle Springs	8,000	8,000	8,204	5,000	6,000
Eagle-Vail Golf Club	23,400	20,491	19,186	19,000	15,000
Redsky Ranch ⁴	19,930	24,000	22,000	23,000	13,600
Sonnenalp Golf Club	21,000	19,500	20,000	19,000	16,500
Vail Golf Club	<u>23,000</u>	<u>23,000</u>	<u>22,300</u>	<u>24,600</u>	<u>24,900</u>
Total	<u>172,375</u>	<u>187,961</u>	<u>187,655</u>	<u>181,422</u>	<u>168,385</u>

¹ As of December 31, 2008.

² Includes only 18 hole golf courses unless otherwise noted. Does not include Brightwater Club due to limited play upon the opening of the front nine holes in the fall of 2007.

³ The Club at Cordillera includes mountain, valley and short courses.

⁴ Red Sky Golf Club includes two 18-hole golf courses.

Source: Eagle County

APPENDIX D
FORM OF BOND COUNSEL OPINION

May 25, 2010

Buckhorn Valley Metropolitan District No. 2
Town of Gypsum, Colorado

George K. Baum & Company
Denver, Colorado

\$7,370,000
Buckhorn Valley Metropolitan District No. 2
(In the Town of Gypsum)
Eagle County, Colorado
General Obligation Limited Tax Refunding and Improvement Bonds
Series 2010

Ladies and Gentlemen:

We have acted as bond counsel to the Buckhorn Valley Metropolitan District No. 2, in the Town of Gypsum, Eagle County, Colorado (the "District"), in connection with the District's General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010, dated the date of their issuance, in the original principal amount of \$7,370,000 (the "Bonds").

The Bonds mature on the dates, are subject to optional and mandatory sinking fund redemption, bear interest at the rate, and are transferable and payable in the manner and subject to the conditions and limitations provided in the resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on May 13, 2010, as amended, ratified and confirmed on May 24, 2010 (the "Bond Resolution"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Bond Resolution.

We have examined the Constitution and laws of the State of Colorado, the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations, rulings and judicial decisions relevant to the opinions set forth in paragraphs 4 and 5 below; and such certified proceedings, certificates, documents, opinions and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the District contained in the Bond Resolution and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law and as of the date hereof, that:

1. The Bond Resolution has been duly authorized, are in full force and effect, and are valid and enforceable in accordance with their respective terms.

2. The Bonds in the original principal amount stated above are valid and binding limited tax obligations of the District, payable solely from and to the extent of the Pledged Revenue, and are legally enforceable in accordance with their terms.

3. All taxable property of the District is subject to an ad valorem tax levy at the rate and in the amount of the Required Mill Levy to pay the principal of and interest on the Bonds. The District is required by law to include in the computation and certification of its annual property tax levy the principal of and interest coming due on the Bonds to the extent the necessary funds are not then on deposit in the Bond Fund, up to the amount of the Required Mill Levy.

4. Under the laws, regulations, rulings and judicial decisions existing on the date hereof, interest on the Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. Also, because the District has properly designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code, any bank, thrift institution or other financial institution owning the Bonds may be able to avoid the loss of 100% of any otherwise available interest deduction attributable to its tax-exempt holdings. The opinions set forth in the preceding sentences assume the accuracy of certain representations of the District and compliance by the District with covenants designed to satisfy the requirements of the Code that must be met subsequent to the issuance of the Bonds. Failure to comply with such requirements could cause such interest to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions, retroactive to the date of issuance of the Bonds. The District has covenanted in the Bond Resolution and in the Tax Compliance Certificate executed and delivered in connection with the issuance of the Bonds to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds. We note, however, that interest on the Bonds is taken into account in determining adjusted current earnings for purposes of the alternative minimum tax imposed on corporations (as defined for federal income tax purposes).

5. Under State of Colorado statutes existing on the date hereof, interest on the Bonds is excluded from Colorado taxable income and Colorado alternative minimum taxable income. We express no opinion regarding other tax consequences arising with respect to the Bonds under the laws of the State of Colorado or any other state or jurisdiction.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Bond Resolution, and the Bond Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors’ rights generally and by equitable principles, whether considered at law or in equity.

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

The District is our sole client in this transaction and we have not been engaged by, nor have we undertaken to advise any other party or to opine as to matters not specifically covered herein. This opinion letter is solely for the benefit of the addressees hereof and may not be circulated, quoted or relied upon by any party other than the addressees without our prior written consent, except that a copy may be included in the closing transcripts for the Bonds. The inclusion of George K. Baum & Company (the “Underwriter”) as an addressee to this opinion letter does not create or imply an attorney-client relationship between Kutak Rock LLP and the Underwriter in connection with the Bonds.

APPENDIX E
BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning The Depository Trust Company (“DTC”) New York, NY and DTC’s book-entry-only system has been obtained from DTC, and 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 certificate will be issued for 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 securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation & Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both 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 DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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. 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 will 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 in accordance with DTC's MMI 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 nominee 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 Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be 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, the Trustee or 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to Tender or Remarketing Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to Tender or Remarketing Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit for tendered Bonds to Tender or Remarketing Agent's DTC account.

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 Trustee. 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 only transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered to DTC.

APPENDIX F

FORM OF CONTINUING DISCLOSURE OBLIGATION

*Buckhorn Valley Metropolitan District No. 2
(In The Town of Gypsum)
Eagle County, Colorado
General Obligation Limited Tax Refunding And Improvement Bonds
Series 2010*

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this "Agreement") is entered into as of May __, 2010, by and among Buckhorn Valley Metropolitan District No. 2, in the Town of Gypsum, Eagle County, Colorado (the "District") and Buckhorn Valley Development LLC, a Texas limited liability company (the "Developer"), relating to the above-captioned bonds (the "Bonds").

Section 1. Purpose. This Agreement is being executed and delivered by the parties hereto for the benefit of the Owners of the Bonds (defined below) and in consideration for the purchase by George K. Baum & Company (the "Underwriter") of the Bonds pursuant to the terms of a Bond Purchase Agreement between the Underwriter and the District dated as of _____, 2010.

Section 2. Definitions. Capitalized terms used and not otherwise defined in this Agreement shall have the respective meanings set forth in the Bond Resolution and the Limited Offering Memorandum, both defined below. The capitalized terms set forth below shall have the following respective meanings for purposes of this Agreement:

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

"*Bonds*" means the District's General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010, issued on the date hereof in the aggregate principal amount of \$7,370,000.

"*Continuing Disclosure Statement*" means the report, substantially in the form included as Exhibit A hereto, to be provided to the Recipients pursuant to Section 3 hereof.

"*Limited Offering Memorandum*" means the Limited Offering Memorandum dated ____, 2010, prepared in connection with the offering of the Bonds.

"*Owner(s) of the Bonds*" means the registered owner(s) of the Bonds, and so long as the Bonds are subject to a Book-Entry-System, any person who, through any contract, arrangement or otherwise, has or shares investment power with respect to the Bonds, which includes the power to dispose, or direct the disposition, of the Bonds.

"*Recipient(s)*" means the Underwriter and the Owners of the Bonds.

“*Reporting Period*” means each quarterly period ending on the last day of each March, June, September and December, commencing with the quarterly period ending on the last day of September 2010.

“*Underwriter*” means George K. Baum & Company.

Section 3. Procedures for Providing Information.

(a) ***Provision of Information.*** The District hereby undertakes and agrees to provide to the Trustee the Continuing Disclosure Statement within 30 days after the end of each Reporting Period.

(b) The parties to this Agreement hereby undertake to provide the following information for inclusion in the Continuing Disclosure Statements, as well as such other information as necessary for the District to timely prepare and provide to the Trustee the Continuing Disclosure Statements required hereunder:

<u>Section of the Continuing Disclosure Statement</u>	<u>Responsible Party</u>
1	Developer
2	District No. 2
3	Trustee
4	District
5	District

The foregoing information shall be provided to the District in time to enable the District to timely provide such Continuing Disclosure Statement to the Trustee, but in no event later than 20 days after the end of each Reporting Period.

Notwithstanding the foregoing, the District shall provide its Audited Financial Statements to the Recipients not later than 270 days following the end of each fiscal year.

(c) ***Dissemination of Continuing Disclosure Statements to Recipients.*** The Trustee shall provide each Continuing Disclosure Statement to each of the Recipients as soon as practicable following receipt thereof from the District, but in no event later than 45 days following the end of each Reporting Period. If the Trustee does not receive the Continuing Disclosure Statement from the District within such 45 day period, the Trustee shall nevertheless send a notice to the Recipients disclosing the fact of the failure of the District to provide the Continuing Disclosure Statement for dissemination.

(d) ***Notice of Material Events.*** Whenever the District obtains actual knowledge of the occurrence of any of the following events, the District shall promptly determine if such event would constitute information that would be material to the Underwriter or the Owners of the Bonds, and if the District determines that knowledge of the occurrence of the event would be material, the District shall cause the Trustee to provide, in a timely manner, a notice of such event to the Recipients:

- (i) A delinquency in the payment of the Bonds;
- (ii) A nonpayment related default under the Bond Resolution;

- (iii) A draw on the 2010 Reserve Fund;
- (iv) An adverse tax opinion or other event affecting the tax-exempt status of the Bonds;
- (v) A modification of the rights of the Owners of the Bonds;
- (vi) A default under the Pledge Agreement;
- (vii) An event described in paragraph (e) of this section.

Whenever the Trustee obtains actual knowledge of the occurrence of any of the aforementioned events, the Trustee shall promptly notify the District of such event. For purposes of this paragraph, “actual knowledge” of the Trustee means actual knowledge by an officer of the Trustee having responsibility for matters regarding the Bond Resolution or the Bonds.

Knowledge by the District as to the event described in (ii) above shall be deemed to occur only upon receipt by the District of written notice thereof from the Trustee, and actual knowledge as to the event described in (v) above shall be deemed to occur only upon receipt of a letter of Bond Counsel, explicitly pertaining to the Bonds, and providing such opinion or specifying such event and its effect on such tax-exempt status of the Bonds.

(e) ***Developer Events.*** Whenever the Developer obtains actual knowledge of the occurrence of one or more of the following events, the Developer shall promptly notify the District of such event, whereupon the District shall take the action prescribed in Section (c) hereof:

- (i) Failure of the Developer or any affiliate thereof to pay any real property taxes with respect to property within the Development;
- (ii) An event that materially adversely affects the development or sale of property in the Development or the construction of the Amenities for the Development; or
- (iii) Any filing by or against the Developer or any affiliate thereof of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the Developer or any affiliate thereof is unable to pay its debts as they become due;
- (iv) Any material change in the form, organization or ownership of the Developer;
- (v) Any event materially adversely affecting the existence or operations of the Developer;
- (vi) Any sale of property by the Developer in the Development not in the ordinary course of business;
- (vii) Any material default by the Developer or any member or affiliate thereof on any loan or guaranty with respect to the construction or permanent

financing for the Development, or on any loan secured by property within the Development;

- (viii) Any filing by or against the Developer or any affiliate thereof of any petition or other proceeding under any bankruptcy, insolvency or similar law or any determination that the Developer or any affiliate thereof is unable to pay its debts as they become due; or
- (ix) The filing of any lawsuit with a claim for damages in excess of \$500,000 against the Developer or any affiliate thereof, which claim is uninsured and may either adversely affect the continued development of the Development or materially adversely affect the financial condition of the Developer or any affiliate thereof.

(f) **Other Information.** In addition to the information specified in the Continuing Disclosure Statement, the parties hereto agree to cooperate with any Recipient with respect to a reasonable request for the provision of any other information relevant to the District, the Development, the Developer or the Bonds.

(g) **Means of Transmitting Information.** Subject to technical and economic feasibility, the parties hereto shall employ such methods of information transmission as the District or the Trustee shall reasonably request, and the Trustee shall, subject to technical and economic feasibility, employ such methods of information transmission as shall be requested or recommended by the Recipients of the information to be received pursuant to this Agreement.

Section 4. Duration of Agreement. This Agreement shall continue in full force and effect until such time as the Bonds are no longer deemed to be outstanding under the Bond Resolution, provided, however, that the obligation of the Developer to provide information to the District under this Agreement shall terminate after the Reporting Period in which the total of then outstanding Senior Bonds is 50% or less of the certified assessed value of the District.

Section 5. Amendment. Notwithstanding any other provision of this Agreement, this Agreement may only be amended with the consent of the Beneficial Owners (as defined in the Bond Resolution) with respect to not less than 75% in aggregate principal amount of the Bonds then outstanding.

Section 6. Failure to Perform. Any failure by any party to this Agreement to perform in accordance with this Agreement shall not constitute an Event of Default under the Bond Resolution, and the rights and remedies provided by the Bond Resolution upon the occurrence of an Event of Default shall not apply to any such failure. If the District fails to comply with this Agreement, any Recipient may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations hereunder. If any other party fails to provide part or all of the information to the District as required hereunder, the District shall be obligated to provide the information received from such party, as well as the balance of the information that such party is obligated to provide hereunder, but only to the extent that such information is publicly available, and the District shall disclose the fact of such failure of such party or parties to provide the requisite information in the Continuing Disclosure Statement. If any party other than the District fails to comply with this Agreement, any Recipient may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the applicable party to comply with its obligations hereunder.

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

Section 8. Beneficiaries. This Agreement shall inure solely to the benefit of the Underwriter and the Recipients, and shall create no rights in any other person or entity.

[Signature page follows]

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

**BUCKHORN VALLEY METROPOLITAN
DISTRICT NO. 2,**
in the Town of Gypsum, Eagle County, Colorado

By: _____
President

Buckhorn Valley Development LLC

By: _____
Authorized Officer

EXHIBIT A

FORM OF CONTINUING DISCLOSURE STATEMENT

*Buckhorn Valley Metropolitan District No. 2
(In The Town of Gypsum)
Eagle County, Colorado
General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010*

Date of Report: _____, 20__.

Reporting Period: The information in this Continuing Disclosure Statement is for the calendar quarter ended:

March 31, June 30, September 30, or December 31, 20__.

This Continuing Disclosure Statement is provided pursuant to the Continuing Disclosure Agreement dated December __, 2010, by and among Buckhorn Valley Metropolitan District No. 2, a quasi-municipal corporation and political subdivision of the State of Colorado (the "District") and Buckhorn Valley Development LLC, a Texas limited liability company (the "Developer"), entered into in connection with the issuance by the District of the captioned bonds (the "Bonds"). All capitalized terms used and not otherwise defined in this Continuing Disclosure Statement shall have the respective meanings ascribed thereto in the Bond Resolution and the Limited Offering Memorandum dated May __, 2010, prepared in connection with the offering of the Bonds.

Section 1. Development Information.

The Developer has provided the District with the following information for inclusion in this Continuing Disclosure Statement:

- The Developer is obligated pursuant to the Continuing Disclosure Agreement to provide information for this Continuing Disclosure Statement:
 Yes No

- Since the last Continuing Disclosure Statement, the Developer has entered into agreements for the sale of the following number of lots within the Development to homebuilders:

Homebuilder

Lots

- Since the last Continuing Disclosure Statement, agreements for the sale of the following number of lots within the Development have been cancelled, rescinded, breached or otherwise defaulted upon by homebuilders.

Homebuilder

Lots

- The following table summarizes current development in the Development. Purchasers of lots within the Development are under no obligation to construct homes thereon in any particular timeframe, or at all.

Sales/Construction in the Development

As of _____, 20__

Homebuilder	<u>Platted Lots</u>	<u>Lots Sold and Closed from the Developer</u> ¹	<u>Homes Fully Constructed</u> ²	<u>Additional Homes Under Construction</u>	<u>Homes Closed</u> ³	<u>Additional Homes Under Contract</u>
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Totals

¹ Sold and closed, with title transferred, to homebuilders.

² [Indicate homes presently being used as model homes]

³ Sold and closed, with title transferred, by homebuilders to individual homeowners.

- Since the last Continuing Disclosure Statement, the Developer has sold or otherwise conveyed the following property in the Development not referenced above:

Section 2. The Pledged Revenue

The District has provided the following information for inclusion in this Continuing Disclosure Statement:

- ***Preliminary Assessed Value.*** The preliminary assessed value of taxable property in the District, as published or certified by the county assessor of Eagle County, Colorado (the “County Assessor”), on or about August 25, 20__, is \$ _____. *(To be provided with the September 30 Continuing Disclosure Statement)*

- **Final Assessed Value.** The final assessed value and statutory “actual” value of taxable property in the District, as published or certified by the County Assessor on or about December 10, 20__, is \$ _____. *(To be provided with the December 31 Continuing Disclosure Statement)*
- **Mill Levy Certification.** The District certified to the County Assessor a total debt service property tax levy of _____ mills on _____, 20__ (for collection in 20__). *(To be provided with the December 31 Continuing Disclosure Statement)*
- **Property Tax Revenues.** Based on the debt service property tax levy certified by the District to the County Assessor for collection of taxes in 20__, assuming 100% collection, are \$ _____, and total debt service requirements for the Bonds in 20__ are \$ _____.

Section 3. Fund Balances and Outstanding Bonds

- The principal amount of Bonds redeemed since the last Continuing Disclosure Statement is \$ _____, leaving an outstanding principal amount of Bonds of \$ _____.

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

Section 4. Events of Default Under the Bond Resolution

- The District has knowledge of the following event(s) that constitute, or with the passage of time or giving of notice, or both, would constitute, an Event of Default under the Bond Resolution:
 - None; or
 - [Describe events, including those described in a previous material events notice]

Section 5. Attached District Financial Information

The following financial information concerning the District for which the appropriate box is checked is attached to this Continuing Disclosure Statement. *The following items (other than budget amendments) must be provided only once each year.*

- Audited Annual Financial Statements of the District for the year ending December 31, 20__. *(Must be provided no later than the June 30 Continuing Disclosure Statement)*
- Unaudited annual financial statements of the District for the year ending December 31, 20__. *(Must be provided no later than the March 31 Continuing Disclosure Statement)*
- Unaudited quarterly financial statements of the District for the Reporting Period covered by this Continuing Disclosure Statement.
- Annual budget of the District for fiscal year 20__ as approved by the Board of Directors of the District. *(Must be provided with the first Continuing Disclosure Statement following adoption or amendment, as applicable)*

Such annual budget is:

- the budget as originally adopted; or
- the budget as amended subsequent to adoption.

[Signature page follows]

It is hereby certified by the undersigned that the information contained in this Continuing Disclosure Statement is, to the best knowledge of the undersigned, true, accurate and complete.

Buckhorn Valley Metropolitan District No. 2,
in the Town of Gypsum, Eagle County, Colorado

By: _____
President

APPENDIX G

FORM OF INVESTOR LETTER

*Buckhorn Valley Metropolitan District No. 2
In the County of Eagle, Colorado
General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010*

Ladies and Gentlemen:

This letter is delivered in connection with the purchase by the undersigned (the Investor) from George K. Baum & Company (the Underwriter) of General Obligation Limited Tax Refunding and Improvement Bonds, Series 2010 (the Bonds), issued in the aggregate principal amount of \$7,370,000 by Buckhorn Valley Metropolitan District No. 2, in Eagle County, Colorado (the District). Capitalized terms used but not defined herein have the meanings assigned to them in the Bond Resolution authorizing issuance of the Bonds. In connection with such purchase, the Investor hereby makes the following representations, warranties and covenants to the Underwriter and the District on the express understanding that they will be relied upon by such entities:

1. The Investor is a financial institution or institutional investor as that term is defined in 32-1-103(6.5), C.R.S. (a Qualified Investor), and is acting either for itself or others in a fiduciary capacity. Specifically, the Investor is one of the following:

- * A depository institution;
- * An insurance company;
- * A separate account of an insurance company;
- * An investment company registered under the federal Investment Company Act of 1940";
- * A business development company as defined in the federal Investment Company Act of 1940";
- * Any private business development company as defined in the federal Investment Company Act of 1940";
- * An employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of \$5 million or its investment decisions are made by a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, a depository institution, or an insurance company;

- * An entity, but not an individual, a substantial part of whose business activities consists of investing, purchasing, selling, or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of five million dollars as of the end of its last fiscal year; or
- * A small business investment company licensed by the federal small business administration under the federal Small Business Investment Act of 1958.

2. The Investor has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Bonds.

3. The Investor acknowledges and understands that repayment of the Bonds is subject to a high degree of investment risk, and represents that it is capable of suffering a loss of its entire investment in the Bonds.

4. The Investor is not purchasing for more than one account or with a view to distributing the Bonds. However, the Investor reserves the right to sell all or part of the Bonds to other Qualified Investors in minimum denominations of \$500,000 and integral multiples of \$1,000 in excess thereof. The Investor acknowledges and understands that it may have to bear the economic risk of its investment in the Bonds for an indefinite period of time

5. The Investor has received and read the Limited Offering Memorandum dated _____, 2010 (the Limited Offering Memorandum), prepared by the District in connection with and relating to the Bonds. The Investor also has been afforded the opportunity to ask questions of and request additional information from representatives of the District and the developer of property within the District regarding the proposed investment, and has received such additional information as it has deemed necessary in making its investment decision. The Investor has conducted an independent investigation of the risks attendant to ownership of the Bonds, including its own evaluation of the prospects for development within the District.

6. The undersigned is not relying upon the Underwriter for advice as to the merits and risks of an investment in the Bonds. The undersigned has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

7. The undersigned is duly authorized to make the representations, warranties and covenants set forth in this letter on behalf of the Investor, and the foregoing representations, warranties and covenants shall survive the execution and delivery to us of the Bonds and the instruments and documents contemplated thereby.

Dated: _____, 2010

Investor(s)
and/or Subsidiary Banks

By: _____

Name/Title: _____

(Please Print)