



D | A | DAVIDSON
D.A. Davidson & Co. member SIPC

June 5, 2015

Waterfall Metropolitan District Nos. 1-2
c/o Alan Pogue
Icenogle Seaver Pogue
4725 South Monaco Street, Suite 225
Denver, CO 80237

Re: Waterfall Metropolitan District Nos. 1-2 Bonds ("Bonds")

Dear Mr. Pogue,

This letter confirms that you reasonably expect to engage D.A. Davidson & Co. to serve as an underwriter for the Bonds. Delivered with this letter are the disclosures required by MSRB Rule G-17 regarding our role, duties and interests as an underwriter of the Bonds. Your execution of this letter will enable us to provide advice with respect to the structure, timing, terms, and other similar matters concerning the Bonds pursuant to the underwriter exclusion under the SEC's municipal advisor registration rules.

At such time as arrangements for the sale of bonds or other borrowing have been completed, Davidson shall be paid as follows:

For the first \$50 million of debt placed/underwritten, the compensation shall be:

- 0.50% of par for the issuance of investment grade bonds
- 1.00% of par for the structuring and placement of bonds with the developer
- 1.00% of par for the structuring and placement of a bank loan
- 1.50% of par for the issuance of non-rated bonds.

For debt placed/underwritten above \$50 million in aggregate, the compensation shall be:

- 0.50% of par for the issuance of investment grade bonds
- 0.90% of par for the structuring and placement of bonds with the developer
- 0.90% of par for the structuring and placement of a bank loan
- 1.40% of par for the issuance of non-rated bonds.

For debt placed/underwritten above \$100 million in aggregate, the compensation shall be:

- 0.45% of par for the issuance of investment grade bonds
- 0.80% of par for the structuring and placement of bonds with the developer
- 0.80% of par for the structuring and placement of a bank loan
- 1.30% of par for the issuance of non-rated bonds.

D.A. Davidson & Co. Fixed Income Capital Markets
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Member SIPC


The only exception to this compensation shall be draws under the existing loan agreement dated June 28, 2011. For draws made under the existing terms of this loan no compensation shall be due. For draws made under an amended version of this loan with improved terms, compensation shall be 1.0% of such draws.

We understand that our engagement is preliminary in nature and, among other things, may be subject to formal governing body approval of our engagement, the final structure of the Bonds, and execution of a mutually-agreeable bond purchase agreement. This engagement letter is nonbinding and may be terminated by either party at any time without liability.

This letter agreement is not an offer to purchase bonds. If the sale of bonds or other borrowing does not occur, Davidson shall not be owed compensation. Please indicate by your signature below your desire to engage D.A. Davidson & Co. Fixed Income Capital Markets to provide investment banking services on these terms.

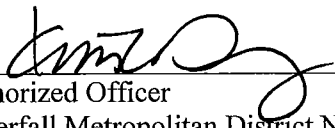
Respectfully submitted,

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



Samuel R. Sharp
Managing Director

ACCEPTED this ____ day of ____ 2015.



Authorized Officer
Waterfall Metropolitan District Nos. 1-2

EXHIBIT A

D.A. Davidson & Co. (hereinafter referred to as "Davidson" or "underwriter") intends/ proposes to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as underwriter/senior managing underwriter, Davidson may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

Disclosures Concerning the Underwriters Role:

- (i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.
- (ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length transaction with the Issuer. The underwriters financial and other interests that may differ from those of the Issuer.
- (iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.
- (iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.
- (v) The underwriter will review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.

Disclosures Concerning the Underwriters Compensation:

As underwriter, Davidson will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriter may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

Additional Conflicts Disclosure:

Davidson has not identified any additional potential or actual material conflicts that require disclosure.