



Engagement Letter

January 3, 2011

Troy McWhinney, President
& Board of Directors
Waterfall Metropolitan District No.1
2725 Rocky Mountain Avenue, Suite 200
Loveland, CO 80538

Dear Mr. McWhinney & Board Members:

George K. Baum & Company (the "Firm") is pleased to submit this engagement letter to act as Investment Banker for the proposed bond issue for Waterfall Metropolitan District No.1 (the District). Our role is to provide you with assistance in financial planning, market awareness, rating agency and/or bond insurance presentations (when applicable in the future), marketing your securities, investment banking expertise and analysis of financing strategies.

During this engagement we have provided or will provide the following services:

I. Assist in Financial Planning

We will review the District's financial structure and plans for future capital needs. In cooperation with staff and consultants to the District, we will determine the impact of the project on your financial condition and apprise the Board of our findings. We will keep you up to date on market conditions and developments, and make recommendations as to the timing and sale of the issue. While a credit rating will not be achievable with this initial bond issue, we will monitor the District's development going forward and advise when such a rating might be obtained. We will also provide assistance in selecting a trustee/paying agent bank and in the delivery of proceeds to the District.

II. Assist in Development of Legal Documentation

We will assist the District's bond counsel and general counsel with the development of the basic documents necessary to accomplish the proposed financing.

III. Advise the District on Market Conditions

As your Investment Banker, we will have the primary responsibility for preparing the District's securities for sale to investors. We will advise the District on market conditions, expected interest rates and maximizing reinvestment of the proceeds from the bond sale.

IV. Sale of the Bonds

The Firm will be compensated for providing services to the District in the following manner:

The Bonds will be sold at mutually agreed upon interest rates and terms between the District and investor(s). For its role in structuring and selling or placing the bonds, the Firm will be compensated through a fee of 2.00% of bond principal, or \$20.00 per \$1,000 of bonds issued. If no bonds are issued, no fees will be owed by the District to George K. Baum & Company.

V. Bond Closing/Delivery of the Securities

We will arrange for the authorizing resolutions, signing of documents and delivery of the securities. We will oversee closing and assist the District so that bond moneys are received in a timely manner.

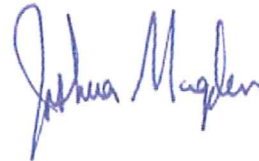
VI. Conduct Post-Sale Activities

The Firm will assist in post-sale activities, to include:

- Preparation, subsequent to the sale and closing of the bond issue, an analysis of the final rate and structure, and market and other relevant conditions at the time of financing;
- Advise and counsel the District on reinvestment of bond proceeds if necessary; and
- Monitor the District's development and assessed value for future refinancing opportunities.


This agreement shall commence upon acceptance by the Board, with execution by a Board officer or an authorized District representative and a representative of the Firm.

Respectfully Submitted,



By: _____
Joshua A. Magden
Vice President

This Agreement is accepted this 10th day of February, 2011 for and on behalf of the Waterfall Metropolitan District No. 1, Loveland, Colorado.

By:  _____
President, Board of Directors,
or Authorized District Representative