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December 21, 2010

Board of Directors
Waterfall Metropolitan District No. 1
c/o McWhinney Enterprises
2725 Rocky Mountain Ave., Suite 200
Loveland, CO 80538

Re: Engagement as Bond Counsel for Waterfall Metropolitan District No. 1

Dear Ladies and Gentlemen:

This letter sets forth our understanding of the engagement of Kutak Rock LLP by Waterfall Metropolitan District No. 1 (the "District") to act as bond counsel in connection with the proposed issuance of bonds (the "Bonds") by the District. Such Bonds are presently anticipated to be issued by the District as limited tax general obligation bonds payable solely from property taxes imposed by the District and, potentially, certain specific ownership taxes received by the District, and additionally secured by a reserve fund funded from proceeds of the Bonds. Furthermore, such Bonds are anticipated to be sized to pay based on the assessed value of existing development and improvements currently under construction, and taking into account increases in assessed value due to periodic reassessments.

As Bond Counsel, Kutak Rock LLP either has provided or will provide all necessary and customary legal services traditionally performed by bond counsel, including:

1. Providing assistance and advice on all legal matters relating to the issuance of bonds by the Service District.
2. Preparing all necessary documents for authorizing, and securing the payment of the bonds being issued by the Service District, including, but not limited to, the indenture and any necessary agreements or documentation relating thereto, closing documents and all necessary filings with the Internal Revenue Service and Colorado Securities Commission.
3. Preparing the preliminary and final limited offering memorandums and other documents associated with the offering of the Bonds.
4. Conducting a due diligence review concerning matters related to or affecting the District and the Bonds.

5. Upon satisfaction of all conditions precedent, delivering a 10b-5 letter (the "Letter") concerning the final limited offering memorandum.

6. Upon satisfaction of all conditions precedent, delivering legal opinions (the "Opinions") in connection with the issuance of the Bonds as to each of the following matters: the right and power of the District to issue the Bonds, that the Bonds are valid and binding obligations of the District, and that the sources for the repayment of the Bonds are properly secured and pledged to pay the Bonds. If tax exempt Bonds are issued, the Opinions will address all pertinent tax matters.

7. Consulting with District Board members, District Counsel, and District consultants and advisors regarding bond issuance, security, and other matters relating to the bonds.

8. Participating in meetings, including District Board meetings as necessary.

Kutak Rock LLP's Opinions will be executed and delivered in written form on the date that the bonds are delivered (the "Closing"), and will be based upon facts and law existing as of their date. As is customary, in rendering the Opinions, Kutak Rock LLP will rely upon the certified proceedings; certifications of District officials and other persons; opinions of general counsel to the District; opinions of other legal counsel involved in the transaction as to matters relevant to the bonds; and certifications of other parties to the transaction, as appropriate.

Our fee to act as Bond Counsel for the District in connection with the proposed issuance of bonds will be \$35,000, an amount set based on the size, structure and complexity of the financing (including the assumption that the Bonds will be sized to pay based on the assessed value of existing development and improvements currently under construction), and our estimate of the amount and nature of the legal work necessary to achieve a Closing on the Bonds not later than March 1, 2011. If the Closing extends beyond that date or if the anticipated structure of the bond issue changes significantly, we may propose an increase in the fee if warranted by the delay or change. The proposed fee includes routine out-of-pocket disbursements (such as photocopying charges, delivery expenses, fax charges and postage). Any extraordinary disbursements or expenses authorized by the District will be billed directly to the District. The attorney who will be principally involved in this representation is Kimberly Casey. Associate attorneys and paralegals may be added to the team as our work progresses. Unless other payment arrangements are made, our fee will be due at closing on the bonds, prior to delivery of the Opinions and the Letter. If any matters are later assigned to Kutak Rock LLP that will be billed on an hourly basis, we will obtain specific approval from the District to charge our then-current hourly rates and to bill the District separately for out-of-pocket disbursements.

This engagement letter shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, successors and assigns. The District may terminate this agreement with respect to our engagement by notifying Kutak Rock LLP in writing. Conversely,

KUTAK ROCK LLP

Board of Directors

January 7, 2011

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Kutak Rock LLP may withdraw as counsel to the District and terminate this agreement in a manner that protects the interests of the District in the work being performed by Kutak Rock LLP by notifying the District in writing.

If the above sets forth our understanding to your satisfaction, please confirm the terms of our engagement by signing, dating and returning the enclosed copy of this letter. If the foregoing does not reflect our understanding or if you wish to discuss additional projects with us, please contact me.

Kutak Rock LLP will perform its obligations in accordance with the standards of professional responsibility applicable to attorneys.

Throughout our representation, we want you to be satisfied with our fees as well as the professional services we perform on your behalf. Accordingly, we invite your inquiry if you have any questions concerning any aspect of our representation.

This letter may be executed in two or more counterparts (and by different parties on separate counterparts), each of which shall be an original, but all of which shall constitute one and the same instrument.


Sincerely,



Kutak Rock LLP

CONFIRMED AND AGREED TO AS OF THE
DATE INDICATED BELOW:

Waterfall Metropolitan District No. 1

By:  _____
Authorized Officer

Date: 2/10/11