

Subject to compliance by Hideout Local District No. 1 with certain covenants, in the opinion of Chapman and Cutler LLP, Bond Counsel, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the opinion of Bond Counsel, under the existing laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. See “TAX EXEMPTION” herein for a more complete discussion.

\$6,865,000

**HIDEOUT LOCAL DISTRICT No. 1
SPECIAL ASSESSMENT BONDS
SERIES 2014**

Dated: Date of delivery

Due: As shown on inside cover

The \$6,865,000 Hideout Local District No. 1 Special Assessment Bonds, Series 2014 (the “Bonds”) are being issued by the Hideout Local District No. 1 (the “District”) pursuant to an Indenture of Trust, dated as of June 1, 2014, (the “Indenture”), between the District and U.S. Bank National Association, as trustee (the “Trustee”). The Bonds are being issued only in fully registered form, in denominations of \$100,000 or any integral multiples of \$1,000 in excess thereof. The Bonds are payable from and secured by the Assessments levied against the properties in the Assessment Area and the funds and accounts held under the Indenture. See “SECURITY FOR AND SOURCE OF PAYMENT OF BONDS.”

The Bonds, when issued, will be registered in the name of Cede & Co., as the owner and nominee for The Depository Trust Company (“DTC”), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry only form. Accordingly, principal of and interest on the Bonds will be paid from the sources provided below by the Trustee directly to Cede & Co. as the nominee of DTC and the registered owner thereof. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. Any purchaser as a beneficial owner of a Bond must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bond. See “DESCRIPTION OF THE BONDS—Book-Entry Only System” herein. The Bonds will bear interest at the fixed rates set forth herein, calculated on the basis of a 360-day year comprised of twelve thirty-day months. Interest on the Bonds is payable semi-annually on each February 1 and August 1, commencing August 1, 2014.

Some or all of the Bonds are subject to optional, mandatory and extraordinary mandatory redemption at the times, in the amounts and at the redemption prices as more fully described herein.

The Bonds are being issued to: (i) finance the cost of construction of storm water management, sanitary sewer collection, potable water distribution, and transportation systems, as more particularly described herein (the “Project”); (ii) fund the Reserve Fund in the amount of the Debt Service Reserve Fund Requirement; (iii) fund capitalized interest on the Bonds; and (iv) pay certain costs associated with the issuance of the Bonds

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DISTRICT AND ARE PAYABLE FROM THE LEVY OF ASSESSMENTS AGAINST THE PROPERTIES IN THE ASSESSMENT AREA AND FROM THE FUNDS AND ACCOUNTS CREATED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT, THE STATE OF UTAH, OR ANY OTHER POLITICAL SUBDIVISION, AND THE FULL FAITH AND CREDIT OF THE DISTRICT IS NOT PLEDGED TO THE PAYMENT OF THE BONDS. THE DISTRICT SHALL BE HELD RESPONSIBLE FOR THE LAWFUL LEVY OF ALL ASSESSMENTS AND FOR THE FAITHFUL ACCOUNTING, COLLECTION, SETTLEMENT, AND REMITTANCE OF THE ASSESSMENTS. SEE “SECURITY FOR THE BONDS,” HEREIN.

THE BONDS INVOLVE A DEGREE OF RISK (SEE “BONDOWNERS’ RISKS” HEREIN) AND ARE NOT SUITABLE FOR ALL INVESTORS. THE BONDS ARE NOT RATED OR CREDIT ENHANCED AND NO APPLICATION HAS BEEN MADE FOR A RATING OR CREDIT ENHANCEMENT WITH RESPECT TO THE BONDS. SEE “SUITABILITY FOR INVESTMENT” AND “BONDOWNERS’ RISKS” HEREIN.

This cover page contains information for quick reference only. It is not a summary of the Bonds. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are offered for delivery when, as and if issued by the District and accepted by the Underwriter, subject to, among other things, the receipt of the opinion of Chapman and Cutler LLP, Salt Lake City, Utah, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain matters relating to disclosure will be passed upon for the District by Chapman and Cutler LLP, Salt Lake City, Utah, Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by its counsel, Chapman and Cutler LLP, Salt Lake City, Utah, and for the Master Developer by its counsel, Snell & Wilmer L.L.P., Salt Lake City, Utah. The Underwriter is being represented by Kutak Rock LLP, Denver, Colorado. The Underwriter has agreed to use its best efforts to solicit offers to purchase the Bonds from one or more purchasers, as described herein. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about June 18, 2014.

Jefferies

Dated: June 12, 2014

MATURITY SCHEDULE

\$6,865,000

HIDEOUT LOCAL DISTRICT NO. 1

SPECIAL ASSESSMENT BONDS

SERIES 2014

\$1,950,000* Term Bond due August 1, 2024 Rate 7.75% Yield 8.00% CUSIP 42953A AA4***

\$4,915,000* Term Bond due August 1, 2034 Rate 8.25% Yield 8.50%** CUSIP 42953A AB2***

* For a schedule of the mandatory sinking fund payments with respect to each maturity of the Bonds, see “DESCRIPTION OF THE BONDS—*Redemption Provisions for the Bonds*” herein.

** Priced to par call on August 1, 2024.

*** CUSIP data is provided by Standard & Poor’s, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Bonds, and none of the Issuer, the Underwriter or the Charter School makes any representation with respect to such numbers or undertakes any responsibility for their accuracy now or at any time in the future.

HIDEOUT LOCAL DISTRICT NO. 1

BOARD OF TRUSTEES

Joe Spencer*, Chair
Robert Martino*, Vice Chair
Laura Janek,* Member

DISTRICT MANAGER

Development Planning & Financing Group
Inc.
Austin, Texas

DISTRICT ENGINEER

Erichsen Engineering
Murray, Utah

INSPECTING ENGINEER

Sunrise Engineering
Salt Lake City, Utah

APPRAISER

Valbridge | Free and Associates, Inc.
Salt Lake City, Utah

BOND AND DISCLOSURE COUNSEL

Chapman and Cutler LLP
Salt Lake City, Utah

COUNSEL TO THE UNDERWRITER

Kutak Rock LLP
Denver, Colorado

TRUSTEE

U.S. Bank National Association
Salt Lake City, Utah

* Employee or agent of Master Developer or affiliate of Master Developer.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized by the District, the State of Utah or the Underwriter to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District, the District Manager, the Master Developer, the District Engineer and other sources that are believed by the Underwriter to be reliable. The Underwriter has reviewed the information in this Official Statement in accordance with and, as part of its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guaranty the accuracy or completeness of such information. The District, the Master Developer and the District Engineer will, at closing, deliver certificates certifying that certain of the information each supplied does not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change with respect to the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS SET FORTH IN SUCH ACTS. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTIONS WHEREIN THESE SECURITIES HAVE BEEN OR WILL BE REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF BY SUCH JURISDICTIONS. NEITHER THE DISTRICT, THE STATE OF UTAH NOR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF HAS GUARANTEED OR PASSED UPON THE MERITS OF THE BONDS OR UPON THE PROBABILITY OF ANY EARNINGS THEREON. OTHER THAN THE DISTRICT, NEITHER THE STATE OF UTAH, NOR ANY OTHER POLITICAL SUBDIVISION THEREOF HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

THIS OFFICIAL STATEMENT, IS NOT, AND SHALL NOT BE DEEMED TO CONSTITUTE, AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, REAL ESTATE, WHICH MAY ONLY BE MADE PURSUANT TO OFFERING DOCUMENTS SATISFYING APPLICABLE FEDERAL AND STATE LAWS RELATING TO THE OFFER AND SALE OF REAL ESTATE.

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APPENDIX D	—	SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE
APPENDIX E	—	FORM OF OPINION OF BOND COUNSEL
APPENDIX F	—	FORM OF CONTINUING DISCLOSURE UNDERTAKING

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OFFICIAL STATEMENT RELATED TO

\$6,865,000

HIDEOUT LOCAL DISTRICT NO. 1

SPECIAL ASSESSMENT BONDS

SERIES 2014

INTRODUCTION

The purpose of this Official Statement, including the cover page and appendices hereto, is to set forth certain information concerning the Hideout Local District No. 1 (the “*District*” or the “*Issuer*”), in connection with the offering and issuance of its Hideout Local District No. 1 Special Assessment Bonds, Series 2014 (the “*Bonds*”). The District was created pursuant to Title 17B of the Utah Code Annotated 1953, as amended (the “*Utah Code*”), Limited Purpose Local Government Entities -- Local Districts (the “*Local District Act*”), and Resolution 10-6 adopted by the Town Council of the Town of Hideout, Utah (the “*Town*”) on April 14, 2010 (the “*Creation Resolution*”). The Bonds are being issued pursuant to the Local District Act and the Assessment Area Act, Title 11, Chapter 42 of the Utah Code (the “*Assessment Area Act*” and, together with the District Act, the “*Act*”), and an Indenture of Trust, dated as of June 1, 2014, (the “*Indenture*”), between the District and U.S. Bank National Association, as trustee (the “*Trustee*”), and resolutions of the District authorizing the issuance of the Bonds. All capitalized terms used in this Official Statement that are defined in the Indenture and not defined herein shall have the meaning set forth in the form of the Indenture attached hereto as APPENDIX D. The information contained in this Introduction is part of this Official Statement and is subject in all respects to the more complete information contained in or incorporated into this Official Statement. This Introduction should not be considered a complete statement of the facts material to making an investment decision.

THE BONDS ARE NOT RATED OR CREDIT ENHANCED, AND ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS (SEE “SUITABILITY FOR INVESTMENT” AND “BONDOWNERS’ RISKS” HEREIN).

THE DISTRICT

The District was established for the purpose of, among other things, financing and managing the acquisition, construction, maintenance and operation of certain infrastructure within the District, including parks and recreation facilities, curb, gutter and sidewalk, streets and roads, water and sewage lines and storm drain.

PURPOSE OF THE BONDS; PROJECT

The Bonds are being issued for the primary purpose of paying the costs of acquisition and construction of certain infrastructure in the Assessment Area (defined below) created by District, including storm water management, sanitary sewer collection, potable water distribution, roads, curb and gutter, landscaping, street lighting and other transportation-related improvements (collectively, the “*Project*”), as described in “APPENDIX C – REPORT OF DISTRICT ENGINEER.”

Proceeds of the Bonds will also be used to fund the Reserve Fund in the amount of the Debt Service Reserve Fund Requirement, pay a portion of the interest to come due on the Bonds and pay certain costs associated with the issuance of the Bonds.

ASSESSMENT AREA

On October 3, 2013, the Board of Trustees of the District (the “*Board*”) adopted a resolution (amended on May 13, 2014) designating the Hideout 2013-1 Special Assessment Area (the “*Assessment Area*”) in order to finance the costs of the Project in the Assessment Area. The Assessment Area consists of approximately 77.9 acres of land in the District and is adjacent to Jordanelle Reservoir, within 10 miles of Deer Valley, Park City Mountain and Canyons ski resorts. All of the land within the Assessment Area is vacant. Currently all of the land in the Assessment Area, except one lot, is owned by the Master Developer (defined below) or entities related to the Master Developer. As provided for in the Act, all of the owners of land in the Assessment Area have waived notice and hearing requirements and consented to the levy of assessments in order to finance the Project.

THE ASSESSMENT

The Bonds will be payable from the proceeds of an assessment levied by the District (the “*Assessment*”) on the properties within the Assessment Area (the “*Assessed Property*”). See “ASSESSMENTS” herein. The Assessment will be payable by each owner of the Assessed Property in semiannual installments for a period of approximately eighteen (18) years (the “*Assessment Installments*”) commencing November 30, 2015, which will include interest on the unpaid balance of the Assessment at the same rate or rates of interest payable on the Bonds, plus an administrative fee charged by the District.

The Assessment will only be levied on properties within the Assessment Area, which consists of approximately 77.9 acres of land in the District, and will not be levied on all properties within the District, which consists of approximately 1,026 acres.

If an owner of Assessed Property fails to pay an Assessment or Assessment Installment when due, the District will take certain actions to collect the Assessment or Assessment Installment, including foreclosure and sale of the applicable parcel of Assessed Property, to pay debt service on the Bonds. The lien of the Assessment on the Assessed Property is superior to any trust deed, mortgage or other encumbrance and is equal to and on a parity with the lien for general property taxes. The resolution authorizing the levy of the Assessment on the Assessed Property was adopted on December 24, 2013 (the “*Assessment Resolution*”). THERE CAN BE NO ASSURANCE THAT THE DISTRICT WILL OBTAIN FUNDS FROM THE ASSESSMENTS COLLECTED OR FROM THE EXERCISE OF REMEDIES OR OTHER ACTIONS SUFFICIENT TO PAY DEBT SERVICE ON THE BONDS.

LIMITED OBLIGATIONS

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DISTRICT AND ARE PAYABLE FROM THE LEVY OF ASSESSMENTS AGAINST THE PROPERTIES LOCATED IN THE ASSESSMENT AREA AND FROM THE FUNDS AND ACCOUNTS CREATED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT, THE STATE OF UTAH, OR ANY OTHER POLITICAL SUBDIVISION, AND THE FULL FAITH AND CREDIT OF THE DISTRICT IS NOT PLEDGED TO THE PAYMENT OF THE BONDS. THE DISTRICT SHALL BE HELD RESPONSIBLE FOR THE LAWFUL LEVY OF ALL ASSESSMENTS AND FOR THE FAITHFUL ACCOUNTING, COLLECTION, SETTLEMENT, AND REMITTANCE OF THE ASSESSMENTS. SEE “SECURITY FOR THE BONDS,” HEREIN.

There follows in this Official Statement a brief description of the District, the Project, a portion of which is to be acquired and/or constructed with proceeds of the Bonds, the Master Development, the Master Developer, together with summaries of the terms of the Indenture, the Bonds and certain provisions of the Act. All references herein to the Indenture and the Act are qualified in their entirety by reference to such documents and all references to the Bonds are qualified by reference to the definitive form thereof and the information with respect thereto contained in the Indenture. The form of the Indenture is attached hereto in APPENDIX B. The information in “APPENDIX A – DESCRIPTION OF THE MASTER DEVELOPER AND THE MASTER DEVELOPMENT” has been furnished by the Master Developer and has been included herein without independent investigation by the District or District Counsel or the Underwriter or its counsel, and the District and the Underwriter make no representation or warranty concerning the accuracy or completeness of such information. The Master Developer makes no representation or warranty as to the accuracy or completeness of information contained herein that has been furnished by any party to the transactions contemplated hereby other than the Master Developer.

SUITABILITY FOR INVESTMENT

Prospective investors in the Bonds should have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Bonds and should have the ability to bear the economic risks of such prospective investment, including a complete loss of such investment. Investment in the Bonds poses certain economic risks. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or make any representations, other than those contained in this Official Statement.

THE DISTRICT

GENERAL

The District was established in 2010 by the Town pursuant to the Creation Resolution. The District consists of approximately 1,026 acres located in Wasatch County, Utah (the “County”). The District is located 41 miles east of Salt Lake City International Airport and six miles east of Park City, Utah.

The District was established for the purpose of, among other things, financing and managing the acquisition, construction, maintenance and operation of certain infrastructure within the District, including parks and recreation facilities, curb, gutter and sidewalk, streets and roads, water and sewage lines and storm drain.

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DISTRICT AND ARE PAYABLE SOLELY FROM THE LEVY OF ASSESSMENTS AGAINST THE PROPERTIES IN THE ASSESSMENT AREA AND FROM THE FUNDS AND ACCOUNTS CREATED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT, THE STATE OF UTAH, OR ANY OTHER POLITICAL SUBDIVISION, AND THE FULL FAITH AND CREDIT OF THE DISTRICT IS NOT PLEDGED TO THE PAYMENT OF THE BONDS. THE DISTRICT SHALL BE HELD RESPONSIBLE FOR THE LAWFUL LEVY OF ALL ASSESSMENTS AND FOR THE FAITHFUL ACCOUNTING, COLLECTION, SETTLEMENT, AND REMITTANCE OF THE ASSESSMENTS.

LEGAL POWERS AND AUTHORITY

The District is a body corporate and politic, a quasi-municipal corporation and a political subdivision of the State. The Act provides the method for the establishment of local districts to acquire, own, manage, operate and finance infrastructure and related services throughout the State. As a local district, the District only has those powers specifically delegated to it by the Act and the Creation Resolution, or necessarily implied from powers specifically delegated to it. The Act provides that local districts have the power to issue limited general obligation, revenue and special assessment bonds to pay all or part of the cost of infrastructure improvements authorized under the Act. The Act further provides that local districts have the power under certain conditions to levy and collect ad valorem taxes on the taxable property within their boundaries to pay operation and maintenance expenses of the District and to pay the principal of and interest on general obligation bonds. Local districts also have the power to create assessment areas within their boundaries and to levy and collect assessments within such assessment areas.

Among other provisions, the Act gives the District the authority to:

- (a) sue and be sued;
- (b) acquire, lease, transfer an interest in and dispose of any real property, personal property, or a groundwater right necessary or convenient;
- (c) acquire or construct works, facilities, and improvements necessary or convenient and operate, control, maintain, and use those works, facilities, and improvements;
- (d) borrow money and incur indebtedness for any lawful District purpose;

(e) issue bonds, including refunding bonds, for any lawful District purpose or expenditure, including to cover a deficit resulting from tax delinquencies in a preceding year;

(f) acquire by eminent domain property necessary to the exercise of the District's powers;

(g) impose fees or other charges for commodities, services, or facilities provided by the District;

(h) charge and collect a fee to pay for the cost of connecting a customer's property to District facilities; and

(i) perform any act or exercise any power reasonably necessary for the efficient operation of the District.

The Act does not empower the District to adopt and enforce land use plans or zoning ordinances or to grant building permits.

BOARD OF TRUSTEES

The governing body of the District is its Board of Trustees (the “*Board*”), which is composed of three members (the “*Members*”). All Members serve terms of four years. As authorized by the Local District Act, Members are elected by the owners of real property within the District based on the amount of acreage owned by property owners. Each Member must be an owner, or an agent or officer of an owner, of land within the District. Two of the current Members were appointed by the Town Council of the Town when the District was created. The third Member was elected by the owners of real property within the District. The governing documents of the District provide that on the earlier to occur of (a) 450 residential units in the District or (b) July 1, 2020, the Members will be elected (as their terms expire) by vote of the qualified electors of the District at an election held in the November prior to the expiration of each term.

The current Members of the Board and their respective term expiration dates are set forth below.

NAME	TITLE	TERM EXPIRES
Joe Spencer*	Chair	December 2016
Robert Martino*	Member	December 2014
Laura Janek*	Member	December 2014

* Employee or agent of Master Developer or affiliate of Master Developer.

DISTRICT MANAGER

The District has hired Rick Rosenberg of Development Planning & Financing Group Inc. (the “*District Manager*”) to serve as District Manager. The District Manager’s office is located at 609 Castle Ridge Road, Suite 310, Austin, Texas 78746 and his telephone number is (512) 732-0296.

The District Manager’s responsibilities include calculating and managing the Assessment and Assessment Installment payments and prepayments, providing notices of and collecting the Assessment Installment payments and assisting the Issuer with its ongoing reporting requirements.

ADDITIONAL DISTRICT BONDS

In addition to the Bonds, the District may issue additional bonds in the future that are secured by and payable from revenues separate from the Assessments in order to finance the cost of additional infrastructure in the District. Except for bonds issued to refund the Bonds, under the Indenture the District may not issue additional bonds payable from the Assessments.

THE PROJECT

GENERAL

Reference is made to “APPENDIX C – REPORT OF DISTRICT ENGINEER” for a detailed description of the Project, which is estimated to cost approximately \$5.74 million. The Project will be constructed in the Assessment Area. The Project includes a storm water management system, a sanitary sewer collection system, a potable and fire protection water distribution system, and a transportation system, and related design, engineering, consultant and permitting fees and contingency. It is expected that the cost of the Project will be financed with proceeds of the Bonds and a contribution from the Developer of approximately \$425,000. In addition to the Project, in the Assessment Area the Master Developer has already expended approximately \$3.8 million for earthwork, grading, design, engineering, planning, water reservations, pump station, and gas line and regulation station and expects to expend approximately an additional \$505,000 for infrastructure in the Assessment Area that will not be financed with Bond proceeds. The Project is expected to be completed in November 2015. See the Engineer’s Report attached hereto as APPENDIX C.

CONSTRUCTION OF THE PROJECT

The contractor for the Project is Cracar Construction of West Valley City, Utah. The contractor was selected by the District through a public bid process with the assistance of Erichsen Engineering, the District Engineer (the “*District Engineer*”).

ESTIMATED CONSTRUCTION SCHEDULE AND LOT COMPLETION

The following is the estimated construction schedule for the Project. See the Engineer's Report attached hereto as APPENDIX C.

ESTIMATED CONSTRUCTION SCHEDULE

	<u>START DATE</u>	<u>END DATE</u>
Soaring Hawk	June 5, 2014	December 15, 2015
Reflection Ridge	June 5, 2014	July 15, 2015

The table below shows the expected completion dates for all 165 lots in the Assessment Area.

EXPECTED LOT COMPLETION SCHEDULE

<u>DATE</u>	<u>LOTS COMPLETED</u>
Fourth Quarter 2014	60
First Quarter 2015	0
Second Quarter 2015	30
Third Quarter 2015	60
Fourth Quarter 2015	<u>15</u>
TOTAL	165

Source: Master Developer

THE ASSESSMENT AREA

INTRODUCTION

The District created the Hideout 2013-1 Special Assessment Area (the "*Assessment Area*") pursuant to a resolution adopted by the Board on October 3, 2013 in order to finance the costs of the Project in the Assessment Area. The Assessment Area consists of approximately 77.9 acres of land located in the District. All of the land within the Assessment Area is vacant as of the date of this Official Statement. Pursuant to the Act, all of the owners of land in the Assessment Area have waived notice and hearing requirements and consented to the levy of assessments in order to finance the Project.

PRODUCT TYPE/PHASING PLAN IN ASSESSMENT AREA

The Assessment Area is expected to be developed by the Master Developer in two phases, Soaring Hawk and Reflection Ridge, totaling 165 single-family lots with single-family detached units and ample open space. The information in the table below depicts the number of units by product type for the three planned development phases, which information is subject to

change based on permitting requirements, market demand and other factors. The three phases will be developed on previously undisturbed mountain foothill terrain with vegetation consisting of predominantly sage and oak brush and some aspen trees. Reflection Ridge has a paved access road. Part of the grading for Reflection Ridge was completed when the golf course was constructed.

PHASE	PRODUCT TYPE	LOT SIZE	UNITS	TOTAL ACRES
Soaring Hawk	Homes between 2,500-4,000 sq. ft.	Under 0.25 acre	151	69.9
Reflection Ridge	Homes between 4,000-8,500 sq. ft.	0.39 - 0.6 acre	<u>14</u>	<u>8.0</u>
TOTAL			165	77.9

DEVELOPMENT STATUS IN THE ASSESSMENT AREA

All zoning for the phases in the Assessment Area has been approved and plats are recorded for Reflection Ridge. The plat for Soaring Hawk has been completed but not recorded. The plat for Soaring Hawk will be recorded as the Project is completed and lots are sold to builders. In addition, the planning and design of the Project has been completed.

In addition to the Project, natural gas and electric distribution lines need to be installed in the Assessment Area in order to sell lots in the Assessment Area. The Master Developer estimates that the cost of installing natural gas distribution lines in the Assessment Area will be approximately \$200,000 and the cost of installing electric distribution lines in the Assessment Area will be approximately \$300,000. The Master Developer will fund these costs from sources other than Bond proceeds.

The following is an estimate of the fees a builder of a 2,500 square foot home in Soaring Hawk (in the Assessment Area) will be required to pay in order to begin construction. This table assumes the Project has been completed.

Building permit	\$3,376
Water hook-up	860
Sewer hook-up	3,290

SALES PROGRAM

It is currently the intent of the Master Developer to develop and sell lots in the Assessment Area to third party builders and individual retail customers. The Master Developer has received a letter of intent from General Construction & Development, Inc. (“GCD”) for all of the lots in Soaring Hawk to build single-family detached homes. The base lot prices range

from approximately \$140,000 to \$180,000. The letter of credit is not a binding commitment from GCD. GCD is currently building the townhomes in The Rustler within the Master Development (92 townhomes when completed).

PRODUCT OFFERINGS/PRICING

The information in the table below illustrates the estimated base pricing and square footage for the homes expected to be offered in the Assessment Area, which information is subject to change.

PRODUCT TYPE	EST. SQUARE FOOTAGE	EST. BASE PRICING	EST. # OF UNITS
Soaring Hawk- Single-family detached homes	2,500-3,500	\$650-750,000	151
Reflection Ridge- Custom homes	4,200	\$900,000	14

PROJECTED ABSORPTION

The table below provides the Master Developer's current expectation regarding the rate of lot sales in the Assessment Area, which is subject to change.

YEAR	2014	2015	2016	2017	2018	TOTAL
Soaring Hawk	18	36	36	36	25	151
Reflection Ridge	3	3	3	3	2	14

During 2008-2011, the homebuilding industry in the State experienced a significant slowing of new home sales and new home closings, increased rate of cancellation of new home purchase contracts and foreclosures. Although the projected absorption rates set forth above are based upon estimates and assumptions deemed reasonable by the Master Developer, such estimates and assumptions are inherently uncertain and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of the Master Developer.

MARKETING

The Master Developer has developed a marketing program for properties in the Assessment Area that draws from the six-year history of the Master Development. Marketing activities are anticipated to include the following:

- An on-site sales center that is staffed with real estate professionals to provide general information regarding the area, the Project, the Assessment Area, the Master Development and the builders;
- A website which can be accessed at hideoutcanyon.com;

- Online advertising including Zillow, Trulia;
- Online search engine links including Google, Yahoo and Bing;
- Online listings including Hideout Canyon and Hideout Canyon Real Estate;
- Print ad including the Park Record and the Salt Lake Tribune;
- Seven outdoor billboards within the Master Development; and
- Four brokerages in the Master Development and the Park City and Salt Lake City areas.

ANNUAL TAXES, ASSESSMENTS, AND FEES

In addition to local ad valorem property taxes, each property owner in the Assessment Area will pay an annual Assessment Installment until the Assessment is paid in full and each homeowner will pay HOA fees. The table below provides a current estimate of the annual Assessment Installment and HOA fees, which are subject to fluctuation.

PHASE	ESTIMATED ANNUAL ASSESSMENT INSTALLMENT	ESTIMATED ANNUAL HOA FEES	TOTAL
Soaring Hawk	\$4,242	\$1,546	\$5,788
Reflection Ridge	4,242	\$1,546	5,788

For purposes of illustration only, assuming a \$700,000 single-family primary residence home on a 0.25 acre lot (45% primary residence reduction on taxable value), the estimated annual cost of living in the Assessment Area (excluding their mortgage payments and fees for utilities services) is as set forth below.

\$385,000 TAXABLE VALUE (AFTER 45% PRIMARY RESIDENCE REDUCTION) ESTIMATED ANNUAL TAXES, ASSESSMENT INSTALLMENT AND FEES**

Ad Valorem Property Taxes	\$ 4,608
Assessment Installment	4,242
HOA Fees	<u>1,546</u>
TOTAL	\$10,396

The matters set forth on the table above are estimates. It is anticipated that funds derived from the HOA fees described above will be used by the HOA primarily to pay for operation and

** It is expected that some of the residences in the Assessment Area will not be primary residences. Ad valorem property taxes on non-primary residences would be 45% higher than primary residences.

maintenance of common areas, including recreational facilities owned and maintained by the HOA, miscellaneous costs and reserves. The HOA's fees will vary annually, based on the budget adopted by the HOA for a particular year.

DESCRIPTION OF THE BONDS

GENERAL DESCRIPTION

The Bonds are issuable as fully registered bonds, without coupons, in the minimum amount of \$100,000 or any integral multiples of \$1,000 in excess thereof ("*Authorized Denominations*").

The Bonds will be dated their date of delivery and will bear interest payable on each February 1 and August 1, commencing August 1, 2014 (each, an "*Interest Payment Date*") and shall be computed on the basis of a 360-day year of twelve 30-day months. The Bonds will mature on the date, in such amount and at such rate as set forth on the cover page of this Official Statement.

Interest on each Bond will be payable on each Interest Payment Date as heretofore described. Interest shall be paid to the Registered Owner of Bonds at the close of business on the regular record date for such interest, which shall be the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date, or if such day is not a Business Day on the Business Day immediately preceding such day; *provided, however*, that on or after the occurrence and continuance of an Event of Default relating to a failure to make any payment of debt service on the Bonds, the payment of interest and principal or Redemption Price will be made by the Paying Agent to such person, who, on a special record date that is fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such proposed payment, appears on the registration books of the Bond Registrar as the Registered Owner of a Bond. Except as otherwise applicable to Bonds held pursuant to a book-entry system, any payment of principal or Redemption Price shall be made only upon presentation of the Bond at the designated corporate trust office of the Paying Agent in Salt Lake City, Utah, or any alternate or successor Paying Agent. Except as otherwise applicable to Bonds held in a book-entry system, payment of interest shall be made by check or draft or by wire transfer to the Registered Owner if such Owner requests payment by wire transfer in writing on or prior to the regular record date for the respective interest payment to such account as shall be specified in such request, but only if the Registered Owner owns not less than \$1,000,000 in aggregate principal amount of the Bonds or all of the then Outstanding Bonds. Each Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date of its authentication, unless the date of its authentication: (i) is an Interest Payment Date to which interest on such Bond has been paid, in which event such Bond shall bear interest from its date of authentication; or (ii) is prior to the first Interest Payment Date for the Bonds, in which event, such Bond shall bear interest from its date.

The Bonds will initially be registered in the name of Cede & Co. as nominee for The Depository Trust Company ("*DTC*"), which will act initially as securities depository for the

Bonds and, so long as the Bonds are held in book-entry-only form, Cede & Co. will be considered the registered owner for all purposes hereof. See “—*Book-Entry Only System*” below for more information about DTC and its book-entry only system.

REDEMPTION PROVISIONS FOR BONDS

Optional Redemption. The Bonds are subject to optional redemption by the Issuer, at the written direction of the Borrower, in whole or in part, on any date, on or after August 1, 2014, at the redemption price equal to 100% of the principal amount thereof, plus accrued interest, if any, to the date fixed for redemption.

Mandatory Sinking Fund Redemption. The Bonds are subject to mandatory sinking fund redemption prior to their respective maturities and will be redeemed by the District in part at a price of 100% of the principal amount thereof, plus accrued interest to the redemption date, from moneys available for such purpose in the Principal and Interest Account of the Bond Fund pursuant to the Indenture, on the dates and in the respective principal amounts as set forth in the following schedules:

TERM BONDS DUE AUGUST 1, 2024

REDEMPTION DATE (AUGUST 1)	PRINCIPAL AMOUNT
2017	\$185,000
2018	200,000
2019	215,000
2020	230,000
2021	250,000
2022	270,000
2023	290,000
2024 [†]	310,000

[†] Stated maturity.

TERM BONDS DUE AUGUST 1, 2034

REDEMPTION DATE (AUGUST 1)	PRINCIPAL AMOUNT
2025	\$335,000
2026	365,000
2027	390,000
2028	425,000
2029	460,000
2030	500,000
2031	540,000
2032	585,000
2033	630,000
2034 [†]	685,000

At least forty-five (45) days prior to each mandatory sinking fund redemption date, the Trustee will select a principal amount of Bonds equal to the Sinking Fund Installment amount for such date of such maturity of Bonds to be redeemed, will call such Bonds for redemption on such scheduled mandatory sinking fund redemption date, and shall give notice of such redemption, as provided in the Indenture.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the District, by the principal amount of any Bonds of such maturity which, at least 45 days prior to the sinking fund redemption date shall have been acquired by the District at a price not exceeding the principal amount of such Bonds plus accrued unpaid interest to the date of purchase thereof, and delivered to the Trustee for cancellation.

The principal amount of Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced on a pro rata basis among Sinking Fund Installments for each maturity of Bonds by the principal amount of any Bonds which, at least 45 days prior to the mandatory sinking fund redemption date, shall have been redeemed pursuant to the optional redemption or extraordinary optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Extraordinary Optional Redemption. The Bonds are subject to extraordinary optional redemption prior to their scheduled maturity on the first day of any month after the required notice of redemption at a redemption price equal to 103% of the principal amount of the Bonds, or portions thereof, to be redeemed plus accrued interest to the redemption date from property owner Prepayments, including related transfers to the Redemption Fund. See “ASSESSMENTS—Prepayment of Assessments” for the definition and description of “Prepayments.” Notwithstanding the foregoing, the Trustee will not be required to make an extraordinary

optional redemption of Bonds unless it has at least \$25,000 available in the Redemption Fund with which to redeem Bonds. No redemption shall be made that results in a Bond remaining outstanding in a principal amount less than an Authorized Denomination. See “APPENDIX D—FORM OF INDENTURE.”

NOTICE AND EFFECT OF REDEMPTION

Notice of each redemption of Bonds is required to be mailed by the Bond Registrar, postage prepaid, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date to each Registered Owner of Bonds to be redeemed at the address of such Registered Owner recorded on the bond register maintained by the Bond Registrar. On the date designated for redemption, notice having been given and money for the payment of the Redemption Price being held by the Paying Agent, all as provided in the Indenture, the Bonds or such portions thereof so called for redemption shall become and be due and payable at the Redemption Price provided for the redemption of such Bonds or such portions thereof on such date, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture and the Owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payments of the Redemption Price thereof so held by the Paying Agent. Further notice of redemption shall be given by the Bond Registrar to certain registered securities depositories and information services as set forth in the Indenture, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

If at the time of mailing the notice of any redemption, the District shall not have deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee or Paying Agent, as the case may be, not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

Notwithstanding any other provision of the Indenture, notice of optional redemption may be conditioned upon the occurrence or non-occurrence of such event or events as shall be specified in such notice of optional redemption and may also be subject to rescission by the District if expressly set forth in such notice.

BOOK-ENTRY ONLY SYSTEM

The information in this caption concerning The Depository Trust Company, New York, New York (“DTC”) and DTC’s book-entry system has been obtained from DTC and neither the District nor the Underwriter makes any representation or warranty or takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One

fully-registered Bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity and will be 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, 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 and 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 a Standard & Poor rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities Exchange Commission (the "*SEC*"). More information about DTC can be found at <http://www.dtcc.com> and www.dtc.org.

Purchases of 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 the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 will remain responsible for keeping account 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 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 security documents. For example, Beneficial Owners of 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 Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a series or maturity of a series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such series or maturity 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 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).

Principal, premium, if any, and interest payments on the Bonds will 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 the Trustee on the payment 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 nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest on the Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District and/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.

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 such event, Bonds will be printed and delivered to DTC.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCE HEREIN TO THE HOLDER OF THE BONDS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN DTC AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

SECURITY FOR AND SOURCE OF PAYMENT OF BONDS

LIMITED OBLIGATIONS

THE BONDS ARE SPECIAL LIMITED OBLIGATIONS OF THE DISTRICT AND ARE PAYABLE FROM THE LEVY OF ASSESSMENTS AGAINST THE PROPERTIES LOCATED IN THE ASSESSMENT AREA AND FROM THE FUNDS AND ACCOUNTS CREATED UNDER THE INDENTURE. THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE DISTRICT, THE STATE OF UTAH, OR ANY OTHER POLITICAL SUBDIVISION, AND THE FULL FAITH AND CREDIT OF THE DISTRICT IS NOT PLEDGED TO THE PAYMENT OF THE BONDS. THE DISTRICT SHALL BE HELD RESPONSIBLE FOR THE LAWFUL LEVY OF ALL ASSESSMENTS AND FOR THE FAITHFUL ACCOUNTING, COLLECTION, SETTLEMENT, AND REMITTANCE OF THE ASSESSMENTS.

PLEDGE AND LIEN

In accordance with the Assessment Resolution, the District will levy the Assessment against the Assessed Property in an aggregate amount sufficient to pay the costs of the Project. Under the Indenture, the District will pledge the payment of the Assessments to the payment of the Bonds. The Assessment will be payable by each owner of the Assessed Property in semiannual installments for a period of approximately eighteen (18) years (the "*Assessment Installments*") commencing November 30, 2015, including interest on the unpaid balance of the Assessment at the same rate or rates of interest payable on the Bonds, plus an administrative fee charged by the District. The semiannual Assessment Installments are expected to be sufficient to pay principal of and interest on the Bonds as they become due.

The Bonds, together with interest thereon, are limited obligations of the District payable solely from a first lien pledge of the Assessments levied and collected under the Assessment Resolution (except to the extent paid out of moneys attributable to the Bond proceeds, moneys collected by the District from the foreclosure of Assessed Properties, or other funds created under the Indenture or the income from the temporary investment thereof).

No provision of the Indenture, the Assessment Resolution, the Bond Purchase Agreement (as described in "UNDERWRITING" herein), the Bonds, nor any other instrument, shall be construed as creating a general obligation of the District, the State, or any political subdivision thereof, nor as incurring or creating a charge upon the general credit of the District, or its taxing powers.

USE OF REVENUE FUND

Revenue Fund. The District covenants and agrees to immediately deposit upon receipt all Assessments and Assessment Installments (the “*Pledged Revenues*”), when received, into the Revenue Fund.

Use of Revenue Fund. On the Business Day preceding each Interest Payment Date, the Trustee will withdraw from the Revenue Fund and, from the amount so withdrawn, make the following deposits in the following order of priority:

- (i) to the Debt Service Account in the Bond Fund, an amount which, together with other amounts, if any, then on deposit therein will equal the principal amount and Amortization Installments, if any, and interest payable on the Bonds on such Interest Payment Date;
- (ii) to the credit of the Debt Service Reserve Fund, an amount, if any, which, together with the amount then on deposit therein, will equal the Debt Service Reserve Fund Requirement; and
- (iii) to the credit of the Rebate Fund the Rebate Amount, if any, required to be deposited therein.

Notwithstanding the foregoing, so long as there are moneys on deposit in the Capitalized Interest Account in the Bond Fund on the date required for any transfer into the Debt Service Account as set forth above, the Trustee will, prior to making any transfer into the Debt Service Account from the Revenue Fund, transfer to the Debt Service Account from the Capitalized Interest Account, the lesser of the interest on the Bonds coming due on the next succeeding Interest Payment Date or the amount remaining on deposit in the Capitalized Interest Account.

In addition, the District will authorize the withdrawal, from time to time, from the Revenue Fund an amount sufficient to pay the fees and charges of the Trustee, Bond Registrar, and Paying Agent, when due. If any amounts remain in the Revenue Fund, such amounts will be disbursed to the District on written request of an Authorized Officer and applied to pay the operating and administrative costs and expenses of the District. After making the payments provided for above, the balance, if any, remaining in the Revenue Fund will be retained therein, or, at the written direction of an Authorized Officer to the Trustee, transferred into the Redemption Account.

DEBT SERVICE RESERVE FUND

The Debt Service Reserve Fund has been established to provide security for the payment of the principal of and interest on the Bonds. The Debt Service Reserve Fund will be initially funded from proceeds of the Bonds in the amount of \$686,500 (the “*Debt Service Reserve Fund Requirement*”). The cost of initially funding the Debt Service Reserve Fund is included in the Assessment.

The Debt Service Reserve Fund must be funded and maintained at all times in an amount equal to the Debt Service Reserve Fund Requirement. Amounts on deposit in a Debt Service Reserve Fund will be used only for the purpose of making payments into the Debt Service Account to pay Debt Service on the Bonds, when due, without distinction as to Bonds and without privilege or priority of one Bond over another, to the extent the moneys on deposit in the Debt Service Account are insufficient and for no other purpose. Payments will be made proportionately from the Debt Service Reserve Fund based on the amounts on deposit in the Debt Service Reserve Fund.

On the earliest date on which there is on deposit in the Debt Service Reserve Fund sufficient monies, after taking into account other monies available therefor, to pay and redeem all of the Outstanding Bonds, together with accrued interest on such Bonds to the earliest date of redemption permitted therein and herein, then the Trustee will transfer the amount on deposit in the Debt Service Reserve Fund into the Redemption Account in the Bond Fund to pay and redeem all of the Outstanding Bonds on the earliest date permitted for redemption.

Amounts on deposit in the Debt Service Reserve Fund will, upon the occurrence and continuance of an Event of Default, be subject to a first charge by the Trustee for its fees and expenses, including fees and expenses of collection of Delinquent Assessments.

ASSESSMENTS

LEVY OF ASSESSMENTS

The Assessment was levied pursuant to the Act on all real property in the Assessment Area, which consists of approximately 77.9 acres, pursuant to a resolution adopted by the Board of the District on December 24, 2013 (the "*Assessment Resolution*"). The Assessment will be levied on each parcel in the Assessment Area based on equivalent residential units ("*ERU*"). It is expected that there will be 165 ERUs in the Assessment Area in the approximate amount of \$41,606 per ERU. The purpose of the Assessment and levy is to pay those costs of the proposed Project.

Pursuant to the Assessment Resolution, Assessments are levied against the Assessed Property in the total aggregate principal amount not to exceed the sum of (i) the acquisition price of the Project; (ii) the property price, or estimated property price; (iii) overhead costs not to exceed fifteen percent (15%) of the costs in (i); (iv) an amount for contingencies of not more than 10% of the costs in (i); and (v) an amount sufficient to fund a reserve fund. Certain provisions of the Assessment Resolution are described below.

PAYMENT OF ASSESSMENTS

The Assessment will be payable by each owner of the Assessed Property in semiannual installments for a period of approximately eighteen (18) years (the "*Assessment Installments*") commencing November 30, 2015, including interest on the unpaid balance of the Assessment at the same rate or rates of interest payable on the Bonds, plus an administrative fee charged by the

District. The District or the District Manager will send notice of the Assessment Installment coming due each year to the property owners in the Assessment Area and collect the Assessment.

The Assessment Area Act and the Assessment Resolution directs that all unpaid installments of an Assessment levied against any parcel of property may be paid prior to the dates on which they become due, but any such prepayment must include an additional amount equal to the interest which would accrue on the Assessments to the next succeeding date on which interest is payable on the Bonds, plus such additional amount as, in the opinion of the District Manager, is necessary to assure the availability of money to pay interest on the Bonds as interest becomes due and payable, plus any premiums required to redeem the Bonds on their first available call date.

LIEN OF ASSESSMENT

An Assessment or any part or installment of it, any interest accruing and the penalties, trustee's fees, attorneys' fees and other costs of collection shall constitute a lien against the property upon which the Assessment is levied on the effective date of the Assessment Resolution. Said lien shall be superior to the lien of any trust deed, mortgage, mechanic's or materialman's lien or other encumbrance and shall be equal to and on a parity with the lien for general property taxes. The lien shall apply without interruption, change in priority, or alteration in any manner to any reduced payment obligations and shall continue until the Assessment, any reduced payment obligations, and any interest, penalties and costs on it are paid, notwithstanding any sale of the property for or on account of a delinquent general property tax, special tax or other assessment or the issuance of tax deed, an assignment of interest by the District or a sheriff's certificate of sale or deed.

DEFAULT IN PAYMENT

Under the Assessment Resolution, if a default occurs in the payment of any Assessment installment when due, the District will declare the unpaid amount of such Assessment to be immediately due and payable and subject to collection as provided in the Assessment Resolution. Interest will accrue and be paid on all amounts declared to be delinquent and immediately due and payable at the same rate or rates of interest as are applied to delinquent real property taxes for the year in which the Assessment payment becomes delinquent (the "*Delinquent Rate*"). In addition to interest charges at the Delinquent Rate, costs of collection, as approved by the District Manager on behalf of the Board, including, without limitation, attorneys' fees, trustee's fees and court costs, incurred by the District or required by law shall be charged and paid on all amounts declared to be delinquent and immediately due and payable.

Upon any default, the District Manager will give notice in writing of the default to the owner of the property in default, as shown by the last completed real property assessment rolls of the County. Notice shall be effective upon deposit of the notice in the U.S. Mail, postage prepaid, and addressed to the owner as shown on the last completed property assessment rolls of the County. The notice shall provide for a period of 30 days in which the owner shall pay the installments then due and owing, after which the District Manager, on behalf of the District, shall immediately initiate a sale of the property as provided in Title 59, Chapter 2, Part 13, Utah Code

Annotated 1953, as amended, or a sale of the property pursuant to Section 11-42-502(1)(c) Utah Code Annotated 1953, as amended, and related pertinent provisions of the Act, in the manner provided for actions to foreclose trust deeds. Under the Assessment Resolution, the District will designate a trustee (the “*Foreclosure Trustee*”) to carry out such foreclosure, and said Foreclosure Trustee will be deemed to have a power of sale and all other rights, power and authority necessary to legally and lawfully foreclose the lien for delinquent Assessments. If for any reason, the Foreclosure Trustee cannot perform the powers and responsibilities as provided in the Assessment Resolution, it may appoint, with the consent of the District, a qualified trustee to serve as Foreclosure Trustee. The District is permitted to bid at the sale.

The remedies provided in the Assessment Resolution for the collection of Assessments and the enforcement of liens are deemed and construed to be cumulative and the use of any one method or means or remedy of collection or enforcement available at law or in equity does not deprive the District or the Foreclosure Trustee on behalf of the District, of the use of any other method or means. The amounts of accrued interest and all costs of collection, Foreclosure Trustee fees, attorneys’ fees, and costs, shall be added to the amount of the Assessment up to, and including, the date of foreclosure sale.

REMEDY OF DEFAULT

The Assessment Area Act and the Assessment Resolution provides that if prior to the final date payment may be legally made under a final sale or foreclosure of property to collect delinquent Assessments, or prior to the end of the three-month reinstatement period provided by Section 57-1-31 Utah Code Annotated 1953, as amended, in the event the collection is enforced through the method of foreclosing trust deeds, the property owner pays the full amount of all unpaid installments of principal and interest which are past due and delinquent with interest on such installments at the rate or rates in the Assessment Resolution to the payment date, plus all trustee’s fees, attorneys’ fees and other costs of collection, the Assessment of said owner shall be restored and the default removed, and thereafter the owner shall have the right to make the payments in installments as if the default had not occurred. Any payment made to cure a default shall be applied, *first*, to the payment of attorneys’ fees and other costs incurred as a result of such default; *second*, to interest charged on past due installments, as set forth above; *third*, to the interest portion of all past due Assessments; and *last*, to the payment of outstanding principal.

APPRAISAL OF PROPERTY WITHIN THE ASSESSMENT AREA

THE APPRAISAL

General. Valbridge | Free and Associates, Inc. (the “*Appraiser*”) prepared an appraisal report for the District, dated May 7, 2014 (the “*Appraisal*”). The Appraisal was prepared at the request of the District. The description herein of the Appraisal is intended to be a brief summary only of the Appraisal as it relates to the Assessment Area. The Appraisal is attached hereto as APPENDIX B and should be read in its entirety. The conclusions reached in the Appraisal are subject to certain assumptions, hypothetical conditions and qualifications, which are set forth

therein. The Appraisal was prepared using a prior engineer's report that was based on estimated costs, not actual bids received. See "APPENDIX B—APPRAISAL OF THE ASSESSMENT AREA."

Value Estimates. The Appraiser estimated the current "as is" market value of the real property in the Assessment Area and the market value of the real property in the Assessment Area under the assumption that the Project has been completed. See "THE PROJECT."

The value estimate for the property within the Assessment Area using the methodologies described in the Appraisal and subject to the limiting conditions and assumptions set forth in the Appraisal as of February 25, 2014 is as follows:

<u>APPRAISAL SCENARIO</u>	<u>VALUE</u>
"As Is" Market Value	\$4,960,000
"Bulk Sale" Prospective Future Market Value	\$20,600,000

Assumptions and Limiting Conditions. The Appraisal is made subject to the general assumptions and limiting conditions stated in the Appraisal. See "APPENDIX B—APPRAISAL OF THE ASSESSMENT AREA."

VALUE TO ASSESSMENT BURDEN RATIOS

The primary security for the Bonds will consist of Pledged Revenues (which, in turn, primarily consist of the Assessment and Assessment Installments). Subject to the general assumptions and limiting conditions stated therein, the Appraisal sets forth the estimated "bulk sale" prospective future market value of the taxable property in the Assessment Area that is subject to the Assessment to be \$21,900,000. As noted above, this value assumes (among other matters) completion of the Project, which will be financed in part with the proceeds of the Bonds. See "THE PROJECT."

The principal amount of the Bonds is \$6,865,000. When compared to the estimated aggregate retail value of the taxable property (\$20,600,000), the principal amount of the Bonds has an estimated value to assessment burden ratio of approximately 3.00 to 1.

In comparing the appraised value of the real property within the Assessment Area and the aggregate principal amount of the Bonds, it should be noted that only the real property upon which there is a delinquent Assessment or Assessment Installment payment can be foreclosed upon, and the real property within the Assessment Area cannot be foreclosed upon as a whole to pay delinquent Assessment or Assessment Installment payments of the owners of such parcels within the Assessment Area unless all of the property is delinquent in the payment of Assessment or Assessment Installments. In any event, individual parcels may be foreclosed upon separately to pay delinquent Assessment or Assessment Installment payments levied against such parcels.

Other public entities whose boundaries overlap those of the District currently impose ad valorem taxes on the property within the District and will likely do so in the future. Such entities could also impose assessment liens on the property within the District. Liens created on the property within the District through the levy of ad valorem taxes as well as liens created through the levy of the Assessment are a first and prior lien superior to all others. For example, construction loans may be obtained by the Master Developer or home loans may be obtained by ultimate homeowners. The deeds of trust securing such debt on property within the District, however, will be in a junior position to ad valorem tax and assessment liens. See “ASSESSMENTS.”

ESTIMATED SOURCES AND USES OF BOND PROCEEDS

Sources:

Par Amount of Bonds	<u>\$6,865,000</u>
Total Sources	<u>\$6,865,000</u>

Uses:

Deposit to Project Fund	\$5,103,191
Deposit to Reserve Fund	686,500
Capitalized Interest	623,097
Costs of Issuance	163,000
Original Issue Discount	151,912
Underwriter's Discount	<u>137,300</u>
Total Uses	<u>\$6,865,000</u>

The following table sets forth the scheduled debt service on the Bonds:

DEBT SERVICE REQUIREMENTS

PERIOD ENDING AUGUST 1	PRINCIPAL	INTEREST	TOTAL DEBT SERVICE
2014	—	\$ 66,484	\$ 66,484
2015	—	556,613	556,613
2016	—	556,613	556,613
2017	\$ 185,000	556,613	741,613
2018	200,000	542,275	742,275
2019	215,000	526,775	741,775
2020	230,000	510,113	740,113
2021	250,000	492,288	742,288
2022	270,000	472,913	742,913
2023	290,000	451,987	741,988
2024	310,000	429,512	739,513
2025	335,000	405,487	740,488
2026	365,000	377,850	742,850
2027	390,000	347,738	737,738
2028	425,000	315,563	740,563
2029	460,000	280,500	740,500
2030	500,000	242,550	742,550
2031	540,000	201,300	741,300
2032	585,000	156,750	741,750
2033	630,000	108,488	738,488
2034	685,000	56,513	741,513

BONDOWNERS' RISKS

There are certain risks inherent in an investment in bonds secured by special assessments issued by a public authority or governmental body in the State of Utah. Certain of these risks are described in the Section above entitled "THE ASSESSMENTS;" however, certain additional risks are associated with the Bonds offered hereby. This Section does not purport to summarize all risks that may be associated with purchasing or owning the Bonds and prospective purchasers are advised to read this Official Statement including all appendices hereto in its entirety to identify investment considerations relating to the Bonds.

(a) Until the Master Developer sells lots in the Assessment Area a significant portion of the Assessment Installments is dependent upon their timely payment by the Master Developer. At closing of the sale of the Bonds it is expected that a majority of the Assessed Property will continue to be owned either directly or indirectly by the Master Developer. In the event of the institution of bankruptcy or similar proceedings with

respect to the Master Developer or any other subsequent significant owner of property within the District, delays could most likely occur in the payment of Debt Service on the Bonds as such bankruptcy could negatively impact the ability of: (i) the Master Developer and any other landowner being able to pay the Assessments; and (ii) the District to foreclose the lien on the Assessments. In addition, the remedies available to the Beneficial Owners of the Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, during a bankruptcy of the Master Developer, the remedies specified by federal, state and local law and in the Indenture and the Bonds, including, without limitation, enforcement of the obligation to pay the Assessments may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. The inability, either partially or fully, to enforce remedies available respecting the Bonds could have a material adverse impact on the interest of the Beneficial Owners thereof. The failure of a landowner to pay the required Assessments on its property will not result in an increase in the amount of Assessments other landowners are or would be required to pay.

(b) The principal security for the payment of the principal of and interest on the Bonds is the timely collection of the Assessment and Assessment Installments. The Assessments do not constitute a personal indebtedness of the owners of the land subject thereto, but are secured only by a lien on such land. The Master Developer expects to proceed in its normal course of business to develop lots in the Assessment Area to sell to home buyers and third party builders. There is no assurance that the subsequent owners of this land will be able to pay the Assessments or that they will pay such Assessments even though financially able to do so. Beyond legal delays that could result from bankruptcy, the ability of the District to foreclose on Delinquent Properties will be dependent upon various factors, including the value of the Delinquent Properties. The payment of the annual Assessments and the ability of the District to foreclose on Delinquent Properties may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to court foreclosure. Bankruptcy of a property owner will most likely also result in a delay by the District in prosecuting court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of principal of and interest on the Bonds.

(c) The District is required to comply with statutory procedures in levying the Assessments. Failure of the District to follow these procedures could result in future challenges to such levy. See "SECURITY FOR AND SOURCE OF PAYMENT OF BONDS" herein.

(d) From roughly 2008 to 2011, the residential real estate market in the State experienced historically high levels of foreclosure for existing homes. The area in which the Master Development is located has experienced foreclosures as well as drops in the

value of homes, although such values are now on the rise. No prediction can be made when such economic or market conditions will improve.

(e) The District has not granted a mortgage or security interest in the Project. Furthermore, the District has not pledged the revenues, if any, from the operation of the Project as security for, or a source of payment of, the Bonds. Neither has the District covenanted to establish rates, fees and charges for the Project at any specified levels. The Bonds are payable solely from, and secured solely by, the Assessments. The Master Developer's obligation to pay the Assessments is limited solely to the obligation of any landowner to pay Assessments levied against its land. The Master Developer is not a guarantor of payment of any Assessments and the recourse for the Master Developer's failure to pay the Assessments, like any landowner, is limited to the collection proceedings against the land owned by the Master Developer which is subject to the Assessments.

(f) In addition to legal delays that could result from bankruptcy, the ability of the District to enforce collection of Delinquent Assessments will be dependent upon various factors, including the delay inherent in any judicial proceeding to enforce the lien of the Assessments and the value of the land which is the subject of such proceedings and which may be subject to sale. If the District has difficulty in collecting the Assessments, the Reserve Fund could be rapidly depleted and the ability of the District to pay debt service could be materially adversely affected.

(g) Some of the risk factors described herein, which, if materialized, would result in a delay in the collection of the Assessments, may not affect the timely payment of debt service on the Bonds because of the Reserve Fund established by the District for the Bonds. The ability of the Reserve Fund to fund deficiencies caused by delinquent Assessments is dependent upon the amount, duration and frequency of such deficiencies. Moneys on deposit in the Reserve Fund may be invested in certain obligations permitted under the Indenture. Fluctuations in interest rates and other market factors could affect the amount of moneys available in the Reserve Fund to make up deficiencies.

(h) Owners should note that although the Indenture contains a Reserve Fund Requirement for the Reserve Fund and a corresponding obligation on the part of the District to replenish the Reserve Fund to the Reserve Fund Requirement, if in fact that account is accessed for any purpose, the District does not have a designated revenue source for replenishing that fund. Moreover, the District will not be permitted to re-assess real property then burdened by the Assessments in order to provide for the replenishment of the Reserve Fund.

(i) The willingness and/or ability of an owner of land within the Assessment Area to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property by the District, the County or other governmental entities with jurisdiction over the District. Public entities whose boundaries overlap those of the District, such as the County, the Town, Wasatch County School District and other special districts, could, without the consent of the owners of the land within the

Assessment Area, impose additional taxes or assessments on the property within the Assessment Area. As referenced herein, the District may also impose additional assessments that could encumber the property in the Assessment Area.

(j) The proposed Master Development may be affected by changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of the Master Developer. In addition, the proposed development of the Master Development is subject to comprehensive federal, state, and local regulations and future changes to such regulations. Approval is required from various public agencies in connection with, among other things, the design, nature and extent of required public improvements, both public and private, and development of the Maser Development in accordance with applicable zoning, land use and environmental regulations. Although no delays are anticipated, failure to obtain any such approvals in a timely manner could delay or adversely affect the development of the Master Development, which may negatively impact the Master Developer's desire or ability to develop the Master Development as contemplated. See "APPENDIX C – REPORT OF DISTRICT ENGINEER" attached hereto for a discussion of permits and approvals relating to the Project.

(k) The Bond proceeds may not be sufficient to finance the completion of the Project. There is no assurance that the District will be able to pay, or arrange to pay, for the cost of any portion of the Project that is not financed with Bond proceeds.

(l) Except to the extent described in this Official Statement in "APPENDIX A– DESCRIPTION OF THE MASTER DEVELOPER AND THE MASTER DEVELOPMENT", the District has not been provided information regarding the Master Developer and has not undertaken to independently verify or confirm any such information.

(m) The interest rate borne by the Bonds is, in general, higher than interest rates borne by other bonds of political subdivisions that do not involve the same degree of risk as investment in the Bonds. These higher interest rates are intended to compensate investors in the Bonds for the risk inherent in a purchase of the Bonds. However, such higher interest rates, in and of themselves, increase the amount of Assessments that the District must levy in order to provide for payments of debt service on the Bonds, and, in turn, may increase the burden upon owners of lands within the District, thereby possibly increasing the likelihood of non-payment or delinquency in payment of such Assessments.

(n) The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event an Owner thereof determines to solicit purchasers of the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Owner of the Bonds, depending on the progress of the Master Development, existing market conditions and other factors.

(o) The Indenture does not provide for any adjustment to the interest rate(s) borne by the Bonds in the event of a change in the tax-exempt status of the Bonds. Such

a change could occur as a result of the District's failure to comply with tax covenants contained in the Indenture or due to a change in the United States income tax laws.

(p) While the District has represented to the Underwriter that it has selected its District Manager, District Counsel, District Engineer, Trustee and other professionals with the appropriate due diligence and care, and while the foregoing parties have each represented in their respective areas as having the requisite experience to accurately and timely perform the duties assigned to them in such roles, the District does not guaranty any portion of the performance of these parties.

(q) The value of the land within the District, the success of the Master Development and the likelihood of timely payment of principal and interest on the Bonds could be affected by environmental factors with respect to the lands in the District. Should the land be contaminated by hazardous materials, this could materially and adversely affect the value of the lands in the District, which could materially and adversely affect the success of the Master Development and the likelihood of timely payment of the Bonds. The District has not performed, nor has the District requested that there be performed on its behalf, any independent assessment of the environmental conditions within the District.

(r) On June 4, 2013, the Internal Revenue Service (the "*Service*") released a technical advice memorandum (the "*Village CDD TAM*") addressed to the Village Center Community Development District in Florida (the "*Village CDD*") in connection with bonds issued by the Village CDD (the "*Village CDD Bonds*"). The Village CDD TAM only addressed the specific facts related to the Village CDD and the Village CDD Bonds. The Village CDD TAM concluded that the Village CDD was not a political subdivision authorized to issue tax-exempt bonds because it was not a division of state or local government because... "[the Village CDD] was organized and operated to perpetuate private control and avoid indefinitely responsibility to a public electorate, either directly or through another elected State or local governmental body."

Although the Members of the Board of the District will be elected by the owners of real property within the District based on the amount of acreage owned by property owners, currently two of the three Members were appointed by the Town when the District was created. In addition, the governing documents of the District provide that on the earlier to occur of (a) 450 residential units in the District or (b) July 1, 2020, the Members will be elected (as their terms expire) by vote of the qualified electors of the District at an election held in November prior to the expiration of each term.

This section does not purport to summarize all risks that may be associated with purchasing or owning the Bonds and prospective purchasers are advised to read this Official Statement in its entirety, to visit the District and to ask questions of representatives of the District to obtain a more complete description of investment considerations relating to the Bonds.

TAX EXEMPTION

FEDERAL INCOME TAXATION

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above-referenced covenants, under present law, in the opinion of Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes, and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. The Internal Revenue Code of 1986, as amended (the "*Code*") includes provisions for an alternative minimum tax ("*AMT*") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("*AMTI*"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include all tax exempt interest, including interest on the Bonds.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax-exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "*Issue Price*") for each maturity of the Bonds is the price at which a substantial amount of such maturity of the Bonds is first sold to the public. The Issue Price of a maturity of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the cover page hereof.

If the Issue Price of a maturity of the Bonds is less than the principal amount payable at maturity, the difference between the Issue Price of each such maturity, if any, of the Bonds (the “OID Bonds”) and the principal amount payable at maturity is original issue discount.

For an investor who purchases an OID Bond in the initial public offering at the Issue Price for such maturity and who holds such OID Bond to its stated maturity, subject to the condition that the District complies with the covenants discussed above, (a) the full amount of original issue discount with respect to such OID Bond constitutes interest which is excludable from the gross income of the owner thereof for federal income tax purposes; (b) such owner will not realize taxable capital gain or market discount upon payment of such OID Bond at its stated maturity; (c) such original issue discount is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Code, but is taken into account in computing an adjustment used in determining the alternative minimum tax for certain corporations under the Code, as described above; and (d) the accretion of original issue discount in each year may result in an alternative minimum tax liability for corporations or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year. Owners of OID Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such OID Bonds.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond’s stated redemption price at maturity or, in the case of an OID Bond, its Issue Price plus accreted original issue discount (the “*Revised Issue Price*”), the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser’s election, as it accrues. Such treatment would apply to any purchaser who purchases an OID Bond for a price that is less than its Revised Issue Price. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as “bond premium” and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax-exempt bond. The amortized bond premium is treated as a reduction in the tax-exempt interest received. As bond premium is amortized, it reduces the investor’s basis in the Bond. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond’s basis

for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bond.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal 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. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the “*Service*”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bondholders may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

UTAH INCOME TAXATION

In the opinion of Bond Counsel, under the existing laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax Act. Bond Counsel expresses no opinion with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

NO RATING OR CREDIT ENHANCED

The Bonds are neither rated nor credit enhanced. No application for a rating or credit enhancement with respect to the Bonds was made.

LITIGATION

THE DISTRICT

There is no pending or, to the knowledge of the District, any threatened litigation against the District of any nature whatsoever which in any way questions or affects the validity of the Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the execution of the Indenture. Neither the creation, organization or existence, nor the title of the present members of the Board of Trustees is being contested.

From time to time, the District expects to experience routine litigation and claims incidental to the conduct of its affairs. In connection with the issuance and sale of the Bonds, District Counsel will represent to the District that there is no litigation of any nature now pending, or to the knowledge of the District, threatened, which could reasonably be expected to have a material adverse effect on the levy and collection of the Assessments or the ability of the District to pay the Bonds from the Assessments. From time to time, the District is party to other various legal proceedings which individually are not expected to have a material and adverse effect on the operations or financial condition of the District, but may, in the aggregate, have a material impact thereon.

THE MASTER DEVELOPER

In connection with the issuance of the Bonds, the Master Developer will represent to the District that there is no litigation of any nature now pending or, to the knowledge of the Master Developer, threatened, which could reasonably be expected to have a material and adverse effect upon the ability of the Master Developer to complete the Master Development as described herein, materially and adversely affect the ability of the Master Developer to pay the Assessments imposed against the land within the District owned by the Master Developer or materially and adversely affect the ability of the Master Developer to perform its various obligations described in this Official Statement.

CONTINUING DISCLOSURE

The District and the Master Developer will enter into a Continuing Disclosure Undertaking (the “*Undertaking*”) for the benefit of the beneficial owners of the Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rulemaking Board (the “*MSRB*”) through its Electronic Municipal Market Access System (“*EMMA*”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2-12 (the “*Rule*”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Undertaking, including termination, amendment and remedies, are set forth in the form of Undertaking attached as APPENDIX F.

Neither the District nor the Master Developer have previously entered into an undertaking pursuant to the Rule. A failure by the District or the Master Developer to comply with the Undertaking will not constitute a default under the Indenture and beneficial owners of the Bonds are limited to the remedies described in the Undertaking. See “APPENDIX F — FORM OF CONTINUING DISCLOSURE UNDERTAKING — Consequences of Failure of the Issuer to Provide Information.” A failure by the District or the Master Developer to comply with the Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of the Rule.

UNDERWRITING

The Underwriter will agree, pursuant to a bond purchase agreement to be entered into with the District (the “*Bond Purchase Agreement*”), subject to certain conditions, to purchase the Bonds from the District at a purchase price of \$6,575,788.10 (representing the par amount of the Bonds, less original issue discount of \$151,911.90 and less Underwriter’s discount of \$137,300.00.) See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” herein. The Underwriter’s obligations are subject to certain conditions precedent and the Underwriter will be obligated to purchase all the Bonds if any are purchased. Pursuant to the Bond Purchase Agreement, the Underwriter has agreed, as representative of the District, to use its best efforts to solicit offers to purchase the Bonds from one or more purchasers, subject to the understanding that the Underwriter’s role shall be only that of a riskless principal and it has no obligation to transfer funds to the District except to the extent it has firm orders from purchasers.

The Underwriter intends to offer the Bonds at the offering prices set forth on the cover page of this Official Statement, which may subsequently change without prior notice. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the initial offering prices and such initial offering prices may be changed from time to time by the Underwriter.

LEGAL MATTERS

The Bonds are offered for delivery when, as and if issued by the District and accepted by Jefferies LLC, the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and the receipt of the opinion of Chapman and Cutler LLP, Salt Lake City, Utah, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain matters relating to disclosure will be passed upon for the District by Chapman and Cutler LLP, Salt Lake City, Utah, Disclosure Counsel to the District. Certain legal matters will be passed upon for the District by its counsel, Chapman and Cutler LLP, Salt Lake City, Utah, and for the Master Developer by its counsel, Snell & Wilmer L.L.P., Salt Lake City, Utah. The Underwriter is being represented by Kutak Rock LLP, Denver, Colorado. The approving opinion of Bond Counsel will be delivered with the Bonds in substantially the form set forth in APPENDIX E of this Official Statement. It is expected that the Bonds will be available for delivery through the facilities of The Depository Trust Company in New York, New York on or about June 18, 2014.

NO FINANCIAL STATEMENTS

The District has not previously issued bonds and does not have any meaningful historical financial information.

EXPERTS AND CONSULTANTS

The Appraisal prepared by Valbridge | Free and Associates, Inc has been included as Appendix B attached hereto with the approval of such firm. Such Appraisal is an integral part of this Official Statement and should be read in its entirety for complete information with respect to the subjects discussed therein.

The references herein to Erichsen Engineering as the District Engineer have been approved by said firm. The Engineer's Report prepared by such firm relating to the Project has been included as Appendix C attached hereto in reliance upon such firm as an expert in engineering. References to and excerpts herein from such Engineer's Report do not purport to be adequate summaries of such Project or complete in all respects. Such Engineer's Report is an integral part of this Official Statement and should be read in its entirety for complete information with respect to the subjects discussed therein.

CONTINGENT AND OTHER FEES

The District has retained Bond Counsel, the Underwriter (who has retained Underwriter's Counsel) and the Trustee (who has retained Trustee's Counsel), with respect to the authorization, sale, execution and delivery of the Bonds. Payment of the fees of such professionals are each contingent upon the issuance of the Bonds.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Bonds.

The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and is believed to be correct as of the date of the Official Statement, but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter. The Underwriter listed on the cover page hereof has reviewed the information in this Official Statement 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. The information and expressions of opinion stated herein are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create, under any circumstances, any implication that there has been no change in the matters described herein since the date hereof.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the District

from the date hereof. However, certain parties to the transaction, including the District, will, on the closing date of the Bonds, deliver certificates to the effect that nothing has come to their attention that would lead them to believe that applicable portions of the Official Statement contain an untrue statement of a material fact or omit to state a material fact that should be included herein for the purpose for which the Official Statement is intended to be used, or that is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading and to the effect that from the date of the Official Statement to the date of closing of the Bonds that there has been no material adverse change in the information provided.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. The appendices hereof are integral parts of this Official Statement and must be read in their entirety together with all of the foregoing statements.

HIDEOUT LOCAL DISTRICT NO. 1

By: /s/ Joe Spencer
Chair

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APPENDIX A

DESCRIPTION OF THE MASTER DEVELOPER AND THE MASTER DEVELOPMENT

The District and the Assessment Area are located within the Hideout Canyon master-planned community (the “*Master Development*”), which is being developed by Star Community Builders, LLC and related entities (the “*Master Developer*”).

THE MASTER DEVELOPER’S OBLIGATION TO PAY THE ASSESSMENT OR ASSESSMENT INSTALLMENTS IS LIMITED SOLELY TO THE OBLIGATION OF ANY LANDOWNER WITHIN THE ASSESSMENT AREA. THE MASTER DEVELOPER IS NOT A GUARANTOR OF PAYMENT OF ANY ASSESSMENT OR THE BONDS, AND THE RECOURSE FOR THE FAILURE OF ANY LANDOWNER TO PAY THE ASSESSMENT IS LIMITED TO THE COLLECTION PROCEEDINGS AGAINST THE LAND SUBJECT TO THE ASSESSMENT.

The following information appearing in this APPENDIX A has been furnished by the Master Developer and has not been independently verified by the District and its counsel or the Underwriter and its counsel.

THE MASTER DEVELOPER

Star Community Builders, LLC was created by Robert Martino. Mr. Martino has over 25 years of experience in land investment and finance. He began his real estate career in late 1980’s as a residential rental investor. In the 1990’s, he founded Mustang Properties, LLC, the first of several entities created by Mr. Martino involved in real estate activities related to land development, multifamily housing, and various commercial properties. Since the late 1980’s, Mr. Martino, through various entities, has invested in more than \$250 million of real estate. In 2003, Mr. Martino began developing Hideout Canyon. The Master Development is Mr. Martino’s primary real estate development project. The Master Developer has offices in Park City, Utah and in Hideout, Utah.

As described below, the Master Developer has already developed three subdivisions in the Master Development. The subdivisions in the Assessment Area, Soaring Hawk and Reflection Ridge, will be the fourth and fifth subdivisions to be developed by the Master Developer in the Master Development. In addition, the Master Developer is currently developing another subdivision, Silver Sky, that is not located in the Assessment Area.

THE MASTER DEVELOPMENT

OVERVIEW

Lands within the District are situated in Wasatch County, Utah within the greater Hideout Canyon master-planned community (the “*Master Development*”), which commenced development in 2003. The Master Development contains approximately 1,300 acres and is expected to include eleven phases. Three of the phases, Overlook Village, Glistening Ridge and

Forevermore, have been completed and one phase is currently being developed, The Rustler. In those phases there are 124 single-family home sites, ranging from cabin-style residences to custom homes, and 88 townhomes. A majority of the home sites in Overlook Village, Glistening Ridge and Forevermore have been sold. General Construction & Development, Inc. (“GCD”) is building townhomes in The Rustler that are approximately 2,500 square feet. The first three segments of townhomes are sold out. The remaining inventory in the first four phases of the Master Development includes 13 home sites in Overlook Village, 14 custom home sites in Glistening Ridge, nine custom home sites in Forevermore and 35 townhomes in The Rustler that have not been built yet. All of the lots in The Rustler are under contract with GCD.

The Master Development is located six miles southeast of Park City, Utah on the shores of Jordanelle Reservoir and within 10 miles of the Deer Valley, Park City Mountain and Canyons ski resorts. The Master Development is 41 miles from the Salt Lake City International Airport, approximately 13 miles southeast of Exit 146 on Interstate 80. Uintah-Wasatch-Cache National Forest, which contains 500,000 acres of forest, is eight miles away. Because of its location, the Master Development is surrounded by an abundance of recreational opportunities, including several smaller reservoirs and lakes (for boating, fishing and swimming), rivers (including the Provo River, a blue-ribbon trout river), alpine and nordic skiing, and thousands of miles of biking, hiking and snowmobiling trails. The State intends to build a beach on the Jordanelle Reservoir just below the Master Development. There are a number of public, charter and private schools in the area and a medical center and several shopping centers within 10 miles of the Master Development. Three miles from the Master Development, construction on a 29 acre, 374,000 square foot movie production studio began in October 2013. The movie studio is being built, in part, to take advantage of the Sundance Film Festival, which is held every year in January in Park City (and surrounding areas).

HIDEOUT CANYON

Sales in Hideout Canyon commenced in 2006 and currently more than 70 families reside in the Master Development. Approximately 70% of the residents in the Master Development are primary residences and the remaining 30% are secondary or vacation home residences. The information in the table below was provided by the Master Developer and shows lot sales data for the subdivisions in the Master Development in which lots have been completed from 2011 through April 30, 2014 (no lots have been sold in the Assessment Area).

Hideout Local District #1 Hideout Canyon Historic Lot Absorption										
Subdivision	Before Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Total
Rustler (attached single family homes)	44	4	2	4	4	8	8	8	6	88
Overlook Village (2800 - 4000 sq ft)	14	-	0	-	1	1	2	3	4	25
Overlook Village (attached single family homes)	2	-	-	-	-	-	-	-	6	8
Forevermore (3500 - 6500 sq ft)	-	-	-	-	-	-	1	2	3	6
Glistening Ridge(4500 - 8500 sq ft)	23	-	-	2	2	1	1	2	2	33
Glistening Ridge(3300 - 4500 sq ft)	5	8	-	4	-	-	-	-	-	17
Total	88	12	2	10	7	10	12	15	21	177

The table below provides completed lot and home construction information by subdivision in the Master Development in which lots have been completed from 2011 through April 30, 2014 (no lots have been sold in the Assessment Area).

<u>SUBDIVISION</u>	<u>FINISHED HOMES</u>	<u>HOMES CURRENTLY IN CONSTRUCTION</u>	<u>COMPLETED LOTS WITH NO HOME</u>	<u>CURRENT TOTAL</u>
Ruslter (attached single family homes)	32	12	0	44 ¹
Overlook Village (2,800-4,000 sq. ft.)	19	2	18	39 ²
Overlook Village (attached single-family homes)	2	0	6	8 ³
Forevermore (3,500-6,500 sq. ft.)	0	3	10	13 ⁴
Glistening Ridge (4,500-8,500 sq. ft.)	2	4	37	43 ⁵
Glistening Ridge (3,500-3,500 sq. ft.)	0	1	20	21 ⁶
			Total:	124

1 - 22 lots have been platted but not improved; 22 more lots have not yet been platted; all lots in this subdivision have been or will be sold to GCD.

2 - 14 lots available.

3 - No lots unsold in this subdivision.

4 - Seven lots available.

5 - 10 lots available.

6 - Four lots available.

Source: The Master Developer

The Master Developer attributes the success of the Master Development to the recreational opportunities that surround the Master Development and the location of the Master Development overlooking Jordanelle Reservoir and Deer Valley Ski Resort. In addition, within the Town of Hideout (the “Town”) there is a 9-hole public challenge golf course and the State has plans to create a beach on the shores of Jordanelle Reservoir just below the Master Development. The Master Developer has also started construction on the Grand Spa fitness center, which will include fitness facilities for the exclusive use of the residents of the District. Bond proceeds will not be used to finance the construction of the Grand Spa fitness center.

DEVELOPMENT FINANCING IN THE ASSESSMENT AREA

The Master Developer has expended approximately \$26 million in infrastructure expenditures relating to the Master Development. The Master Developer may utilize capital contributions from members of the Master Developer or Owners, land sales and loans to fund future development expenditures in the Master Development. North America LD, LLC, one of the Owners and an entity that is controlled by Mr. Martino, has granted a trust deed to secure a loan in the approximate amount of \$5 million on land owned by such Owner, a portion of which is located in the Assessment Area.

ENTITLEMENTS/CONCURRENCY/PERMITS

The Master Development is located in the Town's Hideout Canyon Master Plan, which was originally approved in January 2009 and amended in February 2010 (the "*Master Plan*"). According to the Master Plan, the Master Development is approved for the land uses and densities illustrated in the table below.

LAND USE	APPROVED DENSITY	NUMBER OF ACRES
Resort Village Medium Density	6-70 units/acre	75
Residential Single-Family	6 units/acre	200
Resort Village High Density	6-80 units/acre	70
Residential Medium Density	6-20 units/acre	120

In addition to the land use approvals described above, various permits and approvals are required for the Master Development. The Master Developer reports that it has all the permits and approvals necessary to begin development in the Assessment Area. See the Engineer's Report attached hereto as APPENDIX A.

WATER AND WASTEWATER IN THE MASTER DEVELOPMENT

Water and wastewater service in the Master Development is and will be provided by Jordanelle Special Service District ("*JSSD*"), a service district created and managed by Wasatch County, Utah (the "*County*") to provide water and wastewater services within the County. JSSD has provided a will-serve letter for culinary water and wastewater service in the Master Development. JSSD currently provides all of the residents in the Town and the Master Development with water and wastewater services, which includes approximately 258 water and wastewater connections in the Town (74 connections in the Master Development). JSSD has functioning water and wastewater lines within 100 feet of the Assessment Area. JSSD delivers wastewater from the Master Development to the Heber Valley Special Service District, a related special service district created and managed by the County.

HOMEOWNERS' ASSOCIATION

The Community Preservation Association (the "*HOA*") has been established as the homeowner's association for the homes in the Master Development. The HOA's primary function is snow removal in the common areas, street light maintenance and maintenance of landscaping in the common area, as well as architectural review and deed restriction/covenant enforcement.

COMPETITION

The Master Developer believes that the Master Development has several attributes that have in the past and will continue in the future to provide the Master Development with a competitive edge over other projects in the area, including its location and proximity to

Jordanelle Reservoir and the ski resorts in Park City. There are other large master-planned recreation communities in Wasatch and Summit Counties. Below is a description of the master-planned communities that the Master Developer feels pose primary competition to the Master Development.

Red Ledges. Red Ledges is a master planned community located on nearly 2,000 acres in the Heber Valley, approximately 30 minutes south of Park City. Red Ledges is a collection of neighborhoods featuring luxury homes from \$550,000 to \$2 million and home sites from \$195,000. Red Ledges has open spaces, an 18-hole golf course, indoor and outdoor tennis courts, an equestrian center and a swim and fitness club.

Promontory. Promontory is a gated master planned community located approximately 20 minutes northeast of Park City. 811 lots have been created to date, with 353 homes built. The amenities at Promontory include two golf courses, a spa, equestrian center, fitness center and pool.

Tuhaye. Tuhaye is a gated master planned community with 675 home sites located directly east of the Master Development. Tuhaye includes a golf course, spa, fitness center and pool.

This section does not purport to summarize all of the existing or planned communities in the area of the Master Development, but rather to provide a description of those that the Master Developer feels pose primary competition to the Master Development.

OTHER ASSESSMENT BOND FINANCING IN WASATCH COUNTY

JSSD, the entity that provides water and wastewater services in the Master Development has issued assessment bonds to finance water and wastewater infrastructure in other developments in Wasatch County (the “JSSD Bonds”). THE JSSD BONDS, DESCRIBED BELOW, WERE ISSUED BY JSSD. JSSD IS NOT AFFILIATED WITH THE DISTRICT OR THE TOWN. THE REVENUES SECURING THE JSSD BONDS ARE SEPARATE AND DISTINCT FROM THE ASSESSMENTS SECURING THE BONDS. THE PROPERTY WITHIN THE ASSESSMENT AREA IS NOT SUBJECT TO THE ASSESSMENTS LEVIED TO PAY THE JSSD BONDS.

Tuhaye. On September 7, 2005, JSSD issued its Adjustable Rate Demand Assessment Bonds (Tuhaye Project), Series 2005 in the aggregate principal amount of \$20,690,000 to finance the costs of acquiring, constructing, and installing certain improvements that benefit the property within the Tuhaye master development and refund certain of JSSD’s outstanding special assessment bonds issued in 2000. The bonds are secured by assessments levied against certain properties benefited from the improvements financed with the bond proceeds. When issued the bonds bore interest at a weekly rate determined by Wells Fargo Brokerage Services, LLC. Wells Fargo Bank, N.A. provided a direct-pay letter of credit to secure payment of the principal of and interest on the bonds. The bonds have a final maturity date of September 1, 2025. Neither the District or the Master Developer is aware of any default in the payment of these bonds.

Special Improvement District No. 2005-2. On August 19, 2009, JSSD issued its Special Assessment Bonds (Special Improvement District No. 2005-2)), Series 2009A, 2009B and 2009C in the aggregate principal amount of \$19,626,000, \$10,611,000 and \$10,613,000, respectively, to retire JSSD's outstanding Replacement Bond Anticipation Notes (Special Improvement District 2005-2), Series 2009A, 2009B and 2009C. The bonds are secured by assessments levied against certain properties in Special Improvement District No. 2005-2. The bonds bear interest at a rate of 12.0% per annum and have a final maturity date of August 1, 2030. There has been a default in the payment of a portion of these bonds. The default has not affected JSSD's ability to provide water and water service to the District or the Master Development and the District and the Master Developer do not expect that such default will affect JSSD's ability to provide water and water service to the District or the Master Development in the future.

This section does not purport to summarize all of the existing special assessment bonds issued by JSSD or other entities in Wasatch County. The information relating to the bonds described in this section is based entirely on information available on EMMA or other publicly-available information.

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APPENDIX B

APPRAISAL OF THE ASSESSMENT AREA

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APPRAISAL REPORT

PROPOSED SOARING HAWK SUBDIVISION

A Proposed 151 Lot Residential Subdivision

REFLECTION RIDGE SUBDIVISION

A 14-Lot Partially Improved Residential Subdivision

LOCATED AT

10800 North Highway 248
Hideout Town, Utah

DATE OF VALUATION

May 7, 2014 ("As Is" Valuation)
September 10, 2014 (Projected Date of Completion)

REPORT # UT01-14-0248-000

PREPARED FOR

Mr. Joseph Spencer
Hideout Local District 1
754 East 1200 North
Pleasant Grove, Utah 84062

PREPARED BY

Gary, R. Free, MAI, SRA
Roland D. Robison
And
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Free and Associates
REAL ESTATE APPRAISERS | CONSULTANTS
Independently Owned And Operated

May 7, 2014

Mr. Joseph Spencer
Hideout Local District 1
754 East 1200 North
Pleasant Grove, Utah 84062

RE: Three Subdivisions located in the Special Assessment Area herein described, located at
10800 North Highway 248, Hideout Town, Utah

Dear Mr. Spencer:

At your request, we have prepared the following appraisal report on the above referenced property. The report will be used for determining the market value of this property for the marketing of municipal bonds in relation to this development. The purpose of this appraisal assignment is to determine an opinion as to the following:

- Current "As Is" Market Value
- Prospective Market Value of the proposed subdivision

The appraisal report has been prepared in a manner to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards of the Appraisal Foundation.

The subject consists of two separate subdivisions. Reflection Ridge subdivision has 14 partially improved lots and Soaring Hawk subdivision has 151 proposed lots. A more detailed description of the subject is found in the following report.

In the valuation process, the cost, sales comparison and income approaches to value have been expanded and indicate a reasonable correlation of value.

Mr. Spencer
May 7, 2014
Page 2

After careful consideration of the information and analysis contained within this report, we are of the opinion the subject property has the following estimated value conclusion(s):

Value Conclusion(s)			
Appraisal Scenario(s)	Date of Value	Interest Applied	Value
"As Is" Market Value Soaring Hawk - 69.87 Acres	May 7, 2014	Fee Simple	\$3,700,000
"As Is" Market Value Reflection Ridge – 14 Partially Improved Lots	May 7, 2014	Fee Simple	\$1,260,000
"Bulk Sale" Prospective Future Market Value – All Developments	September 10, 2014	Fee Simple	\$20,600,000

The following appraisal report provides supporting data, assumptions, and justifications for our final value conclusions. The appraisal is made subject to the general assumptions and limiting conditions stated at the end of the report.

Please call if there are any questions.

Respectfully submitted,

VALBRIDGE | FREE AND ASSOCIATES, INC.



GARY R. FREE, MAI, SRA
Senior Managing Director/ President

Utah State - Certified General Appraiser
License # 5451769-CG00 (Exp. 6/30/15)



ROLAND D. ROBISON
Managing Director

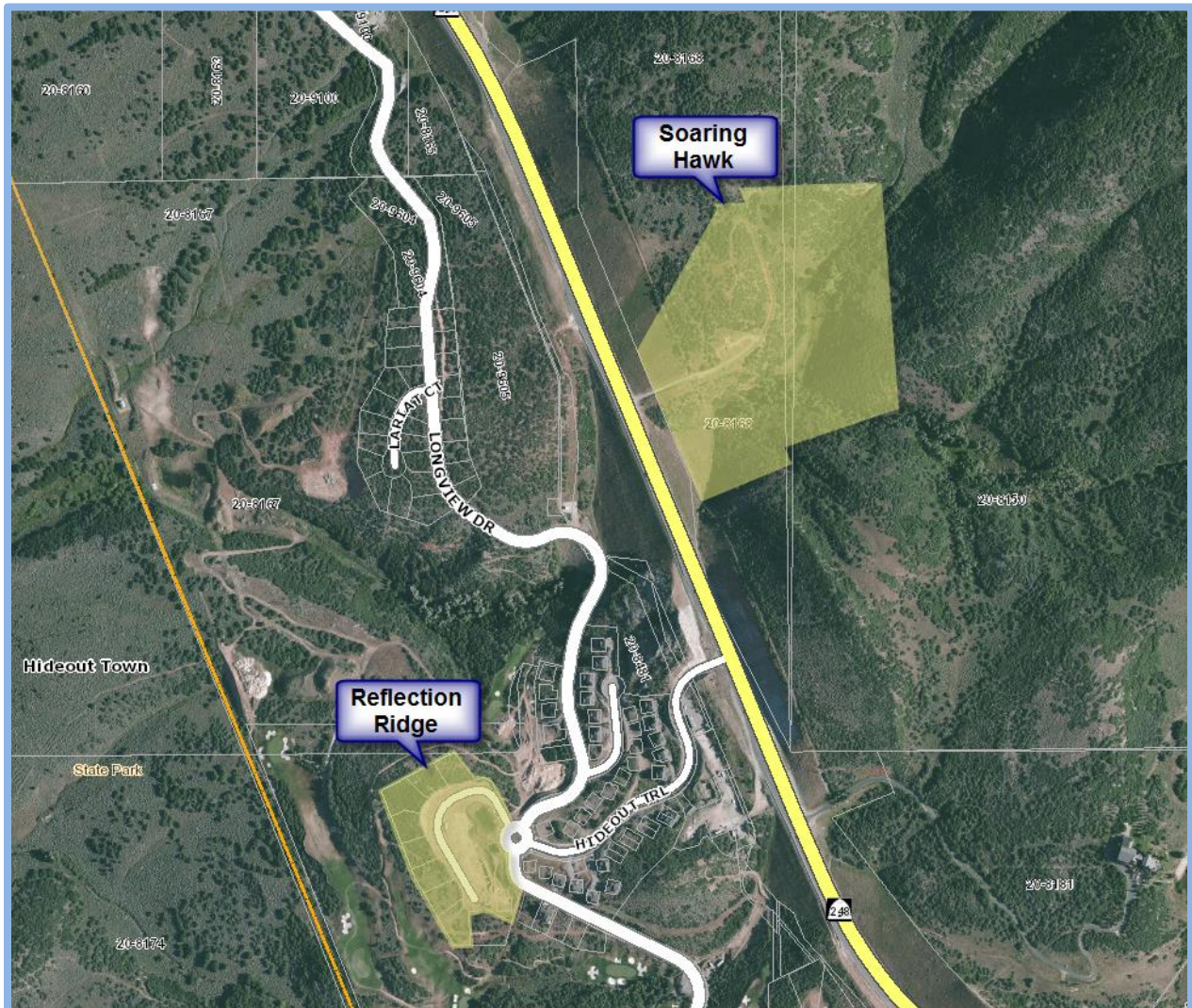
Utah State-Certified General Appraiser
License #5452047-CG00 (Exp. 3/31/16)



TYLER A. FREE
Senior Appraiser

Utah State-Certified General Appraiser
License #6050225-CG00 (Exp. 12/31/14)

TAF/kf



Subject

EXECUTIVE SUMMARY

(SOARING HAWK PROPOSED SUBDIVISION)

General Information:

Subject -	A 151-lot proposed residential subdivision development
Location -	10800 North Highway 248, Hideout Town, Utah (Wasatch County)
Tax ID Number(s) -	A Portion of 00-0020-8168 A Portion of 00-0020-8150
Owner(s) of Record -	Mustang Properties LLC
Highest and Best Use:	
Land as Vacant -	Single family residential development
Land as Improved -	Single family residential development
Zoning -	RVHD; Resort Village High Density – Hideout Town Jurisdiction
Purpose of Appraisal -	Estimate market value
Property Rights -	Fee simple estate
Estimated Exposure Time -	Twelve months

Site Description

Size -	3,043,537 square feet or 69.87 acres
Number of Parcels -	Two
Shape -	Irregular
Topography -	Basically level
Street Frontage -	Adequate frontage on Highway 248
Access -	Ingress and egress are adequate via Highway 248 which is publicly dedicated and maintained.
Off-Site Improvements -	Three-lane asphalt paved street.
On-Site Improvements -	None
Utilities -	Located and stubbed at site.
Water Rights -	The subject is assumed to have adequate water provided by the town of Hideout.
Flood Designation -	Floodscape Map # 49051C0025E, dated March 15, 2012, - Area of low flood risk.

EXECUTIVE SUMMARY

(REFLECTION RIDGE PARTIALLY IMPROVED SUBDIVISION)

General Information:

Subject -	14 partially improved lots within the proposed special assessment area
Location -	Hideout Town, Utah
Tax ID Number(s)	00-0020-8706 through 8713, 00-0020-8715 through 8720
Owner of Record	Mustang Development LLC
Highest and Best Use:	
Land as Vacant -	Residential use
Land as Improved -	Residential subdivision use
Zoning -	RVMD – Resort Village Medium Density – Hideout Town City Jurisdiction
Purpose of Appraisal -	Estimate market value
Property Rights -	Fee simple estate
Marketing Time -	Twelve months
Estimated Exposure Time -	Twelve months

Site Description:

Number of Parcels -	14
Shape -	Irregular
Topography -	Mostly level
Street Frontage -	Adequate frontage on Highway 248
Access -	Ingress and egress are adequate via Highway 248, which is publicly dedicated and maintained.
Off-Site Improvements -	Two-lane asphalt paved street.
On-Site Improvements -	None
Utilities -	All utilities are located at the site, and are considered adequate for development.
Water Rights -	The subject is assumed to have adequate water provided by the town of Hideout.
Flood Designation -	Floodscape Map # 49051C0025E, dated March 15, 2012, - Area of low flood risk.

Summary - Continued

Appraisal Dates:

"As Is" Valuation Date -	May 7, 2014
"Upon Completion of Construction" -	September 10, 2014
Report Date -	May 7, 2014

Valuation Conclusions:

Valuation Conclusions: "As Is"

69.87 Acres Site/Land Value –	\$	3,700,000
Reflection Ridge "As Is" (14 Partially Improved Lots)	\$	1,260,000

Valuation Conclusions: "As Proposed"

Income Approach (Bulk Sale) -	\$	20,600,000
Sales Comparison Approach -	\$	19,020,000 to \$21,550,000

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Addendum

GENERAL INFORMATION

Identification of the Assignment

Client - The client, who engaged our services on April 30, 2014, is Mr. Joseph Spencer with Hideout Local District 1.

Intended User(s) of the Appraisal - The intended user of this appraisal report is Mr. Joseph Spencer with Hideout Local District 1. There are no other intended users.

Intended Use of the Appraisal - The intended use of this appraisal is to provide the client with an opinion of value for the marketing of municipal bonds in relation to this development.

Purpose of the Appraisal - The purpose of this appraisal assignment is to analyze the subject property and determine an opinion as to the following:

- Current “as is” market value
- Prospective future market value upon completion of construction

Date of the Appraisal -

- “As Is” (inspection date): May 7, 2014
- “Upon Completion of Construction”: September 10, 2014
- Date of report or completion date: May 7, 2014

Property Rights Appraised – The subject has fee simple estate property rights.

Extraordinary Assumptions and/or Hypothetical Conditions

None.

Furniture, Fixtures, and Equipment (FF&E)

For the purpose of this report, there is no value attributable to FF&E.

Estimated Exposure Time

We have talked with a number of local real estate agents to get an indication of the demand and exposure period required for the successful sale of the subject in the current marketplace. Based on this, we have projected a twelve month exposure period.

Identification of the Property

Statement of Ownership - According to the county recorder's office, title to the subject property is currently vested in the name of Mustang Development, Mustang Properties LLC, and North America LLC.

General Description of the Subject - The property consists of one partially improved subdivision and one proposed subdivision.

Address of the Subject - The subject address is 10800 North Highway 248, Hideout Town, Utah.

Legal Descriptions of the Subject - The legal descriptions were taken from the county recorder's office and are as follows:

Soaring Hawk Subdivision (portions of 00-0020-8168, 8150)

See Addendum

Reflection Ridge Subdivision Parcels 00-0020-8706 thru 8713, 8715 thru 8720

LOTS 1-8, HIDEOUT CANYON PHASE 8 RESIDENTIAL PLAT.

UNITS R1-R-6, HIDEOUT CANYON PHASE 8 RESIDENTIAL PLAT.

History of the Property

According to county records, and discussions with the current property owner, the following is a summary of the subject property's recent history:

Current Owner of Record -	Mustang Properties, Mustang Development Properties LLC, and North America LD LLC
Length of Ownership -	Five years
Listings (3 yrs) -	None
Offers (3 yrs) -	None
Leases -	None
Recent Sales / Contracts (3 yrs) -	None

To the best of our knowledge the property has not sold, been offered for sale, been placed under contract for sale, or received a purchase offer within the last three years.

Scope of Work

The scope of work for this assignment is summarized below:

Inspection - We inspected the subject site.

Data Researched - We have performed an extensive investigation in the local marketplace and market conditions for valuation of the subject property. We have analyzed comparable data of other transactions that have occurred in the subject's market. Our valuation research included, but is not limited to, talking with city and county officials, real estate brokers, appraisers, and local property owners. Any sales data used in this report has been verified with a responsible party. Utah is a non-disclosure state; therefore, information used in this report is as reliable as practical.

Valuation Approaches - In the valuation process, three approaches are usually considered when developing an opinion of value: (1) cost approach; (2) sales comparison approach; and (3) income approach. In this assignment, all three approaches are deemed appropriate, and all are utilized.

Report Format - This report is a narrative appraisal report in accordance with Standards Rule 2-2(a) of the *Uniform Standards of Professional Appraisal Practice*. All applicable approaches to value have been expanded and evaluated; however, the report presents only summary discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraisers' files. The depth of discussion contained within this report is specific to the needs of the client and for the intended use stated.

Conforming Requirements - The appraisal report has been prepared in a manner to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) adopted by the Appraisal Standards of the Appraisal Foundation.

DEFINITIONS

The following selected definitions were obtained from the following sources:

- The *Dictionary of Real Estate Appraisal*, Fifth Edition, Appraisal Institute, Chicago Illinois, 2010.
- The *Appraisal of Real Estate*, Thirteenth Edition, Appraisal Institute, Chicago Illinois, 2008.
- *Federal Register*, Volume 55, Number 163, (August 22, 1990)
- Glossary of the *Uniform Standards of Professional Appraisal Practice*, 2014.
- Appraisal Policies and Practices of Insured Institutions and Service Corporations, Federal Home Loan Bank Board, "Final Rule", December 21, 1987.

Accrued Depreciation

The difference between an improvement's reproduction or replacement cost and its market value as of the date of the appraisal.

"As Is" Premise

Market Value "as is" on appraisal date means an estimated of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications, as of the date the appraisal is prepared.

Fee Simple Estate

Absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Highest and Best Use

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and each acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto;
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Operating expenses

Operating expenses are the periodic expenditures necessary to maintain the real property and continue the production of the effective gross income.

Substitution

The appraisal principle that states when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution.

Definitions - Continued

Upon Completion of Construction Premise

Prospective future value upon completion of construction means the prospective future value of a property on the date that construction is completed, based upon market conditions forecast to exist as of that completion date. The "prospective value upon completion" premise assumes that all assumptions are in place as of a future date.

Prospective Market Value upon Completion of Construction

Prospective market value of finished lots upon completion of construction in a subdivision appraisal means the prospective value of multiple parcels to a single transaction on the date that construction is completed, based upon market conditions forecast to exist as of the date of completion of the proposed project. This premise assumes that all assumptions are in place as of a future date.

AREA ANALYSIS

Location - The subject property is located in the state of Utah, within the official boundaries of Wasatch County. Wasatch County is situated directly to the east of Salt Lake and Utah Counties, which constitute the largest population, transportation, and business centers in the state of Utah. This metropolitan area is typically referred to as the "Wasatch Front". Wasatch County is heavily influenced by the economic activity and life styles of these communities. In addition, it is situated directly to the south of Summit County, which contains some of the most prominent ski resorts and recreational areas in the United States. These facilities also generate significant economic influence for Wasatch County. Wasatch County also borders Duchesne County to the east. Heber City is the county seat.



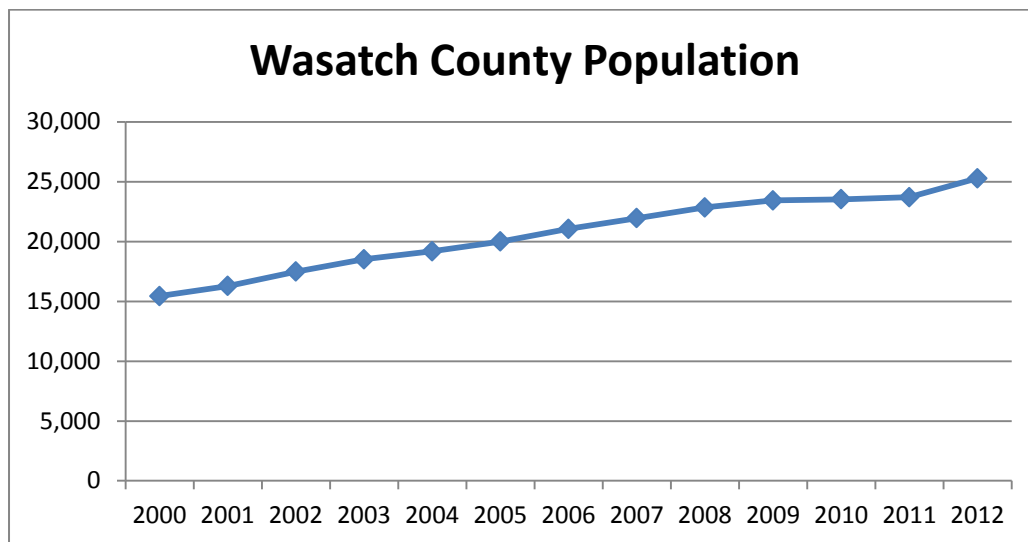
Size and Topography - Wasatch County physically encompasses a 1,207 square mile area. Heber Valley, the primary population center of the county, is surrounded by two mountain ranges, the Wasatch Mountains on the west and south, and the Uinta Mountains on the east and north. The valley sits at 5,600 feet in elevation. Over 65 percent of the county is in National Forests and State Parks providing prime outdoor recreational facilities.

Population - According to the 2012 Census¹ Wasatch County has 25,273 residents, which is a 7.4 percent increase from 2010. Most residents reside in one of Heber Valley's four cities – Heber City, Charleston, Midway, or Wallsburg. Heber City is the primary population center of Wasatch County with an estimated population of 11,448 people in 2011.² According to the U.S. Census Bureau, Wasatch County ranks twenty-fourth among the 100 fastest growing counties in the United States.³ Growth trends are shown on the following graph:

¹ U.S. Census Bureau

² <http://www.city-data.com>

³ U.S. Census Bureau, Population Division cited by the Utah Governor's Office of Planning and Budget Utah Data Guide Winter 2012.



As shown in the above graph, the Wasatch County population has experienced continued, steady growth over the past 8 years. Growth is expected to continue in a similar fashion over the next several years.

Economic Base – As of December 2013, the unemployment rate for the county was at 4.5 percent, which is higher than the statewide average of 4.1 percent and lower than the national average of 6.7 percent. The Wasatch County labor force consists of 6,837 persons in December 2013.⁴

The Summit County unemployment rate is also very important since a large percentage of demand for housing in Wasatch County comes from Summit County. Summit County's unemployment rate as of December 2013 was 3.5 percent. Wasatch Front unemployment rates are typically lower than the national average indicating stability in employment and job growth. This contributes to stability in the local population and stability in the value of local residential and commercial/industrial real estate properties.

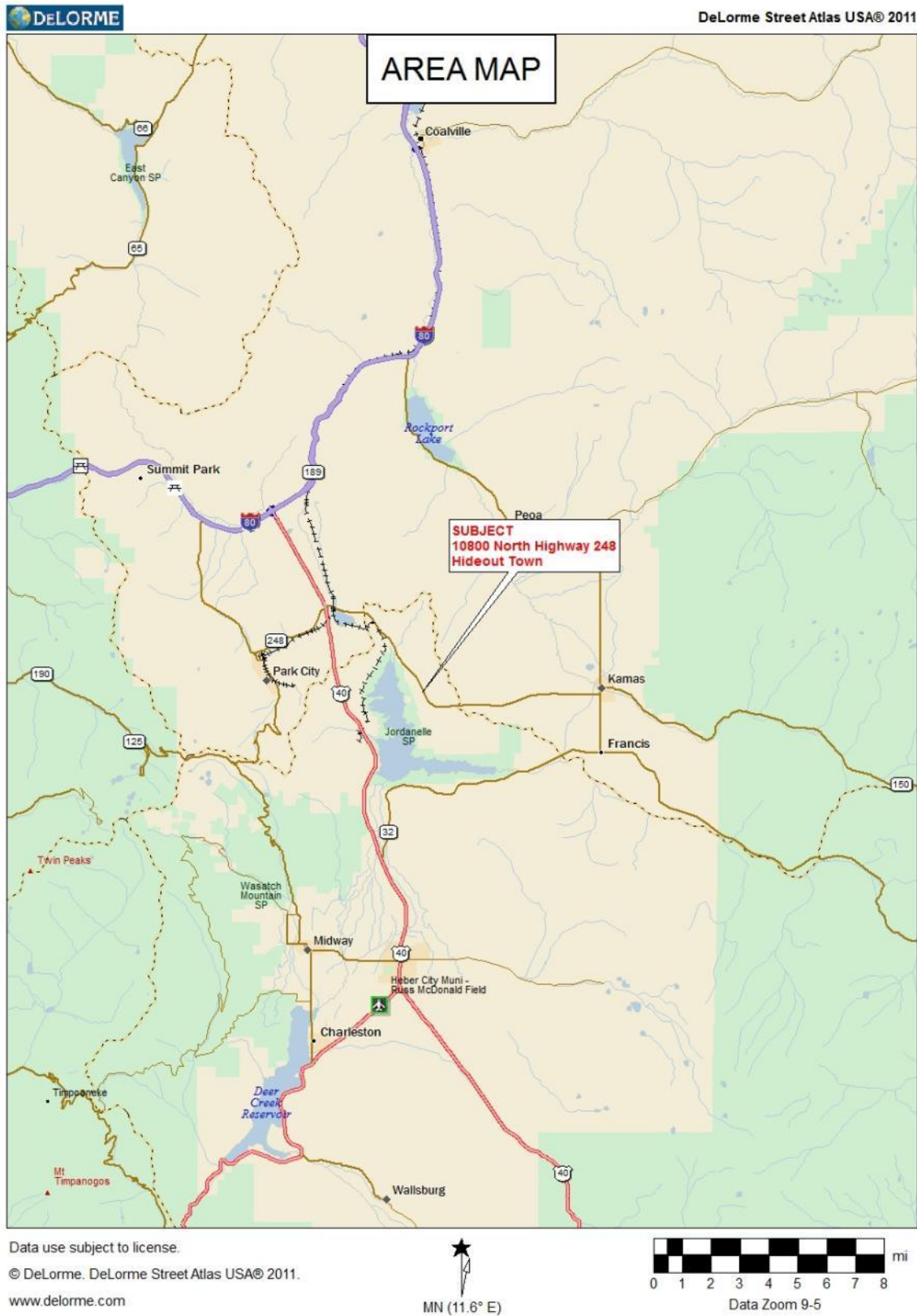
Transportation - Heber City is located at the junction of U.S. Highway 40 and U.S. Highway 189. Interstate 80, providing access to the Salt Lake Valley, is 18 miles north. Interstate 15, Utah's primary north/south corridor, is 30 miles to the west. The Heber Valley is serviced by several small truck lines and at least three major trucking firms. Continental Trailways runs one eastbound and one westbound bus daily through Heber Valley. Park City commuting is also available. Highway 40 (which links Summit and Wasatch Counties) was recently converted from a two-lane county highway to a four-lane freeway. This puts the Heber/Midway area within 15 minutes of Park City, providing an ideal commute.

⁴ Utah Department of Workforce Services

Recreation - With the pristine mountain setting of the Deer Creek and the Jordanelle reservoirs, Wasatch County consists primarily of prime recreational lands servicing the large population base in the nearby metro areas along the Wasatch Front. Generally speaking, these resources are well managed, and no negative environmental influences exist that would have a detrimental effect on property values.

There are seven major ski areas within a 30 minute drive from Salt Lake County, most of which are within 15 miles of the Heber/Midway area. In February 2002, Salt Lake City hosted the 2002 Winter Olympic Games. The cross country/biathlon events were held in Soldier Hollow, located a few miles west of Heber City in a large valley in Midway. This event brought many thousands of people to the Heber City/Midway area and was a boost to the economy during this prestigious event.

Summary - All factors necessary for a long-term stable economy are in place including an abundance of natural resources, high education level and productivity of the population, a good diversification of employment, and a high quality of life.



NEIGHBORHOOD DATA

A neighborhood, according to *The Appraisal of Real Estate*, 13th edition, published by the Appraisal Institute, is defined as "a group of complementary land uses."

Neighborhood Boundaries - The subject has the following boundaries:

North Boundary:	Wasatch/ Summit County border
South Boundary:	Highway 248
East Boundary:	Highway 32
West Boundary:	Jordanelle Reservoir

Description of Neighborhood and Property Uses - The area within the neighborhood boundaries consists largely of residential. The immediate neighborhood of the subject is influenced primarily by a variety of commercial and retail development. The general neighborhood is estimated to be over 25 percent built up.

The subject is remotely located along the east side of the Jordanelle Reservoir. There are two similar developments within two miles of the subject development. These projects are Deer Mountain to the north and Tuhaye to the southeast. The Tuhaye project has several golf courses with membership included in some of the lot purchases. Tuhaye has a total 271 estate lots with 13 lots available for purchase.

The Deer Mountain project is slightly inferior to the subject in amenities. Deer Mountain has a total 100 estate lots with approximately 20 remaining. Deer Mountain also has apartments, twin homes townhome lots. Each of these developments, like the subject, are located on steep terrains and provide exceptional views of the Jordanelle Reservoir and the mountainside.

Access, Transportation and Traffic Arteries - The subject is located along Highway 248 just southeast of the Highway 40/Highway 248 interchange. This location provides good exposure and access to major transportation routes. Highway 40 is the major east/west traffic artery through the state of Utah and the Wasatch Back area connection to I-80.

Community Facilities and Service - General community facilities such as schools, parks, places of worship, medical facilities, and recreation centers are dispersed in relatively close proximity to the described neighborhood area. Local services are considered to be adequate for businesses and residences. Services provided to the area include street maintenance, garbage pick-up, police and fire protection.

Summary and Conclusion - In summary, the general neighborhood is a newly developed residential corridor located in Hideout Town. The subject is situated along Highway 248 near Highway 40, both of which are major traffic arteries in the Wasatch Back. Property uses in the immediate area of the subject property are predominantly residential and mountainous. Overall, it is expected that land and property values will remain fairly constant due to these influences on the neighborhood.



LAND AND SITE DESCRIPTION

The proposed **Soaring Hawk** subject site is described as follows:

Size -	3,043,537 square feet or 69.87 acres
Number of Parcels -	Two
Shape -	Irregular
Topography -	Basically level
Street Frontage -	Adequate frontage on Highway 248
Access -	Ingress and egress are adequate via Highway 248, which is publicly dedicated and maintained.
Off-Site Improvements -	Three-lane asphalt paved street.
On-Site Improvements -	None
Utilities -	Located and stubbed at site.
Water Rights -	The subject is assumed to have adequate water provided by the town of Hideout.
Flood Designation -	Floodscape Map # 49051C0025E, dated March 15, 2012, - Area of low flood risk.
Soils -	Soil conditions appear to be adequate to support development.
Easements, Hazards, & Adverse Conditions -	There does not appear to be any unusual easements, hazards, or nuisances that would have a negative influence on the value of the subject property.

The partially improved **Reflection Ridge** subject site is described as follows:

Number of Parcels -	14
Shape -	Irregular
Topography -	Mostly level
Street Frontage -	Adequate frontage on Highway 248
Access -	Ingress and egress are adequate via Highway 248, which is publicly dedicated and maintained.
Off-Site Improvements -	Two-lane asphalt paved street.
On-Site Improvements -	None
Utilities -	All utilities are located at the site, and are considered adequate for development.
Water Rights -	The subject is assumed to have adequate water provided by the town of Hideout.
Flood Designation -	Floodscape Map # 49051C0025E, dated March 15, 2012, - Area of low flood risk.
Soils -	Soil conditions appear to be adequate to support development.
Easements, Hazards, & Adverse Conditions -	There does not appear to be any unusual easements, hazards, or nuisances that would have a negative influence on the value of the subject property.

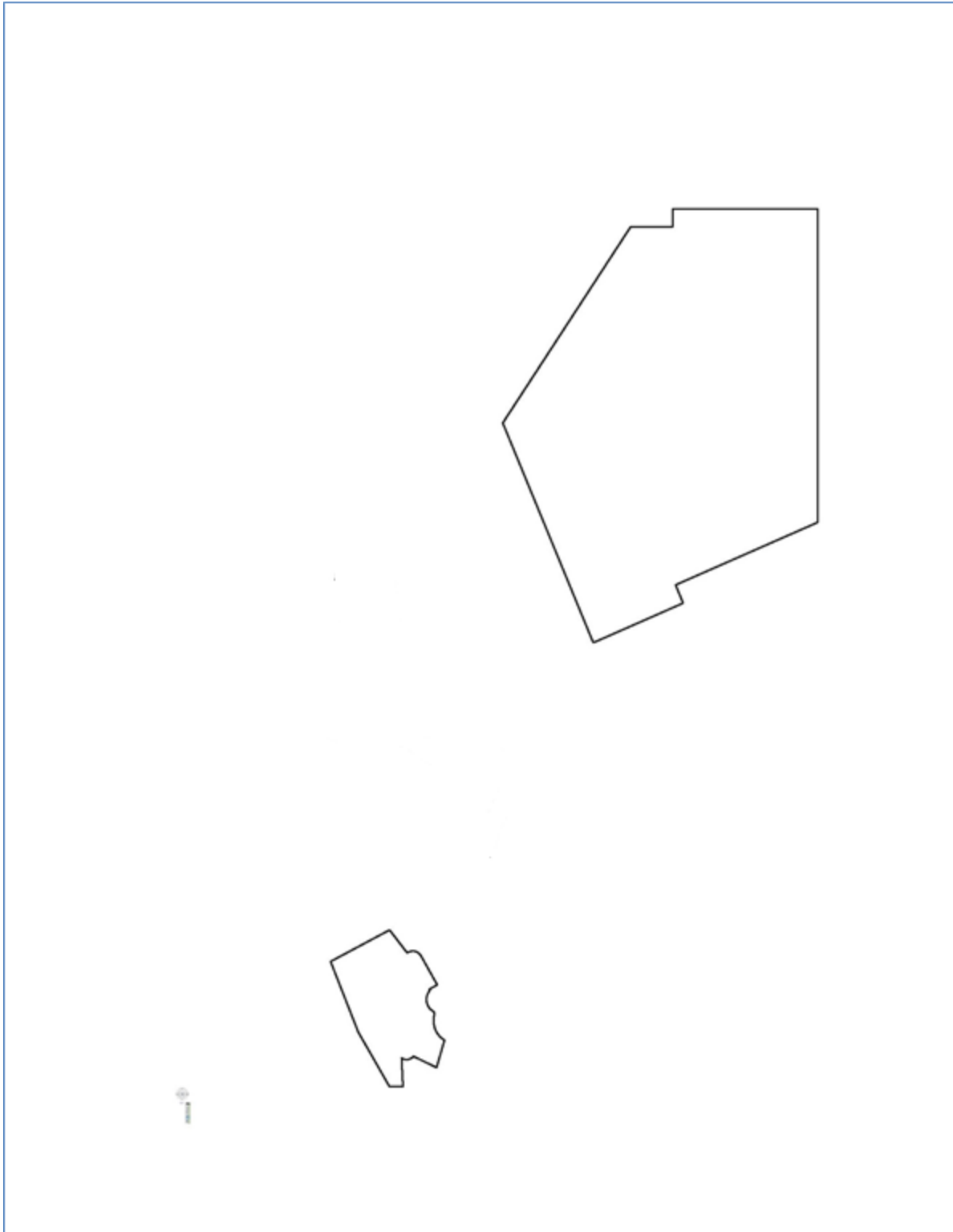
SPECIAL ASSESSMENT AREA PLAT MAP



SPECIAL ASSESSMENT AREA AERIAL PHOTO



SPECIAL ASSESSMENT AREA LAND SKETCH

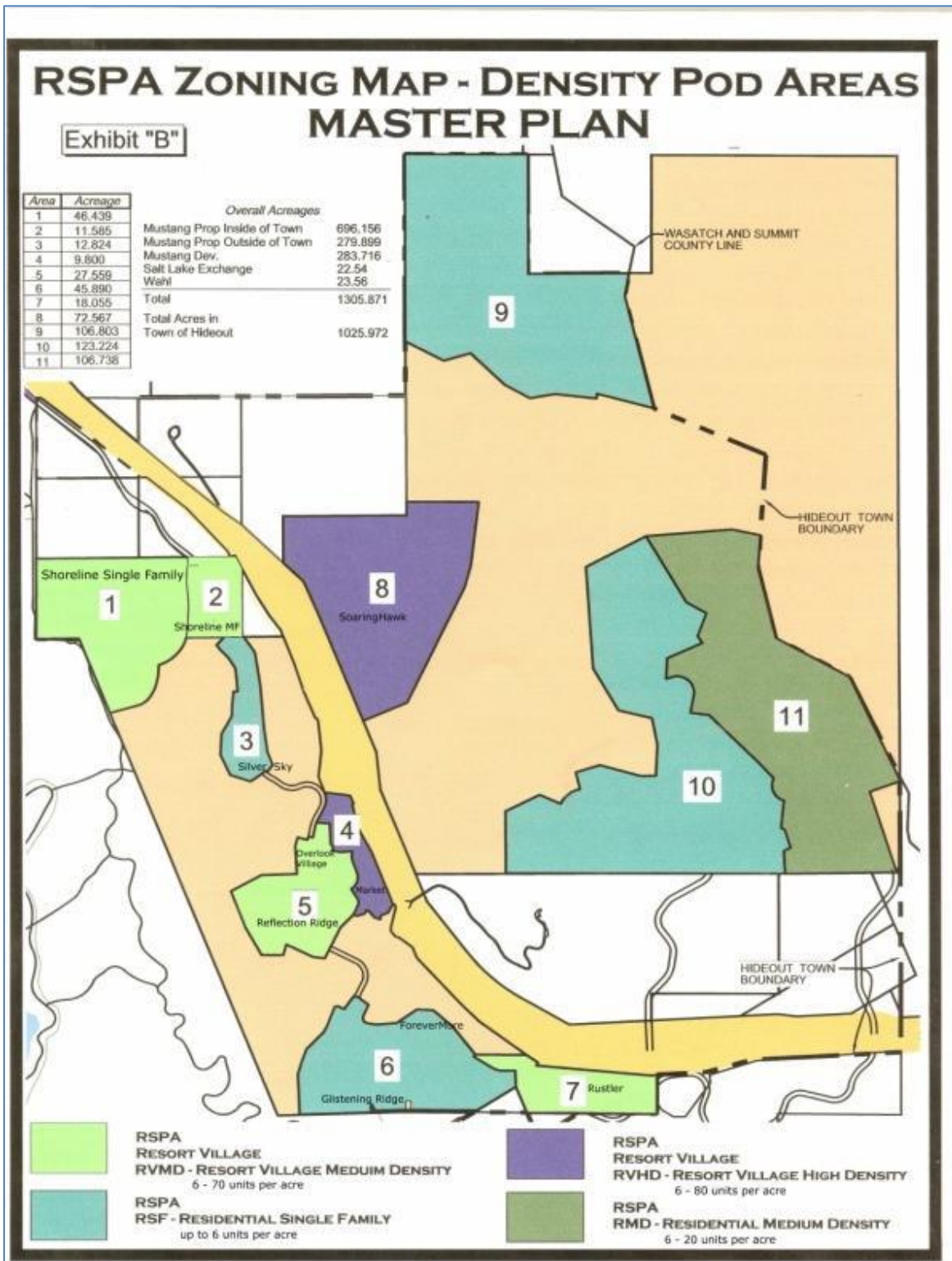


ZONING

The subject property is located within the boundaries of Hideout Town City and is under that jurisdiction for zoning and enforcement. The following zoning information applies to the subject property:

Zoning Designation -	Soaring Hawk -RVHD – Resort Village High Density Reflection Ridge – RVMD – Resort Village Medium Density
Uses Allowed -	Variety of residential
Minimum Lot Size for Development -	N/A
Legal Conforming Use -	The Reflection Ridge subdivision is a fully entitled and recorded subdivision and is a legally conforming uses. The proposed Soaring Hawk subdivision appears to be legally conforming with densities below the allowable size.
Zoning Ordinance -	Found in the appraiser’s work file, available upon request.

Based on our inspection of the proposed site and building plans, and conversations with the Hideout Town Planning and Zoning department, it appears that the subject as proposed will be a legal conforming use.

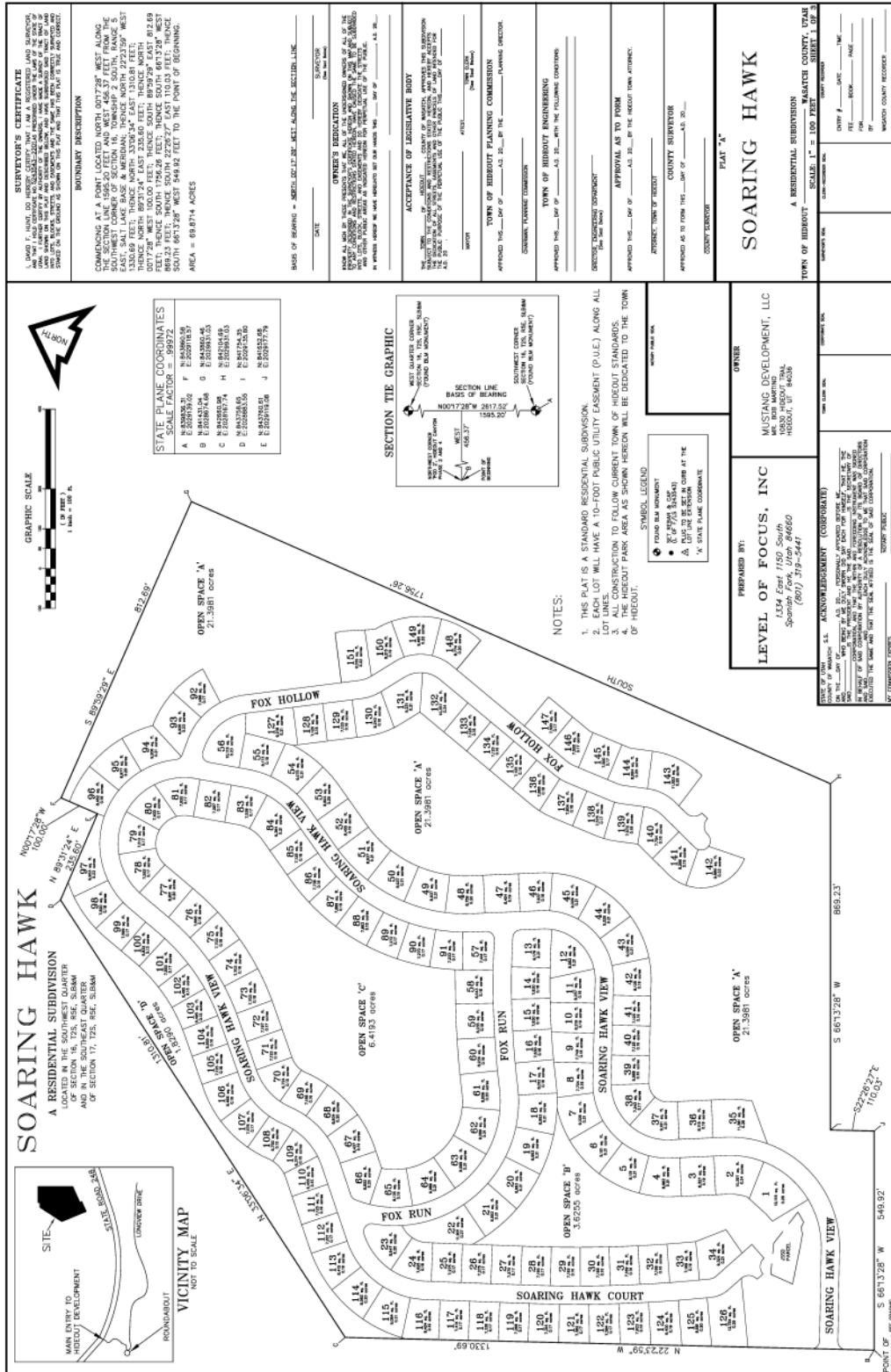


IMPROVEMENT DESCRIPTION

The subject development will include all underground utilities, as well as a drainage system. The proposed improvements appear to be well designed and of a typical quality. For a breakdown on these utilities please refer to the addendum.

The proposed lots are outlined on the following table and the partially improved lots will follow.

Proposed Soaring Hawk Subdivision							
# of Lots =	151						
Lot #	Size (sf)	Lot #	Size (sf)	Lot #	Size (sf)	Lot #	Size (sf)
1	12118	39	6888	77	8901	115	9084
2	10397	40	7125	78	7552	116	8424
3	8327	41	7125	79	7513	117	7410
4	8983	42	8129	80	7400	118	7336
5	9101	43	9029	81	7620	119	7268
6	9101	44	9029	82	7597	120	7316
7	9026	45	9029	83	7539	121	7382
8	7704	46	7637	84	9364	122	7584
9	7749	47	8404	85	7125	123	7923
10	8219	48	8759	86	7736	124	8400
11	8257	49	8937	87	7866	125	8681
12	9062	50	8937	88	7863	126	12754
13	9176	51	8937	89	7272	127	9218
14	7630	52	8455	90	7270	128	7125
15	7630	53	8804	91	7233	129	7125
16	7630	54	9075	92	7488	130	8240
17	8012	55	8173	93	9926	131	9231
18	8993	56	10118	94	9206	132	10357
19	8993	57	7441	95	8677	133	7125
20	8993	58	8043	96	8452	134	7125
21	8993	59	8235	97	9953	135	7125
22	11901	60	8234	98	7820	136	7668
23	8648	61	8656	99	7599	137	7904
24	7825	62	9089	100	5832	138	7578
25	7275	63	9089	101	7500	139	7672
26	7275	64	9089	102	6495	140	7754
27	7275	65	8135	103	6495	141	8296
28	7195	66	8822	104	6955	142	9880
29	7169	67	8437	105	7125	143	11053
30	7169	68	8604	106	8468	144	8694
31	7169	69	7156	107	7576	145	7500
32	7169	70	6724	108	6700	146	7500
33	7169	71	7125	109	6374	147	7500
34	9324	72	7197	110	6455	148	8774
35	11381	73	7703	111	7125	149	9491
36	8115	74	7703	112	7221	150	8215
37	9161	75	7703	113	8415	151	9519
38	7243	76	7668	114	8582		
Total	1,235,521						
Average	8,182						
Range	5,832	to	12754				



Reflection Ridge Subdivision					
# of Lots =		14			
Lot #	Size (sf)	Lot #	Size (sf)	Lot #	Size (sf)
1	17,452	6	18,356	R-3	4,225
2	19,508	7	17,277	R-4	4,225
3	26,544	8	20,374	R-5	4,225
4	19,523	R-1	4,214	R-6	4,225
5	17,109	R-2	4,225		
Total	181,482				
Average	12,963				
Range	4,214	to	26,544		

TAX ASSESSMENT ANALYSIS

The property is comprised of one partially improved subdivision and one proposed subdivision. The proposed subdivision is reported as being in greenbelt status.

Greenbelt Roll-back Taxes. In order to avoid tax rates that prohibit continued agricultural use of properties located within development zones, the county has developed a "Greenbelt" tax system that in effect maintains the agricultural tax rate, but enables the county to collect taxes based on the higher development property valuation retro-active for a maximum of five years previous to the property's development. Greenbelt taxes are divided into three classifications: Tillable ground, irrigated ground, and grazing ground. As long as the property is being farmed, it can fall into one of these classifications and be taxed as agricultural property. However, once the property is sold for the purpose of development or a development plat is filed, the county can assess and collect taxes retro-active for a maximum of five years at the higher valuation of the development property.

Due to time constraints and the number of parcels, we were only able to attain the 2013 proposed land values and taxes. According to the county treasurer's office, the subject has had the following tax history for 2013:

Parcel # 00-0020-8168

60.08 acres

Year	Land Value	Improvement Value	Assessed Value	Taxable Value	Taxes
2013	\$1,502,000	\$0	\$1,502,000	\$1,081	\$14.57
2012	Unavailable	Unavailable	\$0	Unavailable	Unavailable
2011	Unavailable	Unavailable	\$0	Unavailable	Unavailable

Parcel # 00-0020-8150

521 acres

Year	Land Value	Improvement Value	Assessed Value	Taxable Value	Taxes
2013	\$4,689,000	\$0	\$4,689,000	\$9,378	\$126.36
2012	Unavailable	Unavailable	\$0	Unavailable	Unavailable
2011	Unavailable	Unavailable	\$0	Unavailable	Unavailable

REFLECTION RIDGE SUBDIVISION					
Parcel	Land Value	Improvement Value	Assessed Value	Taxable Value	Taxes
00-0020-8706	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8707	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8708	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8709	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8710	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8711	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8712	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8713	\$37,500	\$0	\$37,500	\$37,500	\$505.28
00-0020-8715	\$30,000	\$0	\$30,000	\$30,000	\$404.22
00-0020-8716	\$30,000	\$0	\$30,000	\$30,000	\$404.22
00-0020-8717	\$30,000	\$0	\$30,000	\$30,000	\$404.22
00-0020-8718	\$30,000	\$0	\$30,000	\$30,000	\$404.22
00-0020-8719	\$30,000	\$0	\$30,000	\$30,000	\$404.22
00-0020-8720	\$30,000	\$0	\$30,000	\$30,000	\$404.22
TOTAL	\$480,000	\$0	\$480,000	\$480,000	\$6,468

No delinquent taxes were reported on the subject parcels.

Upon completion of the proposed construction, it is anticipated that the subject will be reassessed.

MARKET ANALYSIS

The following discussion includes a summary of the residential housing market in Wasatch County, Park City and surrounding areas.

General

The subject is located within Wasatch County. Park City is located in Summit County, at the eastern edge of the Wasatch Front, and is the primary demand generator for the subject's development as well as the surrounding upper-end residential communities.

After a population decline following the shutdown of Park City's mining industry, the city rebounded during the 1980s and 1990s through an expansion of its tourism business. The city has three major ski resorts: Park City Mountain Resort, Deer Valley Resort, and The Canyons Resort. The Park City and Deer Valley ski resorts were the major locations for ski and snowboarding events at the 2002 Winter Olympics. Although they receive less snow and have a shorter ski season than do their counterparts in Salt Lake County, such as Snowbird resort, they are much easier to access.

Additional draws to the city include: the United States' largest independent film festival, the Sundance Film Festival; the home of the United States Ski Team; the training center for members of the Australian Freestyle Ski Team; the largest collection of factory outlet stores in northern Utah; the 2002 Olympic bobsled/skeleton/luge track at the Utah Olympic Park; and many competitive golf courses. Outdoor-oriented businesses such as Backcountry.com, Rossignol USA and Skullcandy have their headquarters in Park City. The city has many upscale luxury retailers, clubs, bars, and restaurants, and has nearby reservoirs, hot springs, forests, and hiking and biking trails.

In the summertime many valley residents of the Wasatch Front visit the town to escape high temperatures. Park City is cooler than Salt Lake City, as it lies mostly above 7,000 feet above sea level, while Salt Lake City is situated at an altitude of about 4,000 feet.

Tourism

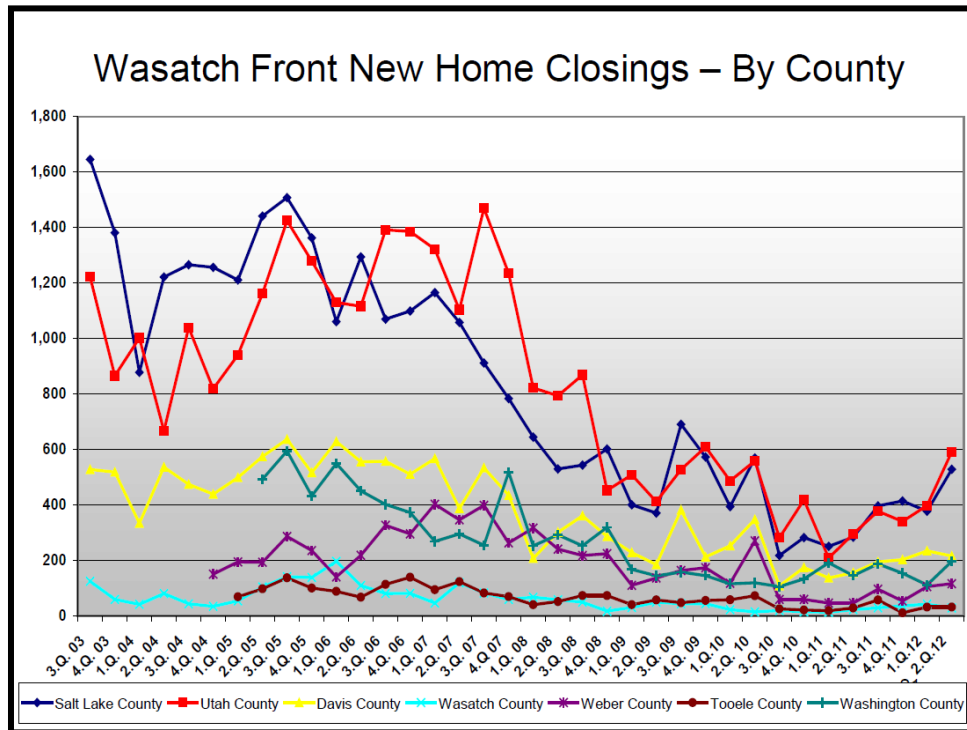
Ski Utah is part of the National Ski Areas Association and maintains a statewide database of Utah Skier Days. Skier days are defined as one person visiting a ski area for all or any part of a day or night for the purpose of skiing. The following table highlights skier volume from 1995-2012.

UTAH SKIER DAYS		
Season	Visits	% Change
2011-2012	3,802,536	-9.96%
2010-2011	4,223,064	4.32%
2009-2010	4,048,153	1.89%
2008-2009	3,972,984	-6.50%
2007-2008	4,249,190	4.09%
2006-2007	4,082,094	0.49%
2005-2006	4,062,188	4.28%
2004-2005	3,895,578	13.60%
2003-2004	3,429,141	9.17%
2002-2003	3,141,212	5.25%
2001-2002	2,984,574	-8.96%
2000-2001	3,278,291	10.76%
1999-2000	2,959,778	-4.38%
1998-1999	3,095,347	-0.21%
1997-1998	3,101,735	1.94%
1996-1997	3,042,757	2.98%
1995-1996	2,954,690	--
Source: Ski Utah		

Ski Utah reported that 3,802,536 skier days were logged in 2011/12, down 9.96 percent from the previous year. Low snowfall was the primary reason for the drop in visits. Even with the slim snowpack, the 2011/12 season marked the eighth highest visit total in the state's history.

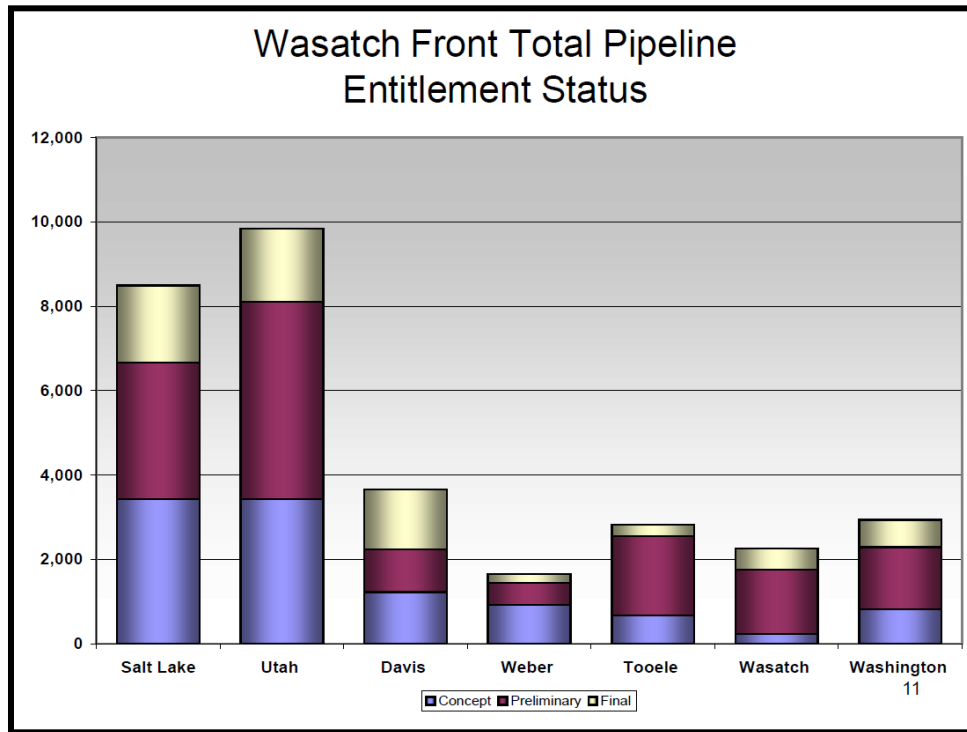
New Residential Housing Report by NewReach

NewReach, Inc. published a Residential Housing Report in June 2012. Though we were unable to obtain the year end 2012 report, the historical analysis provides a good history of the housing market. The following tables summarize pertinent data regarding the residential market:



Wasatch Front Total Pipeline

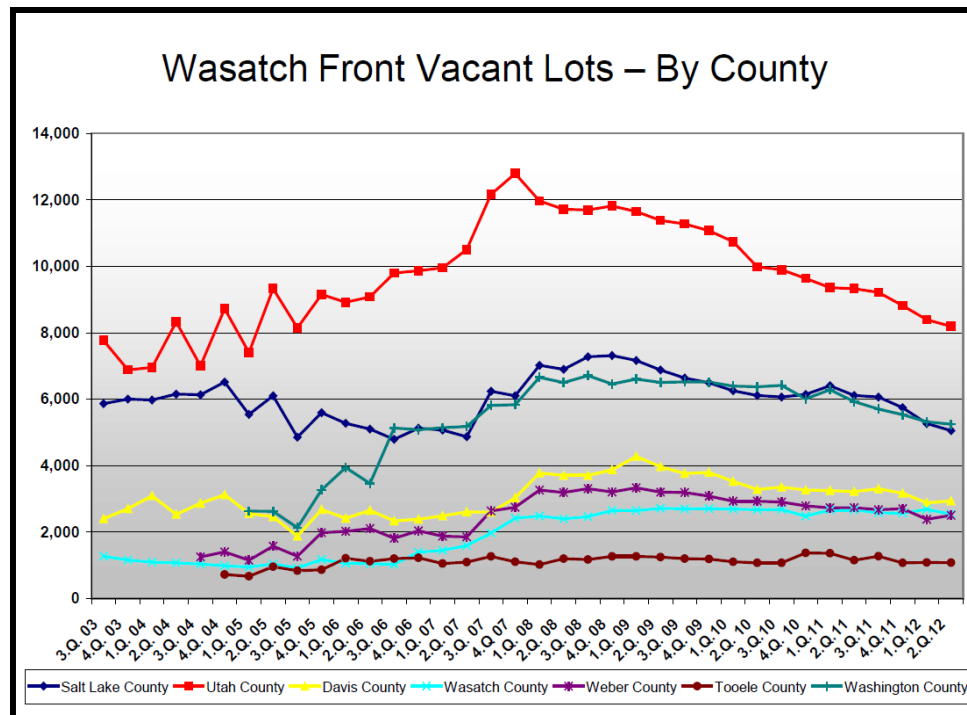
The following table shows total number of lots in the entitlement phase of development:



Utah County reportedly has the highest number of lots along the Wasatch Front, followed by Salt Lake County. Wasatch County has just over 2,000 lots in the pipeline, though most are in the preliminary stage.

Vacant Developed Lots

The following table shows vacant lots by county:

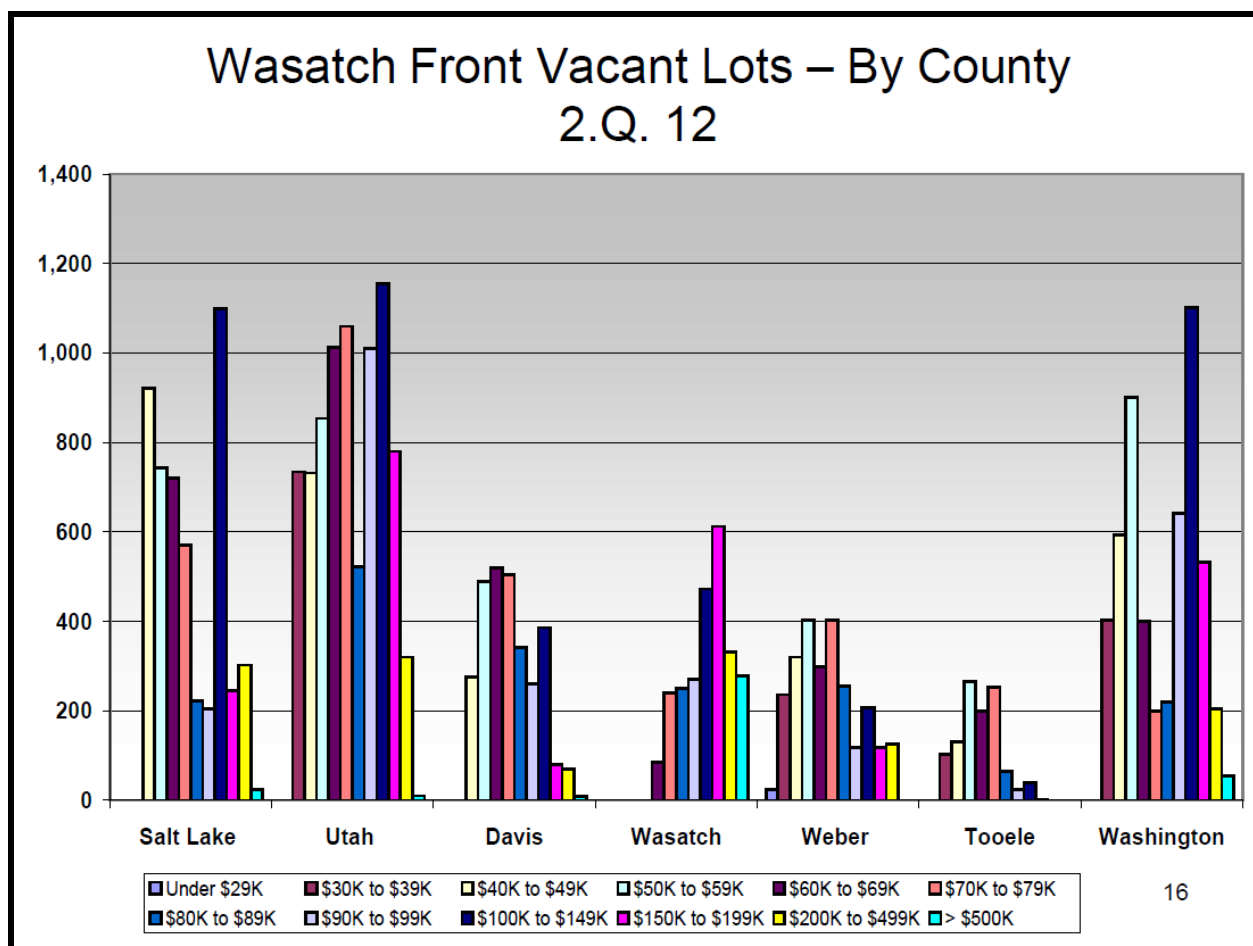


Vacant developed lots continue to be at unhealthy levels, with Utah County reporting the highest levels. In Utah County there are 1,443 vacant developed attached pads and 6,947 vacant developed lots, for a total of 8,390 vacant developed lots. This is down from 9,367 vacant developed lots in the 2nd Quarter of 2011; however, Utah County remains far over-supplied with vacant lots.

Vacant lot levels in Wasatch County have remained relatively unchanged since the end of 2007.

Vacant Lots by Price Range

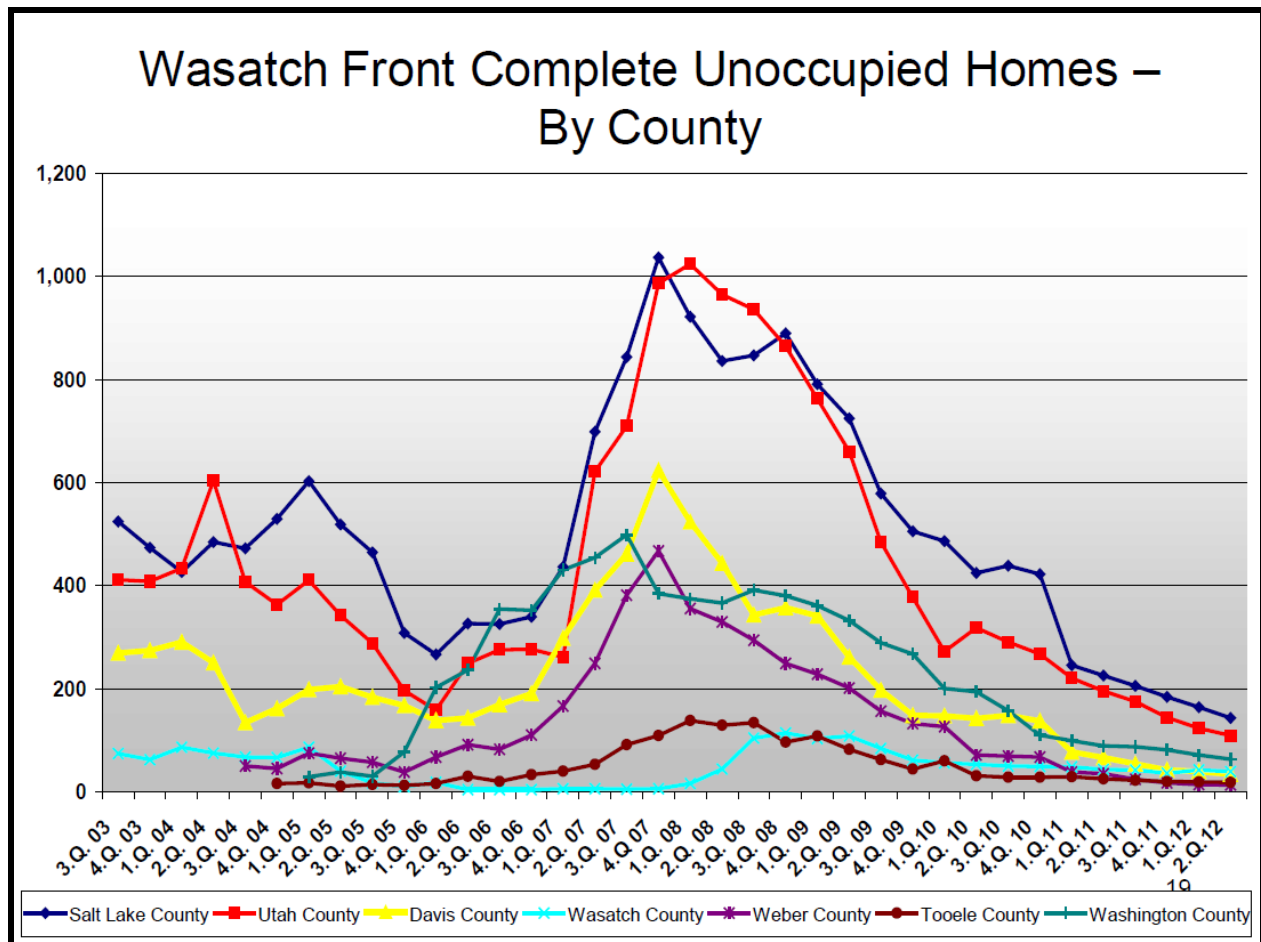
The following table shows vacant lots by price range for each county:



Wasatch County shows a large inventory of lots falling in the \$100,000 to \$200,000 price range. The county also has the highest number of lots in the \$500,000+ range.

Vacancy

The following table shows the number of unoccupied homes by county:



The new housing market continues to show declining number of complete unoccupied homes, or standing inventory. The number of complete unoccupied homes peaked in the fourth quarter of 2007 at a level of 3,615.

REGIONAL DATA CONCLUSION

Utah County tops the Wasatch Front in vacant lots, available lots, lots in the pipeline and abandoned properties. It is at the top of the range with Salt Lake County for the amount of unoccupied homes. However, indications appear to have stabilized, with sales activity showing positive increases over the past year. Activity in Wasatch County has remained relatively unchanged over the past several quarters.

DEER VALLEY & PARK CITY REAL ESTATE TRENDS

The following table provides 4Q-2012 statistics released by the Western Mountain Resort Alliance (formerly the Rocky Mountain Resort Alliance), which provides real estate information for most of the largest ski and summer resort areas in the west.

WESTERN MOUNTAIN RESORT ALLIANCE- 4Q 2012									
		Whistler	Park City	Steamboat	Sun Valley	Vail	Big Sky	Tahoe Sierra	Teton
# of Agents		140	746	315	257	632	81	670	466
# of Active Listings	Homes	124	588	319	252	355	104	378	193
	Condos	342	425	438	271	767	176	173	107
	Land	69	702	669	196	238	155	398	202
	Other	79	85	235	92	205	23	162	40
	Total	617	1,800	1,661	811	1,565	458	1,111	542
	% Change	-19%	-16%	-8%	-41%	-13%	-9%	-23%	-22%
# of Units Sold	Homes	105	797	259	290	498	57	1,126	201
	Condos	379	616	369	262	806	113	300	135
	Land	19	302	70	37	89	46	205	77
	Other	57	44	94	19	60	4	93	18
	Total	560	1,759	792	608	1,453	220	1,724	431
	% Change	4%	10%	9%	51%	29%	0%	18%	31%
Average Price	Homes	\$1,464,780	\$901,276	\$559,331	\$656,308	\$1,100,312	\$926,707	\$645,983	\$1,862,469
	Condos	\$568,449	\$611,002	\$413,939	\$353,502	\$875,889	\$315,160	\$433,201	\$582,128
	Land	\$850,125	\$316,138	\$360,050	\$446,303	\$482,998	\$313,020	\$220,454	\$1,921,261
	Other	\$106,451	\$511,761	\$237,874	\$701,663	\$1,376,970	\$153,500	\$86,660	\$2,425,361
	Total	\$699,043	\$689,417	\$435,826	\$514,460	\$949,433	\$470,219	\$528,184	\$1,495,446
	% Change	3%	5%	-8%	-5%	2%	-7%	10%	22%
Median Price	Homes	\$1,230,000	\$559,500	\$419,383	\$310,000	\$450,000	\$697,500	\$430,250	\$849,400
	Condos	\$430,000	\$343,950	\$299,000	\$192,000	\$415,000	\$200,000	\$290,000	\$350,988
	Land	\$813,750	\$213,750	\$150,000	\$185,000	\$119,500	\$215,000	\$95,000	\$555,000
	Other	\$86,500	\$120,000	\$148,750	\$276,500	\$309,750	\$51,000	\$53,400	\$1,035,000
	Total	N/A	\$399,000	\$310,000	\$243,500	\$410,000	\$297,056	\$192,500	\$570,775
	% Change	N/A	14%	36%	-16%	-3%	-1%	4%	-14%

Source: Western Mountain Resort Alliance

The Park City area shows a 10 percent increase in sales activity over the past year. Also, the average and median sales prices have increased 5 percent and 14 percent respectively. Park City and four other resort areas are showing increases with only three ski resort destinations still indicating declining values.

LOCAL REAL ESTATE TRENDS

Summit County Building Permit Data

The following table summarizes historical building permit data (excluding additions and alterations) for Summit County:

SUMMIT COUNTY BUILDING PERMITS							
Year	Number of Buildings	% Change	Dwelling Units	% Change	Residential Value (\$000)	Commercial Permits	Commercial Value (\$000)
2012	99	13.8%	119	32.2%	\$57,557.6	145	\$26,337.7
2011	87	-16.3%	90	-62.0%	\$41,609.7	107	\$10,268.2
2010	104	-16.1%	237	-38.4%	\$48,729.6	117	\$17,720.3
2009	124	-29.5%	385	79.9%	\$59,095.3	121	\$11,876.6
2008	176	-57.9%	214	-81.2%	\$60,871.2	128	\$105,531.2
2007	418	-22.2%	1,139	31.1%	\$285,305.4	148	\$49,380.5
2006	537	-15.8%	869	-3.3%	\$242,309.2	170	\$49,328.7
2005	638	25.3%	899	36.8%	\$211,064.9	113	\$36,044.2
2004	509	17.6%	657	5.3%	\$153,466.0	138	\$22,725.7
2003	433	4.6%	624	47.2%	\$123,077.1	158	\$22,593.7
2002	414	-14.1%	424	-52.9%	\$92,371.3	173	\$22,575.1
2001	482	18.1%	900	68.9%	\$144,414.3	170	\$37,067.0
2000	408	-	533	-	\$101,495.2	156	\$40,668.6

Source: Utah Bureau of Economic and Business Research

Through the middle of the past decade, residential permit activity had seen consistent growth, increasing from 408 buildings permitted in 2000 to 638 buildings permitted in 2005. Many of the permitted buildings contained multiple units, with a peak in overall dwelling units not reached until 2007, when over 1,100 dwelling units were permitted. Then, as the national housing market began to fold, building statistics plummeted. 176 residential buildings (214 dwelling units) were permitted in 2008 and only 124 buildings (385 dwelling units) were permitted in 2009, levels not seen over the previous decade. 2010 saw continued decreases with only 104 buildings permitted (237 dwelling units), with a further drop seen in 2011 with only 87 residential buildings permitted (90 dwelling units). The slowdown in permit activity has continued through 2012.

Single-Family

The following table summarizes only newly constructed single-family permits in the Summit County area with an estimated total value and average value per permit:

HISTORICAL BUILDING PERMIT DATA- SUMMIT COUNTY					
Single Family					
Year	Permits	%CHG	Value	Avg\$/ Permit	%CHG
2012	90	4.65%	\$48,253,200	\$536,147	10.81%
2011	86	13.16%	\$41,609,700	\$483,834	25.44%
2010	76	-24.75%	\$29,313,200	\$385,700	37.88%
2009	101	-29.86%	\$28,253,000	\$279,733	-15.01%
2008	144	-60.76%	\$47,394,300	\$329,127	8.86%
2007	367	-25.25%	\$110,957,900	\$302,338	-2.39%
2006	491	-10.73%	\$152,077,800	\$309,731	16.17%
2005	550	37.84%	\$146,643,000	\$266,624	-9.89%
2004	399	17.01%	\$118,056,400	\$295,881	12.12%
2003	341	-8.09%	\$89,989,300	\$263,898	18.48%
2002	371	-12.09%	\$82,632,600	\$222,729	-1.68%
2001	422	21.61%	\$95,598,400	\$226,536	-7.52%
2000	347	-	\$84,999,600	\$244,956	-

Source: Utah Bureau of Economic and Business Research

Like the overall permit data, single-family permit activity saw largely positive increases through the first half of last decade. 2005 marked the all-time high for the Summit County area with 550 single-family permits issued. While 2006 and 2007 saw decreases in activity, the real slowdown did not occur until 2008, when only 144 permits were issued. As with the overall data, this slowdown has continued to the present, with only 90 single-family homes permitted in 2012. Average values per permit remain strong, reaching an all-time high of \$536,147 in 2012.

Wasatch County Building Permit Data

The following table summarizes the historical building permit information (excluding additions and alterations) for Wasatch County:

WASATCH COUNTY BUILDING PERMITS							
Year	Number of Buildings	% Change	Dwelling Units	% Change	Residential Value (\$000)	Commercial Permits	Commercial Value (\$000)
2012	106	-22.6%	138	-34.0%	\$48,199.5	52	\$9,051.5
2011	137	29.2%	209	-21.4%	\$53,953.3	41	\$4,851.1
2010	106	58.2%	266	297.0%	\$48,934.9	60	\$14,603.7
2009	67	-51.1%	67	-65.1%	\$25,783.4	63	\$7,892.6
2008	137	-66.4%	192	-55.5%	\$71,000.3	97	\$24,023.0
2007	408	-23.2%	431	-31.0%	\$146,973.3	98	\$19,921.8
2006	531	7.5%	625	22.3%	\$188,632.4	81	\$10,786.7
2005	494	61.4%	511	60.2%	\$134,330.6	68	\$36,522.3
2004	306	17.7%	319	20.4%	\$70,903.2	53	\$9,988.2
2003	260	-4.1%	265	-31.0%	\$61,452.9	88	\$10,542.2
2002	271	-0.7%	384	37.6%	\$71,015.2	68	\$6,131.2
2001	273	-18.3%	279	-24.6%	\$54,061.8	144	\$8,868.6
2000	334	-	370	-	\$74,750.5	84	\$25,705.5

Source: Utah Bureau of Economic and Business Research

Residential permit activity saw strong growth through the early part of the decade, increasing from 334 buildings permitted in 2000 to 531 buildings permitted in 2006. Dwelling units also peaked in 2006 with 625 units permitted. Activity slowed in 2007, with significant declines seen in both 2008 and 2009. Since 2008, fewer than 150 residential buildings have been permitted annually, with the slowdown continuing through 2012.

The following table summarizes just the new single family permits with an estimated total value and average value per permit:

HISTORICAL BUILDING PERMIT DATA- WASATCH COUNTY					
Single Family					
Year	Permits	%CHG	Value (\$000)	Avg\$/ Permit	%CHG
2012	98	-24.03%	\$38,187.7	\$389,670	13.56%
2011	129	31.63%	\$44,265.7	\$343,145	-6.63%
2010	98	46.27%	\$36,016.6	\$367,516	-4.50%
2009	67	-41.23%	\$25,783.4	\$384,827	-21.91%
2008	114	-69.35%	\$56,178.7	\$492,796	34.71%
2007	372	-18.60%	\$136,081.6	\$365,811	10.83%
2006	457	-3.59%	\$150,839.8	\$330,065	23.67%
2005	474	63.45%	\$126,504.2	\$266,886	15.31%
2004	290	17.89%	\$67,118.3	\$231,442	-2.36%
2003	246	8.37%	\$58,311.4	\$237,038	9.68%
2002	227	-14.98%	\$49,059.9	\$216,123	9.04%
2001	267	-9.80%	\$52,919.2	\$198,199	-21.52%
2000	296	-	\$74,750.5	\$252,535	-

Source: Utah Bureau of Economic and Business Research

This data reflects the increasing prices noted in the Wasatch County market during the housing boom, reaching a peak average permit value of \$492,796 in 2008. Permit values have since dropped with the 2012 average permit value of \$389,670 down 21 percent from the 2008 numbers. As with the overall data, permit volume remains at depressed levels.

MLS DATA

Park City Residential MLS Data

The following chart show historic average sales prices in single-family homes listed on the Park City MLS:

PARK CITY MLS RESIDENTIAL HOMES SALES ACTIVITY					
Year	No. Homes Sold	% Change	Total Value	Average Sale Price	% Change
2012	810	10%	\$658,434,420	\$812,882	12%
2011	736	20%	\$535,431,904	\$727,489	-1%
2010	615	28%	\$452,002,860	\$734,964	-8%
2009	481	1%	\$386,015,006	\$802,526	-8%
2008	474	-42%	\$412,644,212	\$870,557	-21%
2007	823	-13%	\$911,417,168	\$1,107,433	15%
2006	946	-22%	\$912,795,278	\$964,900	30%
2005	1,213	25%	\$902,313,769	\$743,870	19%
2004	968	24%	\$607,520,224	\$627,604	28%
2003	779	6%	\$380,622,771	\$488,604	15%
2002	738	14%	\$313,218,869	\$424,416	-7%
2001	648	5%	\$295,959,829	\$456,728	-9%
2000	620	---	\$310,692,280	\$501,117	---

Source: Park City Board of Realtors

2005 marked the high point in residential home sales activity throughout the Park City region, with over 1,200 closed transactions. Activity dropped significantly in the subsequent years, reaching a low point of 474 sales in 2008. 2010 saw the first significant uptick in activity with 615 sales; however, it came at the cost of an 8 percent decline in average sales price. 2011 followed the trend set in 2010, with a 20 percent increase in sales volume and a further 8 percent decrease in average sales price. Pricing appears to have bottomed out, however, with a 12 percent improvement noted for 2012.

Jordanelle Submarket

The following table shows historic single-family homes sales activity for the subject's Jordanelle submarket:

JORDANELLE SINGLE FAMILY HOME SALES ACTIVITY					
Year	No. Homes Sold	% Change	Total Value	Average Sale Price	% Change
2012	19	46%	\$17,576,843	\$925,097	-20%
2011	13	-32%	\$20,593,300	\$1,155,423	7%
2010	19	111%	\$20,593,300	\$1,083,858	39%
2009	9	80%	\$6,997,200	\$777,467	-58%
2008	5	-81%	\$9,319,791	\$1,863,958	23%
2007	26	24%	\$39,395,466	\$1,515,210	74%
2006	21	-32%	\$18,334,600	\$873,076	26%
2005	31	138%	\$21,461,800	\$692,316	45%
2004	13	-13%	\$6,220,900	\$478,531	21%
2003	15	25%	\$5,936,400	\$395,760	17%
2002	12	---	\$4,062,000	\$338,500	---

Source: Park City Board of Realtors

2005 marked the high point in sales volume for the Jordanelle submarket, though the average sales price continued to increase through 2008. Average pricing has since dropped, though it remains above pre-recession levels. Sales volume was up for 2012, though it came at the cost of a 20 percent decline in average sales prices.

Wasatch Front Regional Multiple Listing Service

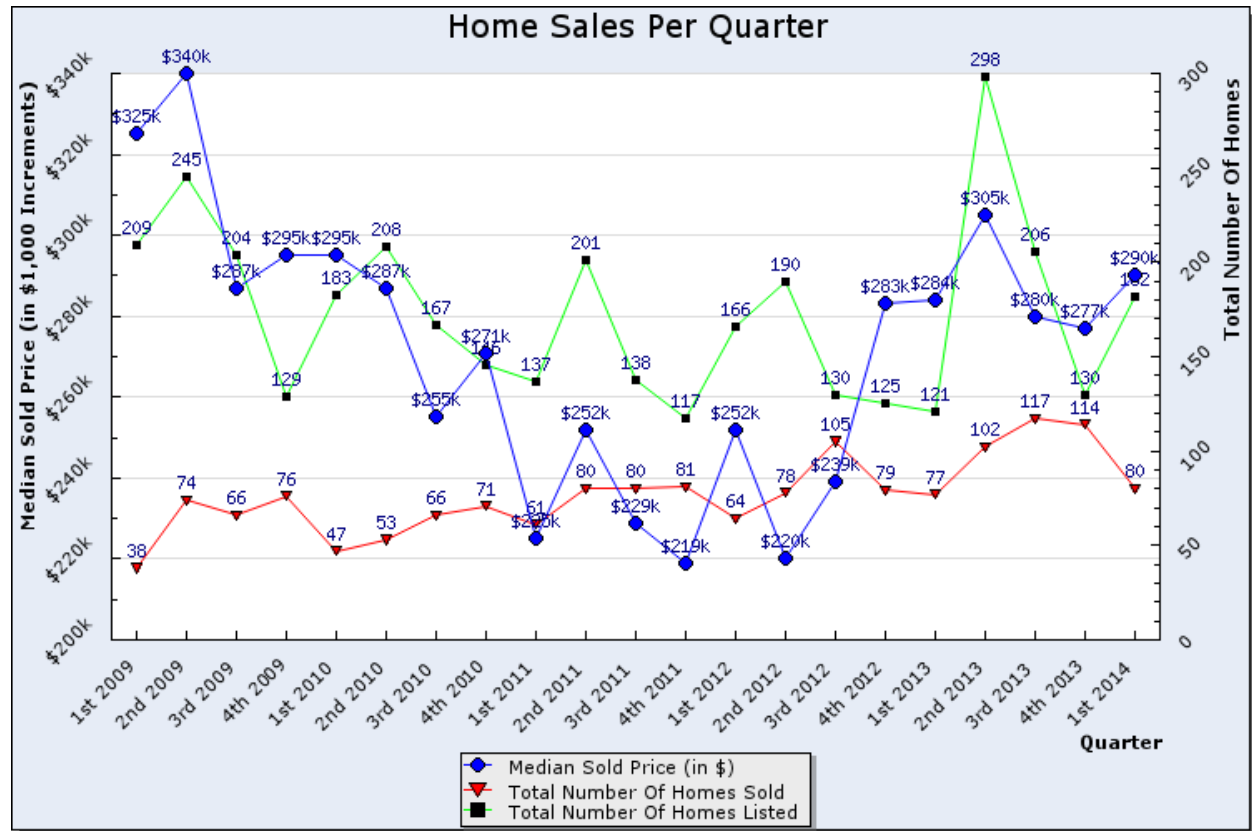
The following discussion reflects data gleaned from the Wasatch Front Regional Multiple Listing Service (WFRMLS). The table below shows the actual number of single family home closings in Wasatch County through the MLS (excludes private party transactions) since 2000:

WASATCH COUNTY RESIDENTIAL SALES ACTIVITY						
Year	Homes Sold	% Change	Median Sale Price		Average Sale Price	% Change
2013	410	26%	\$286,500	17%	\$299,500	-15%
2012	326	8%	\$245,000	7%	\$353,376	26%
2011	302	28%	\$230,000	-16%	\$281,378	-14%
2010	236	-7%	\$273,950	-12%	\$327,453	-7%
2009	254	46%	\$310,500	-6%	\$351,620	-14%
2008	174	-35%	\$330,000	-10%	\$406,956	-6%
2007	266	-25%	\$365,000	18%	\$431,258	10%
2006	355	1%	\$309,175	45%	\$393,636	41%
2005	351	46%	\$213,000	19%	\$279,679	25%
2004	241	43%	\$179,000	4%	\$223,342	-8%
2003	169	10%	\$172,900	2%	\$242,650	21%
2002	153	8%	\$169,000	-3%	\$200,302	-18%
2001	142	-18%	\$175,000	9%	\$245,235	26%
2000	174	-	\$160,775	-	\$194,459	-

Home sales in Wasatch County increased significantly through the early part of the decade, peaking with 355 sales in 2006. The median and average sales prices also increased, a portion of the increase is attributable to the number of new construction homes that came on the market in 2004-2006. Sales volume dropped in 2007 and 2008, reaching a low of 174 homes sold in 2008. Although sales volume was down, 2007 marked the high point in pricing for the county with a median sales price of \$365,000 and an average sales price of \$431,258. Median sales prices have since dropped significantly, falling to \$245,000 in 2012, a 33 percent decrease from the peak. Sales volume has, however, seen some recovery over the past two years, with 302 sales in 2011 and 326 sales in 2012 and improved to 26 percent to 410 homes with the median price increasing and the average price declining.

LISTINGS VERSUS SALES

The following chart shows historical average home sales per quarter by quarter from 2008 to current.



CONCLUSION

The data from the PCMLS, WFRMLS and the Utah Bureau of Economic and Business Research indicates a reflection of the slowing of the housing market experienced nationally during 2008 and 2009. Some recovery was noted in 2012, though it may take several years for the market correction to stabilize completely. Brokers active in the local market are confident that sales volume will continue to see increases in the near term, though they are uncertain as to when pricing will correct and see improvement.

HIGHEST AND BEST USE

Real estate is typically valued in terms of its highest and best use. The definition provided by *The Appraisal of Real Estate*, is as follows:

Highest and best use is the reasonably probable and legal use of vacant land or an improved property that is legally permissible, physically possible, appropriately supported, financially feasible, and that results in the highest value.

In estimation of the highest and best use, the appraiser must consider these four basic stages of analysis for proposed uses:

1. Legally permissible uses. Are there zoning or deed restrictions that would prohibit proposed uses?
2. Physically possible uses. From the permissible uses, which are physically possible when considering all aspects of the site size, shape, and topography or any other physical aspects?
3. Financially feasible uses. Which of the above legally permissible and possible uses will produce a net return to the owner of the site?
4. Maximally productive or highest and best use. After analyzing the above considerations, which of the proposed uses will produce or generate the highest rate of net return over a projected period of time?

In determining the highest and best use of a property, the site is considered under two classifications. The first type is the highest and best use as though vacant. The second is the highest and best use as improved. Each type requires a separate discussion and analysis.

Highest and Best Use as if Vacant

Each of the land parcels have an RSPA Zone. Soaring Hawk is zoned for resort village high density, Reflection Ridge is zoned resort village medium density. Reflection Ridge is a recorded, fully entitled subdivision and is legally permissible as herein described. The Soaring Hawk subdivision is proposed and has not received approval, but meets the zoning requirements for its zone. Each of the sites has the necessary physical characteristics to accommodate all of the legally possible uses. The local residential market is currently stable as evidenced by improved sales in the subject development and other neighboring communities. The highest and best use of the subject parcels as vacant has been determined to be for single family residential use as described herein.

Highest and Best Use as Improved

Each of the developments as improved will be a legally permissible development. Soaring Hawk is proposed with 151 lots, Reflection Ridge is partially improved with 14 lots. Considering the size, frontage, and access of the subject, it is deemed to be a physically possible development. Based on the foregoing discussion, we have concluded that the maximally productive and highest and best use of the subject property as improved is for subdivision development.

VALUATION PROCESS

The appraisal process for valuation of real estate involves a systematic analysis of facts based on supply and demand, and other various economic principles. To organize these pertinent factors, appraisal theory has developed three basic approaches to the appraisal process. They are applied on the basis of the highest and best use of the property. These three basic approaches are summarized as follows:

Cost Approach - This approach to value is based on the justification an informed investor or purchaser would pay no more for the subject property than it would cost him to produce a substitute offering the same utility. The cost approach involves determining the depreciated value of the improvements plus land value and profit. This approach is most useful when valuing properties that are newer in age, and when reproduction and replacement cost data is readily available; or when the property consists of unique or specialized improvements.

Sales Comparison Approach - This approach is a process of comparing similar properties that sold on a "prospective market value of finished lots upon completion of construction" basis with the subject to estimate the market value. The comparable properties are chosen from those that would generally compete for the same purchasers in the market. Comparison to the subject may be made of the whole comparable property, the price per lot, or some other unit of comparison. Points of difference must be identified and considered, and then adjustments are applied to the comparables to reflect value differences for comparison to the subject property. From the adjusted values, the most probable selling price of the subject is estimated. Due to the fact that subdivisions tend to be developed and marketed on a retail basis by the same entity, this approach is very limited.

Income Approach – This approach is the process of measuring and converting future benefits of ownership into present value estimation. These future benefits are generally measured by the net income produced by a property over a given period of time, plus the proceeds of a resale of the property. As such, the income potential of the proposed subject is analyzed then discounted back to a present value. This is done after estimating an average value per lot for the subject by the cost and sales comparison approaches. This process is explained in detail within this approach.

For the valuation of the subject property, all three approaches are applicable and will be expanded in determining a final value estimate.

After the conclusions have been reached by the various approaches to value, the results are reviewed and reconciled, and a final value estimate is determined.

LAND/SITE VALUATION

69.87 ACRES- PROPOSED SOARING HAWK SUBDIVISION

The market value of the land or site is best determined by a thorough investigation of recent market sales and listings, and analysis of market activity as it relates to the subject property. This is accomplished by the use of sales comparison approach techniques.

The site is appraised as though vacant and available to be developed to its highest and best use. As determined earlier, the highest and best use of the site as if vacant is for development of residential subdivision use.

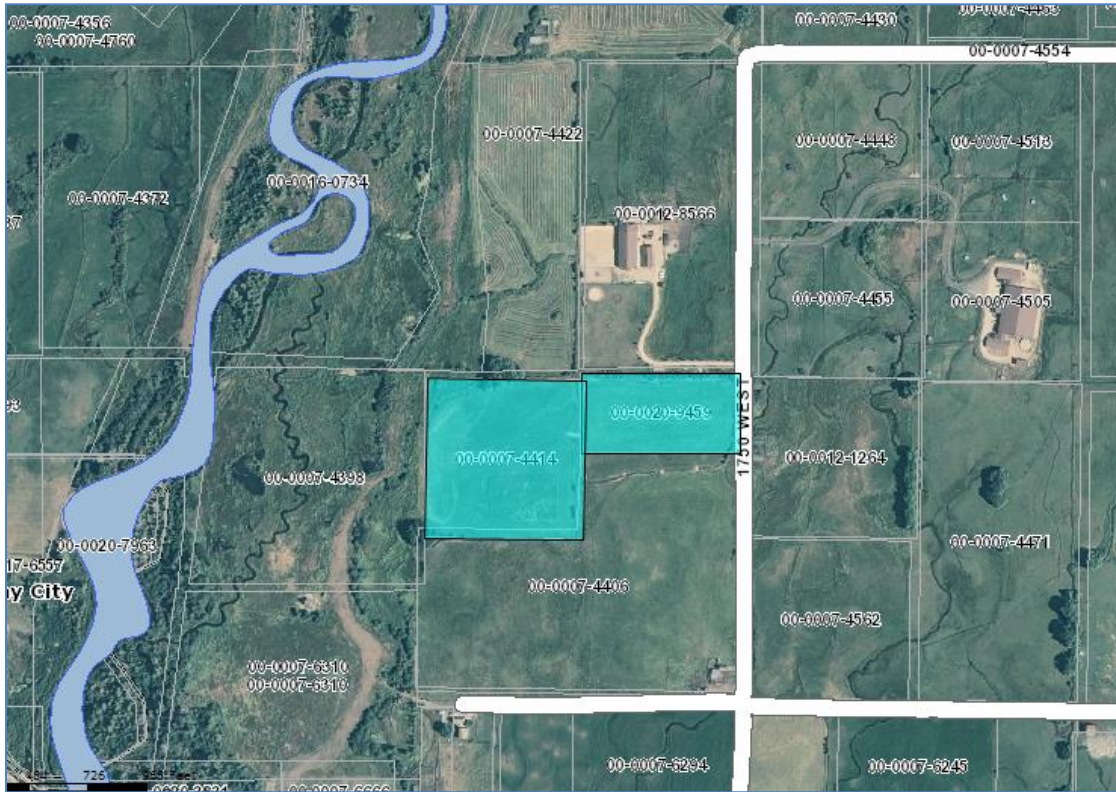
The following methods can be employed for valuing vacant land:

1. Sales Comparison
2. Extraction
3. Allocation
4. Direct Capitalization – Land Residual Technique
5. Direct Capitalization – Ground Rent Capitalization
6. Yield Capitalization – DCF Analysis (Subdivision Development Analysis)

The sales comparison technique is the most common method for valuing land and is the preferred method when comparable sales are available. This method will be employed in this analysis.

In order to appropriately determine the value of the subject site, we have determined the best comparables would be those site parcels similar to the subject in highest and best use. We have made an extensive search in the area and have obtained sales for comparison to the subject property. Each comparable will be analyzed based on comparison with the subject property, and appropriate adjustments will be made based on market extracted information. An adjustment grid follows to account for the dissimilarities and to show the comparables adjusted values.

The comparables are presented on the following pages.



Comparable Land Sale #1

1750 West and 1200 North
Heber City, Utah
Wasatch County

Value Indicators

Price per SF: \$0.97
Price per Acre: \$42,333

Site Data

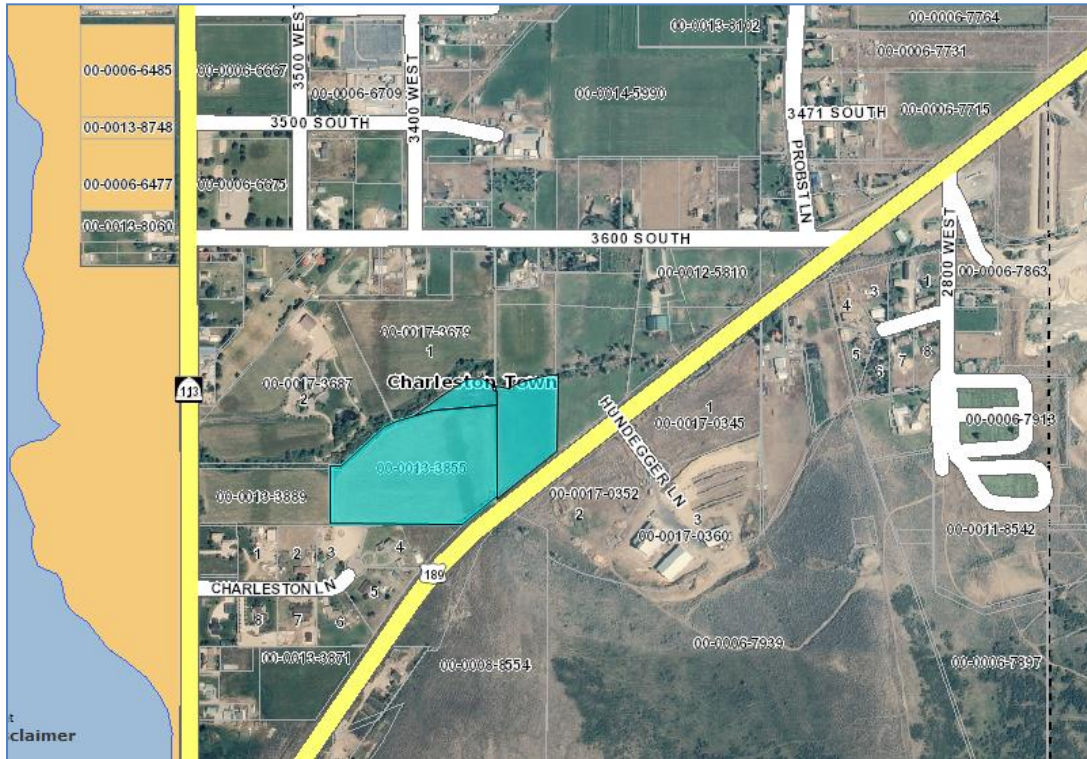
Tax ID: 00-0007-4406
Zoning: A-20
Size (SF): 653,400
Size (Acres): 15.00
Frontage: 1750 West
Shape: Rectangular
Topography: Mostly level
Utilities: Power, well and septic
Access: Adequate
Corner: No
Water rights: See comments
Improvements: Asphalt paved street

Sales Data

Sale Date: August 9, 2011
Sales Price: \$635,000
Financing Terms: Cash equivalent
Cash Equivalent Price: \$635,000
Grantor or Seller: Richard Montgomery
Grantee or Buyer: George Dempster
Property Rights Conveyed: Fee simple
Conditions of Sale: Arm's length
Exposure Time: N/A
Verified by: Tyler Free
Verified with: Amanda Peterson

Comments

The property has ten water shares with each share equal to 4 acre feet.



Comparable Land Sale #2

3400 West Highway 189
 Charleston, Utah
 Wasatch County

Value Indicators

Price per SF: \$0.75
 Price per Acre: \$32,580

Site Data

Tax ID: 00-0011-8567, 13-3855, 20-8534
 Zoning: RA-1
 Size (SF): 501,376
 Size (Acres): 11.51
 Frontage: Highway 189
 Shape: Irregular
 Topography: Mostly level
 Utilities: Power, Septic, water rights
 Access: Highway 189 & 3400 West
 Corner: No
 Entitlements: See comments
 Improvements: Asphalt paved street

Sales Data

Sale Date: April 26, 2011
 Sales Price: \$375,000
 Financing Terms: Cash Equivalent
 Cash Equivalent Price: \$375,000
 Grantor or Seller: Bruce L. Shannon
 Grantee or Buyer: Steven Bench
 Property Rights Conveyed: Fee simple
 Conditions of Sale: Arm's length
 Exposure Time: 924 Days
 Verified by: Tyler Free
 Verified with: Marc Coulam, agent PCMLS #9976698

Comments

This property has ten shares of Charleston Irrigation. The original list price in August 2008 was \$920,000. This parcel is in greenbelt status.



Comparable Land Sale #3

6300 East 1200 South
Wasatch County, Utah
Wasatch County

Value Indicators

Price per SF: \$0.62
Price per Acre: \$27,102

Site Data

Tax ID: 00-0014-2054, 00-0017-1855
Zoning: RA-1
Size (SF): 662,983
Size (Acres): 15.22
Frontage: 1200 S, 6360 E, & Lake Creek
Shape: Mostly rectangular
Topography: Level to mild slopes
Utilities: All available
Access: Adequate
Corner: Yes
Entitlements: None
Improvements: Asphalt paved street

Sales Data

Sale Date: April 27, 2011
Sales Price: \$412,500
Financing Terms: Cash Equivalent
Cash Equivalent Price: \$412,500
Grantor or Seller: Veigh Cummings
Grantee or Buyer: David M. Nelson
Property Rights Conveyed: Fee simple
Conditions of Sale: Arm's length
Exposure Time: 191 Days
Verified by: Eric Leonhardt and Tyler Free
Verified with: Mar Coulam, agent

Comments

Lake Creek flows intermittently through the land. Land to the north is being developed for residential use. Listing price was \$499,000 over a period of 191 days. Discount to the listing price is 17.3 percent. Land has been left to natural growth. Purchase includes water shares.



Comparable Land Sale #4

1130 West 1800 North
Wasatch County, Utah
Wasatch County

Value Indicators

Price per sf: \$0.86
Price per Acre: \$37,506

Site Data

Tax ID: 00-0007-9579 & 9587
Zoning: A-20
Size (sf): 929,135
Size (Acres): 21.33
Frontage: 1800 North & 1130 West
Shape: Rectangular
Topography: Level
Utilities: Electric & sewer
Access: Adequate
Corner: Yes
Water Rights: 50 acre feet or 25 shares
Improvements: Gravel road

Sales Data

Sale Date: September 25, 2012
Sales Price: \$800,000
Financing Terms: Cash Equivalent
Cash Equivalent Price: \$800,000
Grantor or Seller: Bob Morris Family, LLC
Grantee or Buyer: Christopher Christiansen
Property Rights Conveyed: Fee Simple
Conditions of Sale: Arm's length
Exposure Time: 341 Days
Verified by: Randy Henderson
Verified with: Ashley Farmer, agent (801-688-1730), county records, and MLS#1060564

Comments

This property has a private creek running through the property. The property was listed for \$849,700 which is a 5.8 percent drop in price.



Comparable Land Sale #5

Highway 32 and old Highway 40
Wasatch County, Utah
Wasatch County (near Heber)

Value Indicators

Price per sf:	\$0.89
Price per Acre:	\$38,790

Site Data

Tax ID:	00-0020-4584
Zoning:	M, NOZ
Size (sf):	561,488
Size (Acres):	12.89
Frontage:	None
Shape:	Irregular
Topography:	Hilly
Utilities:	All Available
Access:	Highway 32 by easement
Corner:	No
Water rights:	See comments
Improvements:	None

Sales Data

Sales Date:	November 2012
Sales Price:	\$500,000
Financing Terms:	Cash Equivalent
Cash Equivalent Price:	\$500,000
Grantor or Seller:	MB REO UT Land LLC
Grantee or Buyer:	North Village Development LLC
Property Rights Conveyed:	Fee Simple
Conditions of Sale:	Arm's length
Exposure Time:	N/A
Verified by:	Randy Henderson
Verified with:	Bruce Zollinger, agent (801-869-8040), and county records

Comments

This property has no frontage; however, there is an easement that allows access to this property through adjacent properties from Highway 32. Water rights are available from the JSSD.



Comparable Land Sale #6

1300 North Pine Canyon Road
 Midway, Utah
 Wasatch County

Value Indicators

Price per SF: \$1.65
 Price per Acre: \$71,821

Site Data

Tax ID: OWC-0319, 322, 322-6, 322-7
 Zoning: RA-1-43/RZ overlay
 Size (SF): 2,698,978
 Size (Acres): 61.96
 Frontage: Adequate
 Shape: Irregular
 Topography: Mostly level
 Utilities: All available
 Access: Paved Road
 Corner: No
 Entitlements: None
 Water Rights: Water is provided from Midway City.

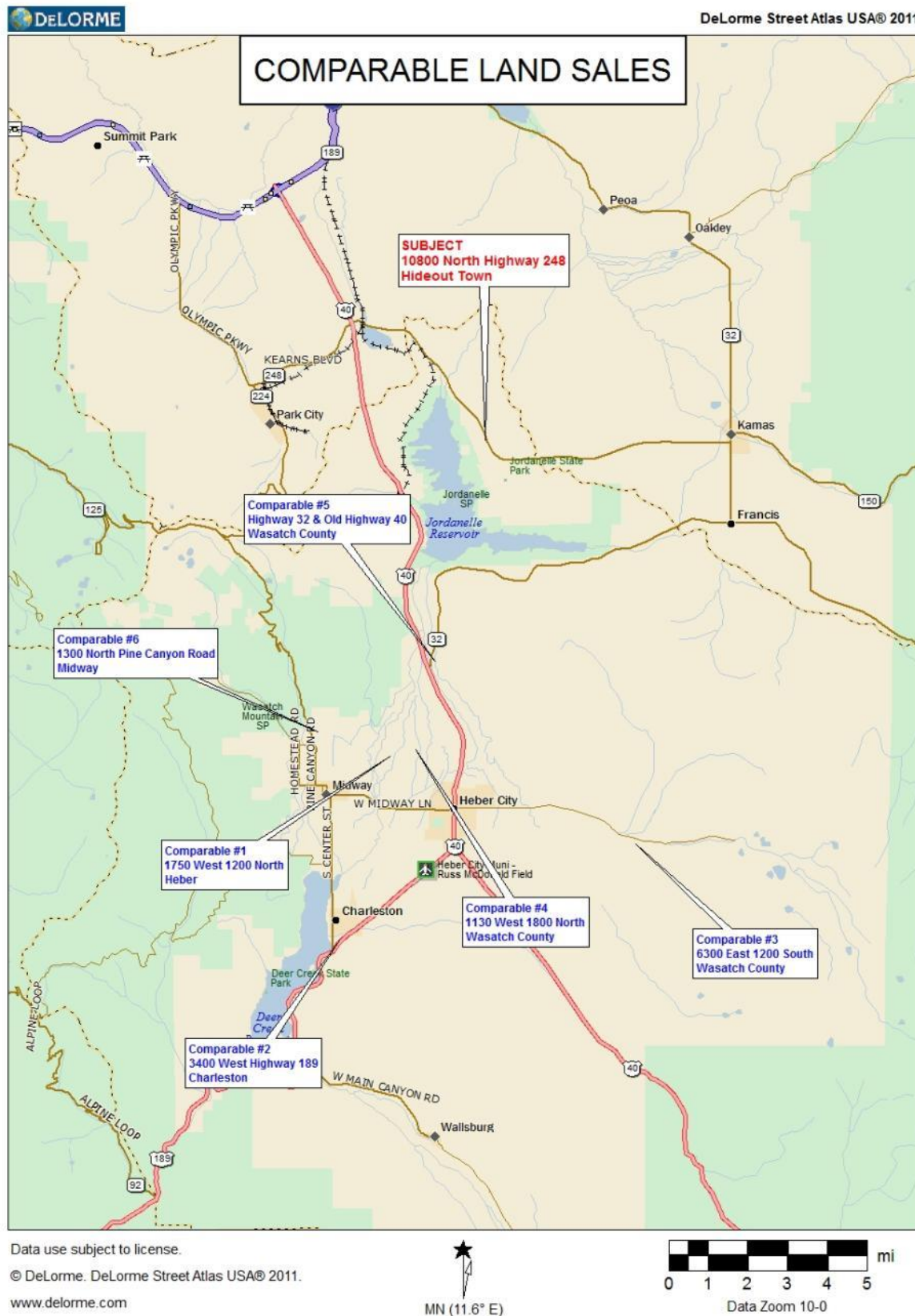
Sales Data

Sale Date: December 20, 2010
 Sales Price: \$4,875,000
 Financing Terms: Cash Equivalent
 Cash Equivalent Price: \$4,450,000
 Grantor or Seller: Jupiter LLC
 Grantee or Buyer: Kenneth C. and Richelle Patey
 Property Rights Conveyed: Fee Simple
 Conditions of Sale: Arm's length
 Exposure Time: N/A
 Verified by: Leyla Sim
 Verified with: HUD and Gary Clark (agent)
 County doc #365896

Comments

This parcel is located east of the Homestead Golf Course. The property is within the Midway annexation boundary and the RZ overlay allows resort properties with nightly rentals. Water is provided by the town of Midway. Financing terms on this transaction included \$1 million down with the remaining \$3,875,000 note carried with a 5-year balloon payment. The rate of the note was agreed at 1 percent over prime (about 4 percent). The market rate would be between 6 percent and 8 percent for this property type. The cash equivalent price is calculated at \$4,450,000.

Summary of Land/Site Sales							
#	Location	Sale Date	Size (Acres)	Utilities	Zoning/	Purchase Price	Price/Acre
1	1750 W. 1200 N. Heber	8/11	15.00	Power, well septic	A-20	\$635,000	\$42,333
2	3400 W. Hwy 189 Charleston	4/11	11.51	Power, septic, Water rights	RA-1	\$375,000	\$32,580
3	6300 E. 1200 S. Wasatch Co.	4/11	15.22	All Available	RA-1	\$412,500	\$27,102
4	1130 W. 1800 N. Wasatch Co.	9/12	21.33	Electric, Sewer	A-20	\$800,000	\$37,506
5	Hwy 32 & Hwy 40 Wasatch Co.	11/12	12.89	All Available	M, NOZ	\$500,000	\$38,790
6	1300 N. Pine Cyn. Midway	12/10	61.96	All Available	RA-1/RZ	\$4,450,000	\$71,821
Subj.	10800 Highway 248 Hideout Town	N/A	69.87	All Available	RVHD	N/A	N/A



Land Sales Adjustment Grid						
Summary of Comparables	1750 W. 1200 N.	3400 W. Hwy 189	6300 E. 1200 S.	1130 W. 1800 N.	Hwy 32 Hwy 40	1300 N. Pine Canyon
	Heber	Charleston	Wasatch Co.	Wasatch Co.	Wasatch Co.	Midway
	1	2	3	4	5	6
Date of Sale	8/11	4/11	4/11	9/12	11/12	12/10
Zoning	A-20	RA-1	RA-1	A-20	M, NOZ	RA-1/RZ
Utilities	E, W, Sep	E, W, Sep	All	E, S	All	All
Sales Price	\$635,000	\$375,000	\$412,500	\$800,000	\$500,000	\$4,450,000
Size (Acre)	15.00	11.51	15.22	21.33	12.89	61.96
Price/Acre	\$42,333	\$32,580	\$27,102	\$37,506	\$38,790	\$71,821
Adjustments						
Property Rights	0%	0%	0%	0%	0%	0%
Adjusted Price/Ac	\$42,333	\$32,580	\$27,102	\$37,506	\$38,790	\$71,821
Conditions/Terms	0%	0%	0%	0%	0%	0%
Adjusted Price/Ac	\$42,333	\$32,580	\$27,102	\$37,506	\$38,790	\$71,821
Market (Time) Adj.	0%	0%	0%	0%	0%	0%
Adjusted Price/Ac	\$42,333	\$32,580	\$27,102	\$37,506	\$38,790	\$71,821
Location	0%	0%	15%	0%	10%	-10%
Zoning	25%	25%	25%	25%	10%	0%
Size	-10%	-10%	-10%	-5%	-10%	0%
Utilities	35%	35%	0%	35%	0%	0%
Shape/Topography	0%	0%	10%	0%	0%	0%
Frontage/Access	0%	0%	0%	0%	10%	0%
Water Rights	0%	0%	0%	0%	0%	0%
Adj. Price/Ac	\$63,500	\$48,871	\$37,943	\$58,134	\$46,548	\$64,638
Net Adjustment	50%	50%	40%	55%	20%	-10%
Gross Adjustment	70%	70%	60%	65%	40%	10%
Minimum	\$37,943					
Maximum	\$64,638					
Mean Value	\$53,272					

Land Value Conclusion

Property Rights – No adjustment necessary as all the sales are fee simple, similar to the subject.

Conditions/Terms – No adjustment required for conditions/terms.

Market (Time) – No market time adjustment is necessary for the comparable sales.

Location – The subject is located along Highway 248 with good access and mountainous surrounding influences. Sale 3 is inferior with weaker linkages and is adjusted up 15 percent. Sale 5 is also inferior in location being located in an area with inferior linkages and is adjusted up 10 percent. Sale 6 is superior being adjacent to the Homestead Resort and is adjusted down 10 percent for location.

Zoning – Sales 1, 2, 3 and 4 are zoned for agricultural uses and are each adjusted up 25 percent. Sale 5 is slightly inferior in zoning allowance and is adjusted up 10 percent. Sale 6 is similar with the overlay allowing for resort uses.

Size – Sales 1, 2, 3 and 5 are between 11.51 to 15.22 acres and are smaller than the subject. These sales are superior with downward adjustments indicated at 10 percent. Sale 4 is slightly less superior being 21.33 acres and is adjusted down 5 percent. Sale 6 is similar in size.

Utilities – Sales 1, 2 and 4 are inferior in utilities and are each adjusted up 35 percent.

Shape/Topography – A river bisects the property of Sale 3 warranting an upward 10 percent adjustment. No other adjustments are necessary for shape/topography.

Frontage/Access – Sale 5 is slightly inferior in access with access provided by an easement and is adjusted up 10 percent.

Water Rights – No other adjustments have been indicated, as all the sales have adequate water for development, similar to the subject.

The adjusted comparables indicate an adjusted sales price range of from \$37,943 to \$64,638 per acre. The average adjusted sale price is \$53,272 per acre.

As no single comparable is considered the best indicator of value for the subject property, the most weight is placed with the central tendency of the range as indicated by the average.

We have determined an appropriate rounded price per unit for the subject property, and we are of the opinion the value of the subject property site, as of May 7, 2014, is as follows:

\$53,000	per acre x	69.87	acres =	\$3,703,110
Rounded				\$3,700,000

After careful consideration of the above information, the “as is” market value of the proposed Soaring Hawk Subdivision, comprising 69.87 acres in fee simple title, as of May 7, 2014, is considered to be as follows:

\$3,700,000 (Rounded)

“THREE MILLION SEVEN HUNDRED THOUSAND DOLLARS”

COST APPROACH

The cost approach is a method of estimating market value by comparing the subject property to the cost to produce a new subject property or a substitute property.

According to the 13th edition of *The Appraisal of Real Estate* (Appraisal Institute, Chicago, 2008), the specific procedure for developing this approach is as follows:

Cost Approach Procedure

1. Estimate the value of the site as though vacant and available to be developed to its highest and best use. (This has already been completed in a previous section of this appraisal).
2. Estimate the direct (hard) and indirect (soft) costs of the improvements as of the effective appraisal date.
3. Estimate an appropriate entrepreneurial incentive (profit) from analysis of the market.
4. Add estimated direct costs, indirect costs, and the entrepreneurial incentive (profit) to arrive at the total cost of the improvements.
5. Estimate the amount of depreciation in the structure and, if necessary, allocate it among the three major categories: physical deterioration, functional obsolescence, and external obsolescence.
6. Deduct the estimated depreciation from the total cost of the improvements to derive an estimate of their depreciated cost.
7. Estimate the contributory value of any site improvements that have not already been considered (Site improvements are often appraised at their contributory value, i.e., directly on a depreciated-cost basis.)
8. Add the site value to the total depreciated cost of all the improvements to arrive at the indicated value of the property.
9. Adjust the indicated value of the property for any personal property (e.g., fixtures, furniture, and equipment) that may be included in the cost estimate and, if necessary, adjust this value, which reflects the value of the fee simple interest, for the property interest being appraised to arrive at the indicated value of the specified interest in the property.

Construction Cost New

When determining the value of a property by the cost approach, the cost new of the improvements is typically estimated using the reproduction cost new or replacement cost new method.

The reproduction cost new is defined in *The Dictionary of Real Estate Appraisal*, third edition, published in 2010 by the Appraisal Institute as:

"the estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building."

The replacement cost is defined in the same reference material as:

"the estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design, and layout."

The reproduction cost new will be developed for the subject valuation. The estimate of construction cost new for the subject improvements are based on the following:

- The reproduction cost new will be based on an actual cost breakdown for the construction of the subject property from the general contractor for the subject property.

Depreciation

After determining the reproduction and/or replacement cost of the subject property, an appropriate amount for accrued depreciation is estimated and subtracted to determine the current value of the improvements. Depreciation is a loss in value from any cause. According to *The Dictionary of Real Estate Appraisal*, accrued depreciation is defined as "The difference between an improvement's reproduction or replacement cost and its market value as of the date of the appraisal." The three principle methods used for estimating depreciation are: (1) market extraction method, (2) Age-life method, and (3) Breakdown method.

Depreciation can occur from the following three major causes:

- (1) Physical deterioration
- (2) Functional obsolescence
- (3) External obsolescence

The subject's depreciation is calculated as follows:

Physical Deterioration - This is the wear and tear from regular use of the improvements and the impact from the elements. It can be divided into two categories:

- (1) Curable physical deterioration (also known as deferred maintenance), which applies to items that are in need of immediate repair or replacement. As previously noted, the subject is proposed and suffers from no curable physical deterioration.
- (2) Incurable physical deterioration, which applies to either short-lived items or long-lived items. We have used the modified age/life method. This method is simple and considered adequate for determining the depreciation of the subject property. The depreciation estimate is based on the effective age divided by the estimated economic life. Again, inasmuch as the subject is proposed, there is no incurable physical deterioration.

Functional obsolescence - This is a flaw in the structure, materials, or design that diminishes the function, utility, and value of the improvement. It may be caused by either a deficiency or a superadequacy, and can be either curable or incurable.

Based on our inspection of the subject property, there does not appear to be any functional deficiency or superadequacy.

External obsolescence - This is a temporary or permanent situation due to negative influences outside the property. It can be caused by economic or location factors. These influences are usually not considered curable on the part of the owner or tenant.

Given the current conditions found in the subject area, there is no apparent external obsolescence.

Developer's Profit

Developer's profit has increased significantly in recent years as Utah's housing market has recovered from recession. To identify the appropriate profit margin to apply to the subject, we have extracted Developer's Profit from other subdivision appraisals recently developed along the Wasatch Front. They are as follows:

Date	Project/Location	Total Retail Lot Value	Development Costs	Extracted Developer's Profit
5/12	Richins Subdivision	\$1,820,000	\$1,510,283	20.5%
	Draper			
5/12	Hart Subdivision	\$1,800,000	\$1,347,287	33.6%
	Ivins			
4/12	Meadow Valley Farms Ph. 2-5	\$2,580,000	\$2,282,820	13.0%
	St. George			
10/11	Mountain Splendor	\$1,375,000	\$1,206,990	13.9%
	Fruit Heights			
2/10	Fairfield Estates @ Muddy Ln	\$1,525,000	\$1,257,932	21.2%
	Layton			
Average				20.5%

It is critical to note that in the cost of development approach, only that profit associated with bringing the development to a completed stage is addressed since this would represent all of the profit that has been earned as of that time. Any remaining profit is a function of the ability of the ownership of the developed lots (which may or may not be the developer) to sell the developed lots over time. In other words, the total profit anticipated from the development and sale of the lots should be allocated separately between the development effort and the marketing effort.

To establish a reliable estimate as to the appropriate share of profits associated with the development phase of the project, we spoke with developers Dave Tolman of Performance Dynamics, Gary Harmer of Bach Development, Dave McArthur of McArthur Homes, and Ron Thorne of Ron Thorne Homes.

Based on the above profit range of 13.0 percent to 33.6 percent, the consensus of opinions among this group of experienced developers, builders, and marketers was that today's positive market demands that "developer's profit" alone should range from 20 to 40 percent. Mr. Tolman pointed out that today's market offers too many profitable alternatives to accept anything less. Inasmuch as the above profit levels were "projected" and that "actual" profit typically comes in lower, we have selected an appropriate profit of 35 percent for the proposed development due to the size of the overall project.

An entrepreneurial or developer's profit is the profit realized for coordinating the development effort. Profit is a function of risk inherent in a given development, the ability of the developer

to build a product at lower cost than the competition, and the ability to lease up, or sell the property upon completion.

Reproduction Cost

As previously stated, the reproduction cost new is the cost of construction at current prices of an exact duplicate, using the same materials, construction standards, design, layout, and quality of workmanship. This also includes all of the deficiencies, superadequacies, and obsolescence of the improvements.

To estimate the reproduction cost new, we have obtained information on the direct and indirect costs of development, and an actual cost breakdown for the various components of the site work. This cost breakdown can be found in the Addendum. We have added financing fees, interest, and developer's profit to the project's direct and indirect costs.

Construction Interest and Points

Typically, local bankers would loan on 70 percent of the cost of construction (direct and indirect costs) which would be \$3,451,568 ($\$4,930,812 \times 0.70$). Bankers do not normally loan on the value of the land. The construction period is estimated to be approximately six months. As such, a contractor would typically make monthly "draws" of \$575,261 ($\$3,451,568 \div 6$) and then would be paid in full from a permanent loan at the end of construction. The current interest rate for construction loans is from 6.50 to 8.50 percent. We will use 7.50 percent. We have prepared the following chart which summarizes the construction interest computation. We must also take into consideration the points charged for the loan. The points currently being charged for construction loans is from 1.5 to 2 points or \$51,774 ($\$3,451,568 \times 0.015$). The construction interest is calculated as follows:

ESTIMATED CONSTRUCTION LOAN INTEREST		
<u>Assumptions:</u>		
Cost of Construction	\$4,930,812	
Loan Ratio	70%	
Number of Draws	6	
Interest Rate	7.50%	
Points for Construction	1.50%	
Month	Loan Balance	Interest Cost
1	\$575,261	3,595
2	\$1,150,523	7,191
3	\$1,725,784	10,786
4	\$2,301,046	14,382
5	\$2,876,307	17,977
6	\$3,451,568	21,572
Total Interest		\$75,503
Plus Points		\$51,774
Total Construction Loan Cost		\$127,277

A summary of all costs can be found on the following table.

DEVELOPER'S COST SUMMARY (Reproduction Cost)		
(Cost Estimate for Proposed Development)		
Soaring Hawk Costs	\$4,433,481	
Reflection Ridge Costs	\$497,331	
Total Direct and Indirect Costs		\$4,930,812
<u>Finance Costs</u>		
Construction Interest	\$75,503	
Points	51,774	
Total		\$127,277
Total Construction Cost		\$5,058,089
Entrepreneurial Profit @	35%	\$1,770,331
Plus FF&E		0
Less Depreciation		0
Plus "As Is" Value Reflection Ridge		\$1,260,000
Pluse "As Is" Value Soaring Hawk		\$3,700,000
Total Reproduction Cost New		\$11,788,420
Rounded		\$11,800,000

As additional support to the estimated value of \$11,800,000 via the cost approach, we have compiled actual subdivision cost breakdowns in order to compare them with the proposed subdivision. The estimates do not include land values, financing fees and interest, marketing or developer's profits, or overhead. The following is a summary of comparable subdivision cost breakdowns.

Subdivision Name	Est. Date	Average Lot Size	Total # of Lots	Cost Estimate	Cost/Lot
Stonebridge Phase 2 Nibley	2013	12,459 sf	30	\$754,744	\$25,158
Sterling Ridge Phases 3 & 4 Wellsville	2013	20,742 sf	21	\$614,988	\$29,285
Saddlerock Estates River Heights	2013	12,517 sf	23	\$453,000	\$19,696
Mean Cost/Lot					\$24,713

The subject cost estimate excluding the same items as above, land value, financing fees and interest, marketing, and overhead was determined to be \$5,058,089 or \$30,655 per lot. The costs reflected above are slightly higher than typical development costs associated with subdivisions. This is due to the added costs associated with the topography. In reviewing hard costs and land values, the value as indicated by the cost approach is in line with the comparables.

Conclusion of Value by Cost Approach

After careful consideration of the above information, the projected value of the proposed subject in fee simple title, based on the cost approach, as of September 10, 2014, which is the projected date of completion, is considered to be as follows:

\$11,800,000 (Rounded)

“ELEVEN MILLION EIGHT HUNDRED THOUSAND DOLLARS”

INCOME APPROACH

The income approach considers the anticipated benefits in terms of money which are to be derived from the ownership of the property. In this analysis, the "future benefits" are defined as the income to be derived from the sales of developed lots. A discounted cash flow analysis is then utilized to convert these sales proceeds into an indication of value for the subdivision, "as if complete."

The required information and steps in this analysis are as follows:

1. Estimation of lot values.
2. Estimation of absorption period.
3. Estimation of holding costs and marketing expenses.
4. Discounting of probable net revenues over the absorption period based on assumptions regarding appreciation/depreciation, holding costs, and marketing costs.

On the following pages is our analysis of the market value of the individual lots within each of the subject developments (as if developed). Analysis of absorption time and discounted cash flow of the revenues will follow.



Comparable Subdivision #1				Market Data			
Hideout Canyon - Small lots				Lot #	Date of Sale	Size of Lot	sted Lot Price
1160 East Lasso Trail				10 Hideout Ph 1	04/25/13	4,356	\$66,100
Hideout Town, Utah				12 Hideout Ph 1	02/07/13	3,920	\$66,500
Wasatch County				13 Hideout Ph 1	02/07/13	3,920	\$66,500
				R-5 Hideout Ph 4	UC	3,049	\$90,000
				R-10 Hideout Ph 4	UC	4,356	\$110,000
				R-2 Hideout Ph 4	04/04/13	3,485	\$70,000
				9 Hideout Ph. 1	07/21/12	4,356	\$80,000
				Lot 14 Hideout Ph 1	UC	3,920	\$169,900
				R-9 Hideout Ph 4	02/07/13	3,485	\$85,500
				31 Hideout Ph 1	03/07/12	4,356	\$127,000
Site & Sales Information							
Utilities & improvements:	All Improved						
Sales period:	N/A						
Financing terms:	Cash Equivalent						
Property rights conveyed:	Fee Simple						
Conditions of sale:	Arm's Length						
Amenities:	Open Space and trails						
Lot size range:	3,049	to	4,356 SF				
Average lot size:	3,920 square feet						
Lot price range:	\$66,100	to	\$169,900				
Average lot price:	\$93,150						
Total number of lots:	N/A						
Lots sold to date:	7 (last 12 months)						
Lots sold per month:	0.58	(last 12 months)					
Verification:	PCMLS and agent Cheryl Fine-Whitteron, by Tyler A. Free						
Comments							
These are lot sales within the subject development. Lots R-5, R-2 and R-10 were bank owned and were sold on a bulk sale basis for \$70,000 each. Lots R-5 and R-10 were later listed and are currently under contract as indicated above. All the remaining lots are also bank-owned, but purchased individually.							



Comparable Subdivision #2				Market Data			
Hideout Canyon - Large lots				Lot #	Date of Sale	Size of Lot	sted Lot Price
1160 East Lasso Trail				Lot 15 Hideout Ph 2	02/07/13	13,504	\$118,750
Hideout Town, Utah				Lot 13 Hideout Ph 2	02/13/13	13,939	\$99,000
Wasatch County				Lot 2 Hideout Ph 2	05/06/13	13,939	\$155,000
				Lot 35 Hideout Ph 2	02/07/13	14,810	\$104,500
				Lot 14 Hideout Ph 2	02/07/13	15,246	\$118,750
				Lot 42 Hideout Ph 2	09/06/13	21,344	\$259,000
				Lot 43 Hideout Ph 2	02/07/13	21,780	\$142,500
				Lot 41 Hideout Ph 2	04/04/13	25,265	\$145,000
				Lot 9 Hideout Ph 2	02/07/13	33,541	\$137,750
				Lot 55 Hideout Ph 5	UC	21,344	\$209,900
				Lot 41 Hideout Ph 2	UC	25,265	\$299,000
				Lot 12 Hideout Ph 2	02/20/14	15,246	\$115,000
				Lot 15 Hideout Ph 2	UC	13,504	\$125,000
				Lot 6 Forevermore	04/14/14	27,878	\$187,780
				Lot 3 Forevermore	05/31/13	16,117	\$163,000
				Lot 13 Forevermore	UC	23,522	\$189,000
				Lot 11 Forevermore	UC	15,246	\$199,000
				Lot 5 Forevermore	10/18/13	28,314	\$212,000
				Lot 4 Forevermore	03/04/14	13,939	\$180,000
				Lot 7 Forevermore	04/08/14	27,007	\$182,000
Site & Sales Information							
Utilities & improvements:	All Improved						
Sales period:	N/A						
Financing terms:	Cash Equivalent						
Property rights conveyed:	Fee Simple						
Conditions of sale:	Arm's Length						
Amenities:	Open Space and trails						
Lot size range:	13,504	to	33,541 SF				
Average lot size:	20,038 square feet						
Lot price range:	\$99,000	to	\$299,000				
Average lot price:	\$167,097						
Total number of lots:	N/A						
Lots sold to date:	13 (last 12 months)						
Lots sold per month:	1.08 (last 12 months)						
Verification:	PCMLS and agent Cheryl Fine-Whitteron, by Tyler A. Free						
Comments							
These are lot sales within the subject development.							



Comparable Subdivision #3				Market Data			
Tuhaye				Lot #	Date of Sale	Size of Lot	sted Lot Price
9885 North Uinta Drive				3N15	09/12/12	50,965	\$275,000
Wasatch County, Utah				3N13	09/25/12	64,469	\$90,000
Wasatch County				RW37	10/06/12	182,516	\$250,000
				2RW22	02/15/13	89,734	\$105,000
				KL-12	03/28/13	82,764	\$595,000
				PI-8	04/29/13	53,143	\$525,000
				35	06/03/13	46,174	\$107,500
				PI-40	06/04/13	78,408	\$70,000
				16S-4	07/29/13	33,977	\$240,000
				16S-13	08/01/13	37,461	\$235,000
				RW-11	08/15/13	68,825	\$275,000
				16S-14	11/21/13	58,806	\$275,000
				6S-19	04/04/14	41,382	\$255,000
				16S-29	11/01/13	44,431	\$185,000
				13N-13	08/23/13	72,745	\$125,000
Site & Sales Information							
Utilities & improvements:	All Improved						
Sales period:	N/A						
Financing terms:	Cash Equivalent						
Property rights conveyed:	Fee Simple						
Conditions of sale:	Arm's Length						
Amenities:	Open Space and trails						
Lot size range:	33,977	to	182,516 SF				
Average lot size:	67,053 square feet						
Lot price range:	\$70,000	to	\$595,000				
Average lot price:	\$240,500						
Total number of lots:	N/A						
Lots sold to date:	13 (last 12 months)						
Lots sold per month:	1.08	(last 12 months)					
Verification:	PCMLS, by Tyler A. Free						
Comments							
These are lot sales within the neighboring Tuhaye development. Many of the higher priced lots (over 200K) include the \$100K Talisker membership as well as lot 16S-13.							



Comparable Subdivision #4				Market Data				
Deer Mountain				Lot #	Date of Sale	Size of Lot	sted Lot	Lot Price
12578 North Slalom Run Drive				37	02/07/14	66,647		\$238,500
Wasatch County, Utah				38	11/29/13	37,462		\$177,100
Wasatch County				19	04/22/13	84,071		\$105,000
				28	06/13/13	11,326		\$94,000
				58	03/15/13	13,939		\$93,000
				36	03/07/14	23,087		\$65,000
				24	03/14/13	13,939		\$93,000
				10	04/30/14	8,276		\$90,000
				18	04/28/14	13,504		\$110,000
				20	05/01/14	11,761		\$112,000
				40	01/31/14	60,548		\$209,000
				51	09/18/13	29,621		\$225,000
Site & Sales Information								
Utilities & improvements:	All Improved							
Sales period:	N/A							
Financing terms:	Cash Equivalent							
Property rights conveyed:	Fee Simple							
Conditions of sale:	Arm's Length							
Amenities:	Open Space and trails							
Lot size range:	8,276	to	84,071 SF					
Average lot size:	31,182 square feet							
Lot price range:	\$65,000	to	\$238,500					
Average lot price:	\$134,300							
Total number of lots:	N/A							
Lots sold to date:	5 (last 12 months)							
Lots sold per month:	0.42	(last 12 months)						
Verification:	PCMLS, by Tyler A. Free							
Comments								
These are lot sales within the neighboring Deer Mountain development.								

Comparable Subdivision Summary							
#	Name/ Location	Lot Size (SF)	Lot Price	# Sold/ Total	Overall Absorption	Sales Period	Monthly Absorption
1	Hideout Canyon - Small	3,049	\$66,100	N/A	N/A	Last	0.58
	1160 East Lasso Trail	to	to			twelve	
	Hideout Town	4,356	\$169,900			months	
2	Hideout Canyon - Large	13,504	\$99,000	N/A	N/A	Last	1.08
	1160 East Lasso Trail	to	to			twelve	
	Hideout Town	33,541	\$299,000			months	
3	Tuhaye	33,977	\$70,000	N/A	N/A	Last	1.08
	9885 North Uinta Drive	to	to			twelve	
	Wasatch County	182,516	\$595,000			months	
4	Deer Mountain	8,276	\$65,000	N/A	N/A	Last	0.42
	12578 N Slalom Run	to	to			twelve	
	Wasatch County	84,071	\$238,500			months	

RANGES/AVERAGES

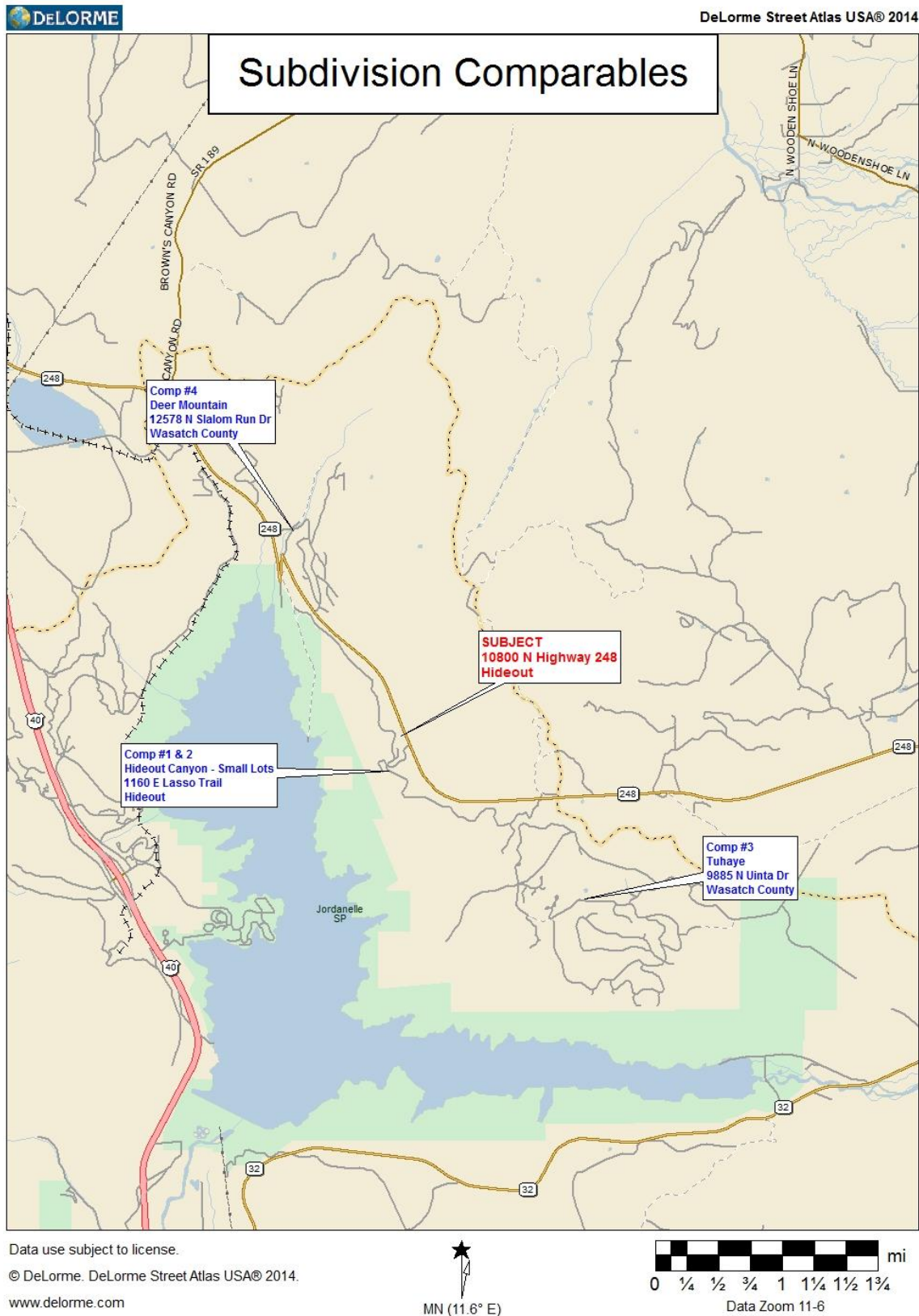
Lot Size Range – 3,049 sf – 182,516 sf

Lot Price Range - \$66,100 to \$595,000

Absorption Range – 0.42 to 1.08 per month

Absorption Mean – 0.79 per month

In order to establish a benchmark base price for the proposed lots we have analyzed similar individual and average lot prices for each of the comparables. To evaluate these sales, we have developed an adjustment grid which can be found on a following page of this report. An explanation of the adjustments is included on the subsequent page. Subsequently, any applicable premiums will be calculated for each of the subject lots.



Cluster Lot Comparables

Comp #	Subdivision	Lot #	Date	Size (sf)	Price
1	Hideout Canyon Ph 1	31	3/12	4,356	\$127,000
2	Hideout Canyon Ph 4	R-9	2/13	3,485	\$85,500
3	Hideout Canyon Ph 4	R-10	UC	4,356	\$110,000
4	Hideout Canyon Ph 4	R-5	UC	3,049	\$90,000

Regular Lot Comparables

Comp #	Subdivision	Lot #	Date	Size (sf)	Price
1	Hideout Canyon Ph 2	42	9/13	21,344	\$259,000
2	Hideout – Forevermore	11	UC	15,246	\$199,000
3	Hideout - Forevermore	6	4/14	27,878	\$187,780
4	Hideout – Forevermore	4	3/14	13,939	\$180,000
5	Tuhaye	6S-19	4/14	41,382	\$255,000
6	Deer Mountain	38	11/13	37,462	\$177,100

Vacant Lot Adjustment Grid - Cluster Lots				
Summary of Comparables	Hideout Canyon Lot 31	Hideout Canyon Lot R-9	Hideout Canyon Lot R-10	Hideout Canyon Lot R-5
	Hideout Town	Hideout Town	Hideout Town	Hideout Town
	1	2	3	4
Date of Sale	3/12	2/13	UC	UC
Street Orientation	Interior	Interior	Interior	Interior
Size (SF)	4,356	3,485	4,356	3,049
Price/Lot	\$127,000	\$85,500	\$110,000	\$90,000
Adjustments				
Property Rights	0%	0%	0%	0%
Adjusted Price/lot	\$127,000	\$85,500	\$110,000	\$90,000
Conditions/Terms/Entitl	0%	30%	0%	0%
Adjusted Price/lot	\$127,000	\$111,150	\$110,000	\$90,000
Market (Time) Adj.	0%	0%	0%	0%
Adjusted Price/lot	\$127,000	\$111,150	\$110,000	\$90,000
Location	0%	0%	0%	0%
Size	0%	0%	0%	10%
Shape/Topography	0%	0%	0%	0%
Amenities	0%	0%	0%	0%
Views	0%	0%	0%	0%
Street Orientation	0%	0%	0%	0%
Adj. Price/lot	\$127,000	\$111,150	\$110,000	\$99,000
Net Adjustment	0%	0%	0%	10%
Gross Adjustment	0%	0%	0%	10%
Range		\$99,000	to	\$127,000
Mean Value	\$111,788			

Benchmark Value Estimate – Cluster Lots

The benchmark value for the smaller cluster lots is \$115,000. Sale 2 is bank owned and is adjusted up 30 percent for conditions/terms. Sale 4 is slightly smaller than the cluster lots and is adjusted up 10 percent for size.

Vacant Lot Adjustment Grid - Regular Lots						
Summary of Comparables	Hideout Canyon	Forevermore	Forevermore	Forevermore	Tuhaye	Deer Mountain
	Lot 42	Lot 11	Lot 6	Lot 4	6S-19	38
	Hideout Town	Hideout Town	Hideout Town	Hideout Town	Wasatch Co.	Wasatch Co.
	1	2	3	4	5	6
Date of Sale	9/13	UC	4/14	3/14	4/14	11/3
Street Orientation	Interior	Interior	Interior	Interior	Interior	Interior
Size (SF)	21,344	15,246	27,878	13,939	41,382	37,462
Price/Lot	\$259,000	\$199,000	\$187,780	\$180,000	\$255,000	\$177,100
Adjustments						
Property Rights	0%	0%	0%	0%	0%	0%
Adjusted Price/lot	\$259,000	\$199,000	\$187,780	\$180,000	\$255,000	\$177,100
Conditions/Terms/Entitl	0%	0%	0%	0%	0%	0%
Adjusted Price/lot	\$259,000	\$199,000	\$187,780	\$180,000	\$255,000	\$177,100
Market (Time) Adj.	0%	0%	0%	0%	0%	0%
Adjusted Price/lot	\$259,000	\$199,000	\$187,780	\$180,000	\$255,000	\$177,100
Location	0%	0%	0%	0%	-5%	10%
Size	-25%	-15%	-25%	-10%	-35%	-30%
Shape/Topography	0%	0%	0%	0%	0%	0%
Amenities	0%	0%	0%	0%	0%	0%
Views	-10%	0%	0%	0%	0%	0%
Street Orientation	0%	0%	0%	0%	0%	0%
Adj. Price/lot	\$168,350	\$169,150	\$140,835	\$162,000	\$153,000	\$141,680
Net Adjustment	-35%	-15%	-25%	-10%	-40%	-20%
Gross Adjustment	35%	15%	25%	10%	40%	40%
Range		\$140,835	to	\$169,150		
Mean Value	\$155,836					

Benchmark Value Estimate – Regular Lots

The benchmark value for the regular lots was based upon an average 8,182 square foot size. Comparables 1 and 3 are from 21,344 to 27,878 square feet and were adjusted down 25 percent. Comparable 2 is 15,246 square feet and comparable 4 is 13,939 square feet, they are adjusted downward 15 and 10 percent respectively. Comparables 5 and 6 are larger than the subject and are adjusted down 35 and 30 percent.

The adjusted values of the comparables range from \$140,835 to \$169,150 with a mean of \$155,836 per lot. After careful consideration of the above presented information, an appropriate benchmark value for the subject lots is established at \$155,000. This benchmark value estimate will be used to value each lot with consideration for size adjustments given.

Lot Valuation

In order to establish reliable adjustments, we spoke with local market participants. All of these individuals have been in the development business for a number of years and are familiar with the factors influencing building lot values. The subject lots are similar in all respects except in size. A consensus of opinions from these individuals resulted in the following adjustments relative to building lot pricing.

<u>Description</u>	<u>Adjustment</u>
Size	+ \$2.00/sf

After applying these adjustments, the estimated gross sellout values of the proposed lots rounded to the nearest \$100 are as follows:

Soaring Hawk Lots				
# of Lots =	151			
Benchmark Size (sf) =	8,182			
Benchmark Value =	\$155,000			
Size Adjustment / sf =	\$2.00			
Lot number	Lot size	Size Adjust	Value	Rounded Value
1	12,118	7,872	\$162,872	\$162,900
2	10,397	4,430	\$159,430	\$159,400
3	8,327	290	\$155,290	\$155,300
4	8,983	1,602	\$156,602	\$156,600
5	9,101	1,838	\$156,838	\$156,800
6	9,101	1,838	\$156,838	\$156,800
7	9,026	1,688	\$156,688	\$156,700
8	7,704	(956)	\$154,044	\$154,000
9	7,749	(866)	\$154,134	\$154,100
10	8,219	74	\$155,074	\$155,100
11	8,257	150	\$155,150	\$155,200
12	9,062	1,760	\$156,760	\$156,800
13	9,176	1,988	\$156,988	\$157,000
14	7,630	(1,104)	\$153,896	\$153,900
15	7,630	(1,104)	\$153,896	\$153,900
16	7,630	(1,104)	\$153,896	\$153,900
17	8,012	(340)	\$154,660	\$154,700
18	8,993	1,622	\$156,622	\$156,600
19	8,993	1,622	\$156,622	\$156,600
20	8,993	1,622	\$156,622	\$156,600
21	8,993	1,622	\$156,622	\$156,600
22	11,901	7,438	\$162,438	\$162,400
23	8,648	932	\$155,932	\$155,900
24	7,825	(714)	\$154,286	\$154,300
25	7,275	(1,814)	\$153,186	\$153,200
26	7,275	(1,814)	\$153,186	\$153,200
27	7,275	(1,814)	\$153,186	\$153,200
28	7,195	(1,974)	\$153,026	\$153,000
29	7,169	(2,026)	\$152,974	\$153,000
30	7,169	(2,026)	\$152,974	\$153,000
31	7,169	(2,026)	\$152,974	\$153,000
32	7,169	(2,026)	\$152,974	\$153,000
33	7,169	(2,026)	\$152,974	\$153,000
34	9,324	2,284	\$157,284	\$157,300
35	11,381	6,398	\$161,398	\$161,400
36	8,115	(134)	\$154,866	\$154,900
37	9,161	1,958	\$156,958	\$157,000
38	7,243	(1,878)	\$153,122	\$153,100
39	6,888	(2,588)	\$152,412	\$152,400
40	7,125	(2,114)	\$152,886	\$152,900
41	7,125	(2,114)	\$152,886	\$152,900
42	8,129	(106)	\$154,894	\$154,900
43	9,029	1,694	\$156,694	\$156,700
44	9,029	1,694	\$156,694	\$156,700
45	9,029	1,694	\$156,694	\$156,700
46	7,637	(1,090)	\$153,910	\$153,900
47	8,404	444	\$155,444	\$155,400
48	8,759	1,154	\$156,154	\$156,200
49	8,937	1,510	\$156,510	\$156,500
50	8,937	1,510	\$156,510	\$156,500
51	8,937	1,510	\$156,510	\$156,500
52	8,455	546	\$155,546	\$155,500
53	8,804	1,244	\$156,244	\$156,200
54	9,075	1,786	\$156,786	\$156,800
55	8,173	(18)	\$154,982	\$155,000
56	10,118	3,872	\$158,872	\$158,900
57	7,441	(1,482)	\$153,518	\$153,500
58	8,043	(278)	\$154,722	\$154,700
59	8,235	106	\$155,106	\$155,100
60	8,234	104	\$155,104	\$155,100
61	8,656	948	\$155,948	\$155,900
62	9,089	1,814	\$156,814	\$156,800
63	9,089	1,814	\$156,814	\$156,800
64	9,089	1,814	\$156,814	\$156,800
65	8,135	(94)	\$154,906	\$154,900
66	8,822	1,280	\$156,280	\$156,300
67	8,437	510	\$155,510	\$155,500
68	8,604	844	\$155,844	\$155,800
69	7,156	(2,052)	\$152,948	\$152,900
70	6,724	(2,916)	\$152,084	\$152,100
71	7,125	(2,114)	\$152,886	\$152,900
72	7,197	(1,970)	\$153,030	\$153,000
73	7,703	(958)	\$154,042	\$154,000
74	7,703	(958)	\$154,042	\$154,000
75	7,703	(958)	\$154,042	\$154,000
76	7,668	(1,028)	\$153,972	\$154,000
77	8,901	1,438	\$156,438	\$156,400
78	7,552	(1,260)	\$153,740	\$153,700
79	7,513	(1,338)	\$153,662	\$153,700
80	7,400	(1,564)	\$153,436	\$153,400
81	7,620	(1,124)	\$153,876	\$153,900
82	7,597	(1,170)	\$153,830	\$153,800
83	7,539	(1,286)	\$153,714	\$153,700
84	9,364	2,364	\$157,364	\$157,400
85	7,125	(2,114)	\$152,886	\$152,900
86	7,736	(892)	\$154,108	\$154,100
87	7,866	(652)	\$154,368	\$154,400
88	7,863	(638)	\$154,362	\$154,400
89	7,272	(1,820)	\$153,180	\$153,200
90	7,270	(1,824)	\$153,176	\$153,200
91	7,233	(1,898)	\$153,102	\$153,100
92	7,488	(1,388)	\$153,612	\$153,600
93	9,926	3,488	\$158,488	\$158,500
94	9,206	2,048	\$157,048	\$157,000
95	8,677	990	\$155,990	\$156,000
96	8,452	540	\$155,540	\$155,500
97	9,953	3,542	\$158,542	\$158,500
98	7,820	(724)	\$154,276	\$154,300
99	7,599	(1,166)	\$153,834	\$153,800
100	5,832	(4,700)	\$150,300	\$150,300
101	7,500	(1,364)	\$153,636	\$153,600
102	6,495	(3,374)	\$151,626	\$151,600
103	6,495	(3,374)	\$151,626	\$151,600
104	6,955	(2,454)	\$152,546	\$152,500
105	7,125	(2,114)	\$152,886	\$152,900
106	8,468	572	\$155,572	\$155,600
107	7,576	(1,212)	\$153,788	\$153,800
108	6,700	(2,964)	\$152,036	\$152,000
109	6,374	(3,616)	\$151,384	\$151,400
110	6,455	(3,454)	\$151,546	\$151,500

111	7,125	(2,114)	\$152,886	\$152,900
112	7,221	(1,922)	\$153,078	\$153,100
113	8,415	466	\$155,466	\$155,500
114	8,582	800	\$155,800	\$155,800
115	9,084	1,804	\$156,804	\$156,800
116	8,424	484	\$155,484	\$155,500
117	7,410	(1,544)	\$153,456	\$153,500
118	7,336	(1,692)	\$153,308	\$153,300
119	7,268	(1,828)	\$153,172	\$153,200
120	7,316	(1,732)	\$153,268	\$153,300
121	7,382	(1,600)	\$153,400	\$153,400
122	7,584	(1,196)	\$153,804	\$153,800
123	7,923	(518)	\$154,482	\$154,500
124	8,400	436	\$155,436	\$155,400
125	8,681	998	\$155,998	\$156,000
126	12,754	9,144	\$164,144	\$164,100
127	9,218	2,072	\$157,072	\$157,100
128	7,125	(2,114)	\$152,886	\$152,900
129	7,125	(2,114)	\$152,886	\$152,900
130	8,240	116	\$155,116	\$155,100
131	9,231	2,098	\$157,098	\$157,100
132	10,357	4,350	\$159,350	\$159,400
133	7,125	(2,114)	\$152,886	\$152,900
134	7,125	(2,114)	\$152,886	\$152,900
135	7,125	(2,114)	\$152,886	\$152,900
136	7,668	(1,028)	\$153,972	\$154,000
137	7,904	(556)	\$154,444	\$154,400
138	7,578	(1,208)	\$153,792	\$153,800
139	7,672	(1,020)	\$153,980	\$154,000
140	7,754	(856)	\$154,144	\$154,100
141	8,296	228	\$155,228	\$155,200
142	9,880	3,396	\$158,396	\$158,400
143	11,053	5,742	\$160,742	\$160,700
144	8,694	1,024	\$156,024	\$156,000
145	7,500	(1,364)	\$153,636	\$153,600
146	7,500	(1,364)	\$153,636	\$153,600
147	7,500	(1,364)	\$153,636	\$153,600
148	8,774	1,184	\$156,184	\$156,200
149	9,491	2,618	\$157,618	\$157,600
150	8,215	66	\$155,066	\$155,100
151	9,519	2,674	\$157,674	\$157,700
			Total	\$23,404,700
			Average	\$154,998

Reflection Ridge

of Lots = 14
 Benchmark Size (sf) = 8,182
 Benchmark Value lots = \$155,000
 Benchmark Value Cluster = \$115,000

Size Adjustment / sf = \$2.00

Lot number	Lot size	Size Adjust	Other	Value	Rounded Value
1	17,452	18,540		\$173,540	\$173,500
2	19,508	22,652		\$177,652	\$177,700
3	26,544	36,724		\$191,724	\$191,700
4	19,523	22,682		\$177,682	\$177,700
5	17,109	17,854		\$172,854	\$172,900
6	18,356	20,348		\$175,348	\$175,300
7	17,277	18,190		\$173,190	\$173,200
8	20,374	24,384		\$179,384	\$179,400
R-1	4,214	N/A		\$115,000	\$115,000
R-2	4,225	N/A		\$115,000	\$115,000
R-3	4,225	N/A		\$115,000	\$115,000
R-4	4,225	N/A		\$115,000	\$115,000
R-5	4,225	N/A		\$115,000	\$115,000
R-6	4,225	N/A		\$115,000	\$115,000
				Total	\$2,111,400
				Average	\$150,814

Subdivision	Soaring Sky	Reflection Ridge	Total	Average Lot Price
Gross Sellout	\$23,404,700	\$2,111,400	\$25,516,100	\$154,643

Absorption Estimate

In order to determine the discounted retail value or bulk sale value to one buyer, an appropriate absorption rate must be concluded. We have reviewed sales histories of several subdivision developments in the market area and have spoken to various real estate agents.

A search of the real estate market has been undertaken in order to estimate the most probable absorption rate for the subject property. This search included interviews with marketing agents, developers, and banks involved with major subdivisions that are considered to be similar to the subject in market positioning. The following chart includes a summary of the most pertinent and comparable subdivisions in the subject's neighborhood.

Based on the proposed product for the subject, it will be targeting entry level and first move-up markets. A complete market analysis for housing product types is beyond the scope of this appraisal and has not been ordered by the subject developers. As such, the scope of this appraisal primarily considers absorption based on the offered product type. It is recommended that the subject developers obtain a full market analysis of home offerings and target markets as it would give insight into potential offerings that may have higher profitability.

Absorption comparables are as follows:

Comparable Subdivision Summary							
#	Name/ Location	Lot Size (SF)	Lot Price	# Sold/ Total	Overall Absorption	Sales Period	Monthly Absorption
1	Hideout Canyon - Small	3,049	\$66,100	N/A	N/A	Last	0.58
	1160 East Lasso Trail	to	to			twelve	
	Hideout Town	4,356	\$169,900			months	
2	Hideout Canyon - Large	13,504	\$99,000	N/A	N/A	Last	1.08
	1160 East Lasso Trail	to	to			twelve	
	Hideout Town	33,541	\$259,000			months	
3	Tuhaye	33,977	\$70,000	N/A	N/A	Last	1.08
	9885 North Uinta Drive	to	to			twelve	
	Wasatch County	182,516	\$595,000			months	
4	Hideout Canyon - Vertical	4,792	N/A	N/A	N/A	Last	3.00
	1160 East Lasso Trail	to	to			twelve	
	Hideout Town	21,344	N/A			months	

RANGES/AVERAGES

Lot Size Range – 3,049 sf – 182,516 sf

Lot Price Range - \$66,100 to \$595,000

Absorption Range – 0.58 to 3.00 per month

Absorption Mean – 1.43 per month

There are positive circumstances influencing the proposed subject, including low interest rates, in-migration, and strong market activity within the subject neighborhood in recent months. Building lot inventories are relatively lean and market conditions are expected to continue to be positive for the foreseeable future. Due to continued demand in the foreseeable future, absorption rates in the market area are expected to continue at a brisk pace.

In order to account for the overall absorption of the project we included a 4th absorption comparable that indicates the absorption of the vertical improvements in Hideout Canyon over the last 12 months. Absorption rates for the single family lot comparables range from 0.58 to 1.08 per month and the vertical units indicate 3.00 per month. It should be noted that comparables 1, 2 and 4 are within the subject development and are separate products. The absorption rate for these subdivisions combined is 4.66 per month with lot sales projected to increase as the project begins to sell. Since this represents the subdivisions actual absorption we conclude that 5.00 lots will be sold per month or 15 per quarter. Also, the market analysis indicates an increase in the sales over the last year, therefore we project that the absorption rates will increase steadily in the subject to 20 per quarter until the project is sold out.

The subject Soaring Hawk is proposed and it is likely that there will be reservations and presales prior to completion of the development. We have estimated 6 presales for the Soaring Hawk subject lots.

After establishing the above projected absorption and presales for the subject, it is now appropriate to discuss the discounting process.

Discounting

In the appraisal of building lots, it is recognized that values are typically higher when lots are sold individually than when they are sold in multiples. This is commonly referred to as the "value to one buyer" or wholesale value. This is a result of holding costs, retail profit potential, and risks during the absorption period. Another way to look at it is to identify the value of the fully developed property to another entrepreneur. To identify appropriate discounting, we have utilized two techniques, 1) market extracted data regarding current discounting practices in Utah's housing markets and, 2) yield capitalization techniques.

Market Extracted Discount Data

In an effort to identify an appropriate discounting level for the subject, we spoke with several builders and developers in the subject's market regarding their current practices. Builder Patrick Holmes of Holmes Homes indicated that he typically buys lots on a bulk sale basis at a discount of about 5 percent for production periods of about 12 months.

He further indicated that if he were purchasing a full year's production for cash, he would expect to buy them at a discount of about 10 percent. Developments in which he has purchased lots recently include Aspen Springs in Riverton, The Ridge in Tooele, and The Fields of Draper in Draper.

Developer's Name	Comments	Concluded Discount Rate
Nate Shipp Development Associates (DAI) •Developer in Salt Lake, Utah, Davis, Wasatch and Washington counties	Mr. Shipp specializes in large scale development. He indicated that DAI has typically sold units to builders on a bulk sale basis at an annual discount rate ranging from 0 to 10%. He reported that based on current market softness, the discount would likely be at the higher extreme of this range.	10 %
Dave Olsen Hearthstone Development •Developer in Utah and Washington counties	In addition to Hearthstone Development, Mr. Olsen owns a construction company called Fortress Homes. He indicated that since today's weak market environment involves more risk that builders are not willing to buy large numbers of lots and are requiring larger discounts. He indicated that an annual discount rate of 8 to 12% is probably warranted, depending on circumstances.	8 to 12 %
Scott Kirkland Sage Development •Developer in Utah County	Mr. Kirkland has primarily developed properties in the Ranches MPC of Eagle Mountain. He said that while discounting in previous years was very minimal, current market discounts ranging from 5 to 10% are justified.	5 to 10 %
Patrick Holmes Holmes Homes •Developer in Salt Lake, Davis and Utah counties	Mr. Holmes said that although in the past he purchased lots on a bulk sale basis at an annual discount of about 5 %, the today's market justifies a 10% discount.	10 %

Based on the above information, a reasonable and prudent discount for bulk sale purchases is considered to be 10 percent. This figure would account for any entrepreneurial profit required in the sale, however, it does not include costs incurred from holding and marketing the lots.

Developer Don Brady, with Terramerica indicated that he anticipates a 9.0 to 10.0 percent discount rate on a subdivision he planned to develop early Summer 2013. This is a discount rate excluding entrepreneurial profit as a line item. The subdivision is around ten lots.

Developer Brad Reynolds, with Reynolds Construction, is currently involved in a multifamily development. His Pro-forma's include an anticipated discount rate from 10 to 12 percent, excluding profit for the 72 unit project.

Directly comparable subdivision data is not readily available for the subject, however, the above properties bracket the subject in number of units and product type. Based on the above information, a reasonable and prudent discount for bulk sale purchases is considered to be 10 percent, excluding profit. This figure would not account for any entrepreneurial profit required in the sale. It also does not include costs incurred from holding and marketing the lots.

As additional support regarding the time value of money, we note that interest rates have plummeted in recent years. To provide a few examples, 10-year treasuries have fallen from rates in the neighborhood of 3.75 percent in 2010 to a current level of 1.75 percent. Savings account rates have declined from about 3 percent to 0.5 percent during the same time period

and mortgage rates have declined from a level of 6 to 7 percent to as low as 2.5 percent. Rates that would be more similar in risk to land development are short term construction loans, which have fallen from a typical rate of about 8 percent to a range of 5 to 6 percent in the past three years.

It is also noted that in addition to the discount rate, a profit figure is included in the discounted cash flow analysis. The reader is reminded that this profit factor pertains only to the marketing phase of the proposed development. Based on conversations with local market participants (see next page), profit expectation for this function ranges from 5 to 10 percent. Considering the above information, the following range of rates is evident:

Discount Rate	Profit	Total
8%	9%	17%
10%	7%	17%
12%	5%	17%
14%	3%	17%

Based on the above market input and analysis we have selected a 10 percent discount rate and a 7 percent profit. Given current economic factors, it seems reasonable that a total IRR of 17 percent would certainly be attractive to investors and very representative of today's financial realities.

Lot values have not increased at the aggressive rates of previous years. Indeed, recent months have seen marked declines in value. With Utah's relatively strong economy and projections for recovery in future years, values are expected to remain stable for affordable housing in good locations. The future of upscale housing values and weaker locations is less certain.

Holding and Marketing Expenses

The marketing of the units is considered to be an expense. The typical cost to sell units such as those in the subject is 3 to 6 percent of the retail price. This is based on interviews with several local developers who sell large numbers of lots to builders, including Tracey Cannon, Patrick Johnson and Dave Tolman. Current activity in the market place indicates that marketing expense would likely be in the area of 5.0 percent. We therefore conclude 5.0 percent as a marketing expense for the subject property.

Taxes and closing costs represent additional expenses. Closing costs are estimated to be \$900 per lot based on title policy costs of \$695, closing costs of \$190, and a recording fee of \$10, for a rounded total of \$900. The annual real estate taxes per unit for the proposed development are estimated to be about \$2,084 for the entire development. The taxes for Reflection Ridge only are \$2,032. This is calculated by applying the current tax rate of 0.013474 (as reported by the Wasatch County Treasurer's Office). These are considered to be typical tax rates for the immediate subject, as indicated and supported in the tax information for the subject and other similar competing developments.

Entrepreneurial Profit

Based on conversations with developers Steve Christensen with the Landcom Group and Dave Adams of Provident Development, entrepreneurial profit of 5 to 10 percent is typical for the marketing phase of the development. Hence, it is considered prudent to include a 5 percent profit allocation in the Discounted Cash Flow analysis.

Price Increase

Even though inflation is projected at 2 to 3 percent per year, due to the current economic conditions, real estate values are expected to remain relatively stable in the foreseeable future. Due to the improving market, there is a 3 percent price increase anticipated for the subject lots.

Discounted Cash Flow

The above costs and the concluded discount rate will now be used to discount the net income cash flow to a present value. This is done in the discounted cash flow analysis found on the following page:

Conclusion – “As Is” Reflection Ridge

There is an estimated \$497,331 in remaining costs for the Reflection Ridge development. We have estimated an entrepreneurial incentive of 10 percent. By subtracting the remaining costs and entrepreneurial incentive from the concluded bulk sale value at completion we arrive at an “as is” value as follows:

Reflection Ridge - 14 Partially Improved Lots	
Prospective Bulk Sale Value	\$1,810,000
Remaining Costs	(\$497,331)
Entrepreneurial Incentive	(\$49,733)
"As Is" Market Value	\$1,262,936

Based on this analysis, the prospective bulk sale value of the partially improved subdivision, in fee simple title, as of September 10, 2014, which is the projected date of completion, is:

\$1,260,000

"ONE MILLION TWO HUNDRED SIXTY THOUSAND DOLLARS"

DISCOUNTED CASH FLOW ANALYSIS (value to one buyer)												
Project Name:				Soaring Hawk & Reflection Ridge								
Assumptions Used For This Analysis:												
Number of (BULK) units in Project:				165		Marketing/Commissions:			5.0%			
Number of Presales (period 0):				6		Closing Costs per Unit:			900			
Number of Units Sold/Period:				15.00		Est. Annual Taxes per Unit:			2,084			
Term of Period (enter 1 for annual,				4		Financing - Total Amount:			0			
2 for semi-annual, 4 for quarterly):						Per Unit:				0		
						Financing - Annual Interest Rate:			0.00%			
Initial Selling Price:				154,643		Financing - Release Payments as %			0%			
Est. Annual Price Increase:				3.00%		Misc. Monthly Expenses per Unit:			0			
DISCOUNT RATE (Medium):				10.00%		Profit/Return on Capital:			5.00%		of retail price	
		[---- Income ----]		[----- Expenses -----]					Net Income	Profit &		
	# of	Price per	Total	Marketing/	Closing	Real Estate			Before	Return on	Net Income	
Period	Units	Unit	Sales	Commissions	Costs	Taxes	Interest	Misc	Profit	Capital	(after profit)	
0 (presales)	6	154,643	927,858	46,393	5,400	0	0	0	876,065	46,393	829,672	
1	15	155,803	2,337,042	116,852	13,500	82,839	0	0	2,123,851	116,852	2,006,999	
2	16	156,971	2,511,541	125,577	14,400	75,024	0	0	2,296,540	125,577	2,170,963	
3	17	158,149	2,688,527	134,426	15,300	66,688	0	0	2,472,112	134,426	2,337,686	
4	18	159,335	2,868,025	143,401	16,200	57,831	0	0	2,650,593	143,401	2,507,192	
5	19	160,530	3,050,065	152,503	17,100	48,453	0	0	2,832,009	152,503	2,679,506	
6	20	161,734	3,234,675	161,734	18,000	38,554	0	0	3,016,387	161,734	2,854,653	
7	20	162,947	3,258,935	162,947	18,000	28,134	0	0	3,049,854	162,947	2,886,907	
8	20	164,169	3,283,377	164,169	18,000	17,714	0	0	3,083,494	164,169	2,919,325	
9	14	165,400	2,315,601	115,780	12,600	7,294	0	0	2,179,927	115,780	2,064,147	
10	0	0	0	0	0	0	0	0	0	0	0	
Total	165		26,475,646	1,323,782	148,500	422,531	0	0	24,580,833	1,323,782	23,257,051	
Net Present Value											\$20,603,593	
Concluded Rounded Value											\$20,600,000	

Conclusion – Prospective Market Value Soaring Hawk and Reflection Ridge

Based on this analysis, the prospective bulk sale value of the proposed and partially improved subdivisions, in fee simple title, as of September 10, 2014, which is the projected date of completion, is:

\$20,600,000

"TWENTY MILLION SIX HUNDRED THOUSAND DOLLARS"

SALES COMPARISON APPROACH

The use of the Sales Comparison Approach for valuation of a completed or "as if complete" subdivision sold on a bulk sale basis is limited by the nature of the subdivision market. Most subdivisions tend to be developed and sold by the same entity on an individual lot basis, eliminating most of them from bulk sale analysis. Consequently, the primary purpose of this approach is to provide additional support for the discount rate calculated in the Income Approach. Due to the lack of data, estimating a single value could be misleading. Consequently, we will estimate a value range in an effort to support the value estimates developed in the Cost of Development and Income Approaches.

In researching the market for bulk sales, we have found bulk sales that are useful in analyzing the market for this type of sale. Current positive market conditions along the Wasatch Front are leading to additional bulk sales. However, most of these sales are scheduled on a lot-by-lot "take down" basis over an extended period of time and, therefore, are not considered to be true bulk sales. Nevertheless, they do provide helpful data in analyzing the bulk sale market. These sales have been identified and are listed below.

INFO SOURCE	SALE DATE	SUBDIVISION NAME & LOCATION	LOTS	TERMS	BUYER	DISC.
Contract	5/09	Beacon Hills Highland	25	Cash	Confidential	28.8%
Contract	11/09	Sunny Ridge Spanish Fork	15	Cash	Homes by Harmony	17.7%
Contract	11/09	Confidential Eagle Mountain	60	Cash	Confidential	53.8%
Bob Reybould - Realtor	10/09	Dixie Springs Hurricane	34	Cash	Unknown	Over 50%
Brandon Schank - Seller	6/09	Fox Hollow Hurricane	5	Cash	Unknown	15% - 25%
Larry Thamart Seller	8/09	The Chateaus at Riverwood Washington	5	Cash	Unknown	20% - 40%
Listing Agent	6/10	Heartland Layton	8	Cash	Bayview Heights	15%
Contract	11/12	Sunset Hills Phase 1 West Valley	56	Cash	Richmond American	24.70%

The above discounts range from 17.7 to 53.8 percent. The primary factor determining the amount of discount is the relative strength or weakness of the particular market in which the property is located. It is noted that these are overall discounts, including carrying cost and yield capitalization discounts. With carrying costs typically ranging from about 10 to 20 percent (as outlined in the "Discounting" section of this report), a yield capitalization discount of 5 percent is considered reasonable in the current market. Hence, these discounts tend to indicate a total discount range of about 25 percent to over 50 percent, depending on buyer/seller motivations, immediate market conditions and specific project characteristics. It is noted since the above data represents market extracted information, that the entrepreneurial profit discussed in the Income Approach is included in these figures.

Based on the information included in this section, an overall discount rate ranging from 15 to 25 percent is considered appropriate in establishing a reasonable value for the proposed subdivision. As such, the final value range of the 165 proposed and partially improved lots, in fee simple title, as of September 10, 2014, which is the projected date of completion, is estimated at \$19,017,825 to \$21,553,535.

\$19,020,000 to \$21,550,000

"NINETEEN MILLION TWENTY THOUSAND

to

TWENTY-ONE MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS"

Reasonableness of Sales Comparison Approach

In the Income Approach, the gross sellout value of \$25,516,100 for the 165 lots is discounted by 19.27 percent to arrive at the discounted value of \$20,600,000. Considering the number of lots in the proposed subdivision and the projected absorption rate, this is deemed to be a prudent and reasonable discount rate. The discount rate range established in the sales comparison approach tends to support the discounts, considering the size of the project and the projected absorption rate of the lots.

RECONCILIATION AND FINAL VALUE ESTIMATE

Reconciliation is the final step in the valuation process of the appraisal report and value conclusions are analyzed to reach a final value estimate. A brief description of the site, proposed improvements, and other factors concerning the subject property were discussed. The subject property was analyzed concerning the highest and best use. The three traditional approaches to value are: 1) the cost, 2) the sales comparison, and 3) the income capitalization approaches to value.

The conclusions reached are as follows:

Land Value “As Is”	\$3,700,000
(Proposed Soaring Hawk- 69.87 Acres)	
 Reflection Ridge “As Is”	 \$1,260,000
(14 Partially Improved Lots)	
 Proposed Market Value -	
Cost of Development Approach	\$11,800,000
Income Approach (Bulk Sale)	\$20,600,000
Per Lot (rounded)	\$124,848
Sales Comparison Approach	\$19,020,000 to \$21,550,000

Each of the approaches is considered in relationship to the quantity and reliability of the data used, and to the applicability of the approach.

These conclusions were reached by applying the techniques and principles of appraisal theory. They were well supported by a good description of the improvements along with the market or environment.

In the income approach, recent comparables were found. Comments were made and adjustments used to make comparison to the subject. A Discounted Cash Flow value was then calculated to arrive at a bulk sale value. In the sales comparison approach, bulk sales of residential subdivisions in the subject's market area were analyzed to further support the estimated discount rate.

Bond Financing

It is noted that the subject development is seeking district bond financing. This is a typical behavior of market participants in large projects, like the subject. The financing issues do not have an effect on the subject property, herein described.

All three approaches are important to consider in determining a final value. The income approach is usually considered to be the best determinant of value for the prospective lot values, and for this particular assignment is based on very reliable market information. The Cost Approach is the weakest in this scenario as some of the lots have partial improvements and Reflection Ridge is part of a larger overall development with lot costs not equally distributed. Another major weakness in the cost approach is the percentage allotted for developer's profit and marketing throughout the timeline of completion of the lots. This allowance is somewhat subjective and varies from developer to developer. As previously noted, the sales comparison approach is very restricted due to limited data. As a result, most weight is given to the Income Approach in arriving at a final value conclusion for the "as is" value of Reflection Ridge. The "as is" value for Soaring Hawk with 69.78 acres of vacant land relies on the sales comparison approach as actual comparable land sales were utilized. The Cost Approach is quite a bit lower than the Prospective Value, which indicates there may be additional profits realized in the development.

Soaring Hawk 69.78 Acres "As Is"

After careful consideration of the above information, the "as is" market value of the proposed Soaring Hawk Subdivision, comprising 69.87 acres in fee simple title, as of May 7, 2014, is considered to be as follows:

\$3,700,000 (Rounded)

"THREE MILLION SEVEN HUNDRED THOUSAND DOLLARS"

Reflection Ridge "As Is"

Based on this analysis, the prospective bulk sale value of the proposed and partially improved subdivisions, in fee simple title, as of May 7, 2014, is:

\$1,260,000

"ONE MILLION TWO HUNDRED SIXTY THOUSAND DOLLARS"

CERTIFICATION

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- Tyler A. Free has made a personal inspection of the property that is the subject of this report. Gary R. Free and Roland D. Robison did not inspect the property.
- No one provided significant real property appraisal assistance to the person signing this certification.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Gary R. Free has completed the continuing education program of the Appraisal Institute.
- As of the date of this report, Tyler A. Free and Roland D. Robison have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.

May 7, 2014

May 7, 2014

May 7, 2014


Date

Date

Date


GARY R. FREE, MAI, SRA
Senior Managing Director/ President


ROLAND D. ROBISON
Managing Director


TYLER A. FREE
Senior Appraiser

Utah State - Certified General Appraiser
License # 5451769-CG00 (Exp. 6/30/15)

Utah State-Certified General Appraiser
License #5452047-CG00 (Exp. 3/31/14)

Utah State-Certified General Appraiser
License #6050225-CG00 (Exp. 12/31/14)

GENERAL ASSUMPTIONS

This appraisal report has been made with the following general assumptions:

1. The legal description used in this report is assumed to be correct.
2. No survey of the property has been made by the appraiser and no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable, unless otherwise stated.
4. Information furnished by others is assumed to be true, correct and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, encumbrances, leases and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
7. Full compliance with all applicable federal, state and local environmental regulations and laws is assumed unless noncompliance is stated, defined and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless some nonconformance has been stated, defined and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, contents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

GENERAL LIMITING CONDITIONS

The appraisal report has been made with the following general limiting conditions:

1. The appraiser will not be required to give testimony or appear in court because of having made this appraisal, with reference to the property in question, unless arrangements have been previously made.
2. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraiser, and in any event only with proper written qualification and only in its entirety.
3. The distribution of the total valuation in this report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used.
4. Disclosure of the contents of this appraisal report is governed by the By-Laws and Regulations of the Appraisal Institute.

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or any reference to the Appraisal Institute or to the MAI designation) shall be disseminated to the public through advertising media, public relations media, sales media or any other public means of communication without the prior written consent and approval of the appraiser.

5. Acceptance of and/or use of this appraisal report constitutes acceptance of the stated general assumptions and limiting conditions.

SPECIAL LIMITING CONDITIONS

1. The liability of Valbridge/Free and Associates, Inc. is limited to the client only. Furthermore, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than client, the client shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions. The appraiser is in no way to be responsible for any costs incurred to discover or correct any deficiencies of any type present in the property; physically, financially, and/or legally. In the case of limited partnerships or syndication offerings or stock offerings in real estate, client agrees that in case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenant, or any other party), any and all awards, settlements of any type in such suit, regardless of outcome, client will hold appraiser completely harmless in any such action.
2. In this appraisal assignment, the existence of potentially hazardous material on or near the subject site and/or used in the construction or maintenance of any of the buildings, such as the presence of urea-formaldehyde foam insulation, and/or the existence of toxic waste, which may or may not be present on the property, was not observed by us, nor do we have any knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The existence of urea-formaldehyde foam insulation or other potentially hazardous waste material may have an effect on the value of the property. We urge the client to retain an expert in this field if desired.
3. The appraisal is made subject to completion of the proposed improvements as described in this report, and as represented by the developer.

SUBJECT PHOTOS



Soaring Hawk view north



Soaring Hawk view east



Soaring Hawk view south



Soaring Hawk view west



Highway 268 looking north



Access to Soaring Hawk

SUBJECT PHOTOS



Reflection Ridge access



Reflection Ridge



Reflection Ridge



Reflection Ridge

Qualifications of Gary R. Free, MAI, SRA
Senior Managing Director

Valbridge Property Advisors | Free and Associates, Inc.



Independent Valuations for a Variable World

State Certifications

State of Utah
State of Idaho
State of Wyoming
State of Nevada

Education

Bachelor of Arts
Business Administration
University of Utah

Contact Details

801.262.3388 (phone)
800.747.0552 (toll-free)
801.262.7893 (fax)

gfree@valbridge.com

Valbridge Property Advisors |
Free and Associates, Inc.
1100 East 6600 South
Suite 201
Salt Lake City, Utah 84121

Membership/Affiliations:

Member:	Appraisal Institute - MAI Designation Appraisal Institute – SRA Designation International Right of Way Association Utah Self Storage Association
Leadership:	Appraisal Institute – Past President, Utah Chapter Appraisal Institute – Past Regional Representative Appraisal Institute – Past Executive Board Member, Utah Chapter Appraisal Institute – Nonresidential Demonstration Report Grading Panel Appraisal Institute – Southwest Region Review and Counseling committee Utah Self Storage Association – Past President Society of Real Estate Appraisers – Past President, Salt Lake City Chapter Society of Real Estate Appraisers – Past Director, Salt Lake City Chapter Society of Real Estate Appraiser – Past Board Member, Salt Lake City Chapter University of Utah – Past Chairman of re-appraisal project for the Bureau of Economic Research

Courses Completed (partial list):

All required core classes for MAI & SRPA designation, and following continuing education:
Anatomy of an Acquisition
Appraisal and Real Estate Issues
Appraisal of Retail Properties
Appraiser as Expert Witness
Appraising the Appraisal: Appraisal Review - General
Business Practices and Ethics
Eminent Domain: New Tools & Strategies for Public Projects in Utah
Eminent Domain Update
Feasibility Analysis, Market Value & Investment Timing
Feasibility Analysis - Nonresidential
Forecasting Revenue
General Appraiser Market Analysis and Highest & Best Use

Courses Completed (partial list) - Cont'd:

Geological Concerns in Real Estate
Health Care Industry Trends & Real Estate
H.V.A.C. Systems in Commercial Buildings
Litigation Appraising: Specialized Topics and Applications
Litigation Skills for the Appraiser
Non-Residential Demo Report Writing
Partial Interests: Theory and Case Law
Property Title Concerns
Rates and Ratios: Making sense of GIMs, OARs and DCFs
Scope of Work: Expanding Your Range of Services
Self Storage: Looking at the Past – Are These Indicators
Small Hotel/Motel Valuation
Special Purpose Properties
Specialized Appraisal Issues
Subdivision Valuation
Successful Real Estate Investing
The Office Sub-Market
The Road Less Traveled: Special Purpose Properties
Using your HP 12C Financial Calculator
USPAP (at regular intervals)
Utah Department of Transportation Projects
Wasatch Front Real Estate Market

Experience:

Senior Managing Director

Valbridge Property Advisors | Free and Associates, Inc. (2013- Present)

President

Free and Associates, Inc. (1976 – Present)

President

Capital Land Management (1978 – 1980)

Appraiser (commercial & residential)

Commercial Security Bank (1974 – 1976)

Founder, in 1976 of Free and Associates, a full-service, real estate appraisal and consulting firm. Qualified, through obtaining appropriate education and experience, to complete appraisals and provide consulting service on all types of commercial and residential properties. Mr. Free has served in elected offices and on boards of professional organizations such as the Appraisal Institute and the Society of Real Estate Appraisers. He is licensed in Utah, Wyoming, Idaho and Nevada, and has provided expert testimony in U.S. and District Courts.

**STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF REAL ESTATE**

ACTIVE LICENSE

DATE ISSUED: 06/06/2013

EXPIRATION DATE: 06/30/2015

LICENSE NUMBER: 5451769-CG00

LICENSE TYPE: Certified General Appraiser

ISSUED TO: GARY R FREE
1100 E 6600 S 201
SALT LAKE CITY UT 84121



SIGNATURE OF HOLDER

REAL ESTATE DIVISION DIRECTOR

Qualifications of Roland R. Robison
Managing Director

Valbridge Property Advisors | Free and Associates, Inc.



Independent Valuations for a Variable World

State Certifications

State of Utah,

Education

Bachelor of
Business/Economics
Business Administration
Brigham Young University,

Contact Details

435-773-6300 (p)
800-747-0552 (toll-free)
435-773-6298 (f)

rrobison@valbridge.com

Valbridge Property Advisors |
Free and Associates Inc.
20 North Main
Suite 304
St. George, UT 84770

www.valbridge.com
www.freeandassociates.com

Membership/Affiliations:

Associate Member: Appraisal Institute

Appraisal Institute & Related Courses:

Comparative Analysis
Business Ethics
Income Capitalization
G/R Eminent domain/Condemnation
FHA Appraisals
Communicating Appraisers
Market Analysis/Highest and Best Use
1A2 – Basic Valuation Procedures
1A1 – RE Appraisal Principles
USPAP
Contractor's License
Real Estate License

Experience:

Managing Director

Valbridge Property Advisors | Free and Associates, Inc. (2013-Present)

Vice President

Free and Associates, Inc. (1991-2013)

Market Analyst

Metro West (1984-1991)

Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; office buildings; industrial buildings; car washes; self storage; master planned communities; condominium developments; hotels and motels; residential subdivisions; and vacant land. Assignments also include eminent domain, markets analysis, and litigation.

**STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF REAL ESTATE**

ACTIVE LICENSE

DATE ISSUED: 03/26/2014

EXPIRATION DATE: 03/31/2016

LICENSE NUMBER: 5452047-CG00

LICENSE TYPE: Certified General Appraiser

ISSUED TO: ROLAND D ROBISON
20 N MAIN STE 304
SAINT GEORGE UT 84770



SIGNATURE OF HOLDER

REAL ESTATE DIVISION DIRECTOR

Qualifications of Tyler R. Free

Senior Appraiser

Valbridge Property Advisors | Free and Associates, Inc.



Independent Valuations for a Variable World

State Certifications

State of Utah
State of Idaho

Education

Bachelor of Science
Economics
University of Utah

Contact Details

801.262.3388 (phone)
800.747.0552 (toll-free)
801.262.7893 (fax)

tfree@valbridge.com

Valbridge Property Advisors |
Free and Associates, Inc.
1100 East 6600 South
Suite 201
Salt Lake City, Utah 84121

www.valbridge.com
www.freeandassociates.com

Membership/Affiliations:

Member: Appraisal Institute -

Courses Completed (partial list):

15 Hour National USPAP
Appraisal
Residential Market Analysis and Highest and Best Use
Basic Income Capitalization
General Applications
General Market Analysis and Highest and Best Use
Business Practices and Ethics
Report Writing and Valuation Analysis
Advanced Income Capitalization
Advanced Sales Comparison & Cost Approaches
Advanced Applications

Experience:

Commercial Real Estate Appraiser

Valbridge Property Advisors | Free and Associates, Inc. (2013-Present)

Commercial Real Estate Appraiser

Free and Associates, Inc. (March 2004 – Present)

Appraisal/valuation and consulting assignments include: apartment buildings; retail buildings and shopping centers; existing/proposed office buildings; industrial buildings; churches; subdivisions; single family residential subdivisions; warehouse buildings; self storage units; and commercial and residential land. Assignments also include eminent domain.

**STATE OF UTAH
DEPARTMENT OF COMMERCE
DIVISION OF REAL ESTATE
ACTIVE LICENSE**

DATE ISSUED: 11/20/2012
EXPIRATION DATE: 12/31/2014
LICENSE NUMBER: 6050225-CG00
LICENSE TYPE: Certified General Appraiser

ISSUED TO:
TYLER A FREE
1100 EAST 6600 SOUTH
201
SALT LAKE CITY UT 84121



A handwritten signature in blue ink, appearing to read "Tyler A. Free", is written over a horizontal line.

SIGNATURE OF HOLDER

A handwritten signature in blue ink, appearing to read "John R. ...", is written over a horizontal line.

REAL ESTATE DIVISION DIRECTOR



HIDEOUT CANYON - Soaring Hawk

Cost Estimate
09 06 13
Bid
Quantity

No.	Item Description	Units	Unit Price	Total Amount	151 \$/Lot	8,160 \$/LF
	Culinary Water Improvements					
	Sanitary Sewer Improvements		Subtotal	\$602,103.00	3,987	74
	Storm Drain Improvements		Subtotal	\$563,450.00	3,731	69
	Roadway Improvements		Subtotal	\$423,600.00	2,805	52
	Gas and Power		Subtotal	\$1,042,153.42	6,902	128
	Utilities		Subtotal	\$653,305.12	4,327	80
	Miscellaneous Items		Subtotal	\$116,184.60	769	14
				\$682,684.85	4,521	84
				\$4,083,480.99		
	Contingency			\$ 350,000.00		
				\$4,433,480.99	29,361	543



HIDEOUT CANYON - Soaring Hawk

Cost Estimate

09 06 13

No.	Item Description	Bid Quantity	Units	Unit Price	Total Amount	151 \$/Lot	8,160 \$/LF
Culinary Water Improvements							
1.	8 - inch Ductile Iron Water Line Pipe	8,160	LF	\$22.00	\$179,520.00		
2.	Excavation 8 - Ductile Iron Water Line Pipe	8,160	LF	\$13.00	\$106,080.00		
3.	Double setter	0	Is	\$2,200.00	\$0.00		
4.	1 - inch Service Lateral	5,292	LF	\$4.00	\$21,168.00		
5.	Excavation Service Laterals	151	Each	\$400.00	\$60,400.00		
6.	1" Single Meter Setter	151	Each	\$785.00	\$118,535.00		
7.	Tap/Tie-in to Existing Main	1	Each	\$15,000.00	\$15,000.00		
8.	8 inch Butterfly Valve	4	Each	\$2,550.00	\$10,200.00		
9.	Fire Hydrant Assembly	21	Each	\$4,200.00	\$88,200.00		
10.	2 inch Air-Vac Valve	2	Each	\$1,500.00	\$3,000.00		
	Subtotal				\$602,103.00	3,987	74
Sanitary Sewer Improvements							
11.	8 inch (SDR 35) Sewer Pipe	8,160	LF	\$15.00	\$122,400.00		
12.	Excavation 8 inch Sewer Pipe	8,160	LF	\$15.00	\$122,400.00		
13.	4 inch HDPE Sanitary Sewer Lateral	151	Each	\$750.00	\$113,250.00		
14.	Excavation 4 inch Sewer Lateral	151	Each	\$500.00	\$75,500.00		
15.	4 ft. Diameter Sewer Manhole	47	Each	\$1,950.00	\$91,650.00		
16.	Excavation 4 ft. Diameter Sewer Manhole	47	Each	\$500.00	\$23,500.00		
17.	5 ft. Diameter Sewer Manhole	5	Each	\$2,200.00	\$11,000.00		
18.	Excavation 5 ft. Diameter Sewer Manhole	5	Each	\$750.00	\$3,750.00		
	Subtotal				\$563,450.00	3,731	69
Storm Drain Improvements							
19.	Inlets	12	Each	\$2,400.00	\$28,800.00		
16.	18" storm drain	8,160	LF	\$30.00	\$244,800.00		
	Detention				\$150,000.00		
	Subtotal				\$423,600.00	2,805	52
Roadway Improvements							
1.	Curb and Gutter	16,320	LF	\$14.00	\$228,480.00		
2.	Excavate curb and gutter	16,320	If	\$2.00	\$32,640.00		
3.	Base C&G	16,320	If	\$5.00	\$81,670.28		
4.	Road Base installed	179,520	Sq. Ft.	\$0.85	\$152,592.00		
5.	3 - inch Asphalt Bituminous Mix	179,520	Sq. Ft.	\$1.59	\$285,477.34		
6.	Asphalt Demo	0	LF	\$4.00	\$0.00		
7.	Asphalt patch	0	LF	\$2.05	\$0.00		
8.	Grading	179,520	sf	\$0.20	\$35,901.30		
9.	Silt Fence	5,050	LF	\$1.85	\$9,342.50		
10.	Reseeding	60,500	Sq. Ft.	\$0.10	\$6,050.00		
11.	Road Cuts and Fills	52,500	CY	\$4.00	\$210,000.00		
	Subtotal				\$1,042,153.42	6,902	128
Gas and Power							
12.	QUEST STAR	7,906	If	\$18.00	\$142,305.12		
13.	Rocky Mountain Power	146	Is	\$3,500.00	\$511,000.00		
	Subtotal				\$653,305.12	4,327	80
Utilities							
14.	Gas Trenching	101	LF	\$10.00	\$1,008.00		
15.	Power Trenching	9,198	LF	\$10.00	\$91,980.00		
16.	Telephone Trenching		LF	\$4.90	\$0.00		
17.	Gas Conduit	101	LF	\$2.00	\$201.60		
18.	Power Conduit	9,198	LF	\$2.50	\$22,995.00		
19.	Telephone Conduit		LF	\$2.30	\$0.00		
	Subtotal				\$116,184.60	769	14
Miscellaneous Items							
20.	Street Lights (at hydrants & intersections)	22	Each	\$2,900.00	\$63,800.00		
21.	Landscape	1			\$0.00		
22.	Irrigation	1			\$0.00		
23.	Stripping		LF	\$0.13	\$0.00		
24.	Road Signs	2	Each	\$225.00	\$450.00		
	Retaining walls	6,300	sf	\$15.00	\$94,500.00		
	Trench Blasting	5,250	If	\$8.00	\$42,000.00		
25.	Mobilization				\$25,000.00		
26.	Plat				\$5,000.00		
27.	Construction Layout				\$60,000.00		
28.	Engineering				\$80,000.00		

29.	Supervision				\$28,000.00		
30.	P/O				\$178,934.85		
31.	Inspection				\$50,000.00		
32.	Permits				\$15,000.00		
33.	Testing				\$40,000.00		
					\$692,664.85	4,521	84
					\$4,083,480.99		
Contingency					\$ 350,000.00		
					\$4,433,480.99	29,361	543

ESTIMATE

Forever Peaks Construction
P.O. Box 1028
Park City, Utah 84060

Estimate # xxxxx

Date:

Job Description

phase 5a

DESCRIPTION				SUBTOTAL
Materials needed (out of pocket cost)				\$868,249.68
Materials In Stock				\$32,589.06
Installation / Excavation				\$311,100.00
			SALES TAX:	
			TOTAL:	\$1,211,938.74

THANK YOU FOR YOUR BUSINESS!

Soaring Hawk and SAA Legal Descriptions

A portion of Hideout Canyon Phase 5:

BEGINNING at a point on the boundary line of Hideout Canyon Phase 1 as recorded in the Office of the Wasatch County Recorder, which is 984.82 feet South 86°15'57" West along the Section line and 473.70 feet North 03°44'03" West from the Northeast Corner of Section 20, Township 2 South, Range 5 East, Salt Lake Base and Meridian (basis of bearing is North 00°06'03" West 2597.65 feet measured along the section line between the Wasatch County Survey monuments found marking the East Quarter Corner and the Northeast Corner of said Section 20), and running thence North 11°17'49" East 96.66 feet to a point on a 475.01 foot radius curve to the right; thence northerly 147.78 feet along the arc of said curve through a central angle of 17°49'29" (chord bears North 20°12'36" East 147.18 feet) to a tangent line; thence North 29°07'20" East 103.27 feet to a point on a 150.00 foot radius curve to the left; thence northwesterly 381.39 feet along the arc of said curve through a central angle of 145°40'50" (chord bears North 43°43'08" West 286.65 feet) to a point of reverse curvature with a 220.77 foot radius curve to the right; thence westerly 247.08 feet along the arc of said curve through a central angle of 64°07'23" (chord bears North 84°29'52" West 234.38 feet) to a point of reverse curvature with a 805.48 foot radius curve to the left; thence northwesterly 124.08 feet along the arc of said curve through a central angle of 08°49'35" (chord bears North 56°50'57" West 123.96 feet) to a point of reverse curvature with a 365.66 foot radius curve to the right; thence northwesterly 108.62 feet along the arc of said curve through a central angle of 17°01'14" (chord bears North 52°45'07" West 108.23 feet); thence South 56°01'09" West 148.67 feet; thence North 72°15'25" West 101.48 feet; thence North 13°58'36" East 100.64 feet; thence North 09°34'09" West 70.40 feet; thence North 44°09'35" West 49.01 feet to a point on a non-tangent 55.00-foot radius curve to the right; thence southwesterly along the arc of said curve through a central angle of 51°44'31" (chord bears South 72°19'29" West 48.00 feet); thence South 08°09'25" West 160.48 feet; thence North 72°15'25" West 36.47 feet; thence North 25°04'25" West 242.41 feet; thence North 03°54'07" East 238.34 feet; thence North 30°16'54" East 217.39 feet; thence North 01°11'27" East 108.48 feet; thence North 05°44'22" East 159.23 feet; thence North 85°03'28" East 192.08 feet; thence South 04°56'32" East 20.07 feet; thence North 85°03'28" East 101.66 feet; thence South 04°46'40" East 411.33 feet; thence South 07°59'52" East 254.66 feet; thence South 21°24'50" East 28.92 feet; thence South 81°16'30" West 121.04 feet to a point on a non-tangent 315.66 foot radius curve to the left; thence southeasterly 279.75 feet along the arc of said curve through a central angle of 50°46'39" (chord bears South 35°52'26" East 270.68 feet) to a point of reverse curvature with a 855.48 foot radius curve to the right; thence southeasterly 131.79 feet along the arc of said curve through a central angle of 06°49'35" (chord bears South 56°50'58" East 131.66 feet) to a point of reverse curvature with a 170.76 foot radius curve to the left; thence easterly 191.11 feet along the arc of said curve through a central angle of 64°07'26" (chord bears South 84°29'53" East 181.29 feet) to a point of reverse curvature with a 200.00 foot radius curve to the right; thence southeasterly 508.53 feet along the arc of said curve through a central angle of 145°40'55" (chord bears South 43°43'09" East 382.20 feet) to a tangent line; thence South 29°07'20" West 103.27 feet to a point of curvature with a 425.00 foot radius curve to the left; thence southerly 132.22 feet along the arc of said curve through a central angle of 17°49'30" (chord bears South 20°12'35" West 131.69 feet) to a tangent line; thence South 11°17'49" West 96.66 feet; thence North 78°42'11" West 50.00 feet to the POINT OF BEGINNING.

Also a portion of Hideout Canyon Phase 8:

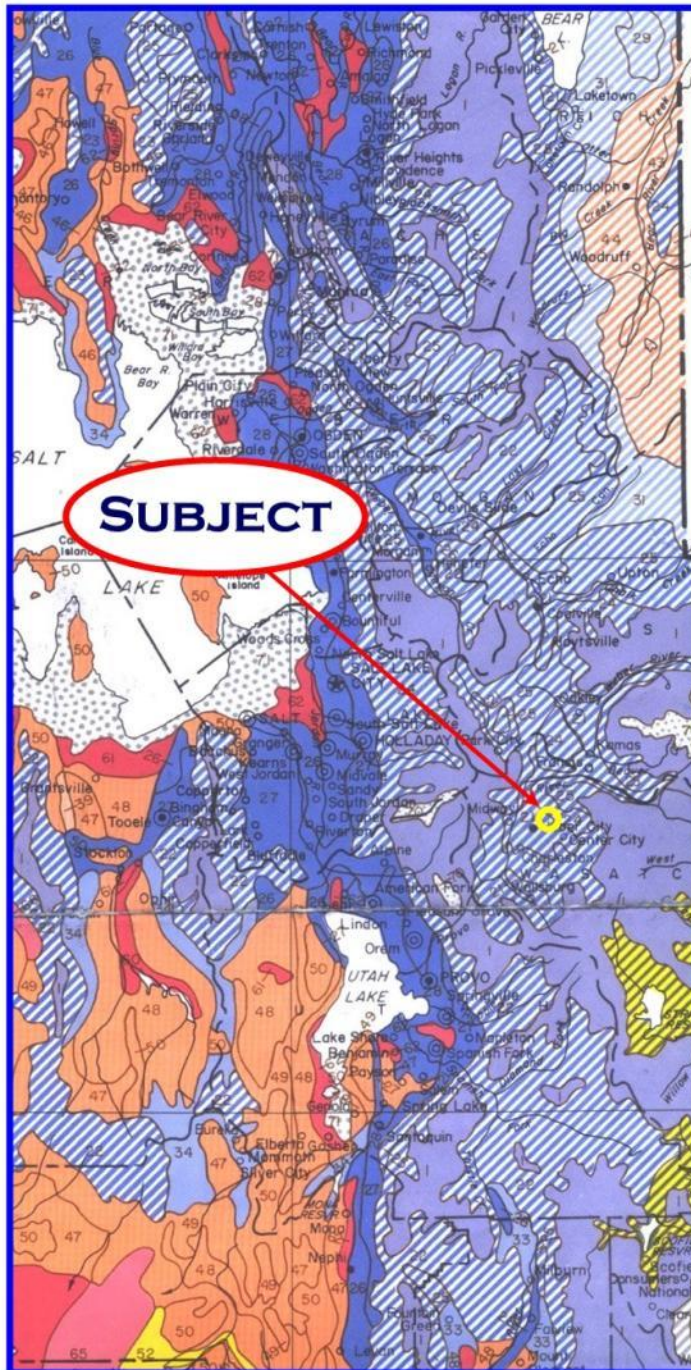
Beginning at a point which is 820.54 feet North 86°15'47" East and 68.71 feet South 03°44'13" East from the Bureau of Land Management monument found marking the North Quarter Corner of said Section 20 (basis of bearing being South 86°15'47" West 2682.36 feet measured between the Northeast Corner and the North Quarter Corner of said Section 20); and running thence North 61°55'22" East 374.82 feet; thence South 37°43'17" East 160.73 feet; thence North 66°47'45" East 12.74 feet to a point on a 52.00 foot radius curve to the right; thence 76.25 feet along the arc of said curve through a central angle of 84°00'46" (chord bears South 71°11'52" East 69.60 feet) thence South 29°11'29" East 186.41 feet to a point on the Hideout Canyon Phase 1 boundary; thence along said boundary the following six (6) calls: 1) South 60°48'31" West 50.00 feet to a point on a 10.00 foot radius non-tangent curve to the right; 2) thence 11.57 feet along the arc of said curve through a central angle of 66°16'41" (chord bears South 03°56'51" West 10.93 feet) to a point of reverse curvature of a 77.00 foot radius curve to the left; 3) thence 131.05 feet along the arc of said curve through a central angle of 97°30'50" (chord bears South 11°40'13" East 115.80 feet) to a point of reverse curvature of a 10.00 foot radius curve to the right;

4) thence 11.57 feet along the arc of said curve through a central angle of $66^{\circ}16'41''$ (chord bears South $27^{\circ}17'18''$ East 10.93 feet); 5) South $05^{\circ}51'02''$ West 31.30 feet to a point on a 125.00 foot radius curve to the left; 6) thence 141.48 feet along the arc of said curve through a central angle of $64^{\circ}51'06''$ (chord bears South $26^{\circ}34'31''$ East 134.05 feet); thence leaving said Phase 1 Boundary South $16^{\circ}04'55''$ West 159.81 feet; thence North $64^{\circ}07'13''$ West 143.81 feet to a point on a 52.00 foot radius non-tangent curve to the right; thence 73.36 feet along the arc of said curve through a central angle of $80^{\circ}49'35''$ (chord bears South $81^{\circ}33'10''$ West 67.42 feet; thence South $02^{\circ}51'23''$ East 159.43 feet; thence West 76.16 feet; thence North $29^{\circ}49'47''$ West 352.05 feet; thence North $21^{\circ}23'40''$ West 424.05 feet to the point of beginning.

Also:

Commencing at a point located North $00^{\circ}17'28''$ West along the Section line 1595.20 feet and West 456.37 feet from the Southwest corner of Section 16, Township 2 South, Range 5 East, Salt Lake Base and Meridian; thence north $22^{\circ}23'59''$ West 1330.69 feet; thence North $33^{\circ}06'34''$ East 1310.81 feet; thence North $89^{\circ}31'24''$ East 235.60 feet; thence North $00^{\circ}17'28''$ West 100.00 feet; thence South $89^{\circ}59'29''$ East 812.69 feet; thence South 1756.26 feet; thence South $66^{\circ}13'28''$ West 869.23 feet; thence South $22^{\circ}26'27''$ East 110.03 feet; thence South $66^{\circ}13'28''$ West 549.92 feet to the point of beginning.

WASATCH COUNTY SOILS MAP



62. Typic Natrustalfs-Typic Natraquolls Association

This association is located in north central Utah in the valleys west of the Wasatch Mountains. It extends from the Idaho state line south into Juab County and occurs on low lake terraces and alluvial fans. Slopes are smooth to gently undulating. Elevations are about 4,220 to 5,200 feet.

This association consists of about 40 percent Typic Natrustalfs and 30 percent Typic Natraquolls. The other 30 percent is mainly Typic Natrixerolls, Mollic Natrustalfs, Aquic Natrustalfs, and Aquic Calciorthids.

brown, and light grayish-brown fine, fine-silty, and fine-loamy. The substrata are pale-brown and pink fine, fine-silty, and fine-loamy. Representative soil series are Leland and Payson.

The Typic Natraquolls are deep, moderate to strongly alkaline soils. The surface layers are gray silty clay loams and silty loams. The subsoils are gray and light-gray fine and fine-silty. The substrata are light-gray and very pale-brown fine and fine-silty. A representative soil series is Airport.

The soils in this association are moderately well to poorly drained. Permeability is moderate to very slow. Runoff is moderate to ponded and sediment production is low to moderate. The hydrologic group is mainly D.

The principal native vegetation is greasewood, pickleweed, seepweed, saltgrass, and associated salt tolerant plants.

These soils are used mainly for range. Some soils have been drained and leached and are used for irrigated cropland.

P2 Highly erodible soils

These soils are shown on the soil map in pink. There are two associations, numbered 63 and 64.

The soils in these associations are located in eastern and southern Utah in the Colorado and Green Rivers drainage systems. They are most extensive in the Uintah Basin, south of the Book Cliffs and east of the Wasatch Plateau from Carbon County south into Kane County. Small areas also occur near St. George. Slopes are smooth to undulating rolling and steep. Elevations range from about 4,500 to 8,000 feet.

The climate varies widely, but is dominantly arid or semiarid. The mean annual soil temperature at 20 inches ranges from about 5 to 10°C (41 to 50°F). The average annual precipitation ranges from about 15 to 45 centimeters (6 to 18 inches).

The soils are used for range and wildlife habitat.

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APPENDIX C

REPORT OF DISTRICT ENGINEER

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Hideout Local District #1

**Report by
District Engineer**

Prepared for:

Hideout Local District #1

**467 East 1000 South
Pleasant Grove, Utah 84062**

Prepared by :

**Erichsen Engineering
5666 South Adaley Avenue
Murray, Utah 84107**

Date:

May 01, 2014

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SUBDIVISION ENTRANCE FEATURES	6
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DEVELOPER'S PRIOR INVESTMENT IN HIDEOUT CANYON	7
SUMMARY OF ESTIMATED PROJECT COST	7
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INTRODUCTION

Hideout Local District #1 (the "District") is an area called the Special Assessment Area (SAA) consisting of two subdivisions located within the Town of Hideout, Utah. Soaring Hawk is approximately 69.87 acres. Soaring Hawk is located in Section 16, Township 2 South, Range 5 East, Salt Lake Base and Meridian on the east side of Utah SR 248. Reflection Ridge is a subdivision of 15 lots (1 lot is excluded from the SAA) and is approximately 8 acres in part of Government Lot 2 in the Northeast Quarter of Section 20 and the Southeast Quarter of Section 17, Township 2 South, Range 5 East, Salt Lake Base and Meridian.

The two subdivisions (Project) will be developed on previously undisturbed mountain foothill terrain with vegetation consisting of predominantly sage and oak brush and some aspen trees. Reflection Ridge is accessible from Longview Drive, which is a fully improved road. Part of the grading for Reflection Ridge was completed when the golf course was constructed. Access to Soaring Hawk is from Utah SR 248 and access to Reflection Ridge is from Longview Drive.

The District was established for the purposes of financing and managing the acquisition, and construction of the publically owned infrastructure and improvements required to support the development objectives within the SAA. The District will build the required infrastructure including the storm water management, sanitary sewer collection, potable water distribution and transportation systems within the SAA. The District will only fund those improvements that are deemed to be public infrastructure and will be owned by a public entity.

The District expects to fund the development of the publicly owned infrastructure through the issuance of Assessment Bonds. Bids for the infrastructure work have been received and contracts are being negotiated.

GOVERNMENT ACTIONS

When the Jordanelle Reservoir was planned the portion of the highway alignment that now runs through the Town of Hideout was moved. As part of this move the Utah Department of Transportation worked with Wasatch County to dedicate property access locations onto SR 248. The planned entrance to Soaring Hawk is one of the dedication access locations. The existing access from Hideout Trail onto SR 248 was not a dedicated access location and the developer of Hideout Canyon, Mustang Development (Developer) was required to purchase the land and to pay an access fee. The existing Hideout Trail access will serve the Reflection Ridge subdivision.

Prior to 2008 all land in the Town of Hideout was zoned as Mountain Zone with a maximum density of 1 lot per acres. In 2008 the Developer was granted Resort Specially Planned Area (RSPA) Zoning for all the property that it owned in the Town of Hideout. This zoning designation is characterized by significantly higher densities with the lowest density pod designation being 6 lots per acre. The Developer was granted this favorable zoning because he built the Outlaw Golf Course and completed extensive master planning and analysis. The golf course is a significant

amenity to the development and the Town, but it also provides firebreaks, trail enhancement's and storm water treatment.

Prior to approximately the year 2000 the area that is now the Town of Hideout did not have the required water and sewer infrastructure to support large-scale development. Since that time significant investments in sewer and water transmission systems have occurred to service the area. The Developer paid for capacity in these systems to service the RSPA through a series of bond instruments that were issued by the Jordanelle Special Service District (JSSD). This capacity now serves the SAA.

Around the year 2009 JSSD determined that it needed to install a pump station at a specific elevation. The only property that was available at that elevation was located at the perimeter of Soaring Hawk. The Developer donated the land that JSSD needed. In exchange for donating the land the Developer was granted capacity to service the upper portions of Soaring Hawk from the pump station.

District was established as an independent Local District by the Town of Hideout, Utah by Resolution Number 10-4, dated 14 April 2010, in compliance with Section 17B-1-215, Utah Code Annotated, 1953, as amended.

The Town of Hideout has issued final approval for the two subdivisions as follows:

Soaring Hawk	11/12/2013
Reflection Ridge	10/03/2008

STORMWATER MANAGEMENT

The criteria for the Districts storm water management system is regulated and permitted by the Town of Hideout. The District intends to finance, design and construct the required storm water management system within the SAA. The Districts storm water management system incorporates sustainable design concepts by promoting localized infiltration and treatment. Storm water will be routed to catch basin and then conveyed by gravity through 15 inch and 18 inch pipes to numerous outlets. Water from the outlets will travel through vegetated areas to maximize infiltration and biological treatment. Storm water that does not infiltrate into the soil will drain to retention ponds and eventually into the Jordanelle Reservoir.

Storm water management during construction is regulated through the State of Utah, which requires the contractor to file with the State a Storm Water Pollution Prevention Plan (SWPP). The contractor is required to implement the plan throughout the course of construction.

Upon completion and acceptance the storm water systems will be dedicated to the Town of Hideout.

SANITARY SEWER MANAGEMENT

The District is within the Jordanelle Special Services District (JSSD) wastewater transit and treatment system. JSSD transmits waste through a series of transmission lines and lift stations to treatment facilities that are located outside of the Town of Hideout. The District intends to finance, design and construct the required sanitary sewer collection system within the SAA. The collection system will consist of 8 inch diameter gravity mainlines and associated manholes with 4 inch laterals serving each lot.

Upon completion the wastewater system will remain in public ownership and be maintained and serviced by the Town.

WATER DISTRIBUTION SYSTEM

JSSD will supply potable and fire protection water to the Districts water distribution system at several points of connection. The District intends to finance design and construct the water distribution system. Water will be distributed throughout the District through a series of 12 inch, 10 inch and 8 inch water mains. Fire hydrants will be serviced by 6-inch lines and each lot will be serviced by 2 inch lines. Pressure reducing valves will be installed as required.

Upon completion the water system will remain in public ownership and be maintained and serviced by the district.

TRANSPORTATION SYSTEM

In accordance with the requirements of the Town of Hideout, the District intends to finance, design and construct the roads and associated improvements including asphalt paving, curb and gutter, grading, landscaping, reseeding and street lighting.

Upon completion and acceptance the road improvements will be dedicated to the Town of Hideout.

The district will also construct required acceleration and deceleration lanes on Utah SR 248. Upon completion and acceptance the road improvements will be dedicated to the Utah Department of Transportation.

NATURAL GAS

Several years ago the Developer paid for capacity in a high-pressure gas line that runs along SR 248 and for the installation of a gas regulation system. These gas distribution systems will supply natural gas to the SAA. The Developer will record plats in approximately five "30 lot" increments. Gas distribution lines are installed after the other improvements have been completed this allows them to be completed when lots are platted. The gas distribution system is estimated to cost \$199,800 for all 165 lots. This system will be funded through owner contributions as plats are recorded, requiring approximately \$37,300 per plat recording.

POWER

As part of the consideration for donating the land for the JSSD pump station the Developer has access to the power that was installed. This power will be used to service Soaring Hawk. The Developer has installed an underground electrical distribution system, from SR 248 down Hideout Trail and Longview Drive that will service Reflection Ridge. Electrical distribution lines are installed after the other improvements have been completed this allows them to be completed when lots are platted. The Electrical distribution is estimated to cost \$305,000 for all 165 lots. This system will be funded through owner contributions as plats are recorded, requiring approximately \$56,000 per plat recording.

SUBDIVISION ENTRANCE FEATURES

The District intends to finance, design and construct high quality entrance features to both of the subdivisions within the SAA. Soaring Hawk's entrance on Utah SR 248 will include rock features, timber features and landscaping. Reflection Ridge's entrance features will include a gate and associated stonework, stone monuments and landscaping.

ESTIMATED CONSTRUCTION SCHEDULE

Task	Start Date	End Date
Notice to Proceed	6/1/2014	06/1/2014
Soaring Hawk	6/5/2014	12/15/2015
Reflection Ridge	6/5/2014	07/15/2015

DEVELOPER INVESTMENT

Recap of Developer's Existing Investment in Support of the SAA
 developer soft cost are not included)

(land and

	Investment	% to SAA	Total SAA
Golf Course and Master Planning for RSPA Zoning	7,500,000	0.33	2,475,000
Pump Station for Soaring Hawk (Estimated Portion associated with SH)	250,000	1.00	250,000
Hideout Trail and Longview Drive to SAA	1,366,975	0.23	314,404
High Pressure Gas Line and Regulation Station	720,000	0.56	403,373
Grading (including rock excavation)	400,000	1.00	400,000
			3,842,778

Additional Investment that Developer Reports for Improvement Bonds and Water Reservations	5,200,000	0.56	2,913,253.01
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DEVELOPER'S REPORTED PRIOR INVESTMENT IN HIDEOUT CANYON

(land and developer soft cost are not included)

Construction	19,380,800
Improvement Bonds and Water Reservation	5,200,000
Legal and Regulatory	1,500,000

26,080,800**SUMMARY OF ESTIMATED PROJECT COST**

	Soaring Hawk	Reflection Ridge	Total
Culinary Water Improvements	892,799	136,431	1,029,230
Sanitary Sewer Improvements	568,741	38,135	606,876
Storm Drain Improvements	232,596	72,235	304,831
Roadway and Right-Away Improvements	998,057	132,467	1,130,524
Sleeves and Conduit	154,619	37,953	192,572
Miscellaneous Improvements	635,436	60,524	695,960
Preconstruction	115,815	160,814	276,629
Entry Features, Signs, Stripping and Lighting	128,800	166,893	295,693
Testing and Permits	274,500	62,000	336,500
CM, Engineering Support and Insp.	346,136	83,500	429,636
Contingency	143,279	27,632	170,911
Design/Engineering	217,553	50,000	267,553

4,708,331**1,028,584****5,736,915**

CONCLUSIONS

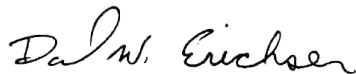
The Project as outlined above is necessary to meet the development objectives. The planning and design of the Project is in accordance with current government regulatory requirements. The Project as planned and engineered meets the intended function of the Development.

Items of construction costs in this report are not a guarantee, however they are based on current plans and bids received by contractors. It is my professional opinion that the infrastructure costs provided herein for the Project are reasonable to complete the construction of the Project described herein and that the various components of the Project will benefit and add value to the Development.

It is our opinion that there are no technical reasons existing at this time that would prohibit the implementation of the plans for the Project as presented herein, subject to the continued compliance with all applicable conditions of the Development Agreement between the Town of Hideout and Mustang Development which has granted development of the of the project within the SAA to Star Community Builders, LLC, and in adherence to the Town of Hideout code.

At the conclusion of the installation of the publicly funded improvements installed by the District and the installation of power and natural gas through owner contributions, all infrastructure required for the sale of the 165 lots and for obtaining building permits will be completed.

Sincerely,



David W, Erichsen, P.E.
Hideout Local District #1

EXHIBIT A: PROJECT AREA MAP

**HIDEOUT LOCAL DISTRICT #1
PROJECT AREA**

▲ Soaring Hawk

▲ Silver Sky

▲ Reflection Ridge

APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The statements under this caption relating to the Indenture is a summary and does not purport to be complete. Such summary is qualified in its entirety by express reference to the Indenture. Certain provisions of the Indenture are also described under “DESCRIPTION OF THE BONDS” and “SECURITY AND SOURCE OF PAYMENT OF BONDS” in the Official Statement.

CERTAIN DEFINITIONS

“*Act*” means, collectively, Title 17B of the Utah Code Annotated 1953, as amended and the Utah Assessment Area Act, Title 11, Chapter 42, of the Utah Code Annotated 1953, as amended.

“*Assessments*” means the assessments levied pursuant to the Assessment Resolution, including installment payments of the Assessments and proceeds received from the sale of delinquent property as provided in the Indenture, in the Assessment Resolution and in the Act (net of the costs and expenses of collection of such proceeds).

“*Assessment Area*” means the Hideout 2014-1 Special Assessment Area.

“*Assessment Revenue Fund*” means the Hideout 2014-1 Special Assessment Area Assessment Revenue Fund.

“*Assessment Resolution*” means the Resolution of the Board adopted on December 24, 2013, levying the Assessments upon the property in the Assessment Area, as supplemented and amended.

“*Authorized Denomination*” means the denomination of \$5,000 or any integral multiple thereof.

“*Authorized Officer*” means the Chair and Vice Chair of the Board, the Clerk and any other person authorized by the District in writing directed to the Trustee to perform the act or sign the document in question.

“*Board*” means the Board of Trustees of the District.

“*Bond Fund*” means the fund by that name established in the Indenture.

“*Bondowner*” or “*Owner*” and “*Bondowners*” or “*Owners*” mean the registered owner(s) of any Bond as shown in the registration books of the District kept by the Trustee for such purpose.

“*Bonds*” means the Bonds of the District authorized by the Indenture.

“Capitalized Interest Account” means the Capitalized Interest Account in the Bond Fund.

“Cede” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“Chair” shall mean the Chair of the Board of the District or his or her designee or the person succeeding to his or her principal functions.

“Clerk” shall mean the District Clerk or any Deputy Clerk to the District, or his or her designee or the person succeeding to his or her principal functions.

“Code” means the Internal Revenue Code of 1986, as amended.

“Cost” or “Cost of Construction” means all costs, fees and charges properly attributable to the acquisition, construction and installation of the Project and all expenses preliminary and incidental thereto incurred by the District, including but not limited to:

- (1) Payment of the costs of acquiring, constructing and installing the Project.
- (2) Payment to the District of such amounts as shall be necessary to reimburse advances and payments theretofore made or costs theretofore incurred by the District or other person or entity for any item of Cost of Construction.
- (3) Costs of any insurance policies or surety bonds during the acquisition, construction and installation of the Project.
- (4) Payment of audit fees and expenses for maintenance of records.
- (5) Payment of the costs of any necessary litigation and the obtaining of all necessary permits.
- (6) Payment of the costs of issuance of the Bonds including legal, accounting, engineering, feasibility, financing, technical, fiscal agent and underwriting costs, fees and expenses, premiums, costs or expenses for bond insurance, printing and engraving costs and fees of rating agencies, incurred in connection with the authorization, sale and issuance of the Bonds and preparation of the Assessment Resolution and the Indenture.
- (7) Payment of any other costs and expenses during the acquisition, construction and installation of the Project, including costs of creating the Assessment Area and levying and collecting the Assessments, and fees and expenses of professional services to comply with the rebate requirements of the Code.
- (8) The redemption price of and accrued interest on any interim warrants or bond anticipation notes issued by the District to pay Costs of Construction.

“Council” means the Board of Trustees of the Hideout Local District No. 1.

“Debt Service Account” means the Debt Service Account in the Bond Fund.

“Debt Service Reserve Fund” means the Debt Service Reserve Fund.

“Debt Service Reserve Requirement” means \$686,500.

“Depository” means any bank or trust company, selected by the Issuer as a depository of moneys of moneys and securities held under the provisions of the Indenture.

“District” means the Hideout Local District No. 1.

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

“Fiduciary” or “Fiduciaries” means any Depository.

“Government Obligations” means bonds or other evidence of indebtedness of the United States of America or any of its agencies or instrumentalities when these obligations are guaranteed as to principal and interest by the United States of America.

“Inspecting Engineer” means Sunrise Engineering, and its successors and assigns, and any other person or corporation that may at any time be substituted in its place by the District with the prior written approval of the Underwriter.

“Interest Payment Date” means February 1 and August 1 of each year commencing August 1, 2014.

“Issue Date” means the original date of issuance and delivery of the Bonds.

“Letter of Representations” means the Blanket Issuer Letter of Representations from the District to DTC, dated March 17, 2014.

“Participants” means those broker dealers, banks and other financial institutions from time to time for which DTC holds Bonds as securities depository.

“Paying Agent” means each Person appointed by the District as Paying Agent with respect to the Bonds. The initial Paying Agent for the Bonds is U.S. Bank National Association, Salt Lake City, Utah, or its successors or assigns.

“Person” means natural persons, firms, partnerships, associations, corporations, trusts, public bodies and other entities.

“Prepayment” means the excess amount of Assessments received by the District and designated by the District to the Trustee as a Prepayment.

“Project” means the project described in the Report of the Consulting Engineer.

“Project Fund” means the fund by that name.

“Purchase Agreement” means that certain Bond Purchase Agreement dated _____, _____, between the Issuer and the Underwriter pursuant to which the Bonds are to be sold by the Issuer to the Underwriter.

“Qualified Investments” means any of the following:

(i) demand deposits and time certificates of deposit of federally insured depositories of the State of Utah;

(ii) Government Obligations;

(iii) repurchase agreements with any federally insured bank or savings and loan association in the State of Utah, acting as principal or agent, for securities of the United States of America or other evidences of indebtedness of like quality;

(iv) “tax exempt bonds” as that term is used in Section 148(b)(2) of the Code, and in any Treasury Regulations, final or proposed, promulgated under that Section; or

(v) any investment authorized from time to time by the provisions of the State Money Management Act, Title 51, Chapter 7, Utah Code Annotated 1953, as amended, including without limitation the fund held by the Treasurer for the State of Utah and commonly known as the Utah State Public Treasurer’s Investment Fund.

“Rebate Fund” means any fund established with respect to the Bonds for the purpose of facilitating compliance with Section 148 of the Code.

“Record Date” means (a) in the case of each Interest Payment Date, the close of business on the fifteenth calendar day immediately preceding such Interest Payment Date, and (b) in the case of each redemption, such record date as shall be specified in the notice of redemption, provided that such record date shall be not less than 15 calendar days before the mailing of such notice of redemption.

“Redemption Account” means the Redemption Account in the Bond Fund.

“Supplemental Indenture” means any indenture supplementing or amending the Indenture entered into in accordance with the terms of the Indenture.

“Tax Certificate” means any agreement or certificate of the District that the District may execute in order to establish and maintain the excludability of interest on the Bonds from gross income of the owners thereof for federal income tax purposes.

“Trustee” means U.S. Bank National Association, and its successors and assigns, and any other corporation or association that may at any time be substituted in its place as provided herein.

TRANSFER AND EXCHANGE OF BONDS

TRANSFER OF BONDS

(a) Any Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Trustee, by the Person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Trustee. No transfer shall be effective until entered on the registration books kept by the Trustee. The District, the Trustee and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Trustee as the Owner and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal (including any mandatory sinking fund redemption), or redemption price thereof, and interest due thereon and for all other purposes whatsoever.

(b) Whenever any Bond or Bonds shall be surrendered for transfer, the Trustee shall authenticate and deliver a new fully registered Exchange Bond or Exchange Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the District, for a like aggregate principal amount. The Trustee shall require the payment by the Bondowner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. With respect to each Bond, no such transfer shall be required to be made (i) after the Record Date with respect to any Interest Payment Date to and including such Interest Payment Date, or (ii) after the Record Date with respect to any redemption of such Bond.

(c) The District shall not be required to register the transfer of or exchange of any Bond selected for redemption in whole or in part, except the unredeemed portion of Bonds being redeemed in part. Upon surrender of any Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Bondowner, at the expense of the District, a new Exchange Bond or Exchange Bonds of the same series, designation, maturity and interest rate and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

EXCHANGE OF BONDS

Bonds may be exchanged at the office of the Trustee for a like aggregate principal amount of fully registered Exchange Bonds of the same series, designation, maturity and interest rate of other authorized denominations. The Trustee shall require the payment by the Bondowner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. With respect to each Bond, no such exchange shall be required to be made (i) after the Record Date with respect to any Interest Payment Date to and including such Interest Payment Date, or (ii) after the Record Date with respect to any redemption of such Bond.

BOND REGISTRATION BOOKS

The Indenture shall constitute a system of registration within the meaning and for all purposes of the Registered Public Obligations Act, Chapter 7 of Title 15, Utah Code Annotated 1953, as amended. The Trustee shall keep or cause to be kept, at its office, sufficient books for the registration and transfer of the Bonds, which shall at all times be open to inspection by the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as herein provided.

LIST OF BONDOWNER

The Trustee shall maintain a list of the names and addresses of the Owners of all Bonds and upon any transfer shall add the name and address of the new Bondowner and eliminate the name and address of the transferor Bondowners.

TRANSFERS OUTSIDE BOOK-ENTRY SYSTEM

At the option of the District or upon receipt by the District of written notice from DTC that DTC is unable or unwilling to discharge its responsibilities, and no substitute depository willing to undertake the functions of DTC hereunder can be found that is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Trustee in the name of Cede, as nominee of DTC, but may be registered in whatever name or names Bondowners transferring or exchanging Bonds shall designate, in accordance with the provisions of Article III hereof.

PAYMENTS TO CEDE

Notwithstanding any other provision of the Indenture to the contrary, so long as any Bond is registered in the name of Cede, as nominee of DTC, all payments with respect to principal of and premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations.

PLEDGE OF REVENUES; ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF; APPLICATION OF BOND PROCEEDS

THE PLEDGE EFFECTED BY THE INDENTURE

The Bonds are special obligations of the District payable solely from and secured solely by the Assessments, and the moneys in the funds and accounts held hereunder and pledged therefor. As provided in the Granting Clause of the Indenture, there are pledged for the payment of principal (including any mandatory sinking fund redemption) and redemption price of and interest on the Bonds in accordance with their terms and the provisions of the Indenture, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on

the terms and conditions set forth in the Indenture, all right, title and interest of the District in and to (1) the proceeds of sale of the Bonds (until used as provided herein), (2) the Assessments and (3) all moneys in funds and accounts held hereunder (except for the Rebate Fund) including the investments, if any, thereof and all other rights hereinafter granted or purported to be granted for the further securing of said Bonds.

ESTABLISHMENT OF FUNDS.

The following funds are hereby established:

- (1) Project Fund, to be held by the Trustee;
- (2) Hideout 2013-1 Special Assessment Area Assessment Revenue Fund, to be held by the Trustee;
- (3) Bond Fund, to be held by the Trustee, consisting of
 - (A) a Debt Service Account,
 - (B) an Redemption Account, and
 - (C) a Capitalized Interest Account;
- (4) Debt Service Reserve Fund, to be held by the Trustee.

PROJECT FUND

(a) Before any payment is made from the Project Fund by the Trustee, the District shall file with the Trustee the following: (i) a written requisition in signed by the District; (ii) a certificate of the Inspecting Engineer; (iii) a lien release from all contractors or subcontractors for the portion of the Project the costs of which will be paid from the Project Fund; and (iv) to the extent the District is purchasing completed or partially-completed Project, a bill of sale transferring ownership to such completed or partially completed Project to the District or another public agency (as defined in the Assessment Area Act).

(b) Upon receipt of each such written requisition and the other documents required in the Indenture, the Trustee shall pay the amounts set forth in such written requisition as directed by the terms thereof.

(c) All net income earned on any moneys or investments in the Project Fund shall be held in such Project Fund and applied to pay Costs of Construction.

(d) Upon the substantial completion of acquisition, construction and installation of the Project, the balance in the Project Fund in excess of the amount, if any, required for payment of any remaining part of the Cost of Construction shall be transferred to the Redemption Account and used to redeem Bonds.

ASSESSMENT REVENUE FUND

(a) All Assessments received by the District shall be promptly transferred by the District to the Trustee for deposit in the Assessment Revenue Fund. On the Business Day preceding each Interest Payment Date, the Trustee shall, after withdrawing an amount sufficient to pay the fees and charges of the Trustee when due, make the following deposits from the Assessment Revenue Fund in the following order of priority:

(1) to the Debt Service Account in the Bond Fund, an amount which, together with other amounts, if any, then on deposit therein shall equal the principal amount (including any mandatory sinking fund redemption) and interest payable on the Bonds on the next Interest Payment Date;

(2) to the credit of the Debt Service Reserve Fund, an amount, if any, which, together with the amount then on deposit therein, shall equal the Debt Service Reserve Requirement;

(3) to the credit of the Rebate Fund the Rebate Amount, if any, required to be deposited therein as provided in the Tax Certificate; and

(4) to the District an amount sufficient to cover the administration costs of the District relating to the management of the Assessment Area and the levy and collection of the Assessments.

(b) Notwithstanding the foregoing, so long as there are moneys on deposit in the Capitalized Interest Account in the Bond Fund on the date required for any transfer into the Debt Service Account as set forth above, the Trustee shall, prior to making any transfer into the Debt Service Account from the Assessment Revenue Fund, transfer to the Debt Service Account from the Capitalized Interest Account, the lesser of the interest on the Bonds coming due on the next succeeding Interest Payment Date or the amount remaining on deposit in the Capitalized Interest Account.

(c) After making the payments provided for above, the balance, if any, remaining in the Assessment Revenue Fund shall be retained therein, or, at the written direction of an Authorized Officer to the Trustee, transferred into the Redemption Account.

(d) All Prepayments, including Prepayment premiums, received by the District shall be promptly transferred by the District to the Trustee for deposit in the Redemption Account in the Bond Fund to redeem Bonds.

BOND FUND - DEBT SERVICE ACCOUNT

The Trustee shall pay out of the Debt Service Account to the Paying Agent on or before each Interest Payment Date, the amount required for the principal (including any mandatory sinking fund redemption) and interest payable on such date. Such amounts shall be applied by

the Paying Agent to pay the principal of (including any mandatory sinking fund redemption) and interest on the Bonds due on such date.

BOND FUND - REDEMPTION ACCOUNT

The Trustee shall pay out of the Redemption Account to the Paying Agent on or before each day on which the Bonds are subject to redemption, the amount required to pay the redemption price of and accrued interest on such Bonds called for redemption on such date. Such amounts shall be applied by the Paying Agent to pay the redemption price of and interest on such Bonds called for redemption.

DEBT SERVICE RESERVE FUND

(a) If on the business day immediately preceding each Interest Payment Date, after the deposit of moneys required by the Indenture, the amount in the Debt Service Account shall be less than the amount required to be in such account for the payment of principal of (including any mandatory sinking fund redemption) and interest on the Bonds coming due on such Interest Payment Date, the Trustee shall pay such principal (including any mandatory sinking fund redemption) and interest directly from the Debt Service Reserve Fund, to the extent there are sufficient moneys on deposit in the Debts Service Reserve Fund.

(b) Whenever the moneys on deposit in the Debt Service Reserve Fund exceed the Debt Service Reserve Requirement, such excess shall be transferred by the Trustee and paid to the District for deposit into the Assessment Revenue Fund.

(c) Whenever the amount in the Debt Service Reserve Fund, together with the amounts in the Debt Service Account are sufficient to pay in full all outstanding Bonds in accordance with their terms (including principal or applicable mandatory sinking fund redemption and interest thereon), the funds on deposit in the Debt Service Reserve Fund shall be transferred to the Debt Service Account and no further deposits shall be required to be made into the Debt Service Reserve Fund.

APPLICATION OF BOND PROCEEDS

The District shall deposit all proceeds from the sale of the Bonds with the Trustee and the Trustee out of such proceeds:

- (1) deposit into the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement; and
- (2) deposit into the Project Fund the balance of the proceeds of the Bonds.

COVENANTS AND UNDERTAKINGS

COVENANTS OF DISTRICT

All covenants, statements, representations and agreements contained in the Bonds, and all recitals and representations in the Indenture, are hereby considered and understood to be the covenants, statements, representations and agreements of the District, are the covenants, statements, representations and agreements of the District.

LEVY AND COLLECTION OF ASSESSMENT

The District shall receive and collect all Assessments levied to pay the cost of the Project of the Assessment Area, the installments thereon, the interest thereon, and the penalties accrued, including without limiting the generality of the foregoing, the whole of the unpaid principal (including any mandatory sinking fund redemption), interest and penalties accrued which become due and payable immediately because of the failure to pay any installment whether of principal (including any mandatory sinking fund redemption) or interest, when due, and to pay and disburse such payments to the person or persons lawfully entitled to receive the same in accordance with the laws of the State of Utah certain resolutions of the District heretofore or to be hereafter adopted.

The District will determine or cause to be determined, no later than March 15 of each year, whether or not there is a delinquency in the payment of any Assessment or installment thereon and, if such delinquency exists, the District will order and cause to be commenced as soon as practicable any and all appropriate and legally permissible actions to obtain such Assessment or installment thereon, and any delinquent charges and interest thereon, including diligently prosecuting an action in court to foreclose the delinquent Assessment or installment thereon. Notwithstanding the foregoing, the District shall not be required under any circumstances to purchase or make payment for the purchase of the delinquent Assessment or installment thereon or the corresponding property.

LIEN OF ASSESSMENT

The Assessments, any interest accruing on the Assessments and the penalties and costs of collection of the Assessments shall continue to constitute and are hereby declared to be a lien against the properties upon which the Assessments are levied within the Assessment Area from and after December 25, 2014, the date on which the Assessment Resolution became effective, which lien shall be superior to the lien of any trust deed, mortgage, mechanic's or materialman's lien, or other encumbrance, and shall be equal to and on a parity with the lien for general property taxes. The lien shall apply without interruption, change in priority, or alteration in any manner to any reduced payment obligations and shall continue until the Assessments, reduced payment obligations, and any interest, penalties, and costs thereon are paid, notwithstanding any sale of the property for or on account of a delinquent general property tax, special tax, other assessment, or the issuance of a tax deed, an assignment of interest by the county, or a sheriff's certificate of sale or deed.

DEFAULT IN PAYMENT OF ASSESSMENTS

Default in the payment of any installment of principal or interest of the Assessments, may at the election of the District, cause the whole of the unpaid principal (including any mandatory sinking fund redemption) or interest to become due and payable immediately and the whole amount of the unpaid principal shall thereafter draw interest at the same rate or rates of interest as are applied to delinquent real property taxes for the year in which the Assessment installment becomes delinquent. In addition, costs and expenses of collection may be added to the delinquent installments. The District covenants and agrees that it will proceed with due diligence to collect delinquent payments plus collection costs. It may place in operation the procedures necessary to provide for a tax sale of all delinquent property in accordance with the Assessment Resolution of the District or in the manner provided by Title 59, Chapter 2, Utah Code Annotated 1953, as amended, for the sale of property for delinquent general property taxes as provided in the Act or similar successor provision of law.

In lieu of the tax sale enforcement remedy, the District may provide for the summary sale of any property assessed after a delinquency shall have occurred in the payment of any Assessment or part or installment of it. The sale shall be in the manner provided for actions to foreclose mortgage liens or trust deeds. The District may designate the Trustee to carry out such foreclosure, and the Trustee shall be deemed to have a power of sale and all other rights, power and authority necessary to legally and lawfully foreclose the lien for delinquent assessments. If for any reason the Trustee cannot or chooses not to perform the powers and responsibilities herein provided, it may appoint, with the consent of the District, a qualified trustee to serve as foreclosure trustee. If at the sale no person or entity shall bid and pay the District the amount due on the Assessment plus interest and costs, the property shall be deemed sold to the District for these amounts.

The District shall be permitted to bid at the sale.

The proceeds from the sale of any property sold will be placed in the Assessment Revenue Fund.

The remedies described under this heading for the collection of Assessments and the enforcement of liens shall be deemed and construed to be cumulative and the use of any one method or means of collection or enforcement shall not deprive the District of the use of any other method or means and that the proceeds from the sale of any property sold will be placed in the Assessment Revenue Fund hereinabove referred to.

BONDS IN REGISTERED FORM

The District recognizes that Section 149 of the Code requires the Bonds to be issued and to remain in fully registered form in order that interest thereon is excludable from federal income taxation under laws in force at the time the Bonds are delivered. In this connection, the District

agrees that it will not take any action to permit the Bonds to be issued in, or converted into, bearer or coupon form.

ARBITRAGE COVENANT; COVENANT TO MAINTAIN TAX-EXEMPTION

(a) The Chair, the Clerk and other appropriate officials of the District are hereby authorized and directed to execute such Tax Certificates as shall be necessary to establish that (i) the Bonds are not “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Regulations, (ii) the Bonds are not and will not become “private activity bonds” within the meaning of Section 141 of the Code, (iii) all applicable requirements of Section 149 of the Code are and will be met, (iv) the covenants of the District contained in the Indenture will be complied with and (v) interest on the Bonds is and will continue to be excludable from gross income of the owners thereof for federal income tax purposes under the Code and applicable Regulations.

(b) The District covenants and certifies to and for the benefit of the Owners from time to time of the Bonds that:

(i) it will at all times comply with the provisions of any Tax Certificates;

(ii) it will at all times comply with the rebate requirements contained in Section 148(f) of the Code, including, without limitation, the entering into any necessary rebate calculation agreement to provide for the calculations of amounts required to be rebated to the United States, the keeping of records necessary to enable such calculations to be made and the timely payment to the United States of all amounts, including any applicable penalties and interest, required to be rebated;

(iii) no use will be made of the proceeds of the issue and sale of the Bonds, or any funds or accounts of the District that may be deemed to be proceeds of the Bonds, pursuant to Section 148 of the Code and applicable Regulations, which use, if it had been reasonably expected on the date of issuance of the Bonds, would have caused the Bonds to be classified as “arbitrage bonds” within the meaning of Section 148 of the Code;

(iv) it will not use or permit the use of any of its facilities or properties in such manner that such use would cause the Bonds to be “private activity bonds” described in Section 141 of the Code;

(v) no bonds or other evidences of indebtedness of the District other than the Bonds have been or will be issued, sold or delivered within a period beginning fifteen (15) days prior to the sale of the Bonds and ending fifteen (15) days following the delivery of the Bonds; and

(vi) it will not take any action that would cause interest on the Bonds to be or to become ineligible for the exclusion from gross income of the owners of the Bonds as provided in Section 103 of the Code, nor will it omit to take or cause to be taken, in timely manner, any action, which omission would cause interest on the Bonds to be or to

become ineligible for the exclusion from gross income of the owners of the Bonds as provided in Section 103 of the Code.

Pursuant to these covenants, the District obligates itself to comply throughout the term of the issue of the Bonds with the requirements of Section 103 of the Code and the Regulations proposed or promulgated thereunder.

THE TRUSTEE AND PAYING AGENTS

ACCEPTANCE OF TRUSTEE; RESIGNATION AND REMOVAL OF TRUSTEE

(a) The Trustee shall signify its acceptance of the duties and obligations imposed on it by the Indenture by executing and delivering to the District a written acceptance thereof. The Trustee shall act as the legal depository for the District for the purpose of receiving all moneys which the District is required to pay to the Trustee hereunder, and to hold, allocate, use and apply the same as provided in the Indenture. The Trustee shall also act as bond registrar for the Bonds, with the duties herein provided. In acting as bond registrar, the Trustee shall be the agent of the District.

(b) The Trustee may at any time resign or be discharged of its duties and obligations hereby created by giving not less than 60 days' written notice to the District, specifying the date when such resignation shall take effect, and mailing notice thereof to the Owners of all Bonds then outstanding, and such resignation shall take effect on the day specified in such notice unless previously a successor shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor; *provided, however*, that such resignation of the Trustee shall in no event take effect until such successor shall have been appointed and accepted the duties of Trustee by executing and delivering to the District a written acceptance.

(c) The District may at any time, and shall following the breach by the Trustee of the trust set forth in the Indenture, remove the Trustee initially appointed or any successor thereto by the adoption by the District of a resolution providing for such removal, for the appointment of a successor, and for the effective date of the change of Trustee. The Trustee may also be removed at any time by an instrument or concurrent instruments in writing, filed with the Trustee, and signed by the Owners of a majority in principal amount of the Bonds then outstanding or their attorneys-in-fact duly authorized. Any such removal of the Trustee shall in no event take effect until such successor shall have been appointed and shall have accepted the duties of Trustee by executing and delivering to the District a written acceptance. A copy of such resolution shall be mailed by first class mail to the Trustee.

(d) Notice of the resignation or removal of the Trustee and the appointment of a successor shall be given by first class mail to the registered Owners of all Bonds then outstanding (and by publication in *Wall Street Journal* or *The Bond Buyer* if any Bonds then outstanding are not in fully-registered form), within 30 days after adoption by the District of the resolution providing for such appointment. Any successor Trustee shall be a bank or trust

company in good standing, incorporated under the laws of the United States of America or any state, duly authorized to exercise trust powers and subject to examination by federal or state authority, and having a reported capital and surplus of not less than \$50,000,000.

PAYING AGENTS; APPOINTMENT AND ACCEPTANCE OF DUTIES; REMOVAL

The District shall appoint a Paying Agent for the Bonds. Each Paying Agent (other than the Trustee) shall signify its acceptance of the duties and obligations imposed upon it by the Indenture by executing and delivering to the District and to the Trustee a written acceptance thereof. The District may remove any Paying Agent and any successor thereto, and appoint a successor or successors thereto; *provided, however*, that any such Paying Agent designated by the District shall continue to be a Paying Agent of the District for the purpose of paying the principal and redemption price of and interest on the Bonds until the designation of a successor as Paying Agent. Each Paying Agent is hereby authorized to redeem Bonds when duly presented to it for payment or redemption, which Bonds shall thereafter be delivered to the Trustee for cancellation.

TERMS AND CONDITIONS OF THE TRUSTS

The Trustee shall perform the trusts contained in the Indenture as a corporate trustee ordinarily would perform said trusts under a corporate indenture, only upon and subject to the following express terms and conditions:

(a) The Trustee shall perform such duties and only such duties as are specifically set forth in the Indenture. The duties and obligations of the Trustee shall be determined solely by the express provisions of the Indenture, and the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in the Indenture, and no implied covenants or obligations shall be read into the Indenture against the Trustee.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall not be answerable for the conduct of any of the same who have been selected by it with ordinary care in accordance with the standard specified above, and shall be entitled to advice of counsel concerning all matters of trusts hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney for the District or any other attorneys, if, in the case of such other attorneys, they are approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice. The Trustee shall not be liable for any error of judgment made in good faith by any of its officers or employees unless it shall be proved that the Trustee was negligent in ascertaining pertinent facts.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds (except in respect to the certificate of authentication of the Trustee endorsed on the Bonds), or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby, and the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any covenants, conditions or agreements on the part of the District herein set forth; but the Trustee may require of the District full information and advice as to the performance of the covenants, conditions and agreements aforesaid. The Trustee shall have no obligation to perform any of the duties of the District under the Indenture.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner or pledgee of Bonds secured hereby with the same rights that it would have if not Trustee. To the extent permitted by law, the Trustee may also receive tenders and purchase in good faith Bonds from itself, including any department, affiliate or subsidiary, with like effect as if it were not Trustee.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to the Indenture, upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in principal amount of the Bonds at the time outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under the Indenture.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a written certificate of the District as sufficient evidence of the facts therein contained and shall also be at liberty to accept a similar written certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in the Indenture shall not be construed as a duty and it shall not be answerable for other than its gross negligence or willful misconduct.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any default hereunder except:

(1) Failure by the District to cause to be made any of the payments to the Trustee required to be made pursuant to Article IV; or

(2) Failure of the District to file with the Trustee any document required by the Indenture to be so filed prior to or subsequent to the issuance of the Bonds;

provided that the Trustee shall be required to take notice or be deemed to have notice of any default hereunder if specifically notified in writing of such default by the Owners of not less than 10% in aggregate principal amount of Bonds then outstanding, and all notices or other instruments required by the Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the principal corporate trust office of the Trustee and in the absence of such notice, the Trustee may conclusively assume there is no default except as aforesaid;

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the Project.

(j) Notwithstanding anything elsewhere in the Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds or any action whatsoever within the purview of the Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required, as a condition of such action by the Trustee reasonably deemed desirable by it for the purpose of establishing the right of the District to the authentication of any Bonds or the taking of any other action by the Trustee.

(k) The Trustee shall be under no obligation to exercise any of the trusts or powers vested in it by the Indenture at the request, order or direction of any of the Bondowners pursuant to the provisions of the Indenture, unless such Bondowners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be incurred therein or thereby.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other funds except to the extent required by mandatory provisions of law.

(m) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, Bond or other paper or document, unless requested in writing to do so by the Owners of not less than 25% in aggregate principal amount of the Bonds then outstanding; *provided*, that, if the payment within a reasonable time to the Trustee of the costs, expenses or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of the Indenture, the Trustee may require reasonable indemnity against such expenses or liabilities as a condition to so

proceeding. The reasonable expense of every such inquiry or examination shall be paid by the District or, if paid by the Trustee, shall be repaid by the District.

(n) The Trustee shall not be liable for any action taken by it in good faith and reasonably believed by it to be authorized or within the discretion, rights or powers conferred upon it by the Indenture.

(o) None of the provisions contained in the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur personal financial liability in the performance of any of its duties or in the exercise of any of its rights or powers, if there is reasonable ground for believing that the repayment of such funds or liability is not reasonably assured to it.

(p) The Trustee shall not be obligated to take or omit to take any action hereunder if, upon the basis of advice of counsel selected by it, the Trustee determines it would be unlawful to take or omit to take such action.

INTERVENTION BY THE TRUSTEE

In any judicial proceeding to which the District is a party and which in the opinion of the Trustee has a substantial bearing on the interests of Owners of the Bonds, the Trustee may intervene on behalf of Bondowners and shall do so if requested in writing by the Owners of a majority of the aggregate principal amount of Bonds then outstanding. The rights and obligations of the Trustee under the Indenture are subject to the approval of a court of competent jurisdiction.

SUCCESSOR TRUSTEE

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business or assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party, shall be and become a successor Trustee hereunder and vested with all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of the Trustee or the District, anything herein to the contrary notwithstanding.

CONCERNING ANY SUCCESSOR TRUSTEE

Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of the District, or of its successor, execute and deliver an instrument transferring to such successor Trustee all

the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as Trustee hereunder to its or his successor. Should any instrument in writing from the District be required by any successor Trustee for more fully and certainly vesting in such successor the estates, properties, rights, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District. Any Trustee ceasing to act shall, nevertheless, retain a lien upon all property or funds held or collected by such Trustee to secure any amounts then due it pursuant to the provisions of the Indenture.

COMPENSATION OF THE TRUSTEE AND ITS LIEN

The District covenants and agrees to pay to the Trustee from time to time and the Trustee shall be entitled to, reasonable compensation and, except as otherwise expressly provided, the District covenants and agrees to pay or reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions of the Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ including but not limited to any Paying Agent or Depositary) except any such expense, disbursement or advance as may arise from its negligence or bad faith. The District also covenants to indemnify the Trustee for, and to hold it harmless against, any loss, liability or expense incurred without negligence or bad faith on the part of the Trustee, arising out of or in connection with the acceptance or administration of the trust created under the Indenture, including the costs and expenses of defending itself against any claim of liability in the premises. The obligations of the District to compensate and indemnify the Trustee and to pay or reimburse the Trustee for expenses, disbursements and advances shall constitute additional indebtedness hereunder and shall survive the satisfaction and discharge of the Indenture. Such additional indebtedness shall be secured by a lien prior to that of the Bonds upon all property and funds held or collected by the Trustee as such, except funds held in trust for the benefit of the Owners of particular Bonds.

APPOINTMENT OF CO-TRUSTEE

It is the purpose of the Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State of Utah) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in case of litigation under the Indenture, and in particular in case of the enforcement thereof on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by the Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such

separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the District be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such estates, properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District. In case any separate trustee or co-trustee, or a successor to either of them shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

DEPOSITS AND INVESTMENT OF FUNDS

DEPOSITS

(a) All moneys held under the provisions of the Indenture shall be deposited in one or more Depositaries in the name of the District. All moneys deposited under the provisions of the Indenture with any Fiduciary shall be held in trust and applied only in accordance with the provisions of the Indenture, and each of the funds established by the Indenture shall be a trust fund for the purposes thereof.

(b) All Assessments and other moneys held by any Fiduciary under the Indenture may be placed on demand or time deposit, if and as directed by the District, *provided* that such deposits shall permit the moneys so held to be available for use at the time when needed. Any such deposit may be made in the commercial banking department of any Fiduciary that may honor checks and drafts on such deposit with the same force and effect as if it were not such Fiduciary. All moneys held by any Fiduciary, as such, may be deposited by such Fiduciary in its banking department on demand or, if and to the extent directed by the District and acceptable to such Fiduciary, on time deposit, *provided* that such moneys on deposit be available for use at the time when needed. Such Fiduciary shall allow and credit on such moneys such interest, if any, as it customarily allows upon similar funds of similar size and under similar conditions or as required by law.

(c) All moneys deposited with each Fiduciary shall be credited to the particular fund or account to which such moneys belong; *provided, however*, nothing herein contained shall prohibit the District from directing a Fiduciary by a written request of the District to make inter-fund or account transfers of investments at the market value of the investments so transferred, as such market value shall be determined by the District at the time of transfer and set forth in the written request.

INVESTMENT OF FUNDS

(a) Moneys held in any fund or account shall be invested and reinvested to the fullest extent practicable in Qualified Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such fund or account and which are of a suitable quality at the time of such investment for such fund or account. Moneys in two or more funds or accounts may be commingled in one or more Qualified Investments, provided that the Trustee shall maintain such books and records as are necessary to account separately for the investment of each fund and account established hereunder.

(b) Subject to any required rebate of earnings on investments in any fund or account to the United States of America pursuant to Section 148(f) of the Code: (i) all moneys earned as an investment of moneys in the Project Fund shall be retained in such Project Fund or, upon the substantial completion of acquisition, construction and installation of the Project, shall be used to redeem Bonds; and (ii) net income earned on any moneys or investments in the Bond Fund and the Assessments Fund shall be transferred to the Debt Service Account in the Bond Fund.

ARBITRAGE COVENANT

The District covenants that moneys on deposit in any fund, whether or not such moneys were derived from proceeds of sales of Bonds or from any other sources, will not be used in a manner which will cause any Bonds, the interest on which is to be excludable from federal income taxation under the Code, to be “arbitrage bonds” within the meaning of Section 148 of the Code.

EVENTS OF DEFAULT AND REMEDIES OF BONDOWNERS

EVENTS OF DEFAULT

The occurrence of one or more of the following events shall constitute an “Event of Default”:

(a) failure by the District to make the due and punctual payment of the principal of any Bond (including any mandatory sinking fund redemption) when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;

(b) failure by the District to make the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(c) failure of the District to enforce the collection of an Assessment or installment thereon, including the prosecution of foreclosure proceedings

(d) failure by the District to observe any of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and failure to remedy the same for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the District by the Owners of not less than 25% in aggregate principal amount of the Bonds at the time outstanding; or

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of Title 11, United States Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the District and, if instituted against the District, said proceedings are consented to or are not dismissed within 30 days after such institution.

ACCOUNTING AND EXAMINATION OF RECORDS AFTER DEFAULT

The District covenants that if an Event of Default shall have happened and shall not have been remedied, the books of record and accounts of the District and all other records of the District relating to the Assessments and the Project shall at all times be subject to the inspection and use of the Owners and of their agents and attorneys. The District covenants that if an Event of Default shall happen and shall not have been remedied, the District, upon demand of an Owner, will account, as if it were the trustee of an express trust, for all Assessments and other moneys, securities and funds pledged or held under the Indenture for such period as shall be stated in such demand.

APPLICATION OF ASSESSMENTS AND OTHER MONEYS AFTER DEFAULT

(a) During the continuance of an Event of Default, the District shall apply the Assessments, the funds and other moneys, securities and funds and the income therefrom as provided in and in the order described above under the heading "ASSESSMENT REVENUE FUND".

(b) If and whenever all overdue installments of interest on all Bonds and all other sums payable by the District under the Indenture, including the principal (including any mandatory sinking fund redemption) and redemption price of and accrued unpaid interest on all Bonds which shall then be payable by declaration or otherwise, shall either be paid by or for the account of the District and all defaults under the Indenture or the Bonds shall be made good or secured to the satisfaction of the Owners of at least 25% in aggregate principal amount of the Bonds outstanding, or provision deemed by the Owners of at least 25% in aggregate principal amount of the Bonds outstanding to be adequate shall be made therefor, the District shall be restored to its former position and rights under the Indenture, and all Assessments shall thereafter be applied as provided in Article IV. No such resumption of the application of Assessments as provided in Article IV shall extend to or affect any subsequent default under the Indenture or impair any right consequent thereon.

RIGHTS AND REMEDIES OF BONDOWNERS

(a) Upon the occurrence and continuance of an Event of Default, the Owners of at least 25% in aggregate principal amount of the Bonds outstanding (subject to the indemnity provisions provided herein) shall pursue any available remedy, including mandamus, by suit at law or in equity to enforce payment on such Bonds or to enforce any obligation of the District hereunder or under the Assessment Resolution;

(b) No Owner or beneficial owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(i) such Owner or beneficial owner has previously given written notice to the Trustee of a continuing Event of Default;

(ii) the Owners or beneficial owners of not less than 25% in aggregate principal amount of the outstanding Bonds, shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(iii) such Owners or beneficial owners have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(iv) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceedings; and

(v) no direction inconsistent with such written request has been given to the Trustee during such 60 day period by the Owners or beneficial owners of a majority in principal amount of the outstanding Bonds;

(c) Notwithstanding any other provision in the Indenture, the Owner of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (including any mandatory sinking fund redemption) redemption price and interest on such Bond on the respective stated maturities expressed in such Bond (or, in the case of redemption, on the redemption date of such Bond) and to institute suit for the enforcement of any such payment. Such right to receive payment shall not be impaired without the consent of such Owner.

(d) The Owners of a majority of the principal amount of the outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available, *provided* that such direction shall not be in conflict with any rule of law or the Indenture.

APPOINTMENT OF RECEIVER

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bondowners, the Bondowners shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the security created hereby, including, without limitation, the proceeds of the sale of the Bonds, the Assessments and the funds established by the Indenture, including the investments, if any, thereof, pending such proceedings, with such powers as a court making such appointments shall confer.

NON-WAIVER

Nothing in the Indenture or in the Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal (including any mandatory sinking fund redemption) and redemption price of and interest on the Bonds to the respective Owners of the Bonds at the respective dates of maturity, or upon call for redemption, as herein provided, out of the Assessments, funds established under the Indenture and other moneys, securities and funds herein pledged for such payment, or affect or impair the right of action, which is also absolute and unconditional, of such Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds. No delay or omission of any Owner of the Bonds to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Owners of the Bonds.

REMEDIES NOT EXCLUSIVE

No remedy herein conferred upon or reserved to the Owners of Bonds is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise, and may be exercised at any time or from time to time, and as often as may be necessary, by the Owner of any one or more of the Bonds. Nothing herein contained shall permit the levy of any attachment or execution upon any of the properties of the District, nor shall any properties of the District be subject to forfeiture by reason of any default hereunder, it being expressly understood and agreed by each and every Bondowner by the acceptance of any Bond that the rights of all such Bondowners are limited and restricted to the use and application of Assessments, funds established under the Indenture and other moneys, securities and funds pledged under the Indenture in accordance with the terms of the Indenture.

SUPPLEMENTAL INDENTURES AND ASSESSMENT RESOLUTION

SUPPLEMENTAL INDENTURES AND ASSESSMENT RESOLUTION NOT REQUIRING CONSENT OF BONDOWNERS

The District and the Trustee may from time to time and at any time enter into a Supplemental Indenture modifying or amending the Indenture or any Supplemental Indenture and the rights and obligations of the District and the Owners of the Bonds and adopt a supplemental resolution modifying or amending the Assessment Resolution, without the consent of any Bondowners for any of the following purposes:

- (a) To cure any ambiguity or formal defect or omission herein or in the Assessment Resolution;
- (b) To grant to or confer upon the Bondowners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Bondowners; and
- (c) To subject to the Indenture additional Assessments or other revenues, properties, collateral or security.

SUPPLEMENTAL INDENTURES AND ASSESSMENT RESOLUTION REQUIRING CONSENT OF BONDOWNERS; WAIVERS AND CONSENTS BY BONDOWNER

Exclusive of Supplemental Indentures and amendments to the Assessment Resolution described above, and not otherwise, the Bondowners of 66 2/3% in aggregate principal amount of the Bonds then outstanding shall have the right, from time to time, anything contained herein to the contrary notwithstanding, to (i) consent to and approve the execution by the District of such other Supplemental Indentures or amendment to the Assessment Resolution and such Supplemental Indenture or resolution supplemental to the Assessment Resolution as shall be deemed necessary and desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained herein or in any supplemental resolution or in the Assessment Resolution as supplemented, or (ii) waive or consent to the taking by the District of any action prohibited, or the omission by the District of the taking of any action required, by any of the provisions hereof or of any Supplemental Indenture supplemental hereto or in the Assessment Resolution as supplemented; *provided, however*, that nothing in this paragraph will permit or be construed as permitting (a) an extension of the stated maturity or reduction in the principal amount of (including any mandatory sinking fund redemption), or reduction in the rate of or extension of the time of paying of interest on, or reduction of any premium payable on the redemption of, any Bond, without the consent of the Bondowner of such Bond, or (b) a reduction in the amount or extension of the time of any Assessment required to be paid under the Assessment Resolution or payment required to be made to the Bond Fund established hereunder applicable to any Bonds without the consent of the Bondowners of all the Bonds which would be affected by the action to be taken, or (c) a reduction in the aforesaid aggregate principal amount of Bonds, the Bondowners of which are required to consent to any such waiver or (d) affect the rights of the Bondowners of less than all

Bonds then outstanding, without the consent of the Bondowners of all the Bonds at the time outstanding which would be affected by the action to be taken. Prior to any Supplemental Indenture or supplement to the Assessment Resolution becoming effective as described in this paragraph, the District shall have on file written consent to such supplemental resolutions executed by at least 66 2/3% in aggregate principal amount of all Bonds then outstanding.

MISCELLANEOUS

LIMITED LIABILITY OF THE DISTRICT

Notwithstanding anything in the Indenture contained, the District shall not be required to advance any moneys derived from any source of income other than the Assessments and other moneys, securities and funds pledged under the Indenture for the payment of the principal or redemption price of or interest on the Bonds. Nevertheless, the District may, but shall not be (including any mandatory sinking fund redemption) required to, advance for any of the purposes hereof any funds of the District that may be available to it for such purposes.

BENEFITS OF INDENTURE LIMITED TO PARTIES

Nothing in the Indenture, expressed or implied, is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, any Trustee, any Paying Agent, any Depositary, any Fiduciary or the Owners of the Bonds, any right, remedy or claim under or by reason of the Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in the Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of any Trustee, the Paying Agents, any Depositary, any Fiduciary or the Owners of the Bonds.

EXECUTION OF DOCUMENTS BY BONDOWNERS

Any request, declaration or other instrument that the Indenture may require or permit to be executed by Bondowners may be in one or more instruments of similar tenor, and shall be executed by Bondowners in person or by their attorneys appointed in writing.

Except as otherwise expressly provided, the fact and date of the execution by any Bondowner or his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

The ownership of the Bonds and the amount, maturity, number and date of ownership thereof shall be proved by the Bond register.

Any request, declaration or other instrument or writing of the Owner of any Bond shall bind all future Owners of such Bond in respect of anything done or suffered to be done by the District in good faith and in accordance therewith or in reliance thereon.

CREMATION OR DESTRUCTION OF CANCELLED BONDS

Whenever in the Indenture provision is made for the surrender to the District of any Bonds which have been paid or cancelled pursuant to the provisions of the Indenture, the District may, but shall not unless otherwise provided by law be required to, cremate or destroy such Bonds.

GOVERNING LAW

The Indenture shall be governed by and construed in accordance with the laws of the State of Utah.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[LETTERHEAD OF CHAPMAN AND CUTLER LLP]

[To Be Dated the Closing Date]

Re: \$6,865,000
Hideout Local District No. 1
Special Assessment Bonds
Series 2014

We hereby certify that we have examined certified copy of the proceedings of Hideout Local District No. 1 (the “*Issuer*”) passed preliminary to the issuance by the Issuer of its Special Assessment Bonds, Series 2014 (the “*Bonds*”) with respect to the Hideout 2013-1 Special Assessment Area (the “*Assessment Area*”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of June 1, 2014, (the “*Indenture*”), between the Issuer and U.S. Bank National Association, as trustee (the “*Trustee*”). The Bonds are dated the date hereof and mature on August 1 of each of the years, and bear interest, as follows:

AUGUST 1	AMOUNT MATURING	INTEREST RATE
2024	\$1,950,000	7.75%
2034	4,915,000	8.25

The Bonds are subject to optional, mandatory and extraordinary mandatory redemption as provided in the Indenture.

The Bonds are being issued under the authority of the Assessment Area Act, Title 11, Chapter 42, Utah Code Annotated 1953, as amended (the “*Act*”), for the purpose of providing the funds with which to finance a portion of the costs of the Project (as defined in the Indenture), fund the Reserve Fund (as defined in the Indenture), pay a portion of the interest to come due on the Bonds and pay certain costs associated with the issuance of the Bonds and related matters. Capitalized terms used and not otherwise defined herein have the meanings assigned to them in the Indenture.

In connection with the issuance of the Bonds, we have examined: (a) the Act and such other provisions of law as we deem relevant; (b) certified copy of the proceedings of record of the Board of Trustees of the Issuer, preliminary to and in connection with the issuance of the Bonds, authorizing, among other things, the issuance of the Bonds; (c) the form of the Bonds set forth in the Indenture; (d) certified copy of the resolution of the Issuer, adopted on December 24, 2014, as amended (the “*Assessment Resolution*”), pursuant to which the Issuer levied the

assessments on the property in the Assessment Area (the “*Assessments*”) and (e) such other materials, showings and documents as we deem necessary for the purpose of this opinion. Based upon the foregoing and subject to the limitations set forth below, we are of the opinion that, under current law:

1. The Assessment Area is validly created under the Act.
2. The Assessment Resolution has been duly adopted by the Issuer and constitutes the valid and binding obligation of the Issuer.
3. The Issuer has the power under the Act to issue the Bonds and the proceedings of the Board of Trustees of the Issuer referred to above show lawful authority for the issuance of the Bonds and for the execution and delivery of the Indenture.
4. The Indenture is valid and binding upon the Issuer and enforceable in accordance with its terms, and no other authorization for the Indenture is required.
5. The Indenture creates the valid pledge which it purports to create of the Assessments and moneys in the funds and accounts held and pledged under the Indenture, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.
6. The Bonds are valid and binding special obligations of the Issuer payable solely from the Assessments. The Bonds do not constitute a general obligation indebtedness of the Issuer within the meaning of any state constitutional provision or statutory limitation nor a charge against the general credit of the Issuer.
7. The Assessments constitute a lien against the assessed property within the Assessment Area superior to the lien of any trust deed, mortgage, mechanic’s or materialman’s lien, or other encumbrance, and are equal to and on a parity with the lien for general property taxes.
8. Subject to the Issuer’s compliance with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the “*Code*”), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such Issuer covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.
9. Under the laws of the State of Utah, as presently enacted and construed, interest on the Bonds is exempt from taxes imposed by the Utah Individual Income Tax

Act. We express no opinion with respect to any other taxes imposed by the State of Utah or any political subdivision thereof. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Official Statement relating to the Bonds.

Enforceability of the Bonds and the Indenture may be limited (a) by bankruptcy, insolvency, reorganization and other similar laws relating to the enforcement of creditors' rights generally or usual equity principles in the event equitable remedies should be sought and (b) by the exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of America of the power delegated to it by the federal constitution, to the extent that the obligations of the Issuer under the Bonds and the Indenture are subject to the exercise of such powers.

In rendering this opinion, we have relied upon certifications of the Issuer with respect to certain material facts within the Issuer's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to 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.

Respectfully submitted,

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APPENDIX F
PROPOSED FORM OF
CONTINUING DISCLOSURE UNDERTAKING

FOR THE PURPOSE OF PROVIDING
CONTINUING DISCLOSURE INFORMATION
UNDER SECTION (b)(5) OF RULE 15c2-12

[TO BE DATED CLOSING DATE]

This Continuing Disclosure Undertaking (the “*Agreement*”) is executed and delivered by Hideout Local District No. 1 (the “*Issuer*”) and Star Community Builders, LLC, as representative of the property owners listed in *Schedule 1* attached hereto (collectively, the “*Property Owner*”), who are the sole owners of the property located in the Assessment Area (defined below) in connection with the issuance of \$6,865,000 Special Assessment Bonds, Series 2014 (the “*Bonds*”). The Bonds are being issued pursuant to an Indenture of Trust dated as of June 1 between U.S. Bank National Association, as trustee (the “*Trustee*”) and the Issuer (the “*Indenture*”).

In consideration of the issuance of the Bonds by the Issuer and the purchase of such Bonds by the beneficial owners thereof, the Issuer and the Property Owner covenant and agree as follows:

1. **PURPOSE OF THIS AGREEMENT.** This Agreement is executed and delivered by the Issuer and the Property Owner as of the date set forth below, for the benefit of the beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with the requirements of the Rule (as defined below). The Issuer represents that it will be the only obligated person with respect to the Bonds at the time the Bonds are delivered to the Participating Underwriters and that no other person is expected to become so committed at any time after issuance of the Bonds.

2. **DEFINITIONS.** The terms set forth below shall have the following meanings in this Agreement, unless the context clearly otherwise requires.

Annual Financial Information means the financial information and operating data described in *Exhibit I*.

Annual Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information as set forth in Section 4.

Commission means the Securities and Exchange Commission.

Dissemination Agent means any agent designated as such in writing by the Issuer* and which has filed with the Issuer* a written acceptance of such designation, and such agent's successors and assigns.

EMMA means the MSRB through its Electronic Municipal Market Access system for municipal securities disclosure or through any other electronic format or system prescribed by the MSRB for purposes of the Rule.

Exchange Act means the Securities Exchange Act of 1934, as amended.

MSRB means the Municipal Securities Rulemaking Board.

Participating Underwriter means each broker, dealer or municipal securities dealer acting as an underwriter in the primary offering of the Bonds.

Quarterly Financial Information means the financial information and operating data described in *Exhibit II*.

Quarterly Financial Information Disclosure means the dissemination of disclosure concerning Annual Financial Information as set forth in Section 5.

Reportable Event means the occurrence of any of the Events with respect to the Bonds set forth in *Exhibit III*.

Reportable Events Disclosure means dissemination of a notice of a Reportable Event as set forth in Section 6.

Rule means Rule 15c2-12 adopted by the Commission under the Exchange Act, as the same may be amended from time to time.

State means the State of Utah.

Undertaking means the obligations of the Issuer and the Property Owner pursuant to Sections 4 and 5.

3. CUSIP NUMBER/FINAL OFFICIAL STATEMENT. The CUSIP Numbers of the Bonds maturing in each of the following years are as follows:

AUGUST 1 OF THE YEAR	CUSIP NUMBER
2024	42953A AA4
2034	42953A AB2

The Final Official Statement relating to the Bonds is dated June 12, 2014 (the "*Final Official Statement*"). The Issuer and the Property Owner will include the CUSIP Number in all disclosure described in Sections 4, 5 and 6 of this Agreement.

4. ANNUAL FINANCIAL INFORMATION DISCLOSURE OF THE ISSUER. Subject to Section 9 of this Agreement, the Issuer hereby covenants that it will disseminate its Annual Financial Information (in the form and by the dates set forth in *Exhibit I*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Annual Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Issuer will disseminate a statement to such effect as part of its Annual Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Annual Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

5. QUARTERLY FINANCIAL INFORMATION DISCLOSURE OF THE PROPERTY OWNER. Subject to Section 9 of this Agreement, the Property Owner hereby covenants that, so long as it, or any entity or person related to the Property Owner, collectively, is responsible for the payment of Assessment Installments equal to at least 10% of the total Assessment Installments (as defined in the Indenture) for any year, it will disseminate its Quarterly Financial Information (in the form and by the dates set forth in *Exhibit II*) to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such information and by such time so that such entities receive the information by the dates specified. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports.

If any part of the Quarterly Financial Information can no longer be generated because the operations to which it is related have been materially changed or discontinued, the Property Owner will disseminate a statement to such effect as part of its Quarterly Financial Information for the year in which such event first occurs.

If any amendment or waiver is made to this Agreement, the Quarterly Financial Information for the year in which such amendment or waiver is made (or in any notice or supplement provided to EMMA) shall contain a narrative description of the reasons for such amendment or waiver and its impact on the type of information being provided.

6. REPORTABLE EVENTS DISCLOSURE. Subject to Section 9 of this Agreement, the Issuer and the Property Owner each hereby covenants that it will disseminate in a timely manner (not in excess of ten business days after the occurrence of the Reportable Event) Reportable Events Disclosure to EMMA in such manner and format and accompanied by identifying information as is prescribed by the MSRB or the Commission at the time of delivery of such

information. References to “material” in *Exhibit III* refer to materiality as it is interpreted under the Exchange Act. MSRB Rule G-32 requires all EMMA filings to be in word-searchable PDF format. This requirement extends to all documents to be filed with EMMA, including financial statements and other externally prepared reports. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the Bondholders pursuant to the Indenture.

7. CONSEQUENCES OF FAILURE TO PROVIDE INFORMATION. The Issuer and the Property Owner shall give notice in a timely manner to EMMA of any failure to provide Annual Financial Information Disclosure or Quarterly Financial Information Disclosure, respectively, when the same is due hereunder.

In the event of a failure of the Issuer or the Property Owner to comply with any provision of this Agreement, the beneficial owner of any Bond may seek mandamus or specific performance by court order, to cause the Issuer or the Property Owner to comply with its obligations under this Agreement. The beneficial owners of 25% or more in principal amount of the Bonds outstanding may challenge the adequacy of the information provided under this Agreement and seek specific performance by court order to cause the Issuer or the Property Owner to provide the information as required by this Agreement. A default under this Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Agreement in the event of any failure of the Issuer or the Property Owner to comply with this Agreement shall be an action to compel performance.

8. AMENDMENTS; WAIVER. Notwithstanding any other provision of this Agreement, the Issuer and the Property Owner may amend this Agreement, and any provision of this Agreement may be waived, if:

(a) (i) The amendment or waiver is made in connection with a change in circumstances that arises from a change in legal requirements, including without limitation, pursuant to a “no-action” letter issued by the Commission, a change in law, or a change in the identity, nature, or status of the Issuer or the Property Owner, or type of business conducted; or

(ii) This Agreement, as amended, or the provision, as waived, would have complied with the requirements of the Rule at the time of the primary offering, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(b) The amendment or waiver does not materially impair the interests of the beneficial owners of the Bonds, as determined either by parties unaffiliated with the Issuer or the Property Owner (such as the Trustee or Bond Counsel) or by approving vote of Bondholders pursuant to the terms of the Indenture at the time of the amendment or waiver.

In the event that the Commission or the MSRB or other regulatory authority shall approve or require Annual Financial Information Disclosure, Quarterly Financial Information Disclosure or Reportable Events Disclosure to be made to a central post office, governmental agency or similar entity other than EMMA or in lieu of EMMA, the Issuer and the Property Owner shall, if required, make such dissemination to such central post office, governmental agency or similar entity without the necessity of amending this Agreement.

9. TERMINATION OF UNDERTAKING. The Undertaking of the Issuer shall be terminated hereunder if the Issuer shall no longer have any legal liability for any obligation on or relating to repayment of the Bonds under the Indenture. The Issuer shall give notice to EMMA in a timely manner if this Section is applicable.

The Undertaking of the Property Owner shall be terminated hereunder if the Property Owner, or any entity or person related to the Property Owner, collectively, is no longer responsible for the payment of Assessment Installments equal to at least 10% of the total Assessment Installments for any year. The Property Owner shall give notice to EMMA in a timely manner if this Section is applicable.

10. DISSEMINATION AGENT. The Issuer and the Property Owner may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

11. ADDITIONAL INFORMATION. Nothing in this Agreement shall be deemed to prevent the Issuer or the Property Owner from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information Disclosure or Quarterly Financial Information Disclosure or notice of occurrence of a Reportable Event, in addition to that which is required by this Agreement. If the Issuer or the Property Owner chooses to include any information from any document or notice of occurrence of a Reportable Event in addition to that which is specifically required by this Agreement, the Issuer and the Property Owner shall have no obligation under this Agreement to update such information or include it in any future disclosure or notice of occurrence of a Reportable Event. If the Issuer or the Property Owner is changed, the Issuer or the Property Owner shall disseminate such information to EMMA.

12. BENEFICIARIES. This Agreement has been executed in order to assist the Participating Underwriters in complying with the Rule; however, this Agreement shall inure solely to the benefit of the Issuer, the Property Owner, the Dissemination Agent, if any, and the beneficial owners of the Bonds, and shall create no rights in any other person or entity.

13. RECORDKEEPING. The Issuer and the Property Owner shall maintain records of all Annual Financial Information Disclosure or Quarterly Financial Information Disclosure, respectively, and Reportable Events Disclosure, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

14. ASSIGNMENT. The Issuer shall not transfer its obligations under the Indenture unless the transferee agrees to assume all obligations of the Issuer under this Agreement or to execute an Undertaking under the Rule.

15. GOVERNING LAW. This Agreement shall be governed by the laws of the State.

HIDEOUT LOCAL DISTRICT NO. 1

By: _____
Chair

STAR COMMUNITY BUILDERS, LLC, as
representative of the Property Owner

By: _____
Its: _____

SCHEDULE 1

PROPERTY OWNERS

AJM Investments, LLC

JKCS Investments, LLC

Mustang Development, LLC

North American LD, LLC

Mountain Resort Land Company, LLC

James M. Wahl

EXHIBIT I

ANNUAL FINANCIAL INFORMATION AND TIMING

“*Annual Financial Information*” means the following information to be provided by the Issuer:

(a) Tables setting forth the following information, as of the end of such Fiscal Year:

(i) For the Bonds, the maturity date or dates, the interest rate or rates, the original aggregate principal amount and principal amount remaining Outstanding.

(ii) The amounts in the funds and accounts securing the Bonds and a description of the related investments.

(d) Listing of any Assessment Area property or property owner responsible for the payment of Assessment Installments equal to at least 10% of the total Assessment Installments for any year, the amount of the levy of Assessments against such landowners, and the percentage of such Assessments relative to the entire levy of Assessments, all as of the previous November 30.

(e) The total amount of Assessment Installments assessed and collected during such Fiscal Year, together with the amount of Assessments prepaid during such Fiscal Year.

(f) The amount of Assessments collected from the property owners during such Fiscal Year.

(g) The amount of Assessments delinquent greater than six months, one year and two years, and, if delinquencies amount to more than five percent (5%) of aggregate amount of Assessments due in any year, a list of property owners whose Assessments are delinquent.

(h) The amount of delinquent Assessments by Fiscal Year:

(1) which are subject to institution of foreclosure proceedings (but as to which such proceedings have not been instituted);

(2) which are currently subject to foreclosure proceeding which have not been concluded;

(3) which have been reduced to judgment but not collected;

(4) which have been reduced to judgment and collected; and

(5) the result of any foreclosure sales of assessed property within the Assessment Area if the assessed property represents more than three percent (3%) of the total amount of Assessments.

(i) The principal and interest paid on the Bonds during the most recent Fiscal Year and the minimum scheduled principal and interest required to be paid on the Bonds in the next Fiscal Year;

(j) Any changes to the methodology for levying the Assessments in the Assessment Area since the report of the most recent Fiscal Year;

(k) A description of any amendment to this Disclosure Agreement.

All or a portion of the Annual Financial Information may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The Issuer shall clearly identify each such item of information included by reference.

Annual Financial Information will be submitted to EMMA by 180 days after the last day of the Issuer's fiscal year (currently June 30).

If any change is made to the Annual Financial Information as permitted by Section 4 of the Agreement, the Issuer will disseminate a notice of such change as required by Section 4.

EXHIBIT II

QUARTERLY FINANCIAL INFORMATION AND TIMING

“*Quarterly Financial Information*” means the following information to be provided by the Property Owner:

(a) The information contained in the tables on pages A-3 and A-4 in the Official Statement.

(b) (i) Status of parcel and/or lot sales from the Property Owner to any other party by type and average pricing, as well as anticipated future absorption sales;

(ii) A statement as to material changes, if any, in the form, organization or controlling ownership of the Property Owner;

(iii) The status of any governmental approvals (other than customary home building permits required after a delivery of a finished lot) required for completion of the Project;

(iv) Written notification of any significant zoning or land use entitlement changes or any other matter that would have a material adverse impact on land values within Assessment Area, development potential of lands within the Assessment Area or the likelihood of the timely payment of the Assessments levied on land or parcels owned by the Property Owner; and

(v) Any changes to the land use designation for the property in the Assessment Area that might negatively impact its development for those purposes identified in the Official Statement.

(vi) The number, dollar amount, and property type (e.g., developed lots, undeveloped pads, parcels, raw land) under contract with purchasers;

(vii) For each residential home builder, on a per quarter and running total basis, (A) the number of residential units for which construction has begun, (B) the number of residential units for which construction has been completed, and (C) the number of residential units which have been sold to end users and the average sales price therefor; and

(viii) For each residential home builder, the estimated date of completion for all residential units expected to be constructed in the Assessment Area.

(c) With respect to the Project and the Construction Fund:

(i) Total expected construction budget for the Project;

- (ii) Construction budget allocated to progress “Milestones;”
- (iii) Forecast completion of “Milestones”; and
- (iv) Forecast completion date of Project.

Budget overruns in excess of \$250,000 or delays of greater than 60 days will be highlighted and explained and the Property Owner shall include a plan to remedy the situation.

(d) If the Property Owner sells, assigns or otherwise transfers ownership of real property in the Assessment Area to a third party, which results in such third party owning property representing at least 10% of the total Assessment Installments of the Assessments next coming due after such transfer of ownership, the Property Owner shall require such third party to comply with the Property Owner’s disclosure obligations hereunder with respect to such acquired real property for so long as such third party is the owner of property representing at least 10% of the total of Assessment Installments of the Assessments next coming due.

All or a portion of the Annual Financial Information may be included by reference to other documents which have been submitted to EMMA or filed with the Commission. If the information included by reference is contained in a Final Official Statement, the Final Official Statement must be available on EMMA; the Final Official Statement need not be available from the Commission. The Issuer shall clearly identify each such item of information included by reference.

The Property Owner shall provide, or cause to be provided at its cost and expense, to the Issuer the information described in this *Exhibit II*, and the Issuer shall, within fifteen days of receipt from the Property Owner or its designee, promptly provide or cause to be provided such information to the MSRB. The Property Owner shall provide, or cause to be provided, the information described in this *Exhibit II* during the period from the delivery of the Bonds until such time as the Property Owner is no longer responsible for the payment of Assessment Installments equal to at least 10% of the total Assessment Installments for any year. Such information shall be provided by the Property Owner to the Issuer not later than thirty (30) days after each January 1, April 1, July 1 and October 1 (beginning July 1, 2014). The Issuer shall notify the Property Owner at least thirty (30) days prior to each such quarterly reporting date that such report is due.

If any change is made to the Annual Financial Information as permitted by Section 5 of the Agreement, the Issuer will disseminate a notice of such change as required by Section 5.

EXHIBIT III

EVENTS WITH RESPECT TO THE BONDS FOR WHICH REPORTABLE EVENTS DISCLOSURE IS REQUIRED

1. Principal and interest payment delinquencies
2. Non-payment related defaults, if material
3. Unscheduled draws on debt service reserves reflecting financial difficulties
4. Unscheduled draws on credit enhancements reflecting financial difficulties
5. Substitution of credit or liquidity providers, or their failure to perform
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security
7. Modifications to the rights of security holders, if material
8. Bond calls, if material, and tender offers
9. Defeasances
10. Release, substitution or sale of property securing repayment of the securities, if material
11. Rating changes
12. Bankruptcy, insolvency, receivership or similar event of the Issuer*
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material

* This event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

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FOR ADDITIONAL BOOKS: ELABRA.COM OR (888) 935-2272