[This page intentionally left blank]

FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A., WITH RESPECT TO THE 2001 BONDS

Upon delivery of the 2001 Notes in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such 2001 Notes in substantially the following form:

Board of Supervisors
Harmony Community
Development District

Re: $8,080,000 Harmony Community Development District
Bond Anticipation Notes, Series 2001

We have served as bond counsel in connection with the issuance by Harmony Community Development District (the "District"), a community development district established and existing pursuant to Chapter 190, Florida Statutes, as amended (the "Act"), of its $8,080,000 Bond Anticipation Notes, Series 2001 (the "2001 Notes"). The Notes are being issued under and pursuant to the Constitution and laws of the State of Florida, a Master Trust Indenture (the "Master Indenture"), dated as of December 1, 2000 and a Second Supplemental Trust Indenture, dated as of October 1, 2001 (collectively, the Master Indenture as amended and supplemented by the First Supplemental Indenture is hereinafter referred to as the "Indenture"), each from the District to First Union National Bank, Miami, Florida, as trustee (the "Trustee") and resolutions adopted by the Board of Supervisors of the District on March 17, 2001 and September 27, 2001 (collectively, the "Note Resolution"). The 2001 Notes are issued for the principal purposes of: (i) financing the Costs of acquiring, constructing and equipping a water and sewer utility system (the "2001 Utility Project"); (ii) paying certain interest to become due on the Notes; and (iii) paying certain costs associated with the issuance of the Notes. The Notes are issued in anticipation of bonds which were validated by final judgment of the Circuit Court of Osceola County, Florida, rendered on August 4, 2001, the appeal period for which has expired with no appeal having been taken. The Notes are payable from and secured by the 2001 Trust Estate, including the proceeds of utility revenue bonds of the District, when, as and if issued. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. Unless the context indicates otherwise, all terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.

The Notes recite that neither the Notes nor the interest and premium, if any, payable thereon shall constitute a general obligation or general indebtedness of the District within the meaning of the Constitution and laws of the State of Florida. The Notes and the interest and premium, if any, payable thereon do not constitute either a pledge of the full faith and credit of the District or a lien upon any property of the District other than as provided in the Indenture authorizing the issuance of the Notes. No Owner or any other person shall ever have the right to compel the exercise of any ad valorem taxing power of the District or any other public authority or governmental body to pay debt service or to pay any other amounts required to be paid pursuant to the Indenture or the Notes. Rather, debt service and any other amounts required to be paid pursuant to the Indenture or the Notes, shall be payable solely from, and shall be secured solely by the 2001 Trust Estate pledged to the Notes, all as provided in the Notes and in the Indenture.

The opinions set forth below are expressly limited to, and we opine only with respect to, the laws of the State of Florida and the federal income tax laws of the United States of America.

On the basis of our review, we are of the opinion that:

1. The District has been duly established and validly exists as a community development district under the Act.

2. The District has the right and power under the Act to authorize, execute and deliver the Indenture, and the Indenture has been duly and lawfully authorized, executed and delivered by the District, is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms. The Indenture creates the valid pledge which it purports to create of the Trust Estate, in the manner and to the extent provided in the Indenture.

3. The Notes are the valid, binding, special obligations of the District, enforceable in accordance with their terms and with the terms of the Indenture and are entitled to the benefits of the Indenture and the Act as amended to the date hereof, and the Notes have been duly and validly authorized and issued in accordance with law and the Indenture.

4. The Notes and interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220.

5. Under existing statutes, regulations, rulings and court decisions, the interest on the Notes (a) is excluded from gross income for federal income tax purposes and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and

corporations; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Board comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Notes in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Notes to be so included in gross income retroactive to the date of issuance of the Notes. The District has covenanted to comply with all such requirements. Ownership of the Notes may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Notes.

The opinions expressed above as to enforceability may be limited by any applicable bankruptcy, insolvency, moratorium, reorganization or other similar laws affecting creditors' rights generally, or by the exercise of judicial discretion in accordance with general principles of equity.

Except as may expressly be set forth in an opinion delivered by us to the underwriters of the Notes on the date hereof (upon which only they may rely), (1) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Limited Offering Memorandum or other offering material relating to the Notes and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with laws of the State of Florida or the United States with regard to the sale or distribution of the Notes and we express no opinion relating thereto.

We have examined the form of the Notes and, in our opinion, the form of the Notes is regular and proper.

Very truly yours,

NABORS, GIBLIN & NICKERSON, P.A.

[This page intentionally left blank]

APPENDIX "D"

FORM OF NOTE PURCHASE AGREEMENT

[This page intentionally left blank]

NOTE PURCHASE AGREEMENT

Dated as of October 1, 2001

by and between

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP

and

FIRST UNION NATIONAL BANK, AS TRUSTEE

relating to

$8,080,000
HARMONY COMMUNITY DEVELOPMENT DISTRICT
(OSCEOLA COUNTY, FLORIDA)
BOND ANTICIPATION NOTES
SERIES 2001

NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT (this "Agreement"), dated as of October 1, 2001, made by **BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP**, a Florida limited liability limited partnership, having its principal office and place of business at 4305 Neptune Road, St. Cloud, Florida 34769 (together with its successors and assigns, "Birchwood") and **FIRST UNION NATIONAL BANK**, Miami, Florida, as trustee under the Indenture hereinafter referred to (the "Trustee").

WITNESSETH:

WHEREAS, Harmony Community Development District (the "District"), a local unit of special purpose government organized and existing under the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes, as amended (2000) (the "Act") has determined to issue $8 080,000 Harmony Community Development District Bond Anticipation Notes, Series 2001 (the "Notes"), under and pursuant to the terms of a Master Trust Indenture, dated as of December 1, 2000 (the "Master Indenture"), from the District to the Trustee, as amended and supplemented by a Second Supplemental Indenture, dated as of October 1, 2001 (the "Supplemental Indenture"), from the District to the Trustee (the Master Indenture as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the "Indenture"); and

WHEREAS, Birchwood stands to profit materially from the development of land located in the jurisdiction of the District, and the development of Birchwood's land will be expedited by the acquisition, construction and equipping of the 2001 Project from the proceeds of the Notes as contemplated by the Notes and the Indenture; and

WHEREAS, the Owners, from time to time of the Notes will rely upon the covenants and agreements contained herein as a material inducement in the purchase of the Notes; and

WHEREAS, the arrangement set forth in this Agreement is acceptable in all respects to Birchwood and to the District.

NOW, THEREFORE, Birchwood covenants and agrees with the Trustee in its capacity as such and acting on behalf of the Owners from time to time of the Notes as follows:

1. Definitions.

All words and terms defined in the Indenture shall have the same meanings in this Agreement, unless otherwise specifically defined herein. The terms defined below have, for all purposes of this Agreement, the meanings specified herein, unless defined elsewhere herein or the context clearly requires otherwise.

"Affiliate" means any person, corporation, association or other business entity which directly or indirectly controls, or is controlled by, or is under common control with Birchwood. For the purposes of this definition, "control," when used with respect to a

Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Agreement" means this Note Purchase Agreement, as the same may from time to time be amended, modified or supplemented in accordance with the terms hereof.

"Bankruptcy Code" means 11 U.S.C. Section 101 et seq. as amended.

"Business Day" means any day other than (a) a Saturday or Sunday, (b) a day on which the Trustee is authorized or required by law or executive order to close, or (c) a day on which the New York Stock Exchange or DTC is closed.

"Company Representative" means each person at the time designated to act on behalf of Birchwood by written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person and signed on behalf of Birchwood by an authorized officer of the general partner of Birchwood. Such certificate may designate an alternate or alternates.

"Consistent Basis" means, in reference to the application of GAAP that the accounting principles observed in the period referred to are comparable in all material respects to those applied in the preceding period, except as to any changes consented to by Requesting Owners.

"Debt" of any Person means indebtedness for borrowed money, as for the deferred purchase price of property or services, obligations as lessee under leases which shall have been or should be recorded as capital leases in accordance with generally accepted accounting principles; provided that the term "Debt" shall exclude trade payables and other expenses normally incurred in the ordinary course of business.

"Employment Plan" means any employee pension benefit plan, within the meaning of Section 3(2) of ERISA, which is maintained (in whole or in part) for the employees of Birchwood or any Subsidiary.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, including any rules and regulations promulgated thereunder.

"Event of Default" has the meaning specified in paragraph 32 hereof.

"GAAP" means generally accepted accounting principles.

"Lien" means any lien, charge, mortgage, security interest, pledge or other encumbrance, including, without limitation: (i) any conditional sale, agreement for deed or title retention agreement or lease in the nature thereof; (ii) the rights of the transferee under or beneficiary of any agreement or arrangement pursuant to which there is a

transfer of or creation of an interest in property, assets, revenue or income in order to secure indebtedness; (iii) any sale or other disposition of property with the intention of having the seller lease or acquire the right to possession thereof in an arrangement commonly referred to as a "sale-leaseback transaction;" or (iv) the filing of any financing statement executed by and on behalf of Birchwood under the UCC, or other law relating to liens, of any jurisdiction.

"Majority" when used with respect to Requesting Owners shall mean the Beneficial Owners of more than fifty percent (50%) of the Outstanding principal amount of the Notes.

"Mortgage" means that certain Mortgage, Security Agreement, Assignment of Leases and Rents and Financing Agreement, made by Birchwood to the Issuer, dated October 1, 2001.

"Permitted Encumbrances" means and includes:

(1) Liens in favor of Requesting Owners;

(2) Except as hereinafter set forth, Liens in respect of property or assets of Birchwood imposed by law, which were incurred in the ordinary course of business, such as carriers', warehousemen's and mechanics' liens and other similar Liens arising in the ordinary course of business, and (x) which do not in the aggregate materially detract from the value of such property or assets or materially impair the use thereof in the operation of the business of Birchwood, or (y) which are being contested in good faith by appropriate proceedings, which proceedings have the effect of preventing the forfeiture or sale of the property or assets subject to any such Lien;

(3) Liens for taxes and assessments not delinquent or which are being contested in good faith by appropriate proceedings and against which adequate reserves have been provided for on the books of Birchwood;

(4) Worker's, mechanic's and materialmen's Liens and similar Liens incurred in the ordinary course of business remaining undischarged or unstayed for not longer than ninety (90) days following Borrower's notice of the attachment thereof; and (5) Liens in respect of deposits under worker's compensation laws, unemployment insurance or similar legislation and in respect of pledges or deposits to secure bids, tenders, contracts (other than contracts for the payment of money), leases or statutory obligations, or in connection with surety, appeal and similar bonds incidental to the conduct of litigation, encumbrances and charges, or any part thereof or interest therein, other than the Mortgage, and

any financing statements filed in connection therewith, and any other liens or encumbrances set forth on Exhibit "B" attached to the Mortgage as Permitted Encumbrances.

"Person" means an individual, partnership, corporation, trust, joint venture, unincorporated organization, association, or a government, or agency or political subdivision or instrumentality thereof.

"Requesting Owners" shall mean any Beneficial Owner of Notes.

All references to time herein shall be local time in Miami, Florida.

2. Purchase Obligation of Birchwood.

The Trustee shall notify Birchwood on the fifth (5th) Business Day preceding a Mandatory Tender Date that such Mandatory Tender Date will occur and that on or before 10:00 AM, Miami, Florida time on such Mandatory Tender Date, Birchwood must deposit with the Trustee, in immediately available funds, for deposit by the Trustee into the Note Purchase Fund established under the Supplemental Indenture, an amount sufficient to pay the principal amount of the Notes Outstanding (as defined in the Indenture) on such Mandatory Tender Date, together with the interest thereon from the date to which interest has last been paid to the Mandatory Tender Date (the "Purchase Price"). The Trustee shall deliver to, or upon direction of Birchwood, Notes in the aggregate principal amount equal to the principal portion of the Purchase Price so paid, registered as requested by the Developer, or, in the event the Notes are in book-entry only form, through the facilities of DTC (as defined in the Supplemental Indenture).

For purposes of this Agreement, the term "Mandatory Tender Date" shall have the meaning ascribed in the Supplemental Indenture. Failure, delay or insufficiency of the notices set forth in this Agreement or in the Supplemental Indenture shall not relieve Birchwood of any of its obligations under this Agreement, which obligations shall be absolute and unconditional and shall continue until fully satisfied.

For purposes of this Agreement, the term "Business Day" shall have the meaning ascribed in the Master Indenture.

The obligations of Birchwood hereunder are independent of the obligations of the District, and a separate action or actions may be brought and prosecuted against Birchwood, irrespective of whether any action is brought against the District or whether the District shall be joined in any such action or actions. At its option, the Trustee may maintain successive actions for successive defaults, and its rights hereunder shall not be exhausted by its exercise of any of its rights or remedies or by any such action or by any number of successive actions, unless and until the entire principal amount of the Note together with all accrued interest thereon has been fully paid and discharged.

4. Authorization of Trustee.

Birchwood authorizes the Trustee at any time, either with or without consideration, without notice (except for such notice, if any, as is specifically required by the Indenture) or demand and without affecting Birchwood's liability hereunder, from time to time to renew, amend, compromise, extend, accelerate or otherwise change the time for payment of, or otherwise change the terms of the Note, the Indenture or any part thereof, including any increase or decrease of the rate of interest thereon; provided, however, that the foregoing authorization shall be subject to the consent of the Owners of the Notes (other than Birchwood) as otherwise provided for in the Indenture.

5. Waivers by Birchwood.

Birchwood hereby waives: (a) all right to assert or plead at any time any statute of limitations as or relating to the Obligations or the obligations created hereby; (b) any right to require the Trustee to proceed against the District or against any other person or to apply any security it may hold or to pursue any other remedy before it may proceed against Birchwood hereunder; (c) any right to assert or plead at any time any defense or set off Birchwood may have as a result of the violation of any of its rights hereunder; (d) any defense arising by reason of any disability of the District; (e) presentments, demands for performance, notices of non-performance, protest, notices of dishonor and notices of acceptance of this Agreement; (f) any right or claim of right of cause a marshalling of the District's assets; (g) any right to require the Trustee to enforce any remedy that the Trustee now has or may hereafter have against the District; and (h) all right to notice of the Trustee's acceptance hereof.

6. Delay by Trustee.

No delay on the part of the Trustee in the exercise of any right, power or privileges under the Indenture or under this Agreement shall operate as waiver of any such privilege, power or right.

7. Enforcement.

If this Agreement is placed in the hands of an attorney at law for enforcement, whether suit be brought or not, Birchwood hereby agrees to pay all reasonable costs, expenses and attorneys' and paralegals' fees incurred by the Trustee in connection therewith, including such costs, expenses and reasonable attorneys' and paralegals' fees incurred on appeal or in administrative or bankruptcy proceedings.

8. Trustee's Exercise of Powers.

The Trustee shall not be obligated to exercise any of the powers or authority hereby given it, but the exercise by it of any or all of such powers and authority are hereby consented to. No exercise by the Trustee of and no omission of the Trustee to exercise any such power or authority, and no dealing by the Trustee with the District or Birchwood or any endorser and no impairment or suspension of any right or remedy of the Trustee against the District or Birchwood or any endorser shall in any way suspend, discharge, release, lessen, exonerate or

otherwise affect any of Birchwood's obligations hereunder or give to it any right or recourse against the Trustee.

9. Rights Under Other Agreements.

Nothing in this Agreement is intended or shall be construed to prevent the Trustee, upon the occurrence of any Event of Default, in the exercise of its discretion, from pursuing its rights under any other agreement delivered by the District or Birchwood in order to evidence or secure the Note.

10. Release of Birchwood.

Birchwood hereby agrees that until all of the terms, covenants and conditions of this Agreement are fully performed, the obligations of Birchwood hereunder shall not be released, in whole or in part, by any act or thing that might, but for this provision, be deemed a legal or equitable discharge of Birchwood, it being the purpose and intent of the parties hereto that the obligations of Birchwood hereunder are and shall be absolute and unconditional except as otherwise expressly provided herein. No act or omission of any kind by the Trustee shall affect or impair this Agreement. Birchwood hereby agrees that its obligations hereunder shall be irrevocable and absolute, and shall be complete and binding as to it, except as otherwise expressly provided herein.

The obligations of Birchwood hereunder shall terminate, and the Mortgage securing such obligations shall be released as to the obligations secured hereby upon the earlier to occur of: (x) the date on which the Notes are no longer Outstanding (under and as defined in the Indenture) or (y) Birchwood has satisfied its purchase obligation pursuant to Section 2 hereof.

11. Covenants, Representations and Warranties or Birchwood.

Birchwood covenants, represents and warrants to the Trustee that:

(i) Birchwood (A) is duly organized, validly existing and in good standing under the laws of the State of Florida, (B) has the power and authority to own its properties and to carry on its business as now being conducted, (C) to the best of its knowledge, is in substantial compliance with all material laws, orders, regulations, authorizations and similar matters (collectively, the "Governmental Requirement") of all governmental authorities, whether federal, state, county or municipal (collectively, the "Governmental Authority"), and (D) has not amended or modified its partnership agreement, except as previously disclosed in writing to the Trustee prior to the execution hereof.

(ii) The execution, delivery and performance by Birchwood of this Agreement, (A) is within the powers and purposes of Birchwood, (B) has been duly authorized by all requisite partnership action of Birchwood, (C) does not require the approval of any Governmental Authority, and (D) will

not violate any Governmental Requirement, the articles of incorporation and bylaws of Birchwood or any indenture, agreement or other instrument to which Birchwood is a party or by which it or any of its property is bound, or be in conflict with, result in a breach of or constitute (with due notice or the lapse of time, or both), a default under any such indenture, agreement or other instrument, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of its property or assets, except as contemplated by the provisions of this Agreement.

(iii) This Agreement when executed and delivered by Birchwood will constitute the legal, valid and binding obligations of Birchwood enforceable in accordance with the terms hereof.

(iv) There are no judgments outstanding against Birchwood and there is no action, suit, proceeding, or investigation now pending (or to the best of Birchwood's knowledge after diligent inquiry threatened) against, involving or affecting Birchwood or any of its properties or any part thereof, at law, in equity or before any Governmental Authority that if adversely determined as to Birchwood could result in a material adverse change in the business or financial condition of Birchwood, or Birchwood's operation and ownership of any of its properties, nor, to the best of Birchwood's knowledge, is there any basis for such action, suit, proceeding or investigation.

12. Financial and Other Reporting Requirements.

(a) Birchwood shall as soon as available and in any event, within one hundred twenty (120) days following the end of Birchwood's fiscal year provide to Requesting Owners financial statements containing: (i) an unaudited consolidated balance sheet and income statement prepared in accordance with GAAP, and (ii) a management letter from the certified public accountant if one is issued.

(b) As soon as practicable, deliver to Requesting Owners the annual budget for Birchwood, if any, approved in accordance with Birchwood's Limited Partnership Agreement for the upcoming fiscal year.

(c) Together with each delivery of financial statements required by clause (a), Borrower shall deliver to Requesting Owners a certificate of no default from a Company Representative setting forth (i) that, to the knowledge of the Company Representative, Birchwood has kept, observed, performed and fulfilled in all material respects, each and every agreement binding on it contained in this Agreement, and is not at the time in default in the keeping, observance, performance or fulfillment in any material respect of any of the terms, provisions and conditions thereof and (ii) that no Event of Default hereunder has occurred or, but for the requirement that notice be given or time elapse, or both, would occur, or specifying any and all such defaults and Events of Default of which such officer may have actual knowledge.

(d) Promptly upon a Company Representative obtaining knowledge thereof, Birchwood shall deliver to Requesting Owners written notice of any facts or circumstances known to Birchwood that it reasonably believes could form the basis for the assertion of any material claim against Birchwood or any Affiliate relating to environmental matters including, but not limited to, any claim arising from past or present environmental practices asserted under CERCLA, the Superfund Amendments and Reauthorization Act of 1986, as amended, the Recourse Conservation and Recovery Act of 1976, as amended ("RCRA"), or any other federal, state or local environmental statute. As promptly as reasonably practicable following such notice, Birchwood shall obtain a letter from an independent engineer experienced in environmental matters containing a description of such facts or circumstances relating to such environmental matters and including an assessment of the extent of the problem forming the basis for the assertion of such claim and supplemented by a letter, after the initiation of corrective work relating to such problem, reassessing the extent of the same and verifying the extent of soil or other damage in connection therewith. Such supplemental letter shall include such matters reasonably requested in respect thereof by a Majority of Requesting Owners.

13. Taxes and Liens.

Birchwood will promptly pay, or cause to be paid, all taxes, assessments or other governmental charges which may lawfully be levied or assessed upon Birchwood or upon any property, real, personal or mixed, belonging to Birchwood or upon any part thereof, and also any lawful claims for labor, material and supplies which, if unpaid, might reasonably be expected to become a lien or charge against any such property; provided, however, Birchwood shall not be required to pay any such tax, assessment, charge, levy or claim so long as the validity thereof shall be actively contested in good faith by proper proceedings and, if requested by a Majority of Requesting Owners, against which Birchwood shall have established reserves which are in amounts reasonably satisfactory to a Majority of Requesting Owners; but provided further that any such tax, assessment, charge, levy or claim exceeding $100,000 in the aggregate on the Mortgaged Property shall be paid forthwith upon the commencement of proceedings to foreclose any lien securing the same unless a surety bond reasonably satisfactory to a Majority of Requesting Owners is obtained and delivered to Requesting Owners.

14. Business and Existence.

Birchwood will do or cause to be done all things necessary to preserve, renew and to keep in full force and effect its existence, all material rights and franchises, trade names, patents, trademarks, licenses, permits, accreditations, copyrights, trade secrets and other proprietary information and to conduct and operate its business in substantially the manner in which it is presently conducted and operating.

15. Books of Record and Account.

Birchwood will keep proper books of record and account in which full, true and correct entries shall be made of its transactions in accordance with the GAAP applied on a Consistent Basis with those applied in the preparation of the financial statements described in paragraph 12 hereof. Without the prior written consent of Requesting Owners, which consent will not be unreasonably withheld, Birchwood will not change the date of its fiscal year end.

16. Borrower's Knowledge of Default. Birchwood will promptly give notice to Requesting Owners of the occurrence of any Event of Default hereunder, or an event which would reasonably be expected to become an Event of Default or default but for the requirement that notice be given or time elapse or both hereunder or under any Bond Document, specifying the nature thereof, the period of existence thereof and what action Borrower proposes to take with respect thereto.

17. Suits or Other Proceedings. Birchwood will immediately give Requesting Owners written notice of any material litigation, dispute or proceeding or any attachment, levy, execution, or other process being instituted against Birchwood or any of its assets upon service of process relating thereto on Birchwood.

18. Observe all Laws. Birchwood will conform to and duly observe all laws, regulations and other valid requirements of any governmental or regulatory authority with respect to the Loan, subject to good faith challenges thereof.

19. Reserved.

20. Environmental Matters. Promptly upon obtaining knowledge thereof, provide notice to Requesting Owners of any facts or circumstances known to Birchwood that Birchwood reasonably believes could form the basis for the assertion of any material claim against Birchwood or relating to environmental matters including, but not limited to, any claim arising from past or present environmental practices asserted under CERCLA, RCRA, or any other Federal, state or local environmental statute.

21. Conduct of Operations. Birchwood will conduct its business substantially as heretofore conducted and will continue to engage principally in the business currently conducted by it.

22. Books, Records and Inspections. Upon at least two (2) Business Days of notice, Birchwood will permit officers and designated representatives of Requesting Owners during Birchwood's normal business hours (a) to visit and inspect, under guidance of officers of Birchwood, any of the properties of Birchwood, (b) to examine the books of account of Birchwood (and to make copies thereof), and (c) to discuss the affairs, finances and accounts of Birchwood with, and be advised as to the same by, Company Representatives provided that such inspection shall not unduly interfere with the operation of Birchwood's business.

23. Additional Instruments and Assurances. Birchwood shall execute and deliver to Requesting Owners all such documents and instruments, and do all such acts and things, as may be necessary or reasonably required by Requesting Owners to enable a Majority of Requesting Owners to exercise and enforce its rights under this Agreement, and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by a Majority of Requesting Owners to validate, preserve and protect the position of Requesting Owners under this Agreement and the Note Purchase Agreement.

24. Reserved.

25. Sale or Lease of the Mortgaged Property. Birchwood shall not sell, lease or otherwise assign any interest in the Mortgaged Property or any portion thereof, except as provided in the Mortgage.

26. Merger, Acquisition, Sale or Purchase of Assets. Birchwood shall maintain its partnership existence in good standing and shall not merge or consolidate, or sell or transfer all or substantially all of its property or assets to, or purchase all or substantially all the property or assets from, any person, firm or corporation without the prior written consent of a Majority of Requesting Owners, which consent shall not be unreasonably withheld.

27. Operating Licenses. Birchwood shall comply with all applicable material rules and regulations of regulatory authorities having jurisdiction over it and maintain all licenses and regulatory approvals necessary to operate its business.

28. Reserved.

29. Payment of Obligations. Birchwood shall pay, when due, all its material obligations and liabilities, except where the same (other than Indebtedness owed to Requesting Owners) are the subject of negotiations, discussions or a forbrearance between Birchwood and the party to whom the obligation is owed, or where the same are being contested in good faith by appropriate proceedings diligently prosecuted and appropriate reserves for the accrual of same are maintained and, in the case of judgments, enforcement thereof has been stayed pending such contest.

30. Affiliates. Birchwood shall notify Requesting Owners promptly upon creation or acquisition of any new subordinate affiliates, describing their activities. Birchwood shall require each of its subordinate affiliates to observe the covenants and agreements herein to the extent applicable to such subordinate affiliate.

31. Reserved.

32. Events of Default. Each of the following shall constitute an Event of Default under this Agreement, whereupon all obligations of Birchwood hereunder, whether then owing or contingently owing, will, at the option of the Majority of the Requesting Owners or its successors or assigns, immediately become due and payable by Birchwood without presentation, demand, protest or notice of any kind, all of which are hereby expressly waived, and Birchwood will pay the reasonable attorneys' fees incurred by Requesting Owners, or their successors or assigns, in connection with such Event of Default:

(a) Failure of Birchwood to pay, when due, any portion of the Purchase Price of the Notes as provided for herein; or

(b) If any material representation, warranty, certification or statement made by Birchwood herein, or in any writing furnished by or on behalf of Birchwood in

connection with this Agreement shall have been false, misleading or incomplete in any material respect on the date as of which made; or

(c) If Birchwood defaults in the performance or observance of any other agreement, covenant, term or condition contained herein, and such default shall not have been remedied thirty (30) days after written notice thereof shall have been received by it from the Trustee at the request of the Majority of the Requesting Owners or, with the consent of the Majority of the Requesting Owners in the case of any default which can reasonably be expected, in the Majority of the Requesting Owners's sole opinion, to be cured with due diligence but not within such thirty (30) day period, Birchwood shall fail to commence promptly to cure the same and thereafter prosecute the curing of such Default with due diligence; or

(d) Birchwood shall make an assignment for the benefit of creditors, file a petition in bankruptcy, have entered against or in favor of it an order for relief under the Federal Bankruptcy Code or similar law of any foreign jurisdiction, generally fail to pay its debts as they come due (either as to number or amount), admit in writing its inability to pay its debts generally as they mature, make a voluntary assignment for the benefit of creditors, commence any voluntary assignment for the benefit of creditors, commence any proceeding relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, or by any act, indicate its consent to, approval of or acquiescence in any such proceeding for the appointment of any receiver of, or trustee or custodian (as defined in the Federal Bankruptcy Code) for itself, or any substantial part of its property, or a trustee or a receiver shall be appointed for Birchwood or for a substantial part of the property of Birchwood and such appointment remains in effect for more than sixty (60) days, or a petition in bankruptcy or for reorganization shall be filed against Birchwood and such petition shall not be dismissed within sixty (60) days after such filing;

(e) If a final judgment for an amount in excess of $100,000 shall be rendered against Birchwood and if within sixty (60) days after entry thereof such judgment shall not have been discharged, transferred to a bond or execution thereof stayed pending appeal, or if within sixty (60) days after the expiration of any such stay such judgment shall not have been discharged;

(f) Any material provision of this Agreement shall cease to be valid and binding, or Birchwood shall contest any such provision, or Birchwood, or any agent or trustee on behalf of Birchwood, shall deny that it has any further liability under this Agreement, if the Majority of the Requesting Owners shall reasonably disagree with such denial;

(g) Birchwood defaults in the payment of principal when due, whether by acceleration or otherwise, or interest on any other Debt for an amount in excess of $100,000 beyond any period of grace provided with respect thereto, or in the performance of any other agreement, term or condition contained in any agreement

permit the holder or holders of such obligation (or a trustee for such holder or holders) to cause, such obligation to become due prior to its stated maturity or to exercise any other remedy; and

(h) Birchwood defaults under any current or future Debt to the majority of the Requesting Owners or their affiliates, or defaults under the terms of any agreement or instrument evidencing or securing any obligation to Requesting Owners or its affiliates for borrowed money or the deferred purchase price or the lease of property, in either event if such default shall continue for more than the period of grace, if any, specified therein.

Then at any time thereafter, the Majority of the Requesting Owners may advise the Trustee that an Event of Default has occurred hereunder and instruct the Trustee to declare a Mandatory Tender Date as provided in the Supplemental Indenture, and proceed hereunder, and under the Mortgage, in such order as it may elect and the Requesting Owners shall have no obligation to proceed against any Person or exhaust any other remedy or remedies which it may have and without resorting to any other security, whether held by or available to Requesting Owners.

33. No Remedy Exclusive. No remedy herein conferred upon or reserved to Requesting Owners is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder and the Mortgage or now or hereafter existing at law or in equity or by statute.

34. Anti-Marshaling Provisions. The right is hereby given by Birchwood to the Majority of the Requesting Owners to make releases (whether in whole or in part) of all or any part of the collateral under the Mortgage agreeable to the Majority of the Requesting Owners without notice to, or the consent, approval or agreement of other parties and interests, including junior lienors, which releases shall not impair in any manner the validity of or priority of the liens and security interest in the remaining collateral conferred under such documents, nor release Birchwood from liability for the obligations hereby secured. Notwithstanding the existence of any other security interest in the collateral held by Requesting Owners, the Majority of the Requesting Owners shall have the right to determine the order in which any or all of the collateral shall be subjected to the remedies provided herein, or in the Mortgage. Birchwood hereby waives any and all right to require the marshaling of assets in connection with the exercise of any of the remedies permitted by applicable law or provided herein or therein.

35. Notices to Birchwood. Any notice, demand or request given by the Trustee, its successors or assigns, to Birchwood shall be deemed to have been duly given or made if either delivered personally to Birchwood or mailed by certified mail or registered mail addressed to Birchwood at its address as hereinabove set forth.

36. Governing Law. This Agreement shall for all purposes be governed by and construed in accordance with the laws of the State of Florida without regard to the conflict of laws provisions thereof, and in the event any provision of this Agreement shall be determined

unenforceable under or contrary to the laws of the State of Florida, the remaining provisions hereof shall continue to be in full force and effect. Anything in this Agreement to the contrary notwithstanding, if from any circumstances whatever fulfillment of any provisions of this Agreement at the time performance of said provision shall be due shall involve transcending the limit of validity prescribed by the statutes of Florida governing usury or any other law of Florida, then ipso facto, the obligation to be fulfilled shall be reduced to the limit of such validity so that in no event shall exaction be possible under this Agreement in excess of the limit of such validity, but such obligation shall be fulfilled to the limit of such validity.

37. Assignment of Trustee. This Agreement shall inure to the benefit of the Trustee, its successors and assigns, and to any person to whom the Trustee may grant an interest in the Note (subject to the provisions of the Indenture and the Note as to the transferability of the Note), and shall be binding upon Birchwood and its successors and assigns. This Agreement shall not be modified except by instrument in writing signed by Birchwood and the Trustee. No waiver by the Trustee of any term hereof shall be valid unless the Trustee has executed a written waiver of such term.

37. Term of Agreement. This Agreement shall remain in full force and effect until (a) the full principal of and interest on the Note have been paid, and (b) all obligations of Birchwood created hereby are satisfied and fully performed.

38. Trustee's Rights Cumulative Delays and Omissions Not to Impair Rights. All rights, powers and remedies of the Trustee hereunder and under any other agreement now or at any time hereafter in force between the Trustee and Birchwood shall be cumulative and not alternative and shall be in addition to all rights, powers and remedies given to the Trustee by law. No delay or omission in respect of exercising any right or power accruing upon any event of default hereunder shall impair such right or power or be a waiver of such event of default.

39. No Impairment. The Trustee's rights hereunder with respect to Birchwood shall not be impaired or stayed as a result of any bankruptcy or insolvency proceedings involving the District (including, without limitation, any discharge of the District or its debt in any such proceedings).

40. Reliance on Representations. Birchwood acknowledges that the Trustee has relied upon Birchwood's representations contained in this Agreement. Birchwood further acknowledges that it has not been induced to execute and deliver this Agreement as a result of, and is not relying upon, any representations, warranties, agreements, or conditions, whether express or implied, written or oral, by the Trustee or by any officer, director, employee, or shareholder of the Trustee.

41. Waiver of Jury Trial, Etc.

(a) Birchwood irrevocably and unconditionally:

(i) agrees that any suit, action, or other legal proceeding arising out of or relating to this Agreement shall be brought in a court of record of the State of Florida in Miami-Dade County;

(ii) consents to the jurisdiction of such court in any suit, action, or proceeding; and

(iii) waives any objection which it may have to the laying of venue of any suit, or proceeding in such court.

(b) THE TRUSTEE AND BIRCHWOOD HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY RIGHT ANY OF THEM MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON THIS AGREEMENT, OR ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY AGREEMENT CONTEMPLATED TO BE EXECUTED BY THEM IN CONNECTION HEREWITH, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF ANY PARTY HERETO. THIS PROVISION IS A MATERIAL INDUCEMENT FOR THE PARTIES HERETO TO ENTER THIS AGREEMENT.

42. Document Under Seal. This Agreement is intended to take effect as a document under seal.

43. Parties in Interest. This Agreement shall inure to the benefit of the Trustee, its successors and assigns, and shall be binding upon the successors and assigns of Birchwood, though nothing in this Section shall be deemed to authorize Birchwood to assign its obligations hereunder. It is not the purpose of this Agreement to render any other third party beneficiary hereof.

44. Gender and Number. As used in this Agreement, the singular includes the plural and vice versa, and the use of any gender shall be deemed to include all appropriate genders.

45. Notices. Any notice, demand, direction, request or other instrument authorized or required hereby to be given to or filed with the Trustee or Birchwood shall be deemed to have been sufficiently given or filed for all purposes hereof if and when personally delivered and receipted for, or sent by registered United States mail, return receipt requested, addressed as follows:

(a) As to the Trustee-

First Union National Bank
One First Union Financial Center
200 South Biscayne Boulevard, 14th Floor
Miami, Florida 33131
Attention: Corporate Trust Department

(b) As to Birchwood-

Birchwood Acres Limited Partnership, LLLP
4305 Neptune Road
St. Cloud, Florida 34769.17
Attention: James L. Lentz

With a copy to-

Baker & Hostetler LLP
200 South Orange Avenue, Suite 2300
Orlando, Florida 32801
Attention: Kenneth C. Wright, Esq.

Any of the foregoing may, by notice sent to each of the others, designate a different or additional address to which notices hereunder are to be sent.

46. Entire Agreement.

This Agreement sets forth the entire agreement of the parties with respect to the subject matter hereof, and there is no other oral or written agreement, and no understanding or custom affecting the terms hereof. This Agreement may be modified only by a written instrument making express reference to this Agreement that has been signed by the party to be charged with such modification.

have executed and delivered this Agreement as of the day and year first above written.

(SEAL) "Birchwood"

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP

By: Three E Corporation, as general partner

By:_____
James L. Lentz, President

(SEAL) "Trustee"

FIRST UNION NATIONAL BANK, as trustee

By:_____
Title:_____

APPENDIX "E"

FORM OF MORTGAGE, SECURITY AGREEMENT,
ASSIGNMENT OF LEASES AND RENTS AND FINANCING STATEMENT

[This page intentionally left blank]

Prepared by and after recording mail to:

William D. Tyler, Esq.
Nabors, Giblin & Nickerson, P.A.
2502 Rocky Point Drive, Suite 1060
Tampa, Florida 33607

MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FINANCING STATEMENT

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP

for the benefit of

FIRST UNION NATIONAL BANK, AS TRUSTEE

Dated as of October 1, 2001

Pertaining to

HARMONY COMMUNITY DEVELOPMENT DISTRICT
(OSCEOLA COUNTY, FLORIDA)

$8,080,000		**$17,700,000**
BOND ANTICIPATION NOTES	**AND**	**CAPITAL IMPROVEMENT REVENUE BONDS**

SERIES 2001

THIS INSTRUMENT IS TO BE FILED AND INDEXED IN THE REAL ESTATE RECORDS. THE NAMES OF THE DEBTOR AND THE SECURED PARTY, THE MAILING ADDRESS OF THE SECURED PARTY FROM WHICH INFORMATION CONCERNING THE SECURITY INTEREST MAY BE OBTAINED, THE MAILING ADDRESS OF THE DEBTOR AND A STATEMENT INDICATING THE TYPES, OR DESCRIBING THE ITEMS, OF COLLATERAL, ARE AS DESCRIBED HEREIN IN COMPLIANCE WITH THE REQUIREMENTS OF ARTICLE 9, SECTION 402 OF THE UNIFORM COMMERCIAL CODE, CHAPTER 679, FLORIDA STATUTES, AS AMENDED.

NOTE: ENFORCEMENT OF THE LIEN OF THIS MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF RENTS AND LEASES AND FINANCING STATEMENT IS HEREBY LIMITED TO $15,680,000 IN PRINCIPAL, PLUS INTEREST, PROTECTIVE ADVANCES AND COLLECTION COSTS IN CONNECTION THEREWITH. ACCORDINGLY, DOCUMENTARY STAMP TAX IN THE AMOUNT OF $54,880 AND INTANGIBLE PERSONAL PROPERTY TAX IN THE AMOUNT OF $31,360 ARE BEING PAID ON THE DATE HEREOF.

MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FINANCING STATEMENT

THIS MORTGAGE AND SECURITY AGREEMENT, ASSIGNMENT OF LEASES AND RENTS AND FINANCING STATEMENT, dated as of October 1, 2001 (this "Mortgage"), is made by BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP ("Mortgagor"), for the benefit of FIRST UNION NATIONAL BANK, AS TRUSTEE, under that certain Master Trust Indenture, dated as of December 1, 2000 (the "Master Indenture"), from Harmony Community Development District (the "District") to the Trustee, as amended and supplemented by a Second Supplemental Trust Indenture, dated as of October 1, 2001 (the "Second Supplemental Indenture") and as further amended and supplemented by a Third Supplemental Trust Indenture, dated as of October 1, 2001 (the "Third Supplemental Indenture")(the Master Indenture, as amended and supplemented by the Second Supplemental Indenture and the Third Supplemental Indenture is hereinafter referred to as the "Indenture"), from the District to the Trustee (in its capacity as Trustee under the Indenture, the "Mortgagee").

RECITALS:

WHEREAS, the District is a local unit of special purpose government organized and existing under the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes, as amended (2000) (the "Act") and has determined to issue $8,080,000 Harmony Community Development District Bond Anticipation Notes, Series 2001 (the "Notes"), under and pursuant to the Master Indenture and the Second Supplemental Indenture and to issue its to issue $17,700,000 Harmony Community Development District Capital Improvement Revenue Bonds, Series 2001 (Special Assessments) (the "Bonds"), under and pursuant to the Master Indenture and the Third Supplemental Indenture; and

WHEREAS, the Mortgagor stands to profit materially from the development of land located in the jurisdiction of the District, and the development of the Mortgagor's land will be expedited by the acquisition, construction and equipping of the respective Series Projects (as defined in the corresponding Supplemental Indenture) from the proceeds of the Notes and Bonds as contemplated by the Notes and Bonds and the Indenture; and

WHEREAS, the Mortgagor has executed and delivered a Note Purchase Agreement, dated as of October 1, 2001 (the "Note Purchase Agreement"), between the Mortgagor and the Mortgagee, pursuant to which the Mortgagor has agreed to purchase the Notes from the Owners (as defined in the Indenture), upon the terms and conditions set forth therein and upon which the Owners, from time to time of the Notes will rely as a material inducement in the purchase of the Notes; and

WHEREAS, the Mortgagor has also executed and delivered a Debt Service Reserve Fund Deficiency Agreement, dated as of October 1, 2001 (the "Reserve Fund Deficiency Agreement"), among the Mortgagor, Arthur J. Gallagher & Co., a Delaware Corporation ("AJG") and the Mortgagee, pursuant to which the Mortgagor has certain reimbursement obligations, including reimbursement of amounts drawn on the Reserve Account Letter of Credit (as defined in the Third Supplemental Indenture) and to make certain deposits into the 2001 Special Assessment Reserve Account established for the 2001 Special Assessment Bonds (as defined in the Indenture), upon the terms and conditions set forth therein and upon which the Owners from time to time of the Bonds will rely as a material inducement in the purchase of the Bonds; and

WHEREAS, as security for the payments required to be made by the Mortgagor to the Mortgagee under the Note Purchase Agreement, the Mortgagor has agreed to grant the Mortgagee a first and prior mortgage and security interest in certain real property and fixtures (the "Mortgaged Property") and the Premises (as defined herein) and as security for the payments required to be made by the Mortgagor to the Mortgagee under the Reserve Fund Deficiency Agreement, the Mortgagor has agreed to grant the Mortgagee a first and prior mortgage and security interest in the Mortgaged Property and the Premises, SUBJECT, HOWEVER, to the first and prior pledge thereof to the Mortgagee as security for the obligations under the Note Purchase Agreement, all as more fully set forth in this Mortgage. Capitalized terms used but not defined shall have the meanings ascribed thereto in the Indenture, the Reserve Fund Deficiency Agreement or the Note Purchase Agreement.

NOW, THEREFORE, in consideration of the premises, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Mortgagor does hereby give, grant, bargain, sell, mortgage and confirm unto the Mortgagee and its respective successors and assigns, the Premises and all of that real property and the improvements thereon located in the County and more particularly described on Exhibit "A" attached hereto and made a part hereof by this reference (the "Land");

TOGETHER WITH any and all buildings, landscaping and other improvements now or hereafter erected in or on the Land, including, without limitation, the fixtures, attachments, appliances, equipment, machinery, and other articles attached to said buildings and improvements (collectively, the "Improvements"), all of which shall be deemed and construed to be a part of the realty;

TOGETHER WITH all interests, estates or other claims, both in law and in equity, which Mortgagor now has or may hereafter acquire in the Land and the Improvements (all of the foregoing are sometimes collectively referred to herein as the "Premises");

TOGETHER WITH all easements, rights-of-way and rights now owned or hereafter acquired by Mortgagor used in connection with the Land or the Improvements, or a means of access to either or both, including, without limiting the generality of the foregoing, all rights to the nonexclusive use of common drive entries, and all tenements, hereditaments and appurtenances thereof and thereto, and all water and water rights and shares of stock evidencing the same;

TOGETHER WITH all right, title and interest now owned or hereafter acquired by Mortgagor in and to all options to purchase or lease the Land or Premises or any portion thereof or interest therein;

TOGETHER WITH all oil and gas and other mineral rights in or pertaining to the Land, if any, and all royalty, leasehold and other rights of Mortgagor pertaining thereto;

TOGETHER WITH all rents, issues, profits, royalties, income and other benefits derived from the Premises (collectively, the "Rents"), subject to the right, power and authority hereinafter given to Mortgagor to collect and apply such Rents;

TOGETHER WITH all leasehold estates, right, title and interest of Mortgagor in and to all leases or subleases covering the Premises (the "Leases") or any portion thereof or interest therein now or hereafter existing or entered into, and all right, title and interest of Mortgagor thereunder including, without limitation, all cash or security deposits, advance rentals, and deposits or payments of a similar nature (collectively referred to herein, together with all prepaid Rents and security deposits under all Leases as "Deposits");

TOGETHER WITH all right, title and interest now owned or hereafter acquired by Mortgagor in and to any land lying within the right-of-way of any street, open or proposed, adjoining the Land, and any and all sidewalks, alleys and strips and gores of land adjacent to or used in connection with the Land or the Premises; and

TOGETHER WITH all the estate, interest, right, title, other claim or demand, both in law and in equity including claims or demands with respect to the proceeds of insurance in effect with respect thereto, which Mortgagor now has or may hereafter acquire in the Premises, and any and all awards made for the taking by eminent domain, or by any proceeding or purchase in lieu thereof, of the whole or any part of the Premises including, without limitation, any award resulting from a change of grade of streets and any award for severance damages (collectively, "Proceeds") (all of the aforesaid property and the interests hereby conveyed being hereinafter collectively referred to as the "Estate").

FOR THE PURPOSE OF SECURING:

(a) payment and performance of each and every obligation, covenant and agreement of Mortgagor contained in the Note Purchase Agreement or the Reserve Fund Deficiency Agreement, including any amendment or supplement thereto or hereto, any extension or renewal thereof or hereof, or any replacement therefor or herefor, including, without limitation payment of all amounts required to be paid by Mortgagor under the Note Purchase Agreement or the Reserve Fund Deficiency Agreement;

(b) performance of every obligation, covenant and agreement of Mortgagor contained herein; and

(c) payment of all sums that may become due and payable to or for the benefit of the Mortgagee pursuant to the terms of this Mortgage.

The obligations contained in paragraphs (a) through (c) above are referred to herein as "Secured Obligations." The obligations under the Note Purchase Agreement terminate no later than the day following the earlier of (i) the date on which the Notes are no longer Outstanding under and as defined in the Indenture or (ii) the Notes are owned by the Mortgagor as the result of the satisfaction by the Mortgagor of its purchase obligation under the Note Purchase Agreement. The obligations under the Reserve Fund Deficiency Agreement terminate no later than the day following the date on which the 2001 Special Assessment Bonds are no longer Outstanding under and as defined in the Indenture.

This Mortgage and any other mortgage, security agreement, guaranty or other instrument given to evidence or further secure the payment or performance of any obligation secured hereby and the Mortgagor's obligations under the foregoing documents are sometimes hereinafter collectively referred to as the "Security Documents." The Note Purchase Agreement, the Reserve Fund Deficiency Agreement and any other instrument now or hereafter given in connection with the execution and delivery of, and performance by the Mortgagor of its obligations under, the Note Purchase Agreement or the Reserve Fund Deficiency Agreement, may hereinafter be collectively referred to as the "Credit Documents."

PROVIDED, HOWEVER, that, until the Notes are no longer Outstanding or the Mortgagor (directly or through an affiliate) has purchased the Notes pursuant to the terms of the Note Purchase Agreement, the lien of this Mortgage as security for the obligations of the Mortgagor under the Reserve Fund Deficiency Agreement shall be subordinate and inferior to the lien and pledge hereof as security for the obligations of the Mortgagor under the Note Purchase Agreement.

TO PROTECT THE PREMISES AND THE SECURITY GRANTED BY THIS MORTGAGE, MORTGAGOR HEREBY COVENANTS AND AGREES AS FOLLOWS:

ARTICLE I
COVENANTS AND AGREEMENTS

1.1 Payment of Secured Obligations.

Mortgagor shall pay when due all of its obligations with respect to the Secured Obligations as provided herein and in the other Security Documents.

1.2 Maintenance, Repair, Alterations.

Mortgagor: (i) shall maintain, keep and preserve the Estate in good condition and repair; (ii) subject to the rights of any existing or future tenants or of Mortgagor pursuant to existing or future

repairs in the ordinary course of business which serve to preserve or increase the value of the Premises, (2) alterations that are required by law, (3) alterations with a cost equal to or less than $500,000 annually, or (4) with the Mortgagee's prior written consent), in whole or in part, without the prior written consent of the Mortgagee, which consent shall not be unreasonably withheld so long as the security hereof, the public purpose served by the Mortgaged Property and the value of the Estate shall not be materially impaired thereby; (iii) shall complete promptly following commencement of construction and in a good and workmanlike manner any Improvement which may be now or hereafter constructed on the Premises and restore (unless expressly provided to the contrary in any other Security Document) in like manner any Improvement which may be damaged or destroyed thereon from any cause whatsoever, and pay when due all claims for labor performed and materials furnished therefor, subject to the rights of any existing or future tenants or of Mortgagor pursuant to existing or future leases; (iv) shall comply with all laws, ordinances, rules, regulations, covenants, conditions and restrictions now or hereafter materially affecting the Estate or any part thereof or requiring any alteration or improvement to be made thereon or thereto; provided, however, that Mortgagor shall have the right to contest any of the foregoing by appropriate legal proceedings; (v) shall not commit, suffer or permit any act to be done in, upon or to the Estate or any part thereof in material violation of any law, ordinance, rule, regulation or order; and (vi) shall not commit or permit any waste or deterioration of the Estate.

Mortgagor hereby agrees that the Mortgagee may, upon not less than two (2) business days advance written notice delivered to Mortgagor, conduct from time to time and at any reasonable time during normal business hours, through representatives of its own choice, on-site inspections and observations of (i) the maintenance and repair of the Estate, including a review of all maintenance and repair programs and practices and all reports and records, including the records of expenditures, relating thereto, and (ii) such other facilities, practices and records of Mortgagor relating or appropriate in order to monitor Mortgagor's compliance with the provisions of this Section 1.2, provided that such inspections shall not unduly interfere with the operation of Mortgagor's business.

1.3 Required Insurance.

Mortgagor shall at all times provide, maintain, keep in full force and effect or cause to be provided, maintained, and kept in full force and effect, at no expense to the Mortgagee a general public liability insurance policy covering the Land with limits of not less than $1 million per occurrence and $3 million in the aggregate plus policies of insurance on any structures constructed thereon of such types and in such amounts as are commercially reasonable and customary for like property as may be reasonably required by the Majority Owners in order to protect the collateral granted hereunder as security for the Secured Obligations, as evidenced by written direction by the Majority Owners of such requirements to both the Mortgagor and the Mortgagee.

Mortgagor shall give prompt written notice thereof to the Mortgagee upon (i) the happening of any casualty to, or in connection with, the Estate which materially damages the Estate, or any part thereof, whether or not covered by insurance, and (ii) receipt by Mortgagor of any notice of any proceedings under eminent domain with respect to the Estate, or any part thereof, and shall deliver to the Mortgagee copies of every paper served in any such proceedings under eminent domain. Unless an Event of Default has occurred and is continuing, any proceeds or other sums received by Mortgagee as a result of any casualty or any eminent domain or similar proceeding shall be deposited into the Escrow Account and applied as provided for in the Escrow Agreement.

1.5 Taxes and Impositions.

(a) Mortgagor shall pay, or cause to be paid prior to delinquency, all real property taxes and assessments, general and special, and all other taxes and assessments of any kind or nature whatsoever including, without limitation, non-governmental levies or assessment such as maintenance charges, levies or charges resulting from covenants, conditions and restrictions affecting the Estate, which are assessed or imposed upon the Estate, or upon Mortgagor as owner or operator of the Estate, or become due and payable, and which create, may create or appear to create a lien upon the Estate, or any part thereof (all of the above hereinafter referred to, collectively, as "Impositions"); provided, however, that if, by law, any such Imposition is payable, or may at the option of the taxpayer be paid, in installments, Mortgagor may pay the same or cause it to be paid, together with any accrued interest on the unpaid balance of such Imposition, in installments as the same become due and before any fine, penalty, interest or cost may be added thereto for the nonpayment of any such installment and interest.

(b) If at any time after the date hereof there shall be assessed or imposed (i) a tax or assessment on the Estate in lieu of or in addition to the Impositions payable by Mortgagor pursuant to Section 1.5(a) hereof, or (ii) a license, fee, tax or assessment imposed on the Mortgagee and measured by or based in whole (or in part) upon the amount of the outstanding obligations secured hereby, then all (or said part of) such licenses, fees, taxes or assessments shall be deemed to be included within the term "Impositions" as defined in Section 1.5(a) hereof, and Mortgagor shall pay and discharge the same as herein provided with respect to payment of Impositions. Anything to the contrary herein notwithstanding, Mortgagor shall have no obligation to pay any franchise, estate, inheritance, income, excess profits or similar tax levied on the Mortgagee or on the obligations secured hereby.

(c) Subject to the provisions of Section 1.5(d) hereof and upon request by the Mortgagee, Mortgagor shall deliver to the Mortgagee within thirty (30) days after the date upon which any such Imposition is due and payable by Mortgagor copies of official receipts of the appropriate taxing authority, or other proof reasonably satisfactory to the Mortgagee, evidencing the payment thereof.

(d) The Mortgagor's ability to contest tax liens shall be subject to Section 13 of the Note Purchase Agreement.

1.6 Utilities.

Mortgagor shall pay or shall cause to be paid when due all utility charges which are incurred for the benefit of the Estate or which may become a charge or lien against the Estate for gas, electricity, water or sewer services furnished to the Estate and all other assessments or charges of a similar nature, whether public or private, affecting or related to the Estate or any portion thereof, whether or not such assessments or charges are or may become liens thereon.

1.7 Defense of Actions and Costs.

Mortgagor, at no cost or expense to the Mortgagee, shall appear in and defend any action or proceeding purporting to affect the security hereof, the other Security Documents, any additional or other security for the obligations secured hereby, the interest of the Mortgagee, or the rights, powers or duties of the Mortgagee hereunder. If the Mortgagee is made a party thereto or to any other action or proceeding, of whatever kind or nature, concerning this Mortgage, the Security Documents, the Estate or any part thereof or interest therein, or the occupancy thereof, Mortgagor shall indemnify, defend and hold the Mortgagee harmless from all liability, damage, cost and expense incurred by the Mortgagee by reason of said action or proceeding (including, without limitation, the reasonable fees of attorneys for the Mortgagee, and other reasonable expenses incurred by the Mortgagee as a result of such action or proceeding), other than those directly or indirectly resulting from or arising out of the gross negligence or willful misconduct of Mortgagee or its officers, employees, agents, representatives or contractors, whether or not such action or proceeding is prosecuted to judgment or decision.

1.8 Actions by the Mortgagee to Preserve Estate.

Subject to the terms and conditions of the Indenture, if Mortgagor commits or suffers an Event of Default to occur under any of the Security Documents or the Indenture, the Mortgagee, in its own discretion and without obligation so to do, may take such actions in such manner and to such extent as the Mortgagee may deem reasonably necessary to protect the security hereof, without releasing Mortgagor from any obligation. In connection therewith (without limiting their general and other powers, whether conferred herein, in another Security Document or by law), the Mortgagee shall have and is hereby given the right, but not the obligation; (i) to enter upon and take possession of the Estate; (ii) subject to the terms and provisions of existing and future leases, to make additions, alterations, repairs and improvements to the Estate which the Mortgagee may consider necessary or proper to keep the Estate in good condition and repair; (iii) to appear and participate in any action or proceeding affecting or which may affect the security hereof or the rights or powers of the Mortgagee; (iv) to pay, purchase, contest or compromise any encumbrance, claim, charge, lien or debt which in the judgment of the Mortgagee may affect or appears to affect the security of this Mortgage or to be prior or superior hereto; and (v) in exercising such powers, to pay necessary

expenses, including employment of counsel or other necessary or desirable consultants. Mortgagor shall, immediately upon demand therefor by the Mortgagee, pay to the Mortgagee an amount equal to all reasonable costs and expenses incurred by it in connection with the exercise by the Mortgagee of the foregoing rights, including, without limitation, costs of evidence of title, court costs, appraisals, surveys and receiver's, trustee's and reasonable attorneys' fees, costs and expenses, whether or not an action is actually commenced in connection therewith, and until paid, said sums shall be secured hereby.

1.9 Survival of Warranties.

All representations, warranties and covenants of Mortgagor contained in any Security Document shall survive the execution and delivery hereof and shall remain continuing obligations, warranties and representations during any time when any portion of the obligations secured hereby remain outstanding. All representations, warranties and covenants of Mortgagor contained in any other document shall not survive the execution and delivery hereof.

1.10 Additional Security.

No other security now existing, or hereafter taken, to secure the obligations secured hereby nor the liability of any maker, surety, guarantor or endorser with respect to such obligations, or any of them, shall be impaired or affected by the execution of this Mortgage; and all additional security shall be taken, considered and held as cumulative. The taking of additional security, execution of partial releases of the security, or any extension of the time of payment of the indebtedness secured hereby shall not diminish the force, effect or lien of this Mortgage and shall not affect or impair the liability of any maker, surety, guarantor or endorser for the payment of said indebtedness. In the event the Mortgagee at any time holds additional security for any of the obligations secured hereby, it may enforce the sale thereof or otherwise realize upon the same, at its option, either before, concurrently or after a sale is made hereunder.

1.11 Reserved.

1.12 Liens.

Mortgagor shall pay and promptly discharge when due, at Mortgagor's cost and expense, all liens, encumbrances and charges upon the Estate, or any part thereof or interest therein, other than this Mortgage, and any financing statements filed in connection therewith, and any other liens or encumbrances set forth on Exhibit "B" attached hereto and made a part hereof by this reference (all of the foregoing encumbrances being hereinafter collectively referred to as the "Permitted Encumbrances"); provided that the existence of any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right thereto shall not constitute a violation of this Section 1.12 if payment is not yet due under the contract which is the foundation thereof and if such contract does not postpone payment for more than ninety (90) days after the performance thereof or such lien is promptly released or discharged or evidence reasonably satisfactory to the Mortgagee is provided to the

Mortgagee that such lien will be contested and paid on final determination. Mortgagor shall have the right to contest in good faith the validity of any such lien, encumbrance or charge, provided Mortgagor shall diligently proceed to cause such lien, encumbrance or charge to be removed and discharged or transferred to bond within ninety (90) days following the date Mortgagor obtains actual notice thereof. If Mortgagor shall fail either to remove, discharge or transfer to a bond any such lien, encumbrance or charge as aforesaid, then, in addition to any other right or remedy of the Mortgagee, the Mortgagee may, upon providing Mortgagor with notice in accordance with Section 4.04 hereof, but shall not be obligated to, discharge the same, without inquiring into the validity of such lien, encumbrance or charge nor into the existence of any defense or offset thereto, either by paying the amount claimed to be due, or by procuring the discharge of such lien, encumbrance or charge by depositing in a court a bond or the amount claimed or otherwise giving security for such claim, or in such manner as is or may be prescribed by law. Mortgagor shall, upon demand therefor by the Mortgagee, pay to the Mortgagee an amount equal to all reasonable costs and expenses incurred by the Mortgagee in connection with the exercise by the Mortgagee of the foregoing right to discharge any such lien, encumbrance or charge, and such amount shall be deemed to be approved by the Mortgagee and, until paid, such sums shall be secured hereby.

1.13 Mortgagee's Powers.

Without affecting the liability of any other person liable for the payment of any Secured Obligation, and without affecting the lien or charge of this Mortgage upon any portion of the Estate not then or theretofore released as security for the full amount of all unpaid Secured Obligations, the Mortgagee may, from time to time and without notice (i) release any person so liable, (ii) extend the maturity or alter any of the terms of any such Secured Obligation, to the extent and in the manner permitted under the Security Documents or the Credit Documents, (iii) grant other indulgences, (iv) subject to the terms and conditions of the Indenture, release or reconvey, or cause to be released or reconveyed at any time any parcel, portion or all of the Estate, (v) take or release any other or additional security for any Secured Obligation herein mentioned, or (vi) make compositions or other arrangements with debtors in relation thereto. By accepting payment or performance of any obligation secured by this Mortgage after the payment or performance thereof is due or after the filing of a notice of default and election to sell, the Mortgagee shall not have thereby waived its right to require prompt payment or performance, when due, of all other Secured Obligations, or to declare a default for failure so to pay or perform, or to proceed with the sale under any notice of default and election to sell theretofore given by the Mortgagee, or with respect to any unpaid balance of the indebtedness secured hereby. The acceptance by the Mortgagee of any sum in an amount less than the sum then due shall not constitute a waiver of the obligation of Mortgagor to pay the entire sum then due. Mortgagor's failure to pay the entire sum then due shall continue to be a default, notwithstanding the acceptance of partial payment, and until the entire sum then due shall have been paid, the Mortgagee shall at all times be entitled to declare a default and to exercise all the remedies herein conferred, and the right to proceed with a sale under any notice of default and election to sell shall in no way be impaired, whether or not such amounts are received prior or subsequent to such notice. No delay or omission of the Mortgagee in the exercise of any right or power hereunder shall

impair such right or power or any other right or power nor shall the same be construed to be a waiver of any default or any acquiescence therein.

1.14 Transfer of Estate by Mortgagor.

(a) Except as set forth below, Mortgagor covenants and agrees that it will not sell, transfer or convey title to the Estate or the Premises.

(b) For purposes of this Mortgage, the following terms shall have the following meaning:

"Cash Equivalent" shall mean irrevocable direct pay letters of credit issued by a bank or banks having a long term credit rating with either Moody's or S&P in the two highest rating categories without regard to gradations, upon which the Mortgagee shall be unconditionally entitled to draw under any circumstance under which it would otherwise be entitled to proceed against the Property hereunder or obligations meeting the definition of Federal Securities under the Indenture having a maturity no longer than six months.

"Developer Exposure" shall mean (i) the Outstanding aggregate principal amount of the Bonds, plus (ii) the aggregate Outstanding principal amount of the Notes, plus (iii) the aggregate principal amount of Bonds equal to the principal amount of 2001 Assessments on property subject to Qualified Third Party Sales (as defined in the Reserve Fund Deficiency Agreement), less (iv) the Amount Available under and as defined in the Reserve Account Letter of Credit.

"Escrow Account" shall mean the Escrow Account established by the Escrow Agreement.

"Escrow Agent" shall mean SunTrust Bank, a Georgia banking corporation.

"Escrow Agreement" shall mean the Escrow Agreement, dated as of October 1, 2001, among the Mortgagor, the Mortgagee and the Escrow Agent, pursuant to which the Escrow Account is to be administered, a copy of the original executed copy of which is attached hereto as Exhibit "E."

"Required Cash Equivalent Balance" shall mean (i) Developer Exposure divided by 3,400, times (ii) the cumulative acres to date released from the Mortgage pursuant to this Section 1.14, times (iii) 1.1188. The Required Cash Equivalent Balance shall be deemed Proceeds for all purposes hereunder.

(c) This Mortgage shall be released in full when (i) the Notes are no longer Outstanding; and (ii) the requirements of Section 10(b) of the Reserve Fund Deficiency Agreement have been satisfied.

(d) Property may be sold, transferred or conveyed and shall be released from the lien of this Mortgage subject to there being on deposit in the Escrow Account at all times in cash or Cash

Equivalents an amount equal to the Required Cash Equivalent Balance as the result of such transfer and any preceding transfers. In addition, upon the exercise of any remedies pursuant to Section 3.2 hereof, the proceeds of such remedies remaining after application pursuant to clause "FIRST" of Section 3.3 hereof shall, to the extent no amounts shall be due and payable at such time under the Reserve Fund Deficiency Agreement, be deposited by the Mortgagee into the Escrow Account established under the Escrow Agreement and applied in accordance with the terms of the Escrow Agreement.

(e) The Required Cash Equivalent Balance shall be reduced in aggregate amounts of no less than $500,000. Reduction in the Required Cash Equivalent Balance shall be evidenced by the filing with the Mortgagee of a certificate signed by the Mortgagor and countersigned by the Majority Owners (as defined in the Indenture) in the form of Exhibit "D" hereto on which the Mortgagee and the Escrow Agent shall be entitled to conclusively rely.

(f) As provided more fully in the Escrow Agreement, the Escrow Agent shall make available to the Mortgagee any amounts on deposit in the Escrow Account to be held and applied as though proceeds from the foreclosure of this Mortgage, at the times, in the manner and to the extent provided for such foreclosure proceeds herein or as otherwise provided in the Escrow Agreement.

1.15 Payment of Future Advances.

It is agreed that this Mortgage shall also secure such future or additional advances as may be made by the Mortgagee, at its option, to the Mortgagor, or its successor in title, for any purpose permitted under this Mortgage, provided that all those advances are to be made within twenty (20) years from the date of this Mortgage, or within such lesser period of time as may be provided hereafter by law as a prerequisite for the sufficiency of actual notice or record notice of the optional future or additional advances as against the rights of creditors or subsequent purchasers for valuable consideration. The total amount of indebtedness secured by this Mortgage may decrease or increase from time to time, but the total unpaid balance so secured at any one time shall not exceed $25,780,000.00 and any disbursements made for the payment of taxes, levies or insurance on the Premises with interest on such disbursements. If, pursuant to Section 697.04, Florida Statutes, the Mortgagor files a notice specifying the dollar limit beyond which future advances made pursuant to this Mortgage will not be secured by this Mortgage, then the Mortgagor shall, within one (1) day of filing such notice, notify the Mortgagee by certified mail pursuant to the terms of this Mortgage. In addition, such a filing shall constitute an Event of Default hereunder.

ARTICLE II
ASSIGNMENT OF LEASES, RENTS AND CONTRACTS

2.1 Leases, Contracts, Etc.

(a) As additional collateral and further security for the Secured Obligations, Mortgagor does hereby assign to the Mortgagee Mortgagor's interest in any and all leases, tenant contracts, rental agreements, franchise agreements, management contracts, construction contracts, and other contracts, licenses and permits now or hereafter affecting the Estate, or any part thereof, and Mortgagor agrees to execute and deliver to the Mortgagee such additional instruments, in form and substance reasonably satisfactory to the Mortgagee, as may hereafter be reasonably requested by the Mortgagee further to evidence and confirm said assignment; provided, however, that acceptance of any such assignment shall not be construed as a consent by the Mortgagee to any lease, tenant contract, rental agreement, franchise agreement, management contract, construction contract, or other contract, license or permit, or to impose upon the Mortgagee any obligation with respect thereto. Except in the ordinary course of business, without first obtaining on each occasion the written approval of the Mortgagee, which approval shall not be unreasonably withheld, delayed or conditioned, Mortgagor shall not cancel or permit the cancellation of any such lease, tenant contract, rental agreement, franchise agreement, management contract, construction contract, or other contract, license or permit, or materially modify any of said instruments or accept, or permit to be made, any prepayment of any installment of rent or fees thereunder (except for security deposits and the usual prepayment of rent which results from the acceptance by a landlord on the first day of each month of the rent for that month); provided however, that the Mortgagor shall not be required to obtain such approval except with respect to those cancellations or modifications which likely would materially impair the security granted to benefit the owners of the Bonds. Mortgagor shall faithfully keep and perform, or cause to be kept and performed, all of the material covenants, conditions and agreements contained in each of said instruments, now or hereafter existing, on the part of Mortgagor to be kept and performed and shall at all times do all things reasonably necessary to compel performance by each other party to said instruments of all material obligations, covenants and agreements by such other party to be performed thereunder, provided that Mortgagor shall not be required to bring suit against any such other party unless Mortgagor determines that there is a reasonable likelihood of success and that the attorneys' fees and costs that could be incurred by Mortgagor in such suit are reasonable in light of the matter subject to such suit.

(b) Mortgagor shall not execute an assignment of the income, rents, issues or profits, or any part thereof, from the Estate unless the Mortgagee shall first consent to such assignment and unless such assignment shall expressly provide that it is subordinate to the assignment contained in this Mortgage and any assignment executed pursuant hereto or concerning the Secured Obligations.

(c) Mortgagor shall furnish to the Mortgagee, within thirty (30) days after a written request by the Mortgagee to do so, a sworn statement setting forth the names of all lessees and tenants of the Estate, the terms of their respective leases, tenant contracts or rental agreements, the space occupied,

and the rentals payable thereunder, and stating whether to the knowledge of the Mortgagor any defaults, off-sets or defenses exist under or in connection with any of said leases, tenant contracts or rental agreements.

(d) Each lease, tenant contract and rental agreement pertaining to the Estate, or any part thereof, shall provide that, in the event of the enforcement by the Mortgagee of the remedies provided by law or by this Mortgage, the lessee or tenant thereunder will, upon request of the Mortgagee or any other person or entity succeeding to the interest of the Mortgagee as a result of such enforcement, automatically become the lessee or tenant of the Mortgagee or said successor in interest, without change in the terms or other provisions of said lease, tenant contract or rental agreement; provided, however, that neither the Mortgagee nor any such successor in interest shall be bound by (i) any payment of rental or additional rental for more than one (1) month in advance, except prepayments in the nature of security for the performance by said lessee or tenant of its obligations under said lease, tenant contract or rental agreement; or (ii) any amendment or modification of said lease, tenant contract or rental agreement made without the express written consent of the Mortgagee or said successor in interest except in the ordinary course of business.

ARTICLE III
REMEDIES UPON DEFAULT

3.1 Events of Default.

Any of the following events shall be deemed to be an event of default after the expiration of any applicable grace or cure periods ("Event of Default") hereunder:

(a) the occurrence of an Event of Default under and as defined in the Note Purchase Agreement, or, the occurrence of an Event of Default under the Reserve Fund Deficiency Agreement; or

(b) to the extent not included within the events described in clause (a) of this Section 3.1, a breach of or default under any term, covenant, agreement, condition, provision, representation or warranty of Mortgagor contained herein or in any of the Security Documents or the Credit Documents which is not cured within thirty (30) days following receipt by Mortgagor of written notice from the Mortgagee describing such breach or default; provided, however, that in the event such breach or default cannot be cured within thirty (30) days, Mortgagor shall be entitled to such

additional time as may be necessary to effect such cure so long as Mortgagor continues to prosecute diligently such cure.

3.2 Remedies.

Except in the case of the occurrence of an Event of Default under the Note Purchase Agreement for failure to pay the purchase price at the time and in the amount specified therein (in which event the provisions of the last paragraph of this Section 3.2 shall control), upon the occurrence of an Event of Default, the Mortgagee shall, but only at the written direction of the Owners of all of the Outstanding Notes, in the case of an Event of Default relating to the Note Purchase Agreement, or at the written direction of the Majority Owners in the case of an Event of Default relating to the Reserve Fund Deficiency Agreement, and without further notice to or demand upon Mortgagor or any other party having an interest in the Premises, and without regard to the value of the Premises held as security for the Secured Obligations or the solvency of any person liable for the performance of such obligations, do any or all of the following; provided, however, until the Notes are no longer Outstanding or the Mortgagor has purchased the Notes in satisfaction of its obligations under the Note Purchase Agreement, the Mortgagee shall not proceed hereunder at the direction of the Majority Owners of the Bonds without the written consent of the Owners of all of the Outstanding Notes, and, provided, further, however, that the Mortgagor shall have received indemnity satisfactory to it:

(a) to the extent permitted by applicable law, apply for and obtain the appointment of a receiver of the Premises and the rents and profits thereof without objection or opposition thereto by Mortgagor; to the extent permitted by applicable law, such receiver shall be appointed with or without notice and without regard to the adequacy of any security held for the payment of the Secured Obligations or the solvency of any person or persons liable for the payment of such amounts; such receiver may also be granted such extended powers, duties and authority as would be necessary or useful in the management and operation of the Premises, including, without limitation, to the extent permitted by applicable law, the power to enter into, modify, terminate and enforce leases, pay taxes and other operating expenses, employ property managers, make payments of the Secured Obligations as the same become due, and to expend reasonable sums in repair and maintenance of the Premises;

(b) pay any sums in any form or manner deemed expedient by the Mortgagee to protect the security hereunder or to cure any Event of Default; and the Mortgagee shall be subrogated to any such encumbrance, lien, claim or demand, and to all rights and securities for the payment thereof, paid or discharged with the principal sum secured hereby or by the Mortgagee under the provisions hereof, and any such subrogation rights shall be additional and cumulative security to this Mortgage;

(c) declare all indebtedness and obligations secured hereby to be immediately due, payable and collectible without any presentment, demand, protest or notice of any kind and regardless of the maturity date of the Secured Obligations and, in that event, the entire Secured

Obligations shall become immediately due and payable and collectible, and thereupon the Mortgagee may foreclose this Mortgage pursuant to applicable law;

(d) enter and take possession of the Premises and lease the same and receive all the rents, issues and profits thereof which are due, overdue or which thereafter become due, and to apply the same, after payment of all necessary charges and expenses, in reduction of the Secured Obligations, and said rents, issues and profits are, in such event, hereby assigned to the Mortgagee as further security for the payment of the Secured Obligations. Mortgagor or any other then owner of the Premises, if it is the occupant of the Premises or any part thereof, shall in such event, immediately surrender possession of the Premises so occupied to the then holder of this Mortgage, and if such occupant is permitted to remain in possession, the occupant shall, on demand, pay monthly in advance to the holder of this Mortgage a reasonable rental for the space so occupied and, if in default hereof, such occupant may be dispossessed by summary proceedings. This section shall be effective either with or without any action of foreclosure, and with or without any application for a receiver of said rents, issues and profits; and

(e) exercise all other rights and remedies provided herein, in any Security Document, any Credit Document or other document or agreement now or hereafter securing all or any portion of the obligations secured hereby, or provided by law.

Upon the occurrence of an Event of Default under the Note Purchase Agreement for failure to pay the purchase price at the time and in the amount specified therein, the Mortgagee, without further direction and without further notice to or demand upon Mortgagor or any other party having an interest in the Premises, and without regard to the value of the Premises held as security for the Secured Obligations or the solvency of any person liable for the performance of such obligations, shall, subject to indemnity satisfactory to the Mortgagor, declare all indebtedness and obligations secured hereby to be immediately due, payable and collectible without any presentment, demand, protest or notice of any kind and regardless of the maturity date of the Secured Obligations and, in that event, the entire Secured Obligations shall become immediately due and payable and collectible, and thereupon the Mortgagee shall foreclose this Mortgage pursuant to applicable law, unless otherwise directed in writing by the Owners of 100% of the Outstanding principal amount of the Notes.

3.3. Application of Funds After Default. Except as otherwise herein provided, upon the occurrence of an Event of Default hereunder, the Mortgagee may, at any time without any further notice, apply any or all sums or amounts received and held by the Mortgagee to pay insurance premiums, Impositions, or either of them, or rents or income of the Estate, or insurance or condemnation proceeds, and all other sums or amounts received by the Mortgagee from or on account of Mortgagor or the Estate, or otherwise, upon any indebtedness or obligation of Mortgagor secured hereby, in the following manner; provided, however, that the Mortgagee shall promptly thereafter provide to Mortgagor a detailed accounting with respect to all such applications of funds:

FIRST, to the payment of the fees and expenses of the Mortgagee, including reasonable attorneys' fees; and

SECOND, moneys shall be applied to the payment of any amount due and payable under the Note Purchase Agreement as provided for therein and in the Second Supplemental Indenture; and

THIRD, any moneys remaining shall be applied to the payment of any amount due and payable by either the Mortgagor or AJG under and pursuant to the Reserve Fund Deficiency Agreement; provided, however, that if no amount shall be due and payable at the time under the Reserve Fund Deficiency Agreement, the Mortgagee shall deposit into the Escrow Account such amount as is required pursuant to the provisions of the final sentence of paragraph (d) of Section 1.14 hereof to be applied in accordance with the provisions of the Escrow Agreement as provided for the disposition of funds on deposit therein.

The receipt, use or application of any such sum or amount shall not be construed to affect the maturity of any indebtedness secured by this Mortgage, or any of the rights or powers of the Mortgagee or the Mortgagee under the terms of the Security Documents, or any of the obligations of Mortgagor or any guarantor under the Security Documents; or to cure or waive any default or notice of default under any of the Security Documents; or to invalidate any act of the Mortgagee.

3.4. Costs of Enforcement. If any Event of Default occurs, the Mortgagee may employ an attorney or attorneys to protect its rights hereunder. Mortgagor promises to pay to the Mortgagee, on demand, the reasonable legal fees and expenses of such attorneys and all other reasonable costs of enforcing the obligations secured hereby, including, without limitation, recording fees, the expense of a foreclosure sale, receivers' fees and expenses, and all other reasonable expenses, of whatever kind or nature, incurred by the Mortgagee, in connection with the enforcement of the obligations secured hereby, whether or not such enforcement includes the filing of a lawsuit. Until paid, such sums shall be secured hereby.

3.5. Remedies Not Exclusive. The Mortgagee shall be entitled to enforce payment and performance of any indebtedness or obligation secured hereby and to exercise all rights and powers under this Mortgage or under any Security Document or other agreement or any law now or hereafter in force, notwithstanding that some or all of the said indebtedness and obligations secured hereby may now or hereafter be otherwise secured, whether by guaranty, mortgage, deed of trust, pledge, lien, assignment or otherwise. Neither the acceptance of this Mortgage nor its enforcement, whether by court action or pursuant to the power of sale or other powers herein contained, shall prejudice or in any manner affect the Mortgagee's right to realize upon or enforce any other security now or hereafter held by the Mortgagee in such order and manner as they may in their absolute discretion determine. No remedy herein conferred upon or reserved to the Mortgagee is intended to be exclusive of any other remedy herein or by law provided or permitted, but each 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. Every power or remedy given by any of the Security Documents to the Mortgagee or to which the Mortgagee or either of them may be otherwise entitled may be exercised,

concurrently or independently, from time to time and as often as may be deemed expedient by the Mortgagee, and either of them may pursue inconsistent remedies.

3.6. Notice of Default. The Mortgagee shall cause a copy of any notice of default and a copy of any notice of foreclosure hereunder to be mailed to Mortgagor at the address specified for Mortgagor in Section 4.4 hereof.

3.7. Resolution of Conflicts in Directions to Mortgagee. In the event of any conflict in instructions by the Owners of the Notes and instructions provided by the Owners of the Bonds, the Trustee shall follow, and shall be protected in following, the direction of the Owners of the Notes until such Notes have been paid in full.

ARTICLE IV
MISCELLANEOUS COVENANTS AND AGREEMENTS

4.1 Amendments.

This instrument cannot be waived, changed, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of any waiver, change discharge or termination is sought. Any amendment or waiver shall be consented to in writing by all of the Owners of the Notes, in the case of an amendment or waiver affecting the Owners of the Notes or by all of the Owners of the Bonds, in the case of an amendment or waiver affecting the Owners of the Bonds. A copy of said instrument shall be sent by said party to all other parties in the manner specified in Section 4.4 hereof.

4.2 Mortgagee to Act As Directed.

Except as otherwise expressly provided in Section 3.2 hereof, any action permitted to be taken under this Mortgage by the Mortgagee shall be taken by the Mortgagee at the written direction of the Owners of more than 50% of the Outstanding Notes, until the earlier of (i) the date on which the Notes are no longer Outstanding under and as defined in the Indenture or (ii) the Notes are owned by the Mortgagor as the result of the satisfaction by the Mortgagor of its purchase obligation under the Note Purchase Agreement, and, thereafter, at the written direction of the Owners of more than 50% of the Outstanding Bonds; provided, however, that in each such case the Mortgagee shall be provided with adequate indemnity satisfactory to it, including provision for reasonable attorney's fees. For purposes of determining the percentage of Outstanding Bonds or Notes, as the case may be, Notes or Bonds owned by the Mortgagor or any affiliate thereof shall not be included.

4.3 Reserved.

4.4 Notices.

All notices and other communications to be made or permitted to be made hereunder shall be in writing and shall be delivered to the addresses shown below or to such other addresses that the parties may provide to one another in accordance herewith. Such notices and other communications shall be given by any of the following means: (a) personal service; (b) national express air courier, provided such courier maintains written verification of actual delivery; or (c) facsimile with confirmation of receipt. Any notice or other communication given by the means described in subsection (a) or (b) above shall be deemed effective upon the date of receipt or the date of refusal to accept delivery by the party to whom such notice or other communication has been sent.

Any notice or other communication given by the means described in subsection (c) above shall be deemed effective the date on which the facsimile transmission occurs or if such date is not a Business Day (as defined in the Indenture) on the Business Day immediately following the date on which the facsimile transmission occurs.

Mortgagee: First Union National Bank
One First Union Financial Center
200 South Biscayne Boulevard, 4th Floor
Miami, Florida 33131
Attention: Corporate Trust Department

Mortgagor: Birchwood Acres Limited Partnership, LLLP
4305 Neptune Road
St. Cloud, Florida 34769
Attention: James L. Lentz

with a copy to: Baker & Hostetler LLP
200 South Orange Avenue
SunTrust Center, Suite 2300
Orlando, Florida 32801
Attention: Kenneth C. Wright, Esq.

4.5 Captions. The captions or headings at the beginning of articles, sections and subsections hereof are for the convenience of the parties, are not a part of this Mortgage, and shall not be used in construing it.

4.6 Invalidity of Certain Provisions.

Every provision of this Mortgage is intended to be severable. In the event any term or provision hereof is declared to be illegal, invalid or unenforceable for any reason whatsoever by a court of competent jurisdiction, such illegality, invalidity or unenforceability shall not affect the balance of the terms and provisions hereof, which terms and provisions shall remain binding and

enforceable. If the lien of this Mortgage is invalid or unenforceable as to any part of the debt, or if the lien is invalid or unenforceable as to any part of the Estate, the unsecured or partially secured portion of the debt shall be completely paid prior to the payment of the remaining and secured or partially secured portion of the debt, and all payments made on the debt, whether voluntary or under foreclosure or other enforcement action or procedure, shall be considered to have been first paid on and applied to the full payment of that portion of the debt which is not secured or fully secured by the lien of this Mortgage.

4.7 No Merger of Lease.

Upon the foreclosure of the lien created by this Mortgage on the Estate pursuant to the provisions hereof, any lease or sublease then existing and affecting all or any portion of the Estate shall not be destroyed or terminated by application of the law of merger or as a matter of law or as a result of such foreclosure unless the Mortgagee or any purchaser at such foreclosure sale shall so elect. No act by or on behalf of the Mortgagee or any such purchaser shall constitute a termination of any lease or sublease unless the Mortgagee or such purchaser shall give written notice of such termination to such tenant or subtenant. If both the lessor's and lessee's estate under any lease or any portion thereof which constitutes a part of the Estate shall at any time become vested in one owner, this Mortgage and the lien created hereby shall not be destroyed or terminated by application of the doctrine of merger unless the Mortgagee so elects as evidenced by recording a written declaration so stating, and, unless and until the Mortgagee so elects, the Mortgagee shall continue to have and enjoy all of the rights and privileges granted to it hereunder as to the separate estates.

4.8 Governing Law.

This Mortgage shall be governed by and construed in accordance with the laws of the State of Florida.

4.9 Interpretation.

In this Mortgage the singular shall include the plural and the masculine shall include the feminine and neuter and vice versa, if the context so requires; and the word "person" shall include corporation, partnership or other form of association.

4.10 Corrections. The parties shall, upon the reasonable request of the Mortgagee or the Mortgagor, as applicable, correct any defect, error or omission which may be discovered in the contents hereof or in the execution or acknowledgment hereof, and shall execute, acknowledge and deliver such further instruments and do such further acts as may be necessary or as may be reasonably requested by the Mortgagee or the Mortgagor, as applicable, to carry out more effectively the purposes hereof, including, but not limited to, subjecting to the lien and security interest hereby created any of Mortgagor's properties, rights or interest covered or intended to be covered hereby, or perfecting and maintaining such lien and security interest.

4.11 Further Assurances.

At any time, and from time to time, upon reasonably written request by the Mortgagee, Mortgagor will make, execute and deliver, or cause to be made, executed and delivered, to the Mortgagee and, where appropriate, cause to be recorded and/or filed and from time to time thereafter to be re-recorded and/or refiled at such time and in such offices and places as are reasonably necessary any and all such other and further mortgages, security agreements, financing statements, continuation statements, instruments of further assurance, certificates and other documents as are necessary in order to effectuate, complete or perfect, or to continue and preserve (a) the obligations of Mortgagor under this Mortgage and the other Security Documents and (b) the security interest created by this Mortgage as a first and prior security interest upon, in and to all of the Estate. Upon any failure by Mortgagor so to do, the Mortgagee may make, execute, record, file, re-record and/or refile any and all such mortgages, security agreements, financing statements, continuation statements, instruments, certificates and documents for and in the name of Mortgagor, and Mortgagor hereby irrevocably appoints the Mortgagee the agent and attorney-in-fact of Mortgagor so to do.

4.12 Successors and Assigns.

This Mortgage applies to, inures to the benefit of and binds Mortgagor and the heirs, legatees, devisees, administrators, personal representatives, executors and the successors and assigns thereof, and the Mortgagee. As used herein, the term "Mortgagee" shall mean, collectively, the Mortgagee and its respective successors in interest or assigns from time to time, whether or not named as the Mortgagee herein and the term "Mortgagor" shall mean the Mortgagor named herein and the successors-in-interest, if any, of said named Mortgagor in and to the Estate or any part thereof, as permitted by this Mortgage. If there be more than one Mortgagor hereunder, their obligations shall be joint and several.

4.13 Priority.

This Mortgage is intended to have and retain priority over all other liens and encumbrances upon the Estate, excepting only: (i) such other impositions as at the date hereof have, or by law gain, priority over the lien created hereby; (ii) covenants, conditions, restrictions, easements, and rights of way which are of record or are disclosed of record and which affect the Estate on the date hereof; (iii) Leases, liens, encumbrances, and any other matters as to which the Mortgagee hereafter expressly subordinates the lien of this Mortgage by written instrument in recordable form; and (iv) Permitted Encumbrances. Under no circumstance shall the Mortgagee be obligated or required to subordinate the lien hereof to any Lease, lien, encumbrance, covenant or other matter affecting the Estate or any portion thereof. The Mortgagee may, however, at the Mortgagee's option, exercisable in its sole and absolute discretion, subordinate the lien of this Mortgage, in whole or in part, to any or all Leases, liens, encumbrances or other matters affecting all or any portion of the Estate by executing and recording in the Public Records, a unilateral declaration of such subordination

specifying the Lease, lien, encumbrance or other matter or matters to which this Mortgage shall thereafter be subordinate.

4.14 Financing Statement and Fixture Filing.

(a) This Mortgage constitutes a financing statement filed as a fixture filing in the Public Records with respect to any and all Fixtures (as hereinafter defined) included with the term "Improvements" as used herein and with respect to any goods, collateral or other property that may now be or hereafter become Fixtures. As used herein, the term "Fixtures" shall mean all fixtures located upon or within the Improvements or now or hereafter installed in, or used in connection with any of the Improvements, including, but not limited to, any and all partitions, screens, awnings, motors, engines, boilers, furnaces, pipes, plumbing, elevators, cleaning and sprinkler systems, fire extinguishing apparatus and equipment, water tanks, heating, ventilating, air conditioning and air cooling equipment, refrigerators, washer and dryer units, and gas and electric machinery, appurtenances and equipment, whether or not permanently affixed to the Premises or the Improvements.

(b) Mortgagor warrants that (i) Mortgagor's (that is, "Debtor's") name, identity or corporate structure and residence or principal place of business are as set forth in Schedule 1 of Exhibit "C" hereto; (ii) Mortgagor (that is, "Debtor") has been using or operating under said name, identity or corporate structure without change for the time period set forth in Schedule I of Exhibit "C" hereto; and (iii) the location of the collateral is upon the Land. Mortgagor covenants and agrees that Mortgagor will furnish the Mortgagee with notice of any change in the matters addressed by clauses (i) or (ii) of this subsection within thirty (30) days of the effective date of any such change and Mortgagor will promptly execute any financing statements or other instruments deemed reasonably necessary by the Mortgagee to prevent any filed financing statement from becoming misleading or losing its perfected status.

(c) The information contained in this subsection is provided in order that this Mortgage shall comply with the requirements of the Uniform Commercial Code, as enacted in the State of Florida, for instruments to be filed as financing statements. The names of the "Debtor" and the "Secured Party", the identity or corporate structure and residence or principal place of business of "Debtor", and the time period for which "Debtor" has been using or operating under said name and identity or corporate structure without change, are as set forth in Schedule I of Exhibit "C" attached hereto and by this reference made a part hereof; the mailing address of the "Secured Party" from which information concerning the security interest may be obtained, and the mailing address of "Debtor", are as set forth in Schedule 2 of said Exhibit "C" attached hereto; and a statement indicating the types, or describing the items, of collateral is set forth hereinabove.

4.15 Nonforeign Entity.

Section 1445 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code") provides that a transferee of a United States of America real property interest must withhold

tax if the transferor is a foreign person. To inform the Mortgagee that the withholding of tax will not be required in the event of the disposition of the Premises or Improvements pursuant to the terms of this Mortgage, Mortgagor hereby certifies, under penalty of perjury, that:

(a) Mortgagor is not a foreign corporation, foreign partnership, foreign trust or foreign estate, as those terms are defined in the Internal Revenue Code and the regulations promulgated thereunder; and

(b) Mortgagor's federal tax identification number is 59-3524907; and Mortgagor's chief executive office and principal place of business is 4305 Neptune Road, St. Cloud, Florida 34769.

It is understood that the Mortgagee may disclose the contents of this certification to the Internal Revenue Service and that any false statement contained herein could be punished by fine, imprisonment or both. Mortgagor covenants and agrees to execute such further certificates, which shall be signed under penalty of perjury, as the Mortgagee shall reasonably require. The covenants set forth herein shall survive the foreclosure of the lien of this Mortgage or acceptance of a deed in lieu thereof.

4.16 Cooperation and Approvals by the Mortgagee.

Upon the written request by Mortgagor from time to time throughout the term of this Mortgage, the Mortgagee shall execute such documents, petitions, applications, authorizations, permits, grants of easement, dedications and maps as may be customary or necessary for lienholders to execute in order for Mortgagor to satisfy requirements of any governmental agency and those required by public utilities, in each case, for the orderly development of the Premises. Mortgagor shall reimburse the Mortgagee or pay directly at the request and direction of the Mortgagee, all reasonable administration costs and legal fees and expenses actually incurred by the Mortgagee in complying with the Mortgagor's request under this Section 4.16.

4.17 Waiver of Mortgagor's Rights.

BY EXECUTION OF THIS INSTRUMENT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, MORTGAGOR EXPRESSLY (A) WAIVES ANY AND ALL RIGHTS CONCERNING THE APPLICATION, RIGHTS OR BENEFITS OF ANY MORATORIUM, REINSTATEMENT, MARSHALING, FORBEARANCE, APPRAISEMENT, VALUATION, STAY, EXTENSION, HOMESTEAD OR EXEMPTION LAWS; (B) ACKNOWLEDGES THAT MORTGAGOR HAS READ THIS INSTRUMENT AND ANY AND ALL QUESTIONS OF MORTGAGOR REGARDING THE LEGAL EFFECT OF THIS INSTRUMENT AND ITS PROVISIONS HAVE BEEN EXPLAINED FULLY TO MORTGAGOR, AND MORTGAGOR HAS CONSULTED WITH COUNSEL OF MORTGAGOR'S CHOICE PRIOR TO EXECUTING THIS INSTRUMENT; AND (C) ACKNOWLEDGES THAT ALL WAIVERS OF THE AFORESAID RIGHTS OF MORTGAGOR HAVE BEEN MADE KNOWINGLY,

INTENTIONALLY AND WILLINGLY BY MORTGAGOR AS PART OF A BARGAINED FOR TRANSACTION AND THAT THIS INSTRUMENT IS VALID AND ENFORCEABLE BY THE MORTGAGEE AGAINST MORTGAGOR IN ACCORDANCE WITH ALL THE TERMS AND CONDITIONS HEREOF.

MORTGAGOR ACKNOWLEDGES THAT IT IS ENGAGED PRIMARILY IN COMMERCIAL PURSUITS AND THAT PROCEEDS OF THIS MORTGAGE ARE TO BE UTILIZED IN MORTGAGOR'S BUSINESS ACTIVITIES AND WILL NOT BE UTILIZED FOR CONSUMER PURPOSES.

[SIGNATURE PAGE TO FOLLOW]

SIGNATURE PAGE FOR
MORTGAGE, SECURITY AGREEMENT, ASSIGNMENT OF
LEASES AND RENTS AND FINANCING STATEMENT

IN WITNESS WHEREOF, Mortgagor has caused this Mortgage to be executed by its duly authorized representative as of the date below written.

BIRCHWOOD ACRES LIMITED
PARTNERSHIP, LLLP

(SEAL) By: Three E Corporation, as General Partner

By:_____

James L. Lentz, President

ATTEST:
By:_____
Name:_____
Title:_____

STATE OF FLORIDA
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of ___, 2001, by James L. Lentz, President of Three E Corporation, as General Partner of Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership, on behalf of the partnership. He is personally known to me or has produced _____ as identification.
(SEAL)

Printed/Typed Name:
Notary Public-State of Commission Number:

EXHIBIT "A"
LEGAL DESCRIPTION

EXHIBIT "B"
PERMITTED ENCUMBRANCES

EXHIBIT "C"
SCHEDULE 1
DESCRIPTION OF DEBTOR AND SECURED PARTY

A. Debtor:

1. The name and identity (or corporate structure) of Mortgagor is: Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership.

2. The residence or principal place of business of Debtor in the State of Florida is located at 4305 Neptune Road, St. Cloud, Florida 34769.

3. Debtor has been using or operating under said name and identity or corporate structure without change at least since January 12, 2001 to present.

B. Secured Party:

1. The name and identity (or corporate structure) of Secured Party is: First Union National Bank, as Trustee.

SCHEDULE 2
NOTICE MAILING ADDRESSES OF DEBTOR AND SECURED PARTY

A. The mailing address of Debtor is:

4305 Neptune Road
St. Cloud, Florida 34769

B. The mailing address of Secured Party is:

EXHIBIT "D"
FORM OF CERTIFICATE ESTABLISHING SATISFACTION OF CONDITIONS TO THE FULL OR PARTIAL RELEASE OF LAND OR REQUIRED CASH EQUIVALENT BALANCE

30

EXHIBIT "E"
ESCROW DEPOSIT AGREEMENT

31

[This page intentionally left blank]

APPENDIX "F"

PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT

SERIES 2001 CONTINUING DISCLOSURE AGREEMENT

entered into by

HARMONY COMMUNITY DEVELOPMENT DISTRICT

AND

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP

Dated as of October 9, 2001

[This page intentionally left blank]

SERIES 2001

CONTINUING DISCLOSURE AGREEMENT

THIS SERIES 2001 CONTINUING DISCLOSURE AGREEMENT ("Agreement") dated as of October 9, 2001 is executed and delivered by **HARMONY COMMUNITY DEVELOPMENT DISTRICT** (the "District" or the "Issuer") and **BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP** (the "Landowner") in connection with the issuance of the District's $8,080,000 Bond Anticipation Notes, Series 2001 (the "Series 2001 Notes" or the "2001 Notes").

WITNESSETH:

WHEREAS, the District has entered into with First Union National Bank, as trustee (the "Trustee") a Master Trust Indenture dated as of December 1, 2000, and a Second Supplemental Trust Indenture dated as of October 1, 2001, (collectively, the "Indenture") in connection with the Series 2001 Notes; and

WHEREAS, this Agreement is being executed and delivered by the Issuer and the Landowner in order to comply with the requirements of Rule 15c2-12(b)(5) promulgated under the Securities Exchange Act of 1934 (the "Rule"), and is for the benefit of the holders and Beneficial Owners (as hereinafter defined) of the 2001 Notes.

NOW, THEREFORE, in consideration of the mutual agreements and covenants herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the District and the Landowner agree as follows:

1. Recitals; Definitions. The foregoing recitals are true and correct and incorporated herein by this reference. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Indenture.

2. Definitions.

"Annual Report" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 hereof.

"Beneficial Owner" shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2001 Notes (including persons holding Series 2001 Notes through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Series 2001 Notes for federal income tax purposes.

"Business Day" shall mean a day other than a Saturday, Sunday or a day on which the New York Stock Exchange is closed.

"Dissemination Agent" shall mean the District, acting in its own capacity as Dissemination Agent hereunder, or any other Dissemination Agent designated in writing by the District, written acceptance of which has been filed with the District and the Trustee.

"Fiscal Year" shall mean the period commencing on October 1 and ending on September 30 of the next succeeding year, or such other period of time provided by applicable law.

"Listed Events" shall mean any of the events listed in Section 5 hereof.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Disclosure Rule. A list of the names and addresses of each National Repository and State Repository as of any date may currently be obtained at www/sec.gov/consumer/nrmsir.htm."

"Obligated Person(s)" shall mean, with respect to the Series 2001 Notes, those person(s) who either generally or through an enterprise fund or account of such persons are committed by contract or other arrangement to support payment of all or a part of the obligations on such Series 2001 Notes, which person(s) shall include the District, and the Landowner for so long as the Landowner is the owner of at least 20% of the lands which are intended to be connected to the utility project financed with proceeds of the Series 2001 Notes (the "Series 2001 Project").

"Participating Underwriter" shall mean the original underwriter of the Series 2001 Notes that is required to comply with the Rule in connection with the offering of such Series 2001 Notes.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission under the authority of the Securities Exchange Act of 1934, as the same may be amended or officially interpreted by the Securities and Exchange Commission from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of Florida as a state repository for the purpose of the Disclosure Rule and recognized as such by the Securities and Exchange Commission. As of this date, no such designation has been made by the State of Florida.

"Tax-Exempt" shall mean that interest on the 2001 Notes is excludable from gross income for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating any other tax liability, including any alternative minimum tax.

3. Provision of Annual Reports.

(a) The District shall provide an Annual Report consistent with the requirements of Section 4 below to each Repository and to the Participating Underwriter. The Annual Report will also be made available by the District to each Beneficial Owner of Series 2001 Notes. The Annual Report will be submitted as separate documents comprising a package, and may incorporate by reference other information as provided in Section 4 below; provided that the District's annual audited financial statements (the "Audit") may be submitted separately from the balance of the Annual Report. If the District's Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 5.

(b) If the District is unable to provide to the Repositories an Annual Report (other than the Audit) by the date required in Section 4, the District shall send a notice to (i) each National Repository or the Municipal Securities Rulemaking Board, and (ii) any State Repository in substantially the form attached as Exhibit A.

(c) The District shall: (i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and (ii) file a report with the Trustee certifying that the Annual Report has been provided pursuant to the requirements hereof, stating the date it was provided and listing each Repository to which it was provided, and send a copy of such report to the Dissemination Agent.

4. Contents of Annual and Quarterly Reports. The Annual Report shall contain or incorporate by reference the following information, which information shall be received by the dates set forth below:

(a) not later than September 30 commencing September 30, 2002, the Audit for the immediately preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applicable to operations of the District, as same may be modified from time to time by Florida statutory requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board; and

(b) not later than April 1 commencing April 1, 2002, an update of the following financial information and operating data:

(i) Number of equivalent residential connections connected to the Series 2001 Project;

(ii) All current rates and charges associated with use of the Series 2001 Project;

(iii) Any material changes to permits and approvals related to the Series 2001 Project;

(iv) Status report regarding any potential purchase of the Series 2001 Project;

(v) All fund balances in all 2001 Pledged Funds and Accounts for the 2001 Notes. The Issuer shall provide any Beneficial Owner with this information more frequently than annually within thirty (30) days after delivery to the Issuer of a written request from the Beneficial Owner.

(c) The Landowner (so long as it is an Obligated Person) shall also prepare reports no later than thirty (30) days after the end of each quarter commencing with the quarter ending December 31, 2001 and provide these reports to the Dissemination Agent or if there is not a Dissemination Agent directly to the Beneficial Owners; provided, however, that if the Landowner is a reporting company, such thirty (30) days shall be extended to the date of filing of the Landowner's 10K or 10Q, if later, as the case may be. These quarterly reports shall address:

(i) total number of planned residential units on property to be connected to the Series 2001 Project;

(ii) the number and type of property (lots, parcels, raw land, etc.) sold;

(iii) the number of residential units constructed to be connected to the Series 2001 Project.

(iv) the number of residential units occupied;

(v) the number of units, type of units and square footage of commercial property or other non-residential uses planned on property which is being connected to the Series 2001 Project;

(vi) the number and type of property (parcels, raw land, etc.) sold for non-residential development, if any, which will be a user of the Series 2001 Project;

(vii) the square footage of non-residential property, if any, which will be a user of the Series 2001 Project;

(viii) the anchor (more than 10% of the square footage) tenants of non-residential property, if any, which will be a user of the Series 2001 Project;

(ix) the estimated date of complete build-out of the portion of the Development which will be provided utility service from the Series 2001 Project;

(x) changes to permits/approvals/ and use related to such portion of the Development;

(xi) the occurrence of an Event of Default under the Notes Purchase Agreement;

(xii) the sale or lease of any of the Mortgaged Property (as defined in said Note Purchase Agreement); and

(xiii) the occurrence of any Event of Default under the Mortgage (as defined in said Note Purchase Agreement).

The Landowner shall cause any successor in interest who owns or becomes the owner of at least 20% of the lands intended to be connected to the Series 2001 Project (the "District Lands") to execute this Agreement as an additional party hereto.

Any or all of the items listed above may be incorporated by reference from other documents, including offering statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document incorporated by reference is a formal offering statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

The parties to this Disclosure Agreement agree to assist each other and the Dissemination Agent in preparing and providing the information necessary to prepare the Annual Report as such assistance may be required in the sole discretion of the Issuer. The Landowner's obligation to assist the Issuer and the Dissemination Agent in preparing the Annual Report continues so long as it is an Obligated Person.

5. Reporting of Listed Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Series 2001 Notes, pursuant to subsection (b) below:

(1) Delinquency in payment when due of debt service on the 2001 Notes.

(2) Occurrence of any Event of Default under and as deemed in the Indenture (other than as described in clause (1) above).

(3) Amendment to the Indenture or this Disclosure Agreement modifying the rights of the Noteholders.

(4) Giving a notice of optional or other unscheduled redemption of any 2001 Notes.

(5) Defeasance of the 2001 Notes or any portion thereof.

(6) Any change in any rating of the 2001 Notes.

(7) (a) Receipt by the District of any opinion of nationally recognized bond counsel to the effect that interest on the 2001 Notes is not Tax-Exempt; or

(b) Any event adversely affecting the Tax-Exempt status of the 2001 Notes, including, but not limited to:

(i) Receipt of notice or any challenge to the Tax-Exempt status of the 2001 Notes by the Internal Revenue Service or in any administrative or judicial proceedings; or

(ii) Receipt of notice or the issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official authority or by any court adversely affecting the Tax-Exempt status of the 2001 Notes or bonds of the same type as the 2001 Notes or financing structures of the same type as financed by the 2001 Notes.

(8) Any unscheduled draw on any Reserve Account reflecting financial difficulties.

(9) Any unscheduled draw on any credit enhancement for the 2001 Notes reflecting financial difficulties.

(10) The substitution of credit or liquidity providers, or their failure to perform.

(11) The release, substitution or sale (other than in the ordinary course of business or as otherwise provided in the Indenture) of property, if any, securing repayment of the 2001 Notes (including property leased, mortgaged or pledged as such security).

(b) The District shall file a notice of such occurrence with the Municipal Securities Rulemaking Board or each National Repository and the State Repository, and send a copy thereof to the Trustee. Each such notice shall be captioned "Material Event Notice" and shall prominently state the date, title and CUSIP numbers of the Series 2001 Notes to which it relates.

Notwithstanding the foregoing, notice of the occurrence of a Listed Event described in clauses (4) or (5) of subsection (a) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Series 2001 Notes pursuant to the Indenture.

6. Termination of Reporting Obligations. Subject to the provisions of Section 4 hereof, the obligations of the District and Landowner hereunder shall terminate upon the legal defeasance, prior prepayment or payment in full of all Outstanding Series 2001 Notes.

7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations hereunder and may discharge any such Dissemination Agent with or without appointing a successor Dissemination Agent. Any obligations imposed on the District hereunder may be satisfied through the actions of any Dissemination Agent appointed or engaged in accordance with the provisions of this Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Agreement.

8. Default. If the Issuer, the Landowner, or the Dissemination Agent fails to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Participating Underwriter or the Beneficial Owners of at least 25% aggregate principal amount of Outstanding 2001 Notes and receipt of indemnity satisfactory to the Trustee, shall), or any Beneficial Owner of the 2001 Notes, may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer, the Landowner, or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer, the Landowner, or the Dissemination Agent, to comply with this Disclosure Agreement shall be an action to compel performance. All liabilities in the event of a default by any party to this Agreement shall only be several and not joint.

9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to both the Issuer and the Trustee, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or amendment of the Rule.

Notwithstanding the above provisions of this Section 9, no amendment to the provisions of Section 4 hereof applicable to the Landowner may be made without the consent of the Landowner as long as the Landowner is an Obligated Person.

In the event of any amendment or waiver of a provision of this Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same

manner as for a Listed Event under Section 5(b); and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

10. Additional Information. Nothing herein shall be deemed to prevent the District or the Landowner 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 Report or notice of occurrence of a Listed Event, in addition to that which is required by this Agreement. If the District chooses to include any information in an Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the District shall have no obligation to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Agreement or any agreement entered into pursuant to this Agreement.

12. Purpose of this Agreement. This Agreement constitutes the written undertaking for the benefit of the Owners and Beneficial Owners of the Series 2001 Notes required by Section (b)(5)(i) of the Disclosure Rule.

13. Beneficiaries. The covenants contained herein shall inure solely to the benefit of the District, the Landowner, the Dissemination Agent, the Participating Underwriter and the Owners and Beneficial Owners from time to time of the Series 2001 Notes and shall create no rights in any other person or entity. The Annual Report and any other document or report required to be given to the Holders of the Series 2001 Notes shall also be given to the initial purchaser of the Series 2001 Notes so long as it owns any Series 2001 Notes and any Beneficial Owners requesting the same.

14. Governing Law. This Agreement shall be governed by the laws of the State of Florida and Federal law and venue shall be in Osceola County, Florida.

15. Counterparts. This Agreement may be executed in multiple counterparts, each of which shall be deemed an original and all of which shall constitute one (1) agreement and the signatures of any party to any counterpart shall be deemed to be a signature to, and may be appended to, any other counterpart.

IN WITNESS WHEREOF, the undersigned has executed this Agreement as of the date and year set forth above.

[SEAL]

HARMONY COMMUNITY DEVELOPMENT DISTRICT

By:_____

Chairman, Board of Supervisors

ATTEST

_____

Secretary

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP

By: Three E Corporation, a Florida corporation as General Partner

Name: _____

Title:_____

EXHIBIT "A"

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Harmony Community Development District
Name of Bond Issue:	Bond Anticipation Notes, Series 2001 (the "Series 2001 Notes")
Date of Issuance:	October 9, 2001

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Series 2001 Notes as required by Section 4 of the Continuing Disclosure Agreement dated October 9, 2001. The District anticipates that the Annual Report will be filed by _____.

Dated:_____

HARMONY COMMUNITY
DEVELOPMENT DISTRICT

By: _____
Name: _____
Title: _____

OR408164;2

APPENDIX "G"

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE PERIOD ENDED SEPTEMBER 30, 2000

[This page intentionally left blank]

HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA
INDEPENDENT AUDITORS' REPORT AND GENERAL-PURPOSE FINANCIAL STATEMENTS FOR THE PERIOD FROM INCEPTION FEBRUARY 28, 2000 TO SEPTEMBER 30, 2000

Grau&Company,P.A.
certified public accountants

HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA

TABLE OF CONTENTS

Grau&Company,P.A.
certified public accountants

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors
Harmony Community Development District
Osceola County, Florida

We have audited the accompanying general-purpose financial statements of Harmony Community Development District, Osceola County, Florida ("District") as of September 30, 2000 and for the period from inception February 28, 2000 to September 30, 2000, as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the District, as of September 30, 2000, and the results of its operations for the period from inception February 28, 2000 to September 30, 2000, in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 19, 2001, on our consideration of the Harmony Community Development District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Grau & Company, PA

February 19, 2001

HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA
BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 2000

	Governmental Fund Types		Account Group	Totals (Memorandum Only)
	General Fund	Capital Project Fund	General Fixed Assets	2000
ASSETS				
Cash	$ 33,927	$	$	33,927
Due from developer	13,035			13,035
Due from other funds	9,883			9,883
Fixed assets			311,034	311,034
Total Assets	$ 56,845	$	$ 311,034	$ 367,879
LIABILITIES				
Accounts Payable	$ 51,126	$	$	$ 51,126
Contract payable		199,243		199,243
Due to developer		101,908		101,908
Due to other funds		9,883		9883
Total Liabilities	51,126	311,034		362,160
FUND EQUITY				
Investment in General Fixed Assets			311,034	311,034
Reserved for capital projects		(311,034)		(311,034)
Unreserved, undesignated	5,719			5,719
Total Fund Equity (Deficit)	5,719	(311,034)	311,034	5,719
Total Liabilities and Fund Equity (Deficit)	$ 56,845	$	$ 311,034	$ 367,879

See notes to financial statements

HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE PERIOD FROM INCEPTION
FEBRUARY 28, 2000 TO SEPTEMBER 30, 2000

	General Fund	Capital Project Fund	Total (Memorandum Only) 2000
REVENUES			
Developer contributions	$ 45,108	$	45,108
Total Revenues	45,108		45,108
EXPENDITURES			
Current			
General Government	39,389		39,389
Capital Outlay		311,034	311,034
Total Expenditures	39,389	311,034	350,423
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	5,719	(311,034)	(305,315)
FUND BALANCES - BEGINNING			
FUND BALANCES (DEFICIT) - SEPTEMBER 30	$ 5,719	$ (311,034)	$ (305,315)

See notes to the financial statements

HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
ALL GOVERNMENTAL FUND TYPES
FOR THE PERIOD FROM INCEPTION
FEBRUARY 28, 2000 TO SEPTEMBER 30, 2000

	GENERAL FUND		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Developer contributions	$ 48,823	$ 45,108	$ (3,715)
Total Revenues	48,823	45,108	(3,715)
EXPENDITURES			
Current			
General Government	48,823	39,389	9,434
Total Expenditures	48,823	39,389	9,434
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ -	5,719	$ (5,719)
FUND BALANCES - BEGINNING		-	
FUND BALANCES (DEFICIT) - SEPTEMBER 30		$ 5,719	

See notes to the financial statements

NOTE 1 - THE DISTRICT

Harmony Community Development District ("District") was created on February 28, 2000 by the Osceola County Board of County Commissioners under the "Uniform Community Development District Act of 1980", otherwise known as Chapter 190, Florida Statutes, and was adopted as Osceola County Ordinance 00-05, under the name of Harmony Community Development District.

The Ordinance defines the legal description of the District and provides among other things the power to manage basic services for community development and to levy and assess non-ad valorem assessments for the financing and maintenance of improvements.

The District is governed by the Board of Supervisors ("Board") which is composed of five members. The Supervisors are elected on a at large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre. The Developer "Birchwood Acres Limited Partnership." currently owns all of the land within the District. All of the Board members are affiliated with the Developer. The Board of Supervisors of the District exercise all powers granted to the District pursuant to Chapter 190, Florida Statutes.

The Board has the final responsibility for:

1. Assessing and levying maintenance taxes and special assessments.
2. Approving budgets.
3. Exercising control over facilities and properties.
4. Controlling the use of funds generated by the District.
5. Approving the hiring and firing of key personnel.
6. Financing improvements.

The District receives no direct financial support from Osceola County, and the establishment of the District in no way limits Osceola County in the exercise of its powers or authority as provided for in Chapter 125, Florida Statutes.

Reporting Entity

The District's financial statements include the operations of all Organizations for which the District Board of Supervisors is considered to be financially accountable. There are no entities considered to be component units of the District; therefore, the financial statements include only the operations of the District. As a result of the facts and circumstances discussed above and that no debt obligation or duty of the District constitute a debt, obligation, duty or burden of or on Osceola County, the District is treated as a separate entity from that of the County.

Budget Requirements

The District is required to establish a budgetary system and an approved Annual Budget. The District's budgeting process is based on estimates of cash receipts and cash expenditures which are approved by the Board. The budget approximates a basis consistent with generally accepted accounting principles.

NOTE 1 - THE DISTRICT (Continued)

Budget Requirements (Continued)
The District follows these procedures in establishing the budgetary data reflected in the financial statements:

a) Annually the District's Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain taxpayer comments.
c) Prior to October 1, the budget is legally adopted by the District Board.
d) All budget changes must be approved by the District Board.
e) The budget for all the funds, is adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriations for annually budgeted funds lapse at the end of the year.
g) The budget amounts shown in the financial statements are the final authorized amounts.

Budgetary data for the Capital Projects Fund has not been presented in the accompanying financial statements as such funds are budgeted over the life of the respective project and not on an annual basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation
The accounts of the District are organized on the basis of funds and account groups each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. The various funds are grouped in the financial statements in this report, into one fund type and one account group categories as follows:

Governmental Fund Type

General Fund
The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital Projects Fund
Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Account Group

General Fixed Assets Account Group
This account group is used to establish accounting control and accountability for the fixed assets of the District utilized in its general operations.

Fixed Assets
Public domain general fixed assets consisting of certain improvements including bridges and drainage systems are capitalized and are valued at historical cost. No depreciation has been provided on general fixed assets, nor has interest been capitalized.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The accounting and financial reporting treatment applied to all funds is determined by its measurement focus. All Governmental Funds are accounted for on a spending measurement focus. Only current assets and current liabilities are generally included in their balance sheet. Their operating statements present sources (revenue and other financing sources) and uses (expenditures and other financing uses) of available spendable resources (net current assets) during the period.

The modified accrual basis of accounting is used for all governmental fund types. Under this method, revenues are recorded when received in cash, except in cases where they are both measurable and available. "Measurable" means that the amount of transaction can be determined and "available" means that the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when goods or services are received and actual liabilities are incurred. Disbursements for the purchase of capital assets providing future benefits are considered expenditures and are accounted for in the General Fixed Assets Account Group. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are developer contributions and interest revenue.

Encumbrances

The District does not have a formalized encumbrance accounting system. However, substantially all expenditures for consultants, construction and maintenance costs, are performed under contracts.

Total Columns on Combined Statement

Total columns on the combined statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations, in conformity with generally accepted accounting principles. Also, such data is not comparable to a consolidation.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 - CASH

The District's cash balances were entirely covered by federal depository insurance or by a collateral pool pledged to the State Treasurer. Florida Statutes Chapter 280, "Florida Security for Public Deposits Act", requires all qualified depositories to deposit with the Treasurer or another banking institution eligible collateral equal to various percentages of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held. The percentage of eligible collateral (generally, U.S. Governmental and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its compliance with Chapter 280. In the event of a failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

NOTE 4 - GENERAL FIXED ASSETS

Changes in general fixed assets during the period from inception February 28, 2000 to September 30, 2000 are summarized below:

	February 28, 2000 Balance	Additions	Deletions	September 30, 2000 Balance
Infrastructure under construction	$	$ 311,034	$	$ 311,034

The majority of the current year additions represent engineering fees and other start up costs for the infrastructure projects of the District. The costs have been partially financed by advances made by the Developer. The deficit in the Capital Projects Fund will be eliminated with the issuance of the $5,000,000 in bond anticipation notes subsequent to year end. See Note 6 - Subsequent Events for additional information.

NOTE 5 - DEVELOPER CONTRIBUTIONS

The Developer has agreed to grant the District a sum not to exceed the lesser of (a) The District's actual expenditures in accordance with the budget or (b) the budgeted revenues of $48,823, for fiscal year 2000. At the end of the fiscal year the Developer owed the District $13,035 for current operations. As all of the land is currently owned by the Developer and the Developer has agreed to provide the monies for the operations of the District, the District is economically dependent on the Developer.

NOTE 6 - SUBSEQUENT EVENT

On December 19, 2000, the District issued $5,000,000 of Bond Anticipation Notes the proceeds of which were used to eliminate the deficit in the Capital Projects Fund. The Notes are due on December 20, 2001 and it is anticipated that the District will issue $50,000,000 in bonds which will be used to pay off the Bond Anticipation Notes.

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage during the past year.

Grau&Company,P.A.
certified public accountants

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL- PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Supervisors
Harmony Community Development District
Osceola County, Florida

We have audited the general-purpose financial statements of Harmony Community Development District, Osceola County, Florida as of September 30, 2000 and for the period from inception February 28, 2000 to September 30, 2000, and have issued our report thereon dated February 19, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Harmony Community Development District's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Harmony Community Development District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the management, Board of Supervisors of Harmony Community Development District, Osceola County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

Grau & Company, P.A.

February 19, 2001

Grau&Company,P.A.
certified public accountants

2700 North Military Trail • Suite 350
Boca Raton, Florida 33431
(561) 994-9299 • (800) 299-4728
Fax (561) 994-5823
www.graucpa.com

MANAGEMENT LETTER PURSUANT TO THE RULES OF THE AUDITOR GENERAL FOR THE STATE OF FLORIDA

To the Board of Supervisors
Harmony Community Development District
Osceola County, Florida

We have audited the accompanying general-purpose financial statements of the Harmony Community Development District, Osceola County, Florida (the "District") as of September 30, 2000 and for the period from inception February 28, 2000 to September 30, 2000, and have issued our report thereon dated February 19, 2001.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

The purpose of this letter is to comment on those matters described in Rule 10.554(1)(e) as required by the Rules of the Auditor General for the State of Florida. Accordingly, in connection with our audit of the general-purpose financial statements of the District, as described in the first paragraph, we report the following which is included on page 11:

I. Current year findings and recommendations.
II. Status of prior year findings and recommendations.
III. Compliance with the Provisions of the Auditor General of the State of Florida.

We previously reported on the District's internal control in our report dated February 19, 2001 on page 9.

This report is intended for the information of the management, Board of Supervisors of Harmony Community Development District, Osceola County, Florida and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the Harmony Community Development District, Osceola County, Florida and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

Grau & Company, P.A.

February 19, 2001

REPORT TO MANAGEMENT

I. CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None

II. PRIOR YEAR FINDINGS AND RECOMMENDATIONS

None - N/A First year of District operations.

III. COMPLIANCE WITH THE PROVISIONS OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA.

1. There were no inaccuracies, shortages, defalcations, fraud, or violations of laws, rules, regulations, or contractual provisions reported in the previous annual financial audit, as this is the first year of operations.

2. There were no recommendations made in the annual financial audit for the year ended September 30, 1999, as this is the first year of operations.

3. The financial report filed with the Department of Banking and Finance pursuant to Section 218.32(1)(a), Florida Statutes agrees with the September 30, 2000 financial audit report.

4. The District is not and was not in a state of financial emergency as a consequence of conditions described in section 218.503(1), Florida Statutes.

5. There were no current year recommendations.

6. There were no violation of laws, rules and regulations that have occurred, or are likely to have occurred and were discovered within the scope of the audit.

7. There were no illegal or improper expenditures discovered within the scope of the audit that may or may not materially affect the general-purpose financial statements.

8. There were no matters requiring correction that may or may not materially affect the general purpose financial statements.

9. The District complied with Section 218.415, Florida Statutes, regarding the investment of public funds.

10. The Harmony Community Development District, Osceola County, Florida was established under Uniform Community Development District Act, of 1980, otherwise known as Chapter 190, Florida Statutes, on February 28, 2000 and is controlled by an elective body consisting of five members of the Board of Supervisors. The District is financially independent as evidenced by the authority to make and approve its own budget, the power to levy non-ad valorem assessments, the authority to buy and sell property, and the authority to incur debt.

Mediterra00..wpd

[This page intentionally left blank]

APPENDIX "H"
FORM OF DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT

[This page intentionally left blank]

DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT
Harmony Community Development District
Capital Improvement Revenue Bonds, Series 2001

Dated as of October 1, 2001

Between

ARTHUR J. GALLAGHER & CO.,
a Delaware corporation

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP,
a Florida limited liability limited partnership

Severally, as Guarantors

And

FIRST UNION NATIONAL BANK, as Trustee

[This page intentionally left blank]

TABLE OF CONTENTS

Page

[This page intentionally left blank]

DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT
Harmony Community Development District
Capital Improvement Revenue Bonds, Series 2001

THIS DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT (the "Agreement") made and entered into as of October 1, 2001 by and between **ARTHUR J. GALLAGHER & CO.**, a Delaware corporation ("AJG") and **BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP**, a Florida limited liability limited partnership ("Birchwood") severally as their respective obligations appear herein, as Guarantors, and First Union National Bank, a national banking association duly organized and existing under the laws of the United States of America and having its designated corporate trust office in the City of Miami, Florida, in its capacity as Trustee under the Indenture hereinafter defined (the "Trustee").

RECITALS

WHEREAS, Harmony Community Development District, a local unit of special-purpose government organized and existing under the laws of the State of Florida (the "District"), was created in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by ordinance enacted by Osceola County, Florida, upon the petition of AJG; and

WHEREAS, the District will deliver certain community development services and facilities within its jurisdiction located entirely within the unincorporated portion of Osceola County, Florida (the "District Lands"); and

WHEREAS, Birchwood, as the master developer for the District Lands, intends to provide for the development of residential units and related commercial, institutional, recreational, office and other facilities to be located on the District Lands (the "Development") and a wholly-owned subsidiary of AJG is a limited partner in Birchwood and has made a significant financial investment in the Development; and

WHEREAS, the District proposes to acquire, construct and equip certain public infrastructure constituting assessable improvements under the Act (the "Capital Improvement Program").

WHEREAS, the District will finance the acquisition, constructing and equipping of the Capital Improvement Program from the proceeds of its $17,700,000 Harmony Community Development District Capital Improvement Revenue Bonds, Series 2001 (Special Assessments) (the "2001 Special Assessment Bonds"), under and pursuant to the terms of a Master Trust Indenture, dated as of December 1, 2000 (the "Master Indenture"), from the District to First Union National Bank, Miami, Florida, as trustee (the "Trustee"), as amended and supplemented by a Third

Supplemental Indenture, dated as of September 1, 2001 (the "Supplemental Indenture"), from the District to the Trustee (the Master Indenture, as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the "Indenture"), which provides for a pledge to the Owners (as defined in the Indenture) from time to time of the Bonds of the proceeds of the special assessments to be imposed, levied and collected by the District in respect of property specially benefitting from the Capital Improvement Program (the "Assessments").

WHEREAS, it has been determined by the District that the execution and delivery by AJG and Birchwood of this Agreement to the Trustee is necessary in order to market and sell the 2001 Special Assessment Bonds; and

WHEREAS, to induce the District to plan, finance, acquire, construct, equip, install and operate the District Capital Improvement Program and to issue the 2001 Special Assessment Bonds at this time, AJG and Birchwood are willing to deliver this agreement.

NOW, THEREFORE, for and in consideration of the above premises and of the sum of Ten Dollars ($10.00) and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in further consideration of the mutual covenants and undertakings set forth in this Agreement, the parties mutually agree as follows:

SECTION 1. Recitals.

The foregoing recitals are true and correct and are incorporated in this Agreement by reference.

SECTION 2. AJG's Payment Obligations; Limited Obligation.

(a) AJG shall deposit with the Trustee on the date of initial issuance and delivery of the 2001 Special Assessment Bonds a Reserve Account Letter of Credit, meeting the requirements of, and, as defined in, the Supplemental Indenture. The obligation of AJG to maintain the Reserve Account Letter of Credit shall be subject to the provisions of Section 5 hereof.

In the event that the Trustee notifies AJG telephonically (confirmed by facsimile transmission) on or before 2:00 p.m. (Miami, Florida time) of a draw upon the Reserve Account Letter of Credit (other than a draw on the Reserve Account Letter of Credit upon the expiration without replacement thereof) or a draw of funds from the 2001 Special Assessment Letter of Credit Account, AJG agrees to reimburse the issuer of the Reserve Account Letter of Credit, or restore to the 2001 Special Assessment Letter of Credit Account in the event that the Reserve Account Letter of Credit has expired, in immediately available funds on or before 2:00 p.m. on the next succeeding Business Day the amount of such drawing (each an "AJG Future Advance" and the obligation of AJG to make such AJG Future Advances, the "AJG Future Advance Obligation") up to the AJG Future Advance Maximum (hereinafter defined) such that the Reserve Account Letter of Credit or the 2001 Special Assessment Letter of Credit Account (as applicable) be restored such that the

"Amount Available" under the Reserve Account Letter of Credit plus the amount on deposit in the 2001 Special Assessment Letter of Credit Account equals $5,000,000.

The AJG Future Advance Maximum shall mean $5,100,000 (as adjusted in accordance with Section 5 hereof), less the sum of all AJG Future Advances, plus the sum of all AJG Future Advances repaid to AJG pursuant to the Supplemental Indenture.

Notwithstanding any provision in this Agreement to the contrary, AJG, at its option, in substitution of its obligations under this Section 2 to reimburse the issuer of the Reserve Account Letter of Credit, or restore to the 2001 Special Assessment Letter of Credit Account, as applicable, in accordance with this Section 2(a), may provide and maintain in effect an additional irrevocable standby letter of credit issued by a banking institution the long-term rating of which is in at least the top two ratings categories (without regard to gradations) in ratings of Moody's or S&P in an amount equal to the then applicable AJG Future Advance Maximum (the "Reimbursement Letter of Credit"). The Reimbursement Letter of Credit shall be in form and substance satisfactory to permit the Trustee to draw upon the Reimbursement Letter of Credit at the times, in the amounts and for the purposes that AJG is obligated to provide funds pursuant to this Section 2(a). In no event shall the amount available under the Reimbursement Letter of Credit exceed the AJG Future Advance Maximum applicable at the time the Reimbursement Letter of Credit is issued, and the Reimbursement Letter of Credit shall not be subject to reinstatement for any amounts drawn thereunder. Nothing herein shall be construed to relieve AJG of its obligations under this Agreement in the event the Reimbursement Letter of Credit expires prior to the satisfaction in full by AJG of its obligations hereunder.

The AJG Future Advance Obligation of AJG shall be subject to the full and partial release provisions of Section 5 hereof.

(b) The obligations of AJG under this Agreement shall be absolute and unconditional up to the AJG Future Advance Maximum, and, subject to the provisions of Section 5 hereof, shall remain in full force and effect until the District's obligations under the Indenture and the 2001 Special Assessment Bonds have been fully discharged, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation, any of the following, whether or not with notice to, or the consent of, AJG:

(i) except as otherwise specifically provided herein, the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the District under the Indenture and the 2001 Special Assessment Bonds;

(ii) the failure to give notice to AJG of the occurrence of an Event of Default under the terms and provisions of this Agreement, or any event of default under the Indenture;

(iii) the extension of the time for payment of any amount due from the District to the Trustee under the Indenture or of the time for performance of any other obligations, covenants or agreements under or arising out of this Agreement or the extension or the renewal of any thereof;

(iv) any failure, omission, delay or lack of diligence on the part of the Trustee to enforce, assert or exercise or the failure or unavailability of any right, power or remedy conferred on the Trustee in this Agreement (including timely requests for funding hereunder) or the Indenture;

(v) to the extent permitted by law, the release or discharge of AJG from the performance or observance of any obligation, covenant or agreement contained in this Agreement by operation of law;

(vi) the default or failure of AJG fully to perform any of its obligations set forth in this Agreement;

(vii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets of AJG, or the receivership, insolvency, bankruptcy, assignment, composition with creditors or other similar proceedings or actions affecting AJG or its assets; and

(viii) the invalidity or unenforceability of any of the obligations guaranteed herein or of any part of this Agreement, including, to the extent permitted by law, any invalidity or unenforceability resulting from any statute of limitations.

(c) No set-off, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature which AJG has or may have against the Trustee shall be available hereunder to AJG.

(d) AJG agrees to pay all costs, expenses and fees, including all reasonable attorney's fees, which may be incurred by the Trustee in enforcing or attempting to enforce this Agreement following any Event of Default whether the same shall be enforced by suit or otherwise and including costs, expenses and fees on appeal.

(e) All payments required to be made by AJG under this Agreement shall be deemed due and payable in the State of Florida.

SECTION 3. <u>Reimbursement Obligations of District to AJG</u>.

(a) In the event AJG Future Advances have been made by AJG according to the terms of Section 2 of this Agreement, then such payments shall (i) for so long as the 2001 Special Assessment Bonds (or, with the written consent of AJG, bonds issued to refund the 2001 Special Assessment Bonds) are Outstanding (as defined in the Indenture), be reimbursed to AJG by the Trustee from monies available therefor in the 2001 Special Assessment Revenue Account pursuant

to Section 408 of the Supplemental Indenture, or from any other sources legally available to the District, which are not pledged to the payment of the 2001 Special Assessment Bonds, and (ii) subsequent to the date the 2001 Special Assessment Bonds (or, with the written consent of AJG, bonds issued to refund the 2001 Special Assessment Bonds) are no longer Outstanding, be reimbursed to AJG by the District on the first Business Day following the end of the then current Fiscal Year from any sources legally available to the District. Interest at an annual rate equal to the rate borne by tax sale certificates then most recently sold in connection with District Lands less the administrative expenses of the County Tax Collector shall accrue from the date of payment by AJG and shall be due and payable on the date of reimbursement. AJG may bring action for enforcement against the District only for specific performance and only if, and to the extent, that amounts are otherwise available for such reimbursement pursuant to Section 408 of the Supplemental Indenture.

(b) For so long as the 2001 Special Assessment Bonds (or, with the written consent of AJG, bonds issued to refund the 2001 Special Assessment Bonds) remain Outstanding, the obligation of the District to reimburse AJG for any payments made hereunder shall be a limited obligation of the District payable solely from amounts on deposit in the 2001 Special Assessment Revenue Account and available for such purpose pursuant to Section 408 of the Supplemental Indenture; provided, however, for so long as the 2001 Special Assessment Bonds (or, with the written consent of AJG, bonds issued to refund the 2001 Special Assessment Bonds) remain Outstanding, such reimbursement obligation shall be subordinate to the District's obligations under the Indenture to make timely payment of principal of, redemption premium, if any, and interest on the 2001 Special Assessment Bonds and on any bonds issued under the terms of the Indenture the repayment of which is secured by 2001 Special Assessment Pledged Revenues and to the obligation of the District as set forth in such Section 408 to restore any amounts withdrawn from the 2001 Special Assessment Reserve Account. The reimbursement obligation described herein shall survive both the term of this Agreement and the maturity date of the 2001 Special Assessment Bonds and shall not be discharged until AJG has been reimbursed in full with interest for all AJG Future Advances made hereunder.

(c) Notwithstanding anything in this Agreement to the contrary, the obligations of AJG apply only to the 2001 Special Assessment Bonds and in no event shall AJG be obligated to make AJG Future Advances to meet: (1) payment obligations for any subsequent Series of Bonds issued under the Indenture; or (2) any other financial obligation imposed on the District under the Indenture for any subsequent Series of Bonds.

SECTION 4. <u>Representations and Warranties of AJG</u>.

AJG hereby represents and warrants to the District as follows:

(a) AJG is a corporation duly organized and validly existing under the laws of the State of Delaware and is qualified to do business in all states where it is necessary in order to undertake and perform its obligations under this Agreement;

(b) AJG has taken all corporate action on its part to be taken in order to enter into, execute, deliver and perform its obligations under this Agreement;

(c) the execution, delivery and performance by AJG of this Agreement does not, to AJG's knowledge, contravene any applicable law, AJG's charter documents or any contractual restriction binding on or affecting AJG;

(d) no authorization or approval not already obtained from or other action by, and no authorization and/or notice to or filing with, any governmental authority or regulatory body, is required for the due execution, delivery and performance by AJG of this Agreement;

(e) AJG is not a party to any litigation or administrative proceeding, nor so far as is known by AJG is any litigation or administrative proceeding threatened against it, which in either case would, if adversely determined, cause any material adverse change in its ability to perform its obligations hereunder; and

(f) this Agreement is a legal, valid and binding obligation of AJG and is enforceable against AJG in accordance with its terms, except that the enforceability of this Agreement is subject to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 5. Release of Agreement as to AJG.

(a) **Definitions**. For purposes of this Section 5, the following terms shall have the following meaning. "Third Party Sale" shall mean an arm's length sale of a lot or a parcel of land within the District to any person other than Birchwood, AJG or any other direct or indirect subsidiary of AJG or affiliate of Birchwood, no more than 60% of the financing of the acquisition cost of which has been financed by AJG, Birchwood or its affiliates.

"Qualified Third Party Sale" shall mean a Third Party Sale to American Heritage, Pulte Homes, Centex Homes, Ryland Homes, US Home, Lennar Homes or to any grocer that has been in business continually for at least 10 years with at least 3 operating stores with combined square footage of facilities totaling more than 125,000 square feet. Notwithstanding the foregoing, any sale of a lot or parcel of lands within the District to any person other than Birchwood, AJG or any other direct or indirect subsidiary of AJG or affiliate of Birchwood shall be deemed to be a "Qualified Third Party Sale" when the same has been improved by the construction of a house or commercial building thereon and a certificate of occupancy has been issued for such improvements by Osceola County, Florida.

(b) **Full Release**. AJG's Future Advance Obligation shall remain in full force and effect until the 2001 Special Assessment Bonds and, with the written consent of AJG, such bonds, if any, issued to refund the 2001 Special Assessment Bonds, have been paid or defeased in accordance with

the Indenture, or until each of the following conditions has been satisfied: (i) at least 70% of the Debt Service on the 2001 Special Assessment Bonds shall be payable from 2001 Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale, or, (ii) each of the following has occurred (A) at least 60% of the Debt Service on the 2001 Special Assessment Bonds shall be payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale; (B) certificates of occupancy have been issued by Osceola County, Florida for at least 291 single family homes in the District; (C) at least 235,000 square feet of commercial space has been the subject of a Qualified Third Party Sale and a certificate of occupancy has been issued therefor by Osceola County, Florida; (D) a building permit has been issued for the construction of a high school to be located within the development, as and to the extent required in the Public School Mitigation Agreement, dated November 13, 2000, by and among Birchwood, the School District of Osceola County, Florida and Osceola County, Florida; and (E) public infrastructure has been installed and completed sufficient for residential and commercial platted lots as to which 2001 Assessments have been allocated in amounts sufficient to pay 100% of the Debt Service on the 2001 Special Assessment Bonds.

(c) **Partial Release**. Notwithstanding the provisions of paragraph (b), AJG's Future Advance Obligation shall be reduced (but not below zero) from the AJG Future Advance Maximum when at least 20% of the Debt Service on the 2001 Special Assessment Bonds shall be payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale, by an amount equal to $117,500 times the percentage above 20% that Debt Service on the 2001 Special Assessment Bonds is payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale; provided, however, that such reduction shall not exceed $4,700,000. Partial releases shall be determined no more frequently than quarterly as of each June 1, September 1, December 1 and March 1.

(d) **Release of Reserve Account Letter of Credit**. The Reserve Account Letter of Credit shall be released, or if the Reserve Account Letter of Credit shall have been drawn upon as the result of the expiration thereof, then amounts on deposit in the 2001 Special Assessment Letter of Credit Account shall be paid over to AJG, when at least 90% of the Debt Service on the 2001 Special Assessment Bonds shall be payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale. Satisfaction of the conditions to the release of the Reserve Account Letter of Credit or release of moneys on deposit in the 2001 Special Assessment Letter of Credit Account, as the case may be, shall be evidenced by delivery to the Trustee of a certificate from AJG countersigned by the Majority Owner in the form of Exhibit A hereto on which the Trustee shall be entitled to conclusively rely.

(e) **Reconciliation of Release with Unreimbursed AJG Future Advances**. The release or partial release of the obligations of AJG hereunder shall not apply to accelerate any repayment

obligations of the District to AJG in respect of amounts advanced by AJG under the terms hereof prior to any such release. The obligations of the District to reimburse AJG as set forth herein shall survive any such release.

(f) **Manner of Establishing Satisfaction of Conditions to Full and Partial Release**. Full or partial release shall be established by the delivery to the Trustee of a certificate of compliance with the conditions for full or partial release set forth in this Section in the form of Exhibit B attached hereto on which the Trustee may conclusively rely.

SECTION 6. Covenants of AJG.

(a) AJG covenants that so long as AJG's obligation to make payments pursuant to this Agreement is in effect, it will maintain its corporate existence, will not dissolve or otherwise dispose of all or substantially all of its assets; except, however, that AJG may consolidate with another corporation or other entity into a new corporation or other entity or merge into another such corporation or other entity, or convey all or substantially all of its assets and thereafter dissolve, provided that the following conditions are met:

(i) the successor corporation or other entity shall expressly assume in writing the full and faithful performance of AJG's duties and obligations under this Agreement to the same extent as if such successor corporation or other entity had been the original obligor under this Agreement;

(ii) the successor corporation or other entity has, at the time of the proposed consolidation, merger or conveyance, investment ratings on its senior unsecured debt obligations from each of the Rating Agencies which are no lower than the ratings then applicable to AJG;

(iii) immediately after such consolidation, transfer, merger or substitution, AJG, or such successor corporation or other entity, shall not be in default in the performance or observance of any duties, obligations or covenants of AJG under this Agreement;

(b) AJG further covenants that, for so long as this Agreement shall remain in effect, it shall annually furnish to the Trustee and the Majority Owners, within one hundred twenty (120) days after the close of each of its fiscal years, copies of its most recent consolidated financial statements.

(c) AJG agrees and covenants that, for so long as this Agreement shall remain in effect, it may be considered an "obligated person" with respect to the 2001 Special Assessment Bonds, as defined in Rule 15c2-12(f)(10) under the Securities Exchange Act of 1934 (the "Rule"), and as such covenants to provide (i) annual financial information and operating data of the type provided with respect to AJG in the final Limited Offering Memorandum for the 2001 Special Assessment Bonds, and (ii) notice of the occurrence of certain material events specified in the Rule, if material, to the District's designated representative within the time or times specified in the Continuing Disclosure Agreement, dated as ofOctober 1, 2001 by and among the District and Birchwood.

SECTION 7. Birchwood's Payment Obligations; Limited Obligation; Security for Birchwood's Obligations Hereunder.

(a) In the event that the Trustee notifies Birchwood telephonically (confirmed by facsimile transmission) on or before 2:00 p.m. (Miami, Florida time) that (i) a draw upon the Reserve Account Letter of Credit (other than a draw on the Reserve Account Letter of Credit upon the expiration without replacement thereof) has not been reimbursed by AJG in accordance with the provisions of Section 2 hereof, or, (ii) if the Reserve Account Letter of Credit is no longer available to be drawn upon, that a withdrawal has been made from the 2001 Special Assessment Reserve Account or from the 2001 Special Assessment Letter of Credit Account, then, Birchwood agrees to reimburse the issuer of the Reserve Account Letter of Credit, deposit into the 2001 Special Assessment Reserve Account or deposit into the 2001 Special Assessment Letter of Credit Account, as the case may be, in immediately available funds on or before 2:00 p.m. on the next succeeding Business Day the amount of such drawing or such withdrawal (each a "Birchwood Advance"). The obligation of Birchwood to make Birchwood Advances shall be limited, as of any given date, to 1.1188 times the sum of: (i) the Outstanding aggregate principal amount of the 2001 Special Assessment Bonds on such date, less (ii) the aggregate principal amount of 2001 Special Assessment Bonds as of such date equal to the principal amount of 2001 Assessments on property subject to Qualified Third Party Sales, less (iii) the Amount Available under and as defined in the Reserve Account Letter of Credit as of such date (the "Birchwood Advance Maximum"). The Birchwood Advance Maximum shall be in addition to the AJG Future Advance Maximum.

The Birchwood Advance obligation shall be subject to the full and partial release provisions of Section 10 hereof.

(b) The obligations of Birchwood under this Agreement up to the Birchwood Advance Maximum shall be absolute and unconditional, and, subject to the provisions of Section 10 hereof, shall remain in full force and effect until the District's obligations under the Indenture and the 2001 Special Assessment Bonds have been fully discharged, and such obligations shall not be affected, modified or impaired upon the happening from time to time of any event, including without limitation, any of the following, whether or not with notice to, or the consent of, Birchwood:

(i) except as otherwise specifically provided herein, the compromise, settlement, release or termination of any or all of the obligations, covenants or agreements of the District under the Indenture and the 2001 Special Assessment Bonds;

(ii) the failure to give notice to Birchwood of the occurrence of an Event of Default under the terms and provisions of this Agreement, or any event of default under the Indenture;

(iii) the extension of the time for payment of any amount due from the District to the Trustee under the Indenture or of the time for performance of any other obligations, covenants or agreements under or arising out of this Agreement or the extension or the renewal of any thereof;

(iv) any failure, omission, delay or lack of diligence on the part of the Trustee to enforce, assert or exercise or the failure or unavailability of any right, power or remedy conferred on the Trustee in this Agreement (including timely requests for funding hereunder) or the Indenture;

(v) to the extent permitted by law, the release or discharge of Birchwood from the performance or observance of any obligation, covenant or agreement contained in this Agreement by operation of law;

(vi) the default or failure of Birchwood fully to perform any of its obligations set forth in this Agreement;

(vii) the voluntary or involuntary liquidation, dissolution, sale or other disposition of all or substantially all of the assets of Birchwood, or the receivership, insolvency, bankruptcy, assignment, composition with creditors or other similar proceedings or actions affecting Birchwood or its assets; and

(viii) the invalidity or unenforceability of any of the obligations guaranteed herein or of any part of this Agreement, including, to the extent permitted by law, any invalidity or unenforceability resulting from any statute of limitations.

(d) As security for its obligations hereunder, Birchwood has executed and delivered to the Trustee a Mortgage, Security Agreement, Assignment of Leases and Rents and Financing Statement, dated as ofOctober 1, 2001 (the "Mortgage") to the Trustee, for the benefit of the Owners, from time to time of the 2001 Special Assessment Bonds, pursuant to which it pledges a mortgage and security interest in 3,400 acres, more or less, of certain property in Osceola County, Florida, subject, however, to a first and prior pledge thereof to the Trustee as security for Birchwood's obligations under a Note Purchase Agreement, dated as ofOctober 1, 2001, relating to the District's Bond Anticipation Notes, Series 2001 in the aggregate principal amount of $8,080,000. The Trustee shall have the right to proceed under, and subject to the provisions of, the Mortgage, if so directed by the Requisite Owners of the Bonds (as provided for and defined in the Mortgage) upon the occurrence of an Event of Default hereunder with respect to Birchwood.

(c) No set-off, counterclaim, reduction or diminution of an obligation, or any defense of any kind or nature which Birchwood has or may have against the Trustee shall be available hereunder to Birchwood.

(d) Birchwood agrees to pay all costs, expenses and fees, including all reasonable attorney's fees, which may be incurred by the Trustee in enforcing or attempting to enforce this

Agreement following any Event of Default whether the same shall be enforced by suit or otherwise and including costs, expenses and fees on appeal.

(e) All payments required to be made by Birchwood under this Agreement shall be deemed due and payable in the State of Florida.

SECTION 8. Reimbursement Obligations of District to Birchwood.

(a) In the event Birchwood Advances have been made by Birchwood according to the terms of Section 7 of this Agreement, then such payments shall (i) for so long as the 2001 Special Assessment Bonds (or, with the written consent of Birchwood, bonds issued to refund the 2001 Special Assessment Bonds) are Outstanding (as defined in the Indenture), be reimbursed to Birchwood by the Trustee from monies available therefor in the 2001 Special Assessment Revenue Account pursuant to Section 408 of the Supplemental Indenture, or from any other sources legally available to the District, which are not pledged to the repayment of the 2001 Special Assessment Bonds and (ii) subsequent to the date the 2001 Special Assessment Bonds (or, with the written consent of Birchwood, bonds issued to refund the 2001 Special Assessment Bonds) are no longer Outstanding, be reimbursed to Birchwood by the District on the first Business Day following the end of the then current Fiscal Year from any sources legally available to the District. Interest at an annual rate equal to the rate borne by tax sale certificates then most recently sold in connection with District Lands less the administrative expenses of the County Tax Collector shall accrue from the date of payment by Birchwood and shall be due and payable on the date of reimbursement. Notwithstanding the foregoing, the obligations of the District to reimburse Birchwood shall be subordinate and inferior to the obligations of the District to reimburse AJG for AJG Advances. Birchwood may bring action for enforcement against the District only for specific performance and only if, and to the extent, that amounts are otherwise available for such reimbursement pursuant to Section 408 of the Supplemental Indenture.

(b) For so long as the 2001 Special Assessment Bonds (or, with the written consent of Birchwood, bonds issued to refund the 2001 Special Assessment Bonds) remain Outstanding, the obligation of the District to reimburse Birchwood for any payments made hereunder shall be a limited obligation of the District payable solely from amounts on deposit in the 2001 Special Assessment Revenue Account and available for such purpose pursuant to Section 408 of the Supplemental Indenture and subject to the prior obligation to reimburse AJG; provided, however, for so long as the 2001 Special Assessment Bonds (or, with the written consent of Birchwood, bonds issued to refund the 2001 Special Assessment Bonds) remain Outstanding, such reimbursement obligation to Birchwood and AJG shall be subordinate to the District's obligations under the Indenture to make timely payment of principal of, redemption premium, if any, and interest on the 2001 Special Assessment Bonds and on any bonds issued under the terms of the Indenture the repayment of which is secured by 2001 Special Assessment Pledged Revenues and to the obligation of the District as set forth in such Section 408 to restore any amounts withdrawn from the 2001 Special Assessment Reserve Account. The reimbursement obligation to Birchwood described herein shall survive both the term of this Agreement and the maturity date of the 2001 Special Assessment

Bonds and shall not be discharged until Birchwood has been reimbursed in full with interest for all Birchwood Advances made hereunder.

(c) Notwithstanding anything in this Agreement to the contrary, the obligations of Birchwood apply only to the 2001 Special Assessment Bonds and in no event shall Birchwood be obligated to make Birchwood Advances to meet: (1) payment obligations for any other Series of Bonds issued under the Indenture; or (2) any other financial obligation imposed on the District under the Indenture for any other Series of Bonds.

SECTION 9. Representations and Warranties of Birchwood.

Birchwood hereby represents and warrants to the District as follows:

(a) Birchwood is a limited liability limited partnership duly organized and validly existing under the laws of the State of Florida;

(b) Birchwood has taken all partnership action on its part to be taken in order to enter into, execute, deliver and perform its obligations under this Agreement and the Mortgage;

(c) the execution, delivery and performance by Birchwood of this Agreement and the Mortgage does not, to Birchwood's knowledge, contravene any applicable law, Birchwood's charter documents or any contractual restriction binding on or affecting Birchwood;

(d) no authorization or approval not already obtained from or other action by, and no authorization and/or notice to or filing with, any governmental authority or regulatory body, is required for the due execution, delivery and performance by Birchwood of this Agreement or the Mortgage;

(e) Birchwood is not a party to any litigation or administrative proceeding, nor so far as is known by Birchwood is any litigation or administrative proceeding threatened against it, which in either case would, if adversely determined, cause any material adverse change in its ability to perform its obligations hereunder or under the Mortgage; and

(f) each of this Agreement and the Mortgage is a legal, valid and binding obligation of Birchwood and is enforceable against Birchwood in accordance with its terms, except that the enforceability of each of this Agreement and the Mortgage is subject to limitations imposed by bankruptcy, insolvency, reorganization, moratorium or other similar laws relating to or affecting creditors' rights generally and general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

SECTION 10. Release of Agreement as to Birchwood.

(a) **Definitions**. The definitions of Section 5 shall apply to this Section 10.

(b) **Full Release**. Birchwood's Advance Obligation up to the Birchwood Advance Maximum shall remain in full force and effect until the 2001 Special Assessment Bonds and, with the written consent of Birchwood, such bonds, if any, issued to refund the 2001 Special Assessment Bonds, have been paid or defeased in accordance with the Indenture, or until at least 70% of the Debt Service on the 2001 Special Assessment Bonds shall be payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale.

(c) **Partial Release of Mortgage**. The property encumbered by the Mortgage may be released as provided for in the Mortgage. Birchwood covenants and agrees that it will maintain any Required Cash Equivalent Balance required by the Mortgage.

(d) **Reconciliation of Release with Unreimbursed Advances**. The release or partial release of the obligations of Birchwood hereunder shall not apply to accelerate any repayment obligations of the District to Birchwood in respect of amounts advanced by Birchwood under the terms hereof prior to any such release. The obligations of the District to reimburse Birchwood as set forth herein shall survive any such release.

(f) **Manner of Establishing Satisfaction of Conditions to Release**. Release shall be established by the delivery to the Trustee of a certificate of compliance with the conditions for full or partial release set forth in this Section signed by Birchwood and countersigned by the Majority Owners in the form of Exhibit C attached hereto on which the Trustee may conclusively rely.

SECTION 11. Covenants of Birchwood.

(a) Birchwood covenants that so long as Birchwood's obligation to make payments pursuant to this Agreement is in effect, it will maintain its partnership existence, will not dissolve or otherwise dispose of all or substantially all of its assets; except, however, that Birchwood may consolidate with another partnership or corporation or other entity into a new partnership, corporation or other entity or merge into another such partnership, corporation or other entity, or convey all or substantially all of its assets and thereafter dissolve, or assign its obligations to a substitute entity, provided that the following conditions are met:

(i) the successor entity shall expressly assume in writing the full and faithful performance of Birchwood's duties and obligations under this Agreement to the same extent as if such successor entity had been the original obligor under this Agreement;

(ii) the successor entity has, at the time of the proposed consolidation, merger or conveyance, net assets which are no lower than the assets of Birchwood;

(iii) immediately after such consolidation, transfer, merger or substitution, Birchwood, or such successor entity, shall not be in default in the performance or observance of any duties, obligations or covenants of Birchwood under this Agreement;

(b) Birchwood further covenants that, for so long as this Agreement shall remain in effect, it shall annually furnish to the Trustee and the Majority Owners, within one hundred twenty (120) days after the close of each of its fiscal years, copies of its most recent consolidated financial statements.

(c) Birchwood agrees and covenants that, for so long as this Agreement shall remain in effect, it may be considered an "obligated person" with respect to the 2001 Special Assessment Bonds, as defined in Rule 15c2-12(f)(10) under the Securities Exchange Act of 1934 (the "Rule"), and as such covenants to provide (i) annual financial information and operating data of the type provided with respect to Birchwood in the final Limited Offering Memorandum for the 2001 Special Assessment Bonds, and (ii) notice of the occurrence of certain material events specified in the Rule, if material, to the District's designated representative within the time or times specified in the Continuing Disclosure Agreement, dated as ofOctober 1, 2001 by and among the District and Birchwood.

SECTION 12. <u>Events of Default With Respect to AJG</u>.

As used herein, the term "Event of Default" shall mean any one or more of the following:

(a) AJG's failure to make any payment required by Section 2 of this Agreement;

(b) the filing by AJG of a voluntary petition in bankruptcy or if AJG shall be adjudicated as bankrupt or insolvent or file any petition or other pleadings seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future federal, state or local law or regulation, or if AJG shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of AJG of all or any substantial part of AJG's assets, or make a general assignment for the benefit of its creditors, or admit in writing its inability to pay its debts, respectively, generally as such debts become due;

(c) the filing of a petition or other pleading against AJG seeking an adjudication of bankruptcy, reorganization, composition, readjustment, liquidation or similar relief under any present or future federal, state or local law or regulation, provided such petition or other pleading shall remain undismissed for an aggregate of ninety (90) days (whether or not consecutive);

(d) the appointment, by order or decree of any court of competent jurisdiction, without the consent or acquiescence of AJG, of a trustee in bankruptcy or reorganization or receiver or liquidator of AJG and any such order or decree shall have continued unvacated or unstayed on appeal or otherwise and in effect for a period of ninety (90) days (whether or not consecutive); or

(e) the making by AJG of a material representation under the terms of this Agreement which proves false in any material respect.

The occurrence of an Event of Default by AJG hereunder shall not in and of itself constitute an Event of Default with respect to Birchwood.

SECTION 13. Events of Default With Respect to Birchwood.

As used herein, the term "Event of Default" with respect to Birchwood shall mean any one or more of the following:

(a) Birchwood's failure to make any payment required by Section 7 of this Agreement;

(b) A default by Birchwood under the Mortgage, which is not cured within any applicable cure period;

(c) the filing by Birchwood of a voluntary petition in bankruptcy or if Birchwood shall be adjudicated as bankrupt or insolvent or file any petition or other pleadings seeking any reorganization, composition, readjustment, liquidation or similar relief under any present or future federal, state or local law or regulation, or if Birchwood shall seek or consent to or acquiesce in the appointment of any trustee, receiver or liquidator of Birchwood of all or any substantial part of Birchwood's assets, or make a general assignment for the benefit of its creditors, or admit in writing its inability to pay its debts, respectively, generally as such debts become due;

(d) the filing of a petition or other pleading against Birchwood seeking an adjudication of bankruptcy, reorganization, composition, readjustment, liquidation or similar relief under any present or future federal, state or local law or regulation, provided such petition or other pleading shall remain undismissed for an aggregate of ninety (90) days (whether or not consecutive);

(e) the appointment, by order or decree of any court of competent jurisdiction, without the consent or acquiescence of Birchwood, of a trustee in bankruptcy or reorganization or receiver or liquidator of Birchwood and any such order or decree shall have continued unvacated or unstayed on appeal or otherwise and in effect for a period of ninety (90) days (whether or not consecutive); or

(f) the making by Birchwood of a material representation under the terms of this Agreement or the Mortgage which proves false in any material respect.

The occurrence of an Event of Default by Birchwood hereunder shall not in and of itself constitute an Event of Default with respect to AJG.

SECTION 14. Remedies.

(a) Upon the occurrence of any Event of Default enumerated above, the Trustee, subject to Section 604 of the Master Indenture, may take any action at law or in equity to collect any amounts then due and thereafter to become due, or to enforce the performance or observance of any

obligations, agreements or covenants of AJG or Birchwood, as the case may be, under this Agreement, including, without limitation, the right on behalf of the Owners to collect all amounts AJG or Birchwood, as the case may be, should, pursuant to Sections 2(a) or 7(a) hereof, have paid to the issuer of the Reserve Account Letter of Credit or deposited into the 2001 Special Assessment Letter of Credit Account, in which event any amounts so collected shall be deposited in the 2001 Special Assessment Letter of Credit Account maintained pursuant to Section 409 of the Supplemental Indenture and applied as provided for in such Section.

(b) In the event that any Event of Default or any proceeding taken by the Trustee thereon shall be waived or determined adversely to the Trustee, then such Event of Default shall be annulled and the Trustee and AJG or the Trustee and Birchwood, as the case may be, shall be restored to their former rights hereunder, but no such waiver or determination shall extend to any subsequent or other default or impair any rights consequent thereon.

(c) No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other available remedy or remedies, but each such remedy shall be cumulative and shall be in addition to every other remedy given under the Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default, omission or failure of performance hereunder shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient.

(d) In the event any provision contained in this Agreement should be breached by AJG or Birchwood, as the case may be, and thereafter duly waived by the Trustee, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder. No waiver, amendment, release or modification of this Agreement shall be established by conduct, custom or course of dealing.

SECTION 15. Miscellaneous

(a) AJG and Birchwood acknowledge and agree that neither is a "Credit Facility Issuer" with respect to the 2001 Special Assessment Bonds and shall be repaid any advances hereunder only as provided in Sections 408(b)(iii) and (iv) of the Supplemental Indenture.

(b) The invalidity or unenforceability of any one or more provisions of this Agreement shall not affect the validity or enforceability of the remaining portions of this Agreement, or any part thereof.

(c) No amendment to or modification of this Agreement shall be valid or binding upon the Trustee or Birchwood or AJG unless made in writing and signed by the parties hereto and consented to by the Majority Owners.

(d) Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with the District, the Trustee or AJG or Birchwood, shall be deemed to have been sufficiently given or filed for all purposes of this Agreement if personally delivered and receipted for, or if sent by registered United States mail, return receipt requested, addressed as follows:

(i) As to the District - Harmony Community Development District
10300 Northwest Eleventh Manor
Coral Springs, Florida 33071
Attention: District Manager

(ii) As to AJG - Arthur J. Gallagher & Co.
2 Pierce Place
Itasca, IL 60143-3483
Fax: (630) 285-3483

(iii) As to Birchwood - Birchwood Acres Limited Partnership, LLLP
4305 Neptune Road
St. Cloud, Florida 34769
Attention: James L. Lentz

(iv) As to the Trustee - First Union National Bank
One First Union Financial Center
200 South Biscayne Boulevard, 14th Floor
Miami, Florida 33131
Attention: Corporate Trust Department

(v) As to the Majority Owner- Munimae TEI Holdings, LLC
218 North Charles Street, Suite 500
Baltimore, Maryland 21201
Attention: Director, Asset Management

Any party hereto may, by notice sent to the other parties hereto, designate a different or additional address to which notices under this Agreement are to be sent.

(e) This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

(f) This Agreement shall be governed by and construed in accordance with the laws of the State of Florida.

(g) All capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

(h) AJG and Birchwood each consents to the jurisdiction of and agrees to suit in any court of general jurisdiction in the State of Florida, whether state or federal, and further agrees that venue shall lie in Osceola County, Florida.

IN WITNESS WHEREOF, each of the parties hereto has caused this Agreement to be executed and delivered in its name and on its behalf by its duly authorized officer and its official seal to be attached hereto and attested by another authorized officer as of the date first above written.

ATTEST:

By:_____
Name:
Title: Corporate Secretary

ARTHUR J. GALLAGHER & CO.

By:_____
Name:
Title:

BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP

By: Three E Corporation,
as General Partner

By:_____
James L. Lentz, President

FIRST UNION NATIONAL BANK,

as Trustee

By:_____

Vivian Cerecedo, Vice President

ACKNOWLEDGEMENT BY

HARMONY COMMUNITY DEVELOPMENT DISTRICT

The undersigned, Chairman of the Board of Supervisors of Harmony Community Development District, does hereby acknowledge that the terms of this agreement as they relate to the rights and obligations of Harmony Community Development District, including, but not limited to, the reimbursement obligations set forth in Section 3 hereof, are and shall be binding upon the undersigned.

IN WITNESS WHEREOF, these presents have been executed this ____ day of October, 2001.

HARMONY COMMUNITY DEVELOPMENT DISTRICT

By:

Chairman, Board of Supervisors

LIST OF EXHIBITS

Exhibit A - Certificate Establishing Satisfaction of Conditions to the Release of the Reserve Account Letter of Credit or Amounts on Deposit in the 2001 Special Assessment Letter of Credit Account

Exhibit B - Certificate Establishing Satisfaction of Conditions to the Full or Partial Release of AJG Additional Obligations

Exhibit C - Certificate Establishing Satisfaction of Conditions to the Release of Birchwood

EXHIBIT A

TO DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT

_____, 200_

First Union National Bank

One First Union Financial Center

200 South Biscayne Boulevard, 14th Floor

Miami, Florida 33131

Attention: Corporate Trust Department

Ladies and Gentlemen:

You are the trustee under that certain bond issue known as $_____ Harmony Community Development District Capital Improvement Revenue Bonds (Special Assessments) Series 2001 (the "Bonds"), which Bonds were issued pursuant to the terms of a Master Trust Indenture dated as of December 1, 2000 by and between the Harmony Community Development District (the "District") and First Union National Bank, as trustee (the "Trustee"), as supplemented by a Third Supplemental Trust Indenture dated as ofOctober 1, 2001 by and between the District and the Trustee (collectively, the "Indenture"). Capitalized terms used in this certificate and not otherwise defined shall have the meanings given such terms in the hereinafter defined Deficiency Agreement or, if not defined therein, in the Indenture.

Pursuant to the terms of the Debt Service Reserve Fund Deficiency Agreement dated as ofOctober 1, 2001 (the "Deficiency Agreement") by and between Arthur J. Gallagher & Co. ("AJG"), Birchwood Acres Limited Partnership, LLLP ("Birchwood") and the Trustee, and as security for the payment of amounts due with respect to the Bonds, AJG has deposited with the Trustee a Reserve Account Letter of Credit meeting the requirements of, and as described in, the Indenture and the Deficiency Agreement.

This certificate is being provided in accordance with the requirements of Section 5(d) of the Deficiency Agreement. The undersigned hereby certifies that the conditions for the release of the Reserve Account Letter of Credit and all moneys on deposit in the 2001 Special Assessment Letter of Credit Account have been satisfied, in that at least 90% of the Debt Service on the Bonds is now payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale. The following is a computation of the satisfaction of the foregoing release conditions:

(1) Annual Debt Service owed on the Bonds: $_____

(2) Annual Debt Service payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale $_____

(3) Percentage of Debt Service on the Bonds which is payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefited Separate tax parcel which has been the subject of a Qualified Third Party Sale [(2) divided by (1)]

_____% (must equal or exceed 90%)

Attached hereto is back-up documentation in support of each of the foregoing certifications.

Upon receipt of this certificate as countersigned by the Majority Owner, you are hereby directed to release the Reserve Account Letter of Credit and all amounts on deposit in the 2001 Special Assessment Letter of Credit Account to the undersigned. Wire instructions for the transfer of amounts, if any, on deposit in the 2001 Special Assessment Letter of Credit Account are as follows:

Sincerely,

A.J. GALLAGHER & CO.

By: _____

Name: _____

Title: _____

Approved this ____ day of _____, 200 :

MAJORITY OWNER (as defined under the Indenture):

_____

By: _____

Name: _____

Title: _____

EXHIBIT B

TO DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT

_____, 200_

First Union National Bank

One First Union Financial Center

200 South Biscayne Boulevard, 14th Floor

Miami, Florida 33131

Attention: Corporate Trust Department

Ladies and Gentlemen:

You are the trustee under that certain bond issue known as $_____ Harmony Community Development District Capital Improvement Revenue Bonds (Special Assessments) Series 2001 (the "Bonds"), which Bonds were issued pursuant to the terms of a Master Trust Indenture dated as of December 1, 2000 by and between the Harmony Community Development District (the "District") and First Union National Bank, as trustee (the "Trustee"), as supplemented by a Third Supplemental Trust Indenture dated as ofOctober 1, 2001 by and between the District and the Trustee (collectively, the "Indenture"). Capitalized terms used in this certificate and not otherwise defined shall have the meanings given such terms in the hereinafter defined Deficiency Agreement or, if not defined therein, in the Indenture.

Pursuant to the terms of the Debt Service Reserve Fund Deficiency Agreement dated as ofOctober 1, 2001 (the "Deficiency Agreement") by and between Arthur J. Gallagher & Co. ("AJG"), Birchwood Acres Limited Partnership, LLLP ("Birchwood") and the Trustee, and as security for the payment of amounts due with respect to the Bonds, AJG has agreed to make certain reimbursements to the issuer of the Reserve Account Letter of Credit and/or to restore amounts drawn from the Letter of Credit Account, in each case as provided more fully in the Deficiency

Agreement. The obligation of AJG to make such reimbursements or to restore the Letter of Credit Account under the terms of the Deficiency Agreement is referred to as the "AJG Future Advance Obligation".

This certificate is being provided in accordance with the requirements of Section 5(f) of the Deficiency Agreement.

_____ [check if applicable] The undersigned hereby certifies that the conditions for the full release of the AJG Future Advance Obligation have been satisfied in accordance with the terms of Section 5(b) of the Deficiency Agreement. The following is a computation of the satisfaction of the foregoing release conditions:

A.

(1) Annual Debt Service owed on the Bonds: $_____

(2) Annual Debt Service payable from Assessments $_____

constituting 2001 Special Assessment Pledged

Revenues allocated to a benefitted separate tax parcel

which has been the subject of a Qualified Third Party

Sale

(3) Percentage of Debt Service on the Bonds which is

payable from Assessments constituting 2001 Special

Assessment Pledged Revenues allocated to a benefited

Separate tax parcel which has been the subject of a

Qualified Third Party Sale [(2) divided by (1)]

_____% (must equal or exceed 70%)

Or

B. (1)

(a) Annual Debt Service owed on the Bonds: $_____

(b) Annual Debt Service payable from Assessments $_____

constituting 2001 Special Assessment Pledged

Revenues allocated to a benefitted separate tax parcel

which has been the subject of a Qualified Third Party

Sale

(c) Percentage of Debt Service on the Bonds which is

payable from Assessments constituting 2001 Special

Assessment Pledged Revenues allocated to a benefited

Separate tax parcel which has been the subject of a

Qualified Third Party Sale [(2) divided by (1)]

_____% (must equal or exceed 60%)

(2) Number of single-family homes for which certificates of

occupancy have been issued by Osceola County

_____(must equal or exceed 291)

(3) Number of square feet of commercial space which

has been the subject of a Qualified Third Party Sale

and for which a certificate of occupancy has been issued

by Osceola County

_____ (must equal or exceed 235,000)

(4) Building permit has been issued for construction of high school as and to the extent required in the Public School Mitigation Agreement

_____ (yes)

(5) Installation and completion of public infrastructure sufficient for residential and commercial platted lots as to which 2001 Assessments have been allocated in amounts sufficient to pay 100% of the Debt Service on the Bonds

_____ (yes)

_____ [check if applicable] The undersigned hereby certifies that the conditions for the partial release of the AJG Future Advance Obligation have been satisfied in accordance with the terms of Section 5(c) of the Deficiency Agreement. The following is a computation of the satisfaction of the foregoing release conditions and the amount of the reduction in the AJG Future Advance Obligation:

(1) Debt Service owed on the Bonds during the 12-month period following the date of this certificate $_____

(2) Annual Debt Service payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale $_____

(3) Percentage of Debt Service on the Bonds which is payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefited Separate tax parcel which has been the subject of a Qualified Third Party Sale [(2) divided by (1)] _____%

(4) Amount of reduction in AJG Future Advance Obligation [(3) minus 20 (to the nearest tenth), multiplied by $117,500] (but not to exceed $4,700,000) $_____

(5) Remaining AJG Future Advance Obligation amount [$5,100,000 minus (4)] $_____

Attached hereto is back-up documentation in support of each of the foregoing certifications.

Sincerely,

A.J. GALLAGHER & CO.

By: _____

Name: _____

Title: _____

Approved this ___ day of _____, 200_:

MAJORITY OWNER (as defined under the Indenture):

_____

By: _____

Name: _____

Title: _____

EXHIBIT C

TO DEBT SERVICE RESERVE FUND DEFICIENCY AGREEMENT

_____, 200_

First Union National Bank

One First Union Financial Center

200 South Biscayne Boulevard, 14th Floor

Miami, Florida 33131

Attention: Corporate Trust Department

Ladies and Gentlemen:

You are the trustee under that certain bond issue known as $_____ Harmony Community Development District Capital Improvement Revenue Bonds (Special Assessments) Series 2001 (the "Bonds"), which Bonds were issued pursuant to the terms of a Master Trust Indenture dated as of December 1, 2000 by and between the Harmony Community Development District (the "District") and First Union National Bank, as trustee (the "Trustee"), as supplemented by a Third Supplemental Trust Indenture dated as ofOctober 1, 2001 by and between the District and the Trustee (collectively, the "Indenture"). Capitalized terms used in this certificate and not otherwise defined shall have the meanings given such terms in the hereinafter defined Deficiency Agreement or, if not defined therein, in the Indenture.

Pursuant to the terms of the Debt Service Reserve Fund Deficiency Agreement dated as ofOctober 1, 2001 (the "Deficiency Agreement") by and between Arthur J. Gallagher & Co. ("AJG"), Birchwood Acres Limited Partnership, LLLP ("Birchwood") and the Trustee, and as security for the payment of amounts due with respect to the Bonds, Birchwood has agreed to make certain

reimbursements to the issuer of the Reserve Account Letter of Credit and/or deposit funds in the 2001 Special Assessment Reserve Account and/or restore amounts drawn from the Letter of Credit Account, in each case as provided more fully in the Deficiency Agreement. The obligation of Birchwood to make such reimbursements or deposits or to restore the Letter of Credit Account under the terms of the Deficiency Agreement is referred to as the "Birchwood Advance Obligation".

This certificate is being provided in accordance with the requirements of Sections 10(b) and 10(f) of the Deficiency Agreement. The undersigned hereby certifies that the conditions for the full release of the Birchwood Advance Obligation have been satisfied in accordance with the terms of Section 10(b) of the Deficiency Agreement, in that at least 70% of the Debt Service on the Bonds is now payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale. The following is a computation of the satisfaction of the foregoing release conditions: (1) Annual Debt Service owed on the Bonds: $_____

(2) Annual Debt Service payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefitted separate tax parcel which has been the subject of a Qualified Third Party Sale $_____

(3) Percentage of Debt Service on the Bonds which is payable from Assessments constituting 2001 Special Assessment Pledged Revenues allocated to a benefited Separate tax parcel which has been the subject of a Qualified Third Party Sale [(2) divided by (1)] _____% (must equal or exceed 70%)

Attached hereto is back-up documentation in support of each of the foregoing certifications.

Sincerely,

BIRCHWOOD ACRES LIMITED
PARTNERSHIP, LLLP

By: Three E Corporation, its general partner

By: _____

Name: _____

Title: _____

Approved this ___ day of _____, 200_:

MAJORITY OWNER (as defined under the Indenture):

_____

By: _____

Name: _____

Title: _____