

In the opinion of Bond Counsel, assuming continuing compliance with certain tax covenants, the interest on the 2004 Bonds is under existing statutes, regulations, published rulings and court decisions excludable from gross income for federal income tax purposes. Interest on the 2004 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. However, see "TAX MATTERS" herein for a description of the alternative minimum tax on corporations and certain other federal tax consequences of ownership of the 2004 Bonds. Bond Counsel is further of the opinion that pursuant to the Act, the 2004 Bonds and income 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 Chapter 220. For a more complete discussion of tax aspects, see "TAX MATTERS" herein.

\$15,590,000
HARMONY COMMUNITY DEVELOPMENT DISTRICT
(Osceola County, Florida)
Capital Improvement Revenue Bonds
Series 2004

Dated: Date of Delivery

Due: May 1, 2036

The Harmony Community Development District (Osceola County, Florida) Capital Improvement Revenue Bonds, Series 2004 (the "2004 Bonds") are being issued by the Harmony Community Development District (the "District") in fully registered form, without coupons, in denominations of \$5,000 and integral multiples thereof; provided, however, that the 2004 Bonds will be issued and sold to the initial purchasers only in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000. The 2004 Bonds will bear interest at the rate set forth below, calculated on the basis of a 360-day year comprised of twelve thirty-day months, payable semi-annually on each May 1 and November 1, commencing May 1, 2005. The 2004 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the 2004 Bonds will be made in book-entry-only form and purchasers of beneficial interests in the 2004 Bonds will not receive physical Bond certificates. For so long as the book-entry only system is maintained, the principal of, premium, if any, and interest on the 2004 Bonds will be paid from the sources described herein by Wachovia Bank, National Association, as trustee (the "Trustee"), to DTC as the registered owner thereof. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants and Indirect Participants, as more fully described herein. Any purchaser, as a beneficial owner of a 2004 Bond, must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of the principal of, premium, if any, and interest on such 2004 Bond. See "BOOK-ENTRY ONLY SYSTEM" herein.

The 2004 Bonds are being issued for the purpose of (i) financing the Cost of acquiring, constructing and equipping assessable improvements (the "2004 Project"), (ii) paying certain costs associated with the issuance of the 2004 Bonds, (iii) making a deposit into the 2004 Reserve Account for the benefit of all of the 2004 Bonds; and (iv) paying a portion of the interest to become due on the 2004 Bonds. See "THE 2004 PROJECT" and "APPENDIX B – Form of Indenture" herein.

The District is a local unit of special-purpose government of the State of Florida, created in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"), by Ordinance No. 00-05, effective as of March 6, 2000, of Osceola County, Florida. The 2004 Bonds are being issued pursuant to the Act and a Master Trust Indenture dated as of December 1, 2000, as supplemented by a Fourth Supplemental Trust Indenture, dated as of December 1, 2004, entered into by and between the District and the Trustee (collectively, the "Indenture"). Capitalized terms not otherwise defined herein shall have the meanings assigned to them in the Indenture. The 2004 Bonds are payable from and secured by Assessments imposed, levied and collected by the District with respect to property specially benefited by the 2004 Project (the "2004 Assessments") together with the 2004 Pledged Funds and Accounts (the "2004 Pledged Funds and Accounts" and, collectively with the 2004 Assessments, the "2004 Trust Estate").

The Series 2004 Bonds are subject to optional, mandatory and extraordinary mandatory redemption at the times, in the amounts, and at the redemption prices more fully described herein under the caption "DESCRIPTION OF THE 2004 BONDS — Redemption Provisions."

THE 2004 BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY OUT OF THE 2004 PLEDGED REVENUES AND THE 2004 PLEDGED FUNDS AND ACCOUNTS PLEDGED THEREFOR UNDER THE INDENTURE AND NEITHER THE PROPERTY, THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF THE DISTRICT, OSCEOLA COUNTY, FLORIDA, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE 2004 BONDS, EXCEPT THAT THE DISTRICT IS OBLIGATED PURSUANT TO THE INDENTURE TO LEVY AND TO COLLECT SPECIAL ASSESSMENTS TO SECURE AND PAY THE 2004 BONDS. THE 2004 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, OSCEOLA COUNTY, FLORIDA, THE STATE OF FLORIDA, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

The 2004 Bonds involve a degree of risk (See "BONDHOLDERS' RISKS" herein) and are not suitable for all investors (See "SUITABILITY FOR INVESTMENT" herein). The Underwriter is limiting this Offering to "Accredited Investors" within the meaning of Chapter 517, Florida Statutes, as amended, and the rules of the Florida Department of Financial Services promulgated thereunder; the limitation of the initial Offering to Accredited Investors does not denote restrictions of transfer in any secondary market for the 2004 Bonds. The 2004 Bonds are not credit enhanced or rated and no application has been made for a rating with respect to the 2004 Bonds.

Amount, Maturity, Interest Rate, Price or Yield, and Initial CUSIP Number

\$15,590,000 6.75% Term Bond Due May 1, 2036 Price 100% Initial CUSIP No. 413213 AE 9

This cover page contains certain information for quick reference only. It is not a summary of the 2004 Bonds. Investors must read this entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

The 2004 Bonds are offered for delivery when, as and if issued by the District and accepted by the Underwriter, subject to the receipt of the opinion of Akerman Senterfitt, Orlando, Florida, Bond Counsel, as to the validity of the 2004 Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, P.A., Tallahassee, Florida, for the District by its counsel, Young, van Assenderp, P.A., Tallahassee, Florida, for the Developer by its counsel, Baker & Hostetler, Orlando, Florida, and for the Trustee by its counsel, Holland & Knight, LLP, Miami, Florida. It is expected that the 2004 Bonds will be delivered in book-entry form through the facilities of DTC on or about December 16, 2004.

Banc of America Securities LLC

**HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA**

BOARD OF SUPERVISORS

| | |
|---------------------------------|---------------------|
| Gregory Scott Butterfield | Chairman |
| Martha E. Lentz | Vice Chairman |
| James O'Keefe | Assistant Secretary |
| William Johnson..... | Assistant Secretary |
| Kenneth Peach..... | Assistant Secretary |

DISTRICT MANAGER

Severn Trent Environmental Services, Inc.
Celebration, Florida

DISTRICT COUNSEL

Young, van Assenderp, P.A.
Tallahassee, Florida

BOND COUNSEL

Akerman Senterfitt
Orlando Florida

FINANCIAL ADVISOR

Severn Trent Environmental Services, Inc.
Kingston, Tennessee

DISTRICT ENGINEERS

Miller Einhouse Rymer & Boyd, Inc.
Kissimmee, Florida

TRUSTEE

Wachovia Bank, National Association
Miami, Florida

REGARDING USE OF THIS LIMITED OFFERING MEMORANDUM

The Underwriter has provided the following sentence for inclusion in this Limited Offering Memorandum. The Underwriter has reviewed the information in this Limited Offering Memorandum in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

No dealer, broker, salesman or other person has been authorized by the District, Osceola County, the State of Florida or the Underwriter to give any information or to make any representations other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2004 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District, the District Engineer, the State of Florida, the Financial Advisor, the Developer, Developer's Counsel, Bond Counsel and other sources that are believed by the Underwriter to be reliable. The District, the Developer, the District Engineer, the Financial Advisor and the Underwriter will all, at closing, deliver certificates certifying that the information each supplied does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change with respect to the matters described herein since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2004 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE 2004 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS SET FORTH IN SUCH ACTS. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS WHEREIN THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THESE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM.

TABLE OF CONTENTS

INTRODUCTION.....4
The Issuer4
Security for the 2004 Bonds4
Purpose of the 2004 Bonds4

| | |
|---|-----------|
| Features of the 2004 Bonds | 5 |
| Professionals | 5 |
| Terms of the Offering | 6 |
| Risk Factors | 7 |
| Miscellaneous..... | 7 |
| Additional Information | 7 |
| THE DISTRICT | 7 |
| General..... | 7 |
| Legal Powers and Authority | 10 |
| Board of Supervisors | 11 |
| District Management and Consultants | 12 |
| SECURITIES BEING OFFERED | 12 |
| Purpose..... | 12 |
| Security for the 2004 Bonds | 13 |
| Redemption Provisions..... | 17 |
| Book-Entry-Only System | 19 |
| Method of Computing Interest; Saturdays, Sundays and Holidays | 21 |
| PLAN OF FINANCE | 21 |
| General..... | 21 |
| The Developer..... | 22 |
| The Development | 23 |
| The 2004 Project | 34 |
| The Completion Agreement..... | 36 |
| The True-Up Agreement | 37 |
| The 2004 Assessments..... | 37 |
| RISK FACTORS..... | 44 |

| | |
|--|-----------|
| LEGAL MATTERS..... | 46 |
| Validation..... | 46 |
| Enforceability of Remedies | 46 |
| Litigation..... | 46 |
| Legal Proceedings | 46 |
| Disclosure Required by Florida Blue Sky Regulations | 47 |
| TAX MATTERS | 47 |
| General..... | 47 |
| MISCELLANEOUS | 48 |
| Suitability For Investment | 48 |
| Ratings | 49 |
| Continuing Disclosure | 49 |
| Underwriting | 50 |
| Accuracy and Completeness of Limited Offering Memorandum | 51 |
| Certificate Concerning Limited Offering Memorandum | 51 |
| APPENDIX A—FORM OF THE INDENTURE | A-1 |
| APPENDIX B—DISTRICT ENGINEER’S REPORT | B-1 |
| APPENDIX C—ADOPTED MASTER ASSESSMENT METHODOLOGY AND THIRD SUPPLEMENTAL METHODOLOGY REPORT..... | C-1 |
| APPENDIX D—FORM OF OPINION OF BOND COUNSEL | D-1 |
| APPENDIX E—FORM OF CONTINUING DISCLOSURE AGREEMENT..... | E-1 |
| APPENDIX F – FORM OF FORWARD BOND PURCHASE AGREEMENT..... | F-1 |

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LIMITED OFFERING MEMORANDUM

Relating to

**HARMONY COMMUNITY DEVELOPMENT DISTRICT
OSCEOLA COUNTY, FLORIDA
\$15,590,000
Capital Improvement Revenue Bonds
Series 2004**

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page and appendices hereto, is to set forth certain information concerning the Harmony Community Development District (the “District”), in connection with the offering and issuance of its \$15,590,000 Harmony Community Development District Capital Improvement Revenue Bonds, Series 2004 (the “2004 Bonds”), of which \$4,450,000 will be issued in the initial draw down. This Introduction is only a brief discussion of selected topics discussed herein. To make an informed investment decision, potential investors should review fully the entire Limited Offering Memorandum, as well as the documents summarized or described herein. Capitalized terms, if not otherwise defined, have the respective meanings set forth for such terms in **Appendix A—“Form of Indenture.”**

The Issuer

The District was established by Osceola County effective on March 6, 2000, upon the petition of Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership. The District is located within unincorporated Osceola County and encompasses approximately 992.6 acres of land in the center of Harmony DRI, an approximately 11,030 acre mixed-use master planned Development Of Regional Impact project located next to U.S. 192. An additional 27.60 acres is expected to be annexed and added to the District on January 3, 2005. The District is an independent special district and body politic of the State of Florida formed to construct, operate, and maintain the necessary infrastructure within the District, which is part of the Harmony DRI. A more complete discussion of the District and Harmony is included herein under the captions “**THE DISTRICT**” and “**PLAN OF FINANCE—The Development,**” respectively.

Security for the 2004 Bonds

The 2004 Bonds and the interest and redemption premium, if any, payable thereon are limited obligations of District (see “*Limited Obligations*” below) and are payable from and secured by Assessments imposed, levied and collected by the District with respect to property specially benefited by the 2004 Project (the “2004 Assessments”) together with the 2004 Pledged Funds and Accounts (the “2004 Pledged Funds and Accounts” and, collectively with the 2004 Assessments, the “2004 Trust Estate”), all as more fully described under the caption “**SECURITIES BEING OFFERED.**”

Purpose of the 2004 Bonds

The 2004 Bonds are being issued for the purpose of (i) financing the Cost of acquiring, constructing and equipping assessable improvements (the “2004 Project”), (ii) paying certain costs associated with the issuance of the 2004 Bonds, (iii) making a deposit into the 2004 Reserve Account for

the benefit of all of the 2004 Bonds; and (iv) paying a portion of the interest to become due on the 2004 Bonds.

Features of the 2004 Bonds

1. Redemption. The 2004 Bonds are subject to optional redemption beginning May 1, 2015, to mandatory redemption beginning May 1, 2007 and to extraordinary mandatory redemption, each as more fully described under the caption “**SECURITIES BEING OFFERED—Redemption Provisions.**”

2. Denominations and Interest Payment Dates. The 2004 Bonds will be issued as fully registered bonds in denominations of \$5,000 and integral multiples of \$5,000 in excess thereof, and this offering will initially be limited by the Underwriter to accredited investors within the meaning of the rules of the Florida Department of Banking and Finance and Chapter 189, Florida Statutes in minimum increments of \$100,000 and integral multiples of \$5,000 in excess thereof. This investor limitation on the initial offering does not denote restrictions on transfer in any secondary market for the 2004 Bonds (see “**MISCELLANEOUS—Suitability For Investment**”). When issued, the 2004 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases will be made in book-entry-only form through DTC Participants, all as defined and described under the caption “**SECURITIES BEING OFFERED—Book-Entry-Only System**”). Interest on the 2004 Bonds is payable on each May 1 and November 1 (each an “Interest Payment Date”), commencing May 1, 2005 as to any 2004 Bonds drawn down prior to that date and as to any 2004 Bonds drawn down subsequent to May 1, 2005, interest payments to such 2004 Bonds shall commence on the May 1 or November 1 immediately following the drawn down date.

3. Manner of Making Payment. So long as the 2004 Bonds remain in book-entry-only form, payment of principal, premium, if any, and interest on the 2004 Bonds will be mailed or delivered by check or draft (and, in certain cases, upon request, by wire transfer) of, Wachovia Bank, National Association, Miami, Florida, as Trustee, Registrar and Paying Agent, to Cede & Co., as registered owner of the 2004 Bonds, and will be redistributed to the beneficial owners (“Beneficial Owners”) by DTC through DTC Participants (see “**SECURITIES BEING OFFERED—Book-Entry-Only System**” herein).

4. Registration, Transfer and Exchange. So long as the 2004 Bonds remain in book-entry-only form, transfers of beneficial ownership interests in the 2004 Bonds are to be accomplished by entries made on the books of DTC Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in 2004 Bonds, except in the event that use of the book-entry system for the 2004 Bonds is discontinued (see “**SECURITIES BEING OFFERED—Book-Entry-Only System**” herein).

Professionals

The following is a list of professionals providing services in connection with this issue:

1. Severn Trent Environmental Services, Inc., Celebration, Florida—District Manager.
2. Banc of America Securities, LLC, Naples, Florida—Underwriter;
3. Wachovia Bank, National Association, Miami, Florida—Trustee, Registrar and Paying Agent;

4. Akerman Senterfitt, Orlando, Florida—Bond Counsel;
5. Young van Assenderp, P.A., Tallahassee, Florida—District Counsel;
6. Greenberg Traurig, P.A., Tallahassee, Florida—Underwriter’s Counsel;
7. Holland & Knight LLP, Miami, Florida—Trustee’s Counsel;
8. Severn Trent Environmental Services, Inc., Kingston, Tennessee—Financial Advisor;
9. Baker & Hostetler LLP, Orlando, Florida—Developer’s Counsel;
10. Miller Einhouse Rymer & Boyd, Inc., Kissimmee, Florida—District Engineer;
11. Gallagher Evelius & Jones LLP, Baltimore, MD – Investor’s Counsel

Terms of the Offering

1. Authority for the 2004 Bonds. The 2004 Bonds, when, as or if issued, will be issued pursuant to the Constitution and laws of the State of Florida, particularly Chapter 190 and Section 190.016, Florida Statutes (2004) and other applicable provisions of law (the “Act”), Resolution 2004-13 and Resolution 2000-14 adopted by the Board of Supervisors on August 26, 2004 providing for the acquisition and construction of assessable improvements, providing estimated Costs of the Series Projects Program (as defined in **Appendix A, the “Form of Indenture”**), defining assessable property to be benefited by the Series Projects Program, defining the portion of the cost of the Series Projects Program with respect to which assessments will be imposed and the manner in which such assessments shall be levied against such benefited property within the District, and directing the preparation of an assessment roll (the “Preliminary Assessment Resolution”), Resolution No. 2005-01, adopted on October 15, 2004, fixing and establishing the assessments and the benefited property (the “Assessment Resolution”), and Resolution 2005-03, (the “Award Resolution”) adopted on December 10, 2004, and a Master Trust Indenture dated as of December 1, 2000 (the “Master Indenture”), between District and the Trustee, as amended and supplemented by a Fourth Supplemental Indenture, dated as of December 1, 2004 (the “Supplemental Indenture”), between District and the Trustee (the Master Indenture as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the “Indenture”).

The 2004 Bonds will be drawn down in increments, in accordance with the Forward Bond Purchase Agreement (the form of which is attached hereto as **Appendix F**). The Maximum Bond Amount (as defined in the Supplemental Indenture) shall be \$13,773,548.18, until such time as the District certifies to the Trustee that the boundaries of the District include approximately 1,020 total acres, at which time the Maximum Bond Amount shall be \$15,590,000. The Initial Aggregate Principal Amount (as defined in the Supplemental Indenture) will be in the amount of \$4,450,000 and each subsequent draw (each a “Drawing”) shall be in minimum increments of \$3,000,000 or the Amount Available (as defined in the Supplemental Indenture), whichever is less, and made by the District giving at least 30 day written notice to the underwriter, until such time as the Drawing Period (as defined in the Supplemental Indenture) has expired.

2. Satisfaction of Conditions. The 2004 Bonds are being offered by the Underwriter when, as, and if issued by District and accepted by the Underwriter, subject to the delivery of an approving opinion of Bond Counsel and satisfaction of certain other conditions.

3. Delivery. It is expected that the 2004 Bonds will be available for delivery to DTC in New York, New York, on or about December 16, 2004.

Risk Factors

The 2004 Bonds are subject to a significant degree of risk. See the caption “**RISK FACTORS.**”

Miscellaneous

This Limited Offering Memorandum speaks only as of its date and the information contained herein is subject to change. The description of the Indenture and documents authorizing and securing the 2004 Bonds do not purport to be comprehensive or definitive, however, Bond Counsel and others will opine at closing that certain descriptions contained herein fairly summarize such matters described. References to the Indenture and other documents are qualified in their entirety by reference to the forms thereof.

Additional Information

Prior to delivery of the 2004 Bonds, copies of the documents described herein may be obtained by contacting Banc of America Securities, LLC, Attention: William J. Reagan, telephone number (239) 659-2268. Subsequent to delivery of the 2004 Bonds, copies of documents may be obtained, after paying the costs of copying, from the District Manager by contacting Tom Tukdarian, 610 Sycamore Street, Suite 140, Celebration, Florida 34747, telephone number (407) 566-4128.

THE DISTRICT

General

The District is located within unincorporated Osceola County and encompasses approximately 992.6 acres of land in the center of the approximately 11,030 acre Harmony DRI, a mixed-use master planned Development of Regional Impact (the “Development”). The Developer, Harmony Development Co., LLC, a Florida limited liability company, is a wholly owned subsidiary of Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership and owner of all the land within the District not previously sold in the ordinary course of business, the general partner of which is Three E Corporation, a Florida corporation.

There is presently pending before Osceola County an application to expand the District by including Cat Lake Parcel, a 27 acre parcel that includes 86 residential lots. It is anticipated that this expansion will be completed in January, 2005.

As of November 30, 2004, of the \$17,700,000 Capital Improvement Revenue Bonds, Series 2001, which is the only debt of the District previously issued pursuant to the authority of the validation judgment, \$17,175,000 remains currently outstanding.

The District was established to manage the design, acquisition, construction, maintenance, and operation of the infrastructure necessary for community development within its jurisdiction and related financing within that portion of Osceola County encompassed by the District. A site map showing the location of District is included in **Appendix B—“District Engineer’s Report.”**

The community development within the District will be fully amenitized and will offer approximately 2,146 residential units, 399,000 square feet of commercial, 40,000 square feet of Town Center commercial, and 385,000 square feet of office, 13.6 acres of Institutional use, an 18-hole golf course and clubhouse, parks, and open space. The District is proposed in order to construct, operate, and

maintain the necessary infrastructure to serve a portion of the Harmony community that lies within District's boundaries.

The community developed within the District will be developed in phases in response to market demands. Three phases of major infrastructure construction are anticipated. The expected phasing is as follows:

| PHASE | EXPECTED YEAR OF COMPLETION |
|--------------|------------------------------------|
| 1 | 2002 (completed) |
| 2 | 2005 |
| 3 | 2006 |

Source: Third Supplemental Assessment Methodology Report

LAND USE SUMMARY

| Type of Use | Acreage | Density | % of Total |
|--|----------------|-------------------------|-------------------|
| Residential ⁽³⁾ | 336.0 | 2,146 D.U. | 33% |
| Village Commercial | 6.0 | 40,000 GSF | 1% |
| Commercial | 21.2 | 399,000 GSF | 2% |
| Office | 26.6 | 385,000 GSF | 3% |
| Institutional | 13.5 | 13.5 AC | 1% |
| Open Space/Parks | 60.5 | | 6% |
| Golf Course/Club House | 288.7 | 18 Holes | 28% |
| Town Center | 29.2 | See Note ⁽²⁾ | 3% |
| Retention/Detention Ponds ⁽¹⁾ | 60.3 | | 6% |
| Road ROW | 47.9 | | 5% |
| Conservation/Preservation Areas | 130.3 | | 13% |
| TOTAL | 1,020.2 | | 100% |

Source: Third Supplemental Special Assessment Methodology Report for the Harmony Community Development District

- (1) Only ponds located outside golf course. Ponds within golf course are included in golf course acreage.
- (2) Town Center consists of residential, commercial, office, and institutional, open space, and parks. Density for the development uses are included in the density D.U./GSF figures designated in this table. For example, the residential D.U.'s to be located within the Town Center will be part of the 2,060 D.U.'s allocated to the District.
- (3) Revised July 2004 to include the expected additional 27.60 acre parcel at Cat Lake and the additional 86 residential units.

The landowner has developed a master plan update for the property, including the proposed 2004 annexation area, identifying particular land uses throughout the District. The following table provides the current plan for product distribution depicting existing units, current planned units, and estimated future units for development.

PHASED DEVELOPMENT PLAN

| Land Use | Existing Units | Estimated Future Units | Total Projected Units |
|--------------------------------|-----------------------|------------------------|------------------------|
| Residential ⁽³⁾ | | | |
| Single Family | 286 | 536 | 822 |
| Townhomes | 186 | 203 | 389 |
| Apartments | 0 | 356 | 356 |
| Condos | 0 | 305 | 305 |
| Commercial ⁽¹⁾⁽³⁾ | 20,000 sq. ft. | 230,000 sq.ft. | 250,000 sq.ft. |
| Office ⁽²⁾⁽³⁾ | 5,000 sq. ft. | 395,000 sq.ft. | 400,000 sq. ft. |
| Golf Course | 244 acres | | 244 acres |
| Total Residential | 472 | 1,400 | 1,872 |
| Total Commercial/Office | 25,000 sq. ft. | 625,000 sq. ft. | 650,000 sq. ft. |

Source: The Developer

- (1) Clubhouse and Cart Barn 20,000 sq. ft. (Developer-owned)
- (2) Welcome Center and Business Office (Developer-owned)
- (3) Residential density can be increased to 2,146 units, commercial to 350,000 sq. ft., and office to 500,000 sq. ft.

The District is surrounded by the balance of the Harmony DRI, including the Harmony High School, which is within Harmony DRI but not within the boundary of the District. U.S. 192 runs along the Southern Boundary of the District. Buck Lake and Cat Lake serve as the Northern Boundary of the District, and their contributory wetlands define the Eastern and Western Boundaries of the District. The land within the District consists of the existing Phase 1 Infrastructure, golf course, and Neighborhoods B-1, C-1, C-2 and D-1. Future development slated for the balance of the developable uplands within the District includes Neighborhoods E, F, G, and I. Also included are the remaining commercial and office tracts within the District.

Existing Infrastructure. The District completed construction of the Phase 1 Water and Wastewater Treatment Plants in 2002. The Treatment Plants were sold to Toho Water Authority in 2003, which now owns and operates the system. The Phase 1 roadway and utility infrastructure were also completed in 2002.

Proposed Infrastructure. District 's infrastructure will generally consist of the following:

Roadways. The roadways within District will consist of 4-lane, divided, 2 lane divided, and 2 lane individual sections, which will be designed as collector roadways. The District will construct these roadways and convey the improvements to Osceola County from back of curb to back of curb. Sidewalks and bikeways will be constructed adjacent to the roadways, and these will be owned by the District. Approximately 5 miles of collector roadway will be constructed within the District.

Water, Wastewater, and Electrical Infrastructure. The infrastructure consists of potable water mains, wastewater gravity mains and force mains, lift stations, effluent reuse/irrigation mains, and undergrounding of electrical cable. The potable water system will include necessary main lines, valving, fire hydrants, and connection points to individual parcels, but does not include the lines within privately

owned parcels. The system design provides for domestic demand plus a fire flow of 3000 gpm. Approximately 5 miles of water mains will be constructed. The wastewater infrastructure will include gravity lines, force main, lift station, and connection points to individual parcels, but does not include the lines within privately owned parcels. Approximately 3.7 miles of gravity lines, 3.2 miles of force main, and 2 liftstations will be constructed by the District. An effluent reuse system will be constructed to serve as the primary irrigation system for the project, utilizing highly treated effluent that has been discharged from the Toho Water Authority wastewater plant, and individual services to individual parcels, but does not include the lines within privately owned parcels. Treated effluent will be supplemented with stormwater and groundwater to satisfy the irrigation demands through the District. Electrical cable will be located adjacent to all collector roadways sufficient to serve all individual lots and development parcels. Street lighting will also be included along the collector roadways. Areas north of U.S. 192 are located within the Orlando Utilities Commission service area. Areas south of U.S. 192 are located within the service area of Progress Energy Corporation (f/k/a Florida Power Corp.).

Stormwater Management Facilities. The District's stormwater management system will consist of interconnected wet retention/detention ponds. Stormwater runoff from development parcels will be routed via a secondary drainage system into the retention/detention ponds. These ponds will ultimately discharge into adjacent and nearby wetlands through the District. Design criteria include meeting water quality and quantity criteria, and providing compensation storage for any development within the 100-year floodplain areas.

Landscaping/Hardscape. Landscaping/hardscape will be provided along the District's collector roadways, the project entrance on U.S. 192, through the Town Center, and within parks and recreation areas. Xeriscape landscaping will be emphasized throughout to minimize irrigation water demands and to maintain a natural look within the community. Existing vegetation will be used where possible.

Recreation and Parks. Phase 1 of a 19-acre Community Park adjacent to Buck Lake has been completed. The Park provides picnic facilities, passive recreation, and a children's playground. This community park also includes a fishing pier and boat dock on buck Lake. Also completed with the Phase 1 Infrastructure are the Town Center Park and Swim Club areas. Additional parks are to be completed in Phase 2 and Phase 3 of the Development.

Legal Powers and Authority

The District is a community development district organized and existing under the Act. It was established pursuant to Osceola Board of County Commissioners Ordinance No. 00-05, effective March 6, 2000. The Act was enacted in 1980 to provide a uniform method for the establishment of independent districts to manage and finance basic community development services, including capital infrastructure required for community developments throughout the State of Florida. The Act provides legal authority for community development districts (such as the District) to manage and finance the acquisition, construction, operation and maintenance of the major infrastructure for community development.

The Act provides that community development districts have the power to issue general obligation, revenue, and non-ad valorem special assessment revenue debt obligations in any combination to pay all or part of the cost of infrastructure improvements authorized under the Act. The Act further provides that community development districts have the power under certain conditions to levy and assess ad valorem assessments or non-ad valorem assessments, including special assessments, on all taxable real and tangible personal property within their boundaries to pay the principal of and interest on debt obligations issued and to provide for any sinking or other funds established in connection with any such

debt obligation issues. Pursuant to the Act, such special assessments may be assessed, levied, collected and enforced in the same manner and time as county property taxes.

Among other provisions, the Act gives the District's Board of Supervisors (the "Board of Supervisors") the right (i) to acquire through purchase, gift, devise or otherwise, real or personal property; (ii) to establish, acquire, construct or reconstruct, enlarge or extend, equip, operate and maintain (a) water supply, sewer and wastewater management systems, (b) a system of drainage and flood control or any combination thereof and to construct and operate connecting intercept or outlet sewers and sewer mains and pipes and water mains, conduits, or pipelines in, along, and under any street, alley, highway, or other public place or ways, and to dispose of any effluent, residue, or other byproducts of such system, or sewer system, (c) district roads equal to or exceeding the specifications as approved by the County, as well as streetlights, and (d) with the consent of the County, parks and facilities for indoor and outdoor recreational, cultural and educational uses; (iii) to borrow money and issue debt obligations of District ; and (iv) to exercise all other powers necessary, convenient, incidental or proper in connection with any of the powers or duties of the District stated in the Act.

The Act does not empower the District to adopt and enforce land use plans or zoning ordinances, and the Act does not empower District to grant building permits. These functions are performed by the County, acting through its Board of County Commissioners and its departments of government.

Board of Supervisors

The Act provides for a five-member Board of Supervisors to serve as the governing body of the District. Members of the Board of Supervisors must be residents of the State and citizens of the United States. Initially, the members were designated and appointed in the formative petition and the ordinance establishing the District. Thereafter the members are elected on an at-large basis by the owners of property within the District. Ownership of land within the District initially entitles each landowner to cast one (1) vote per acre of land owned by such landowner and located within the District (with fractions thereof rounded upward to the nearest whole number) for each person to be elected. All members serve until expiration of their terms and until their successors are chosen and qualified. If, during the term of office a vacancy occurs, the remaining members of the Board fill the vacancy by an appointment for the remainder of the unexpired term. After the sixth year after the initial appointment of members, once the District reaches 250 qualified electors, the position of two Board members whose terms are expiring is filled by qualified electors of the District, elected by the qualified electors of the District. A qualified elector is a registered voter who is a resident of the District and the State and a citizen of the United States.

At the election where members are first elected by qualified electors, two members must be qualified electors and a third remaining member whose term is expiring will be elected by landowners. The Board members elected by the qualified electors shall serve four year terms, and the remaining Board member whose term is expiring shall be elected for a four year term by the landowners and is not required to be a qualified elector. Thereafter, as terms expire, all members must be qualified electors and will be elected by qualified electors and serve staggered terms. Notwithstanding any of the foregoing, if at any time the Board of Supervisors proposes to exercise its ad valorem taxing power, prior to the exercise of such power, it must call an election at which all members of the Board of Supervisors will be elected by qualified electors of the District. Elections subsequent to such decision will be held in a manner such that the members will serve four year terms with staggered expiration dates in the manner set forth in the Act.

There are currently no stockholders, officers or employees of a District landowner who are members of the Board of Supervisors. However, the Act provides that it is not an impermissible conflict

of interest under Florida law governing public officials for such persons to serve as members of the Board of Supervisors.

The current members of the Board of Supervisors and their occupations are as follows:

| <i>Supervisor</i> | <i>Occupation</i> | <i>Term Expires</i> |
|--------------------------------------|---------------------------------------|---------------------|
| Gregory Scott Butterfield, Chairman | Employed by Arthur J. Gallagher | November 2008 |
| Martha E. Lentz, Vice Chairman | Board of Directors, Harmony Institute | November 2008 |
| James O'Keefe, Assistant Secretary | Retired | November 2006 |
| William Johnson, Assistant Secretary | Cattleman | November 2006 |
| Kenneth Peach, Assistant Secretary | Villages Health Care System | November 2006 |

The Act empowers the Board of Supervisors to adopt administrative rules and regulations with respect to any projects of the District, and to enforce penalties for the violation of such rules and regulations. The Act permits the Board of Supervisors to levy taxes under certain conditions, and to levy special assessments, and to charge, collect and enforce fees and user charges for use of the District facilities.

The Act exempts all property owned by the District from levy and sale by virtue of an execution and from judgment liens, but does not limit the right of any bondholder of the District to pursue any remedy for enforcement of any lien or pledge of the District in connection with such bonds or obligations, including the 2004 Bonds.

District Management and Consultants

The chief administrative official of a community development district is the district manager. The Act provides that the district manager has charge and supervision of the works of the district and is responsible for preserving and maintaining any improvement or facility constructed or erected pursuant to the provisions of the Act, for maintaining and operating the equipment owned by the district, and for performing such other duties as may be prescribed by the board of supervisors of the district.

The District has retained Severn Trent Environmental Services, Inc., to serve as the District Manager. Tom Tukdarian is serving as District Manager for Severn Trent Environmental Services, Inc. Severn Trent Environmental Services, Inc. is actively involved in the management of more than 180 special districts throughout the State of Florida, including community development districts, that have collectively issued in excess of \$5,000,000,000 of bonds in more than 200 separate financings. Mr. Tukdarian's office is located at 610 Sycamore Street, Suite 140, Celebration, Florida 34747, telephone number (407) 566-4174.

The District Manager's typical responsibilities can briefly be summarized as overseeing directly and coordinating the planning, financing, purchasing, staffing, reporting and governmental liaison for each district. The District Manager is responsible for the administration of the bond funds at the district level, which includes requisitioning moneys to pay construction contracts and the related accounting and reporting that is required by the various bond documents.

SECURITIES BEING OFFERED

Purpose

1. General. The 2004 Bonds are the second Series of Bonds issued under the Bond Resolution authorizing bonds not to exceed \$50,000,000 (the "Bonds"). The 2004 Bonds are being issued in fully

registered form in denominations of \$5,000 and any integral multiple of \$5,000 in excess thereof, and will initially be sold only to accredited investors within the meaning of the rules of the Florida Department of Banking and Finance and Chapter 189, Florida Statutes, in minimum increments of \$100,000 and integral multiples of \$5,000 in excess thereof (see “**MISCELLANEOUS—Suitability For Investment**”). The 2004 Bonds are being issued for the purpose of (i) financing the Cost of acquiring, constructing and equipping assessable improvements (the “2004 Project”), (ii) paying certain costs associated with the issuance of the 2004 Bonds, (iii) making a deposit into the 2004 Reserve Account for the benefit of all of the 2004 Bonds; and (iv) paying a portion of the interest to become due on the 2004 Bonds.

The 2004 Bonds will be issued incrementally with the first draw down to be the Initial Aggregate Principal Amount of \$4,450,000. Thereafter, the District may draw down Additional 2004 Bonds in accordance with the terms of the Forward Purchase Agreement in increments of \$3 million per draw or the Available Amount, whichever is less.

2. Sources and Uses of Funds. The proceeds from the sale of the Initial Aggregate Principal Amount of the 2004 Bonds are expected to be applied as follows:

| | 2004 Bond Proceeds |
|--|-----------------------|
| SOURCES: | |
| Face amount of 2004 Bonds | \$4,450,000.00 |
| TOTAL ESTIMATED SOURCES | \$4,450,000.00 |
| USES: | |
| Deposit to the 2004 Acquisition & Construction Account | \$3,000,000.00 |
| Deposit to the 2004 Capitalized Interest Account | \$ 542,959.65 |
| Deposit to the 2004 Reserve Account | \$ 246,225.00 |
| 2004 Cost of Issuance Account ⁽¹⁾ | \$ 660,815.35 |
| TOTAL ESTIMATED USES | \$4,450,000.00 |

(1) Includes, among other things, Draw Down Administration Fees of \$250,000.00, Bond Counsel fees, Financial Advisor, Underwriter’s Counsel fees, Trustee, Registrar and Paying Agent fees, Underwriter’s Discount, and printing costs.

3. Investments. Moneys held for the credit of the Funds and Accounts established by the Indenture and held as security for the 2004 Bonds must, as nearly as practicable, be continuously invested and reinvested in 2004 Investment Obligations (see **Appendix A—“Form of Indenture”** for a definition of Investment Obligations). The 2004 Investment Obligations in which such moneys are invested must mature, or be subject to redemption by the Trustee at the option of the Trustee, no later than the dates on which such moneys will be needed.

Security for the 2004 Bonds

1. Pledged Revenues Securing the 2004 Bonds. The 2004 Bonds are payable from and secured by Assessments imposed, levied and collected by the District with respect to property specially benefited by the 2004 Project (the “2004 Assessments”) together with the 2004 Pledged Funds and Accounts (the “2004 Pledged Funds and Accounts” and, collectively with the 2004 Assessments, the “2004 Trust Estate”) pursuant to Chapter 190, 197 or 170, Florida Statutes, as amended (see “**PLAN OF FINANCE—The 2004 Assessments**”).

2. Priority of Payment to Other Obligations of the District. The District intends to issue \$15,590,000 2004 Bonds secured by or payable from the 2004 Trust Estate, and the lien in favor of the 2004 Assessments overlaps and is co-equal with the lien in favor of other assessments that have been or

could be imposed by the District, the County or other units of local government having assessment powers within the District. The lien in favor of the 2004 Assessments is also co-equal with the lien in favor of County and municipal taxes. See **“PLAN OF FINANCE—The 2004 Assessments—Collection and Enforcement Procedures”**.

3. Additional Parity Obligations. The District has covenanted in the Indenture that so long as the 2004 Bonds issued thereunder remain Outstanding (as defined in the Indenture), it will not cause or permit to be caused any lien, charge or claim against the 2004 Trust Estate equal or prior to the lien of the Indenture, except for fees, commissions, costs, and other charges payable pursuant to Florida law. **ALTHOUGH THE LIEN AND THE PROCEEDS OF ASSESSMENTS SECURING THE 2004 BONDS ARE PLEDGED EXCLUSIVELY TO THE 2004 BONDS, THE LIEN OF THE ASSESSMENTS MAY BE ON THE SAME PROPERTY AS, AND THEREFORE OVERLAP AND BE CO-EQUAL WITH, THE LIENS OF OTHER ASSESSMENTS WHICH HAVE BEEN OR MAY BE IMPOSED BY THE DISTRICT, OSCEOLA COUNTY, FLORIDA OR OTHER UNITS OF LOCAL GOVERNMENT HAVING ASSESSMENT POWERS WITHIN DISTRICT AND WILL ALSO BE CO-EQUAL WITH THE LIEN OF COUNTY, SCHOOL DISTRICT AND MUNICIPAL TAXES.** (see **“PLAN OF FINANCE—The 2004 Assessments—Collection and Enforcement Procedures”**).

4. 2004 Reserve Account. The Indenture establishes within the Reserve Fund a 2004 Reserve Account. At the time of delivery of the 2004 Bonds, the 2004 Reserve Account will be funded from the proceeds of the 2004 Bonds in an amount equal to the 2004 Reserve Account Requirement. The 2004 Reserve Account Requirement shall mean, as determined from time to time, an amount equal to 70% of the then Maximum Annual Debt Service Requirement (the “2004 Reserve Account Requirement”). Funds in the 2004 Reserve Account in excess of the 2004 Reserve Account Requirement when 2004 Prepayments are deposited into the 2004 Prepayment Subaccount shall be withdrawn from the 2004 Reserve Account and deposited into the 2004 Prepayment Account. The 2004 Reserve Account will be jointly held for the benefit of all of the 2004 Bonds, without distinction as to Series of 2004 Bonds and without privilege or priority of one Series of 2004 Bonds over another.

5. Flow of Funds. The Master Indenture provides for the establishment of an Acquisition and Construction Fund, and within such Fund a Series Acquisition and Construction Account and a Series Cost of Issuance Account; a Revenue Fund, and within such Fund a Series Revenue Account; a Debt Service Fund, and within such Fund a Series Debt Service Account and within such Account a Series Interest Account, a Series Principal Account, and a Series Redemption Account, and within such Series Redemption Account a Prepayment Subaccount and an Optional Redemption Subaccount. The Supplemental Indenture creates: (a) within the Acquisition and Construction Fund, (i) the 2004 Acquisition and Construction Account; (ii) the 2004 Cost of Issuance Account, and (iii) a 2004 Capitalized Interest Account; (b) within the Debt Service Fund, (i) a 2004 Sinking Fund Account and a 2004 Interest Account, (ii) a 2004 Redemption Account and therein, a 2004 Prepayment Subaccount and a 2004 Optional Redemption Subaccount; (c) within the Reserve Fund, (i) the 2004 Reserve Account; (d) within the Revenue Fund, (i) the 2004 Revenue Account; and, (e) within the Rebate Fund, (i) the 2004 Rebate Account.

Any balance remaining in the 2004 Acquisition and Construction Account after the Date of Completion, and after retaining the amount, if any, of all remaining unpaid Costs of the 2004 Project set forth in the Engineer’s Certificate establishing such Date of Completion will be transferred to and deposited in the 2004 Prepayment Subaccount of the 2004 Redemption Account to be applied to the extraordinary mandatory redemption of the 2004 Bonds; provided, however, that the Bond Registrar shall select the 2004 Bonds to be redeemed such that after giving effect to such redemption, the 2004 Assessments to be received by the District in the current and each succeeding Bond Year will be sufficient to pay, when due, the principal and interest on all Outstanding 2004 Bonds.

As soon as reasonably practicable after receipt, 2004 Assessment Revenues allocable to the 2004 Bonds (except Prepayments designated by the District as such, in writing, which shall be deposited in the Prepayment Subaccount of the 2004 Redemption Account) will be deposited with the Trustee by the District into the 2004 Revenue Account.

The District shall deposit 2004 Assessment Revenues with the Trustee immediately upon receipt together with a written accounting setting forth the amounts of such 2004 Assessment Revenues in the following categories which shall be deposited by the Trustee into the Funds and Accounts established in the Supplemental Indenture as follows:

- (i) 2004 Assessment Interest, which shall be deposited into the 2004 Interest Account;
- (ii) 2004 Assessment Principal, which shall be deposited into the 2004 Sinking Fund Account;
- (iii) 2004 Prepayment Principal, which shall be deposited into the 2004 Prepayment Subaccount in the 2004 Redemption Account;
- (iv) 2004 Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the 2004 Reserve Account to pay the principal of 2004 Bonds, and, the balance, if any, shall be deposited into the 2004 Sinking Fund Account;
- (v) Delinquent Assessment Interest, which shall first be applied to restore the amount of any withdrawal from the 2004 Reserve Account to pay the interest on 2004 Bonds, and, the balance, if any, deposited into the 2004 Revenue Account; and
- (vi) all other 2004 Assessment Revenues, which shall be deposited into the 2004 Revenue Account.

Moneys other than 2004 Assessment Revenues, shall, at the written direction of the District be deposited into the Optional Redemption Subaccount of the 2004 Redemption Account and used to pay the principal of and premium, if any, on 2004 Bonds called or to be called for optional redemption at the written direction of the District in accordance with the provisions for optional redemption of 2004 Bonds.

On each March 15 and September 15 (or if such March 15 or September 15 is not a Business Day, on the Business Day next preceding such day), the Trustee shall determine the amount on deposit in the 2004 Prepayment Subaccount of the 2004 Redemption Account, and, if the balance therein is greater than zero, and after determining that following such transfer sufficient amounts will remain on deposit in the 2004 Revenue Account to make the transfers required by Section 4.09(d) of the Supplemental Indenture, shall transfer from the 2004 Revenue Account for deposit into the 2004 Prepayment Subaccount, an amount sufficient to increase the amount on deposit therein to an integral multiple of \$5,000, and, shall thereupon give notice and cause the extraordinary mandatory redemption of the 2004 Bonds on the next succeeding Interest Payment Date in the maximum aggregate principal amount for which moneys are then on deposit in such 2004 Prepayment Subaccount in accordance with the provisions for extraordinary redemption of such Series of 2004 Bonds.

On each May 1 (or if such May 1 is not a Business Day, on the Business Day preceding such May 1), the Trustee shall first transfer from the 2004 Capitalized Interest Account to the 2004 Interest Account

the lesser of (x) the amount of interest coming due on the 2004 Bonds on such May 1, less the amount already on deposit therein, or (y) the amount remaining in the 2004 Capitalized Interest Account. Following the foregoing transfers, on such May 1 (or if such May 1 is not a Business Day, on the Business Day preceding such May 1), the Trustee shall then transfer amounts on deposit in the 2004 Revenue Account to the Funds and Accounts designated below in the following amounts and in the following order of priority:

FIRST, to the 2004 Interest Account of the 2004 Debt Service Fund Account, an amount equal to the amount of interest payable on all 2004 Bonds then Outstanding on such May 1 and the immediately succeeding November 1, less any amount transferred from the 2004 Capitalized Interest Account and less any other amount already on deposit in the 2004 Interest Account not previously credited;

SECOND, to the 2004 Sinking Fund Account, the amount, if any, equal to the difference between the Amortization Installments of all 2004 Bonds subject to mandatory sinking fund redemption on such May 1, and the amount already on deposit in the 2004 Sinking Fund Account not previously credited:

THIRD, to the 2004 Reserve Account, the amount, if any, which is necessary to make the amount on deposit therein equal to the 2004 Reserve Account Requirement with respect to the 2004 Bonds; and

FOURTH, the balance shall be retained in the 2004 Revenue Account.

Anything in the Indenture to the contrary notwithstanding, it shall not, a fortiori, constitute an Event of Default of the Indenture if the full amount of the foregoing deposits are not made due to an insufficiency of funds therefor, and provided that such insufficiency does not result in there being insufficient amounts on deposit in the foregoing Funds and Accounts to pay the principal of and interest on the 2004 Bonds, when due.

On any date required by the tax certificate executed as of December 16, 2004 by the District (the "Tax Certificate"), the District shall transfer from the 2004 Revenue Account to the 2004 Rebate Account the amount due and owing to the United States in accordance with such Tax Certificate.

Earnings on investments in all of the Funds and Accounts held as security for the 2004 Bonds shall be invested only in 2004 Investment Obligations. Earnings on the 2004 Acquisition and Construction Account shall be retained, as realized, in such Account and used for the purpose of such Account. Earnings on investments in the 2004 Sinking Fund Account and the 2004 Prepayment Subaccount shall be deposited, as realized, to the credit of the 2004 Revenue Account and used for the purpose of such Account. Earnings on investments in each 2004 Reserve Account shall be held in the 2004 Reserve Account if there is a deficiency therein and, if there is no deficiency, then shall be transferred to the 2004 Revenue Account.

On or after each November 2, the Trustee shall, at the written direction of the District transfer to the District the balance on deposit in the 2004 Revenue Account on such November 2 to be used for any lawful District purpose; provided, however, that on the date of such proposed transfer the amount on deposit in the 2004 Reserve Account shall be equal to the 2004 Reserve Account Requirement, and, provided further, that neither the District nor the Trustee shall have actual knowledge of an Event of Default under the Master Indenture or under the Supplemental Indenture relating to any of the 2004 Bonds, including the payment of Trustee's fees and expenses then due, the amount of such excess, shall be paid to, or upon the order of, the District. Any amounts remaining in the 2004 Revenue Account after such application shall be transferred into the 2004 Prepayment Subaccount of the 2004 Redemption Account.

6. Limited Obligations. The 2004 Bonds shall be limited and special obligations of the District payable solely from the 2004 Trust Estate and shall be a valid claim of the Holders thereof only against the 2004 Trust Estate. The 2004 Bonds shall not constitute a general obligation or indebtedness of District, the State of Florida or any political subdivision thereof, within the meaning of the Constitution and laws of Florida. The 2004 Bonds shall not constitute either a pledge of the full faith and credit of District, the State of Florida or any political subdivision thereof, or a Lien upon any property of the District, the State of Florida or any political subdivision thereof, other than as provided by the Indenture. The 2004 Bonds shall not, directly or indirectly, obligate the District, the State of Florida or any political subdivision thereof, to levy any form of taxation therefor or to make any appropriations for their payment. No Holder or any other Person shall have the right to compel the exercise of any ad valorem taxing power of the District or of any ad valorem taxing power or non-ad valorem special assessment power of any other public authority or governmental body politic to pay the principal of, or interest, and premium, if any, on the 2004 Bonds.

Redemption Provisions

1. Optional Redemption. The 2004 Bonds may, at the option of the District, be called for redemption as a whole or in part at any time on or after May 1, 2015 (less than all 2004 Bonds to be selected by lot), at the redemption prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest from the most recent Payment Date to the redemption date.

| <i>Redemption Periods (Dates Inclusive)</i> | <i>Redemption Prices</i> |
|---|--------------------------|
| May 1, 2015 through April 30, 2016 | 101% |
| May 1, 2016 and thereafter | 100% |

2. Mandatory Redemption. (a) The 2004 Bonds are subject to mandatory redemption by lot prior to their scheduled maturity from moneys in the 2004 Sinking Fund Account at the redemption price of the principal amount thereof, without premium, together with accrued interest to the date of redemption on May 1 of the years and in the principal amounts set forth in the cash flow certificate to be delivered by the District to the Trustee at the end of the Initial Period, which sets forth Amortization Installments which provide for the then – Outstanding Principal Balance of the 2004 Bonds to be amortized in substantially equal installments of principal and interest over the then remaining term of the 2004 Bonds. If the 2004 Bonds are taken down as expected, the amortization schedule will be substantially in accordance with the schedule below:

[The remainder of this page is intentionally left blank].

| <i>Year</i> | <i>Principal Amount</i> | <i>Year</i> | <i>Principal Amount</i> |
|-------------|-------------------------|-------------|-------------------------|
| 2007 | \$175,000 | 2022 | \$460,000 |
| 2008 | \$185,000 | 2023 | \$490,000 |
| 2009 | \$195,000 | 2024 | \$525,000 |
| 2010 | \$215,000 | 2025 | \$560,000 |
| 2011 | \$225,000 | 2026 | \$600,000 |
| 2012 | \$240,000 | 2027 | \$635,000 |
| 2013 | \$260,000 | 2028 | \$680,000 |
| 2014 | \$275,000 | 2029 | \$725,000 |
| 2015 | \$295,000 | 2030 | \$775,000 |
| 2016 | \$310,000 | 2031 | \$825,000 |
| 2017 | \$330,000 | 2032 | \$885,000 |
| 2018 | \$350,000 | 2033 | \$945,000 |
| 2019 | \$380,000 | 2034 | \$1,000,000 |
| 2020 | \$405,000 | 2035 | \$1,070,000 |
| 2021 | \$430,000 | 2036 | \$1,145,000 |

Note: Assuming full draw down and issuance of the 2004 Bonds.

The principal amounts shown above are subject to recalculation, as provided in the Supplemental Indenture, as a result of the redemption of 2004 Bonds so as to reamortize the remaining outstanding principal balance of the 2004 Bonds in substantially level installments of principal and interest over the remaining term.

3. Extraordinary Mandatory Redemption. The 2004 Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, and if in part, by lot in the manner determined by the Trustee, at the redemption price of 100% of the principal amount thereof, without premium, together with accrued interest to the date of redemption, if and to the extent that any one or more of the following shall have occurred:

(a) on or after the Date of Completion of the 2004 Project, by application of moneys transferred from the 2004 Acquisition and Construction Account in the Acquisition and Construction Fund into the 2004 Prepayment Subaccount of the 2004 Redemption Account in accordance with the terms of the Indenture; or

(b) from Prepayments and excess amounts in the 2004 Reserve Account deposited into the 2004 Prepayment Subaccount of the 2004 Redemption Account; or

(c) from amounts on deposit in the 2004 Reserve Account on the date on which the amounts on deposit therein together with other moneys available therefor, are sufficient to pay and redeem all of the 2004 Bonds then Outstanding.

It is anticipated that upon the sale of parcels within the District by the Developer, that a portion of the 2004 Assessments will be prepaid by the Developer. Nevertheless, and notwithstanding its presently expressed intent, the Developer is not required contractually or otherwise to make any prepayment of the

2004 Assessments encumbering any parcel of real property in the District. In the event the Developer decides that it is in its best interest to prepay a portion of the 2004 Assessments, the amount prepaid will be solely at the Developer's discretion. Should the Developer fail to buy down the assessments, payment of the interest and principal would continue to be an obligation of the property owner.

4. *Notice of Redemption.* Notice of redemption must be given by the Registrar not less than 30 nor more than 45 days prior to the date fixed for redemption to the registered Holder of each 2004 Bond to be redeemed, at the address of such registered Holder on the registration books maintained by the Registrar.

5. *Failure to Provide Notice of Redemption.* Failure to give notice by mailing to the Holder of any 2004 Bond designated for redemption or to any depository or information service will not affect the validity of the proceedings of the redemption of any other 2004 Bond.

6. *Effect of Notice of Redemption.* On the date designated for redemption of any 2004 Bonds, notice having been filed and mailed in the manner provided in the Indenture, the 2004 Bonds called for redemption will be due and payable at the redemption price provided for the redemption of such 2004 Bonds on such date and, moneys for payment of the redemption price being held in a separate account by the Paying Agent in trust for the Holders of the 2004 Bonds to be redeemed, interest on the 2004 Bonds called for redemption will cease to accrue, such 2004 Bonds will cease to be entitled to any benefit under the Indenture, and the Holders of such 2004 Bonds will have no rights in respect thereof, except to receive payment of the redemption price thereof, and interest, if any, accrued thereon to the redemption date, and such 2004 Bonds will no longer be deemed to be Outstanding.

Book-Entry-Only System

The following information appearing under this heading is based upon information furnished by DTC for inclusion in this Limited Offering Memorandum and neither the District nor the Underwriter have independently verified such information or make any representation as to the accuracy or the completeness thereof. The procedures utilized and services offered by DTC are a matter of agreement between DTC and its participants. There can be no assurances that the procedures described herein will always be executed or that such procedures will not be modified from time to time.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "2004 Bonds"). The 2004 Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2004 Global Bond will be issued for the 2004 Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The

Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2004 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2004 Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2004 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2004 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2004 Bonds, except in the event that use of the book-entry system for the 2004 Bonds is discontinued.

To facilitate subsequent transfers, all 2004 Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2004 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2004 Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2004 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2004 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2004 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2004 Bonds documents. For example, Beneficial Owners of 2004 Bonds may wish to ascertain that the nominee holding the 2004 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them. Redemption notices shall be sent to DTC. If less than all of the 2004 Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2004 Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose

accounts 2004 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and payments on the 2004 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2004 Bonds at any time by giving reasonable written notice to the District or the Paying Agent, if it determines it is not in the best interest of the Beneficial Owners of the 2004 Bonds or if it is unable or unwilling to discharge its responsibilities and no substitute Bond Depository can be found. Under such circumstances, the 2004 Bonds are required to be printed and delivered.

Method of Computing Interest; Saturdays, Sundays and Holidays

Interest payable on the 2004 Bonds will be calculated based on a 360 day year comprised of twelve 30-day months. If the date of maturity of interest on or principal of the 2004 Bonds or the date fixed for redemption of the 2004 Bonds falls on a day other than a Business Day, then payment of such interest or principal and any redemption premium need not be mailed by the Paying Agent on such date, but may be mailed on the next succeeding Business Day on which the Paying Agent is open for business with the same force and effect as if mailed on the date of maturity or the date fixed for redemption, and no interest will accrue for the period after such maturity date. The Indenture defines "Business Day" as any day excluding Saturday, Sunday or any other day on which banks in the cities in which the corporate trust office of the Trustee and the principal office of the Paying Agent are located are authorized or obligated by law or other governmental action to close.

PLAN OF FINANCE

General

The Developer has furnished the information appearing below under the caption "The Developer." The information provided below under the caption "The Development" has been furnished by The Developer and by Miller Einhouse Rymer & Boyd, Inc., in its capacity as District Engineer. The information provided below under the caption "The Development" and "The 2004 Project" has been provided by Miller Einhouse Rymer & Boyd, Inc., in its capacity as District Engineer. Severn Trent Environmental Services, Inc. has provided the information provided below under the caption "The 2004 Assessments—Methodology," in its capacity as Financial Advisor. Although believed to be reliable, neither the District, the Underwriter nor their respective counsel, nor Bond Counsel has independently verified the information provided by such parties.

The Developer

The Developer is Harmony Development Co., LLC, a Florida limited liability company (the "Developer") that is wholly owned by Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership and owner of all the land within the District not previously sold in the ordinary course of business (the "Limited Partnership"), the general partner of which is Three E Corporation, a Florida corporation (the "General Partner") and the sole limited partner of which is currently AJG Financial Services, Inc., a Delaware corporation ("AJG Financial"). Three E Corporation is responsible for the day-to-day operations of the Limited Partnership. Related entities that are also subsidiaries of the Limited Partnership are Harmony Golf Facilities, LLC, which operates the golf course and clubhouse, and Harmony Restaurant Facilities, LLC, which operates the restaurant facilities at the clubhouse. The President and owner of Three E Corporation is Mr. James Lenz, who will oversee the development team for the Development. Mr. Lenz has served as an investment banker and financial advisor to governmental entities since 1966. AJG Financial is a subsidiary of Arthur J. Gallagher & Co., ("Gallagher"), an international service provider of property/casualty and employee benefit risk management programs. AJG Financial specializes in alternative investment strategies and tax advantage investments and it manages Gallagher's own investment portfolio. Gallagher's common stock is listed on the New York Stock Exchange under the symbol "AJG." A copy of Gallagher's annual report on form 10K may be obtained from the secretary of Gallagher at Arthur J. Gallagher & Co., The Gallagher Center, Two Pierce Place, Itasca, Illinois, 60143-3141, telephone (630) 773-3800 or at www.ajg.com.

The following individuals are the key employees of the Developer:

Mr. Kent Foreman joined Developer in 2003 and serves as its Senior Manager. Mr. Foreman oversees the Developer's design philosophies, including the land planning, architecture, and landscape architecture of the community's various land uses. He is a licensed landscape architect who has over 25 years of experience as a Land Planner/Landscape Architect for a number of prominent design firms. Before coming to the Developer, Kent served as Senior Vice President for one of Florida's most prestigious planning and architectural firms, The Evans Group. Mr. Foreman has appeared as guest speaker for such organizations as the National Association of Home Builders, the International Builder's Show, and the Southeast Building Conference. He has been the recipient of numerous national and regional planning and landscape architectural awards.

Vence Smith, Jr. serves as a Senior Manager of the Developer and will be in charge of real estate development. Mr. Smith, a licensed real estate broker since 1970, has over 30 years of experience in all forms of mixed-use development projects, and has served as a regional vice president for a national homebuilding company. He has been involved in developing over 15,000 residential lots in the southeastern United States.

Julie Arnold serves as Comptroller for the Developer and its subsidiaries. She has been a Florida Certified Public Accountant since 1995. She has fifteen years accounting experience in real estate development and property management of apartment communities, and is a graduate of the University of Central Florida.

Jean O'Keefe serves as Director of Administration for the Developer and oversees all administrative functions, including human resources and insurance. She directs and coordinates human resources activities, such as employment, compensation, labor relations, benefits, and employee services, and develops and implements personnel policies and procedures. Ms. O'Keefe also oversees payroll and worker's compensation, insuring that all programs comply with federal and state law. During her career, Ms. O'Keefe has worked as an executive assistant in the fields of finance, investment banking, legal, and law enforcement.

Jay DeGioia. Harmony Restaurant Facilities, LLC, is managed by the owners of Sam Sneads/Dubsdead, which manages a total of three restaurants. Jay DeGioia manages the day to day operations at Harmony. Mr. DeGioia has spent a total of thirteen years with Golden Foods, opening and operating pizza and pasta restaurants in Connecticut. He developed the Hot and Speedy Pizza Chain, which is franchised throughout Connecticut, and worked as a manager for Ground Round Restaurants, Burger King Corporation, and Steak and Ale before joining Walt Disney World in 1994. He spent four years at Disney's MGM Studios as a Chef, Restaurant Manager, and buffet Manager at 50's Prime Time café, Soundstage Character buffet, Mama Melrose Restaurant, Pizza Planet, and Rosie's Red Hots. During his last year at Disney, he was Banquet Manager at the Boardwalk Restaurant. He moved to the Indianapolis area in 1999, and while serving as District Manager for Crystal Food Service, was responsible for food service for the Indianapolis Zoo, Indiana State Museum, NCAA Hall of Champions, Indiana Downs, and the White River State Park. He also oversaw the annual RCA Professional Tennis Tournament's food service. In July, 2004, he became the General Manager of Greenside's Restaurant and Harmony Catering when this new 300 seat restaurant and banquet facility opened.

Lyle Beaver serves as Director of Golf Operations for Harmony Golf Facilities, LLC. Mr. Beaver has over 25 years of experience in the golf industry, including 15 years in Golf Management. He attended Edison Jr. College in Ft. Myers, Florida on a Golf Scholarship with studies in Business Administration. Upon graduation, he was hired on as an Assistant Golf Pro at Licking Springs Trout and Golf Club in Newark, Ohio. He later relocated to Florida and served as an Assistant Golf Pro at Tuscawilla Country Club in Winter Springs, Florida, where he continued to work toward PGA status. After obtaining his PGA status, he became Head Golf Pro at Deland County Club in Deland, Florida, where he was promoted to General Manager. Mr. Beaver's management career spans private, semi-private, and resort golf facilities. He is a 12 year member of the PGA, Certified Food and Beverage Manager, and member of the Club Managers Association. He has a strong background in sales and marketing, accounting, and golf course maintenance as well.

Jason Moore, who is originally from Woodridge, Illinois, serves as Grounds Superintendent for Harmony Golf Facilities, LLC. He has served as Director of Golf Maintenance IGM at Mystic Dunes Golf Club, Central Florida Regional Manager IGM, Golf Course Superintendent IGM at Twin Rivers Golf Club in Oviedo, Florida and Palm Aire Country Club in Pompano Beach, Florida. He interned for one year at Boca Woods Country Club in Boca Raton, Florida, and one year at Southern Hills Country Club in Tulsa, Oklahoma, which was the site of the 1994 PGA Championship tournament.

Roy Walbridge, Manager of Harmony's Welcome Center, has almost 30 years of experience in the real estate and development industry. Mr. Walbridge has spent the past six years managing, consulting, selling, and leasing both residential and commercial properties in Central Florida. He is licensed in Community Association Management and as a real estate salesperson. Prior to moving to central Florida, Mr. Walbridge lived in south Florida, where he acted as a manager and consultant for over 130 communities and associations from conception to association turnover, including multiple Arvida planned unit developments. He also served as a Senior Vice President for the development of Palm-Aire communities in Broward County, Palm Beach County, Martin County, and Sarasota County.

The Development

General.

Harmony DRI (the "Development") is an approximately 11,030 acre District of Regional Impact project designed as a mixed-use community and located along U.S. 192 in eastern Osceola County. The Developer purchased 10,084 acres of the Development in August, 1998 for \$2,500 per acre in which transaction the seller took back a \$15.5 million mortgage, and purchased the balance of the property in

two (2) separate transactions. Final payment on the \$15.5 million mortgage was made on September 1, 2004.

The Development is located in unincorporated Osceola County. It is approximately 20 miles southeast of the Orlando International Airport and 5 miles east of the City of St. Cloud. It is 12.5 miles from a Florida Turnpike interchange and 22 miles from an Interstate highway 95 interchange. With respect to drive times, it is about 45 minutes from the Orlando area attractions (Disney World, EPCOT, Universal Studios), and about 45 minutes from the Atlantic Ocean beaches (City of Melbourne). U.S. Highway 192-441, which runs through and along the southern boundary of the Development, is currently a two-lane highway in the vicinity of the Development.

The Development of Regional Impact

The DRI approved area is a master planned community designed as a mixed-use community and will be designed as a Traditional Neighborhood Development (“TND”).

The Developer, the Florida Department of Community Affairs, and Osceola County have reached an agreement on all issues regarding the DRI, except for one issue, Condition 58, which requires the Developer to finalize an agreement with the Florida Department of Transportation prior to final approval of all other conditions. The Developer anticipates that the agreement with the Florida Department of Transportation will be finalized prior to January 31, 2005. In conjunction with the Corrected Fourth Amended and Restated Development Order dated September 23, 2004 (the “Development Order”), The Harmony Comprehensive Plan Amendment revised September 23, 2004, adopted the Harmony Rural Community Overlay as part of the Future Map to guide development as follows:

1. The Harmony Rural Community includes residential, commercial, office, and industrial uses and has a minimum parcel size of 5,000 acres.
2. The Harmony Rural Community includes development that potentially meets 100% of the neighborhood and community shopping needs and 50% of the employment needs for the residents of the community; the nonresidential uses shall be developed and constructed concurrently with the residential uses in a timely manner to ensure that the community develops in a mixed nature as proposed.
3. The community consists of a single development designated as a Development of Regional Impact pursuant to Chapter 380, Florida Statutes, and submitted as a planned unit development.
4. The community will not have a density greater than two dwelling units per gross acre if it has 50% to 70% open space, and a density greater than three dwelling units per gross acre if it has more than 70% open space. In these policies, both the “Harmony Recreation/Open Space” and “Harmony Conservation” land use classifications may be utilized.
5. Residential densities will be linked to a pedestrian-oriented Town Center, with higher density development generally occurring in the core of the Town Center.
6. The community will utilize central water and sewer services, except as in those areas indicated on the Harmony Future Land Use Map, where it can reasonably be demonstrated that:
 - a. The overall residential development densities in those designated portions do not exceed 460 units; and
 - b. Site soil percolation and groundwater quality conditions are amenable to the use of individual on-site water supply wells and/or septic tank/drain field systems.
7. The community shall contain a mix of land uses that complement single-use developments that already exist in the area.
8. The community will have at least 50% open space; the development activities must not encroach upon wetlands except for crossings consistent with the Harmony Conservation future land use

classification; and measures must be taken to conserve environmentally sensitive lands. Recreation/Open space may be used in conjunction with passive recreational activities with the underlying use of the land.

9. At least 20% of the residences constructed within the community will be affordable to low-income households, unless a reasonable demonstration is made that available low-income housing is located within the 20-minute/10-mile travel distance surrounding the community, and the extent of projected affordable housing needs is projected to be accommodated by the available off-site housing supply.

10. The Development shall bear fair share costs for extension of services and facilities needed to serve the development.

11. The project will not be approved unless financial assurances are provided that the levels of service for any County or State facility will not be lowered by the Development below the adopted standard.

12. The total development within the community shall not exceed the following maximum build-out levels:

| | |
|---------------------------|-----------------------|
| Single-Family Residential | 5,750 units |
| Multi-Family Residential | 2,000 units |
| Resort Residential | 1,250 units |
| Commercial | 437,500 square feet |
| Office Uses | 625,000 square feet |
| Light Industrial Uses | 1,250,000 square feet |

13. Development within the community shall strive to achieve the following minimum use goals:

| | |
|---------------------------|---------------------|
| Single-Family Residential | 3,450 units |
| Multi-Family Residential | 1,200 units |
| Resort Residential | 750 units |
| Commercial | 282,500 square feet |
| Office Uses | 375,000 square feet |
| Light Industrial Uses | 750,000 square feet |

14. For non-residential and uses other than light industrial, there shall be the issuance of building permits for a minimum of 300,000 square feet of non-residential land uses within the Harmony DRI prior to the issuance of residential building permits for more than 3,000 dwelling units. Prior to the issuance of residential building permits for more than 5,100 dwelling units, there shall be the issuance of building permits for a minimum total of 550,000 square feet of non-residential land uses (cumulative with the initial 300,000 square feet) within the Harmony DRI. Non-residential land uses include commercial, office, and institutional uses (including school uses). The high school is deemed not to exceed 225,000 square feet.

15. For light industrial uses, prior to the issuance of residential building permits for more than 5,100 dwelling units, there shall be the issuance of building permits for a minimum of 400,000

square feet of light industrial uses consistent with the uses permitted for the community within the Future Land Use category within the Harmony DRI.

16. The right to develop subject to the terms, general provisions, and conditions of the Development Order shall terminate on the expiration date of the Development Order, which is December 31, 2025. The above time limitations maybe extended on the County's finding of excusable delay, and no adverse impacts resulting from the delay.

17. The Developer shall be responsible for funding and implementing the sandhill crane management plan, a copy of which is an exhibit to the Corrected Fourth Amended and Restated Development Order. Such plan establishes foraging habitat within the Phase 1 golf course, and shall also include the preservation and maintenance of 90 acres of grasslands. This plan includes a commitment by the Developer to fund and operate a perpetual maintenance system for the preserve areas and the golf course.

18. There shall be no more than one boat ramp access to Cat Lake, two-ramp access to Buck Lake, and one ramp access to the canal system. There shall be no clearing of shoreline vegetation other than the specific area necessary to construct the walkway for each dock and for the exact area occupied by each boat ramp. Access to docks through wetlands shall be by boardwalk only. There shall be no removal or cutting of trees greater than 3" in diameter at breast height for the construction of each boardwalk. Boardwalks shall be elevated a minimum of 3 feet above ground level or ordinary high water within the wetlands to allow continued growth of ground cover, allow movement of water and facilitate movement of wildlife. High-speed motorboats will not be allowed in Cat or Buck Lakes.

19. Gopher tortoises are known to occur on the property. Prior to development within the upland areas of the Development, it is required that appropriate surveys be conducted for the presence and density of population of gopher tortoises, a species of special concern that has been known to occur on the property. Permits for development shall be obtained prior to construction activities. Mitigation for impacts to gopher tortoises should be accomplished by expanding the existing on-site gopher tortoise preserve and/or provide another approved on-site area.

20. The use of septic tanks will be limited to 60 estate lots on the north side of Cat Lake and up to 400 units designated for the rural residential land areas as defined in the Development Order.

21. The Harmony DRI shall not commence beyond Phase 1 (an equivalent of 2,100 external peak hour trip ends or 20,000 external daily trips, or December 31, 2006, whichever occurs first) into Phase 2 when service levels are below the minimum service level adopted in the applicable local government's comprehensive plan during the peak hour and the project contributes, or is projected to contribute with the next phase of traffic, five percent of the adopted LOS service volume of the roadway or intersection as determined by the monitoring program required in the preceding condition, unless mitigation measures and/or improvements are secured and committed for completion of construction during the Phase 1 in which the impacts occur. This provision shall also apply prior to advancing into Phase 3 (based on either phase trip threshold or date, whichever occurs first).

22. The DRI shall fund the construction of left and right-turn deceleration lanes at all project entrances. These improvements shall be constructed when such project entrances are created. The DRI shall fund the cost of signalization at project entrances and internally to the site when deemed warranted by Osceola County or the FDOT. Access along state facilities shall conform to the existing FDOT rules at the time of creation. Access to all roadways shall be limited to the greatest extent possible.

23. The development shall continue to meet or exceed the energy saving techniques equivalent to the Energy Star standard for new homes per the request of the DRI.

The Development Order also calls for the on-site wetland systems, upland buffers, other conservation tracts, and mitigation areas to be regarded as preservation areas for the purpose of protecting their natural

attributes. These areas shall have their developmental uses restricted by conservation easement as provided in the Florida Statutes. Additionally other areas have been set aside for preservation, including an imperiled xeric oak/sand pine community, xeric oak community along Cat Lake and contiguous wetlands of Jug Creek Swamp, and a colony of southern tuber clad orchid located south of Cat Lake.

The Development Order also states that the DRI will not be subject to down zoning, unit density reduction or intensity reduction for a period of ten years from the effective date of the Development Order unless it is demonstrated that substantial changes in the conditions underlying the approval of the Development Order have occurred, or that the Development Order was based on substantially inaccurate information provided by the Developer, or that the change is clearly established by the County to be essential to the public health, safety or welfare.

A complete copy of the Development Order may be obtained as described under “SUITABILITY FOR INVESTMENT” herein. The Developer and the District Engineer will certify in connection with the issuance of the Bonds that they know of no reason why all conditions of the Development Order will not be complied with as required.

Development Plan

The breakdown of the projected product types and projected development is shown in the table below.

| Product Type | Total Units |
|--|--------------------|
| <i>Residential</i> | |
| 80' Wide Lots | 84 |
| 65' Wide Lots | 116 |
| 52' Wide Lots | 180 |
| 42' Wide Lots | 234 |
| 35' Wide Lots | 208 |
| Town Homes | 389 |
| Condominiums | 305 |
| Apartments | 356 |
| | |
| <i>Total Residential</i> ⁽¹⁾ | |
| | |
| Golf Course | 244 acres |
| Commercial ⁽¹⁾ | 230,000 sq. ft. |
| Office ⁽¹⁾ | 395,000 sq. ft. |

Source: The Developer

(1) Developer has the ability to increase residential density to 2,146 units, commercial to 350,000 sq. ft., and office to 500,000 sq. ft.

The following table sets forth the Developer’s expectation of absorption for the second and third phases of the Development.

Sales Forecast

| <i>Residential</i> | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2009 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 80’ Wide Lot | 2 | 0 | 21 | 13 | 36 | 0 | 12 |
| 65’ Wide Lot | 4 | 8 | 42 | 24 | 38 | 0 | 0 |
| 52’ Wide Lot | 8 | 16 | 50 | 26 | 64 | 0 | 16 |
| 42’ Wide Lot | 18 | 22 | 43 | 44 | 87 | 0 | 20 |
| 35’ Wide Lot | 12 | 18 | 22 | 42 | 96 | 0 | 18 |
| Townhomes | 0 | 0 | 186 | 77 | 126 | 0 | 0 |
| Condominiums | 0 | 0 | 0 | 0 | 0 | 305 | 0 |
| Apartments | 0 | 0 | 0 | 0 | 160 | 196 | 0 |
| | | | | | | | |
| Totals | 44 | 64 | 364 | 226 | 607 | 501 | 66 |

Source: The Developer

Note: Developer has the ability to increase density to 2,146 units, commercial to 350,000 sq. ft., and office to 500,000 sq. ft.

The anticipated absorption rates are based on estimates and assumptions made by the Developer, and are subject to significant business, economic, and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of the Developer. As a result, there can be no assurance such absorption rates will occur or be realized in the time frames anticipated.

Based on the absorption schedule above, the table below sets forth the projected assessment obligations by property type including residential, commercial, and undeveloped. As shown below, the Landowner will remain obligated to pay the Assessment obligations until all of the property has been absorbed. The Developer expects to continue to transfer this Assessment obligation to the future phases of property development within the District until the entire obligation has been transferred in its entirety. Until such time, all of the undeveloped property in the District will continue to be obligated with an assessment lien to secure the 2004 Bonds.

Parks

The Development includes active and passive recreational parks, specifically, active recreation; general use; pet friendly; and the cornerstone of the community, the linear park along the south shore of Buck Lake. The active recreation parks include ball fields and hard court facilities, such as tennis and basketball. Playground equipment is also included. The general use parks include park benches and recreation equipment appropriate to the site. The pet friendly parks are fenced and hedged, and have pet waste disposal facilities. The general use and pet friendly parks are built concurrently with the residential neighborhoods that they serve.

The Buck Lake Park is a linear park that tracts the southern shore of the lake. It is designed to protect lakeshore wildlife habitat, and to allow all residents access to the lakeshore area.

Preserves

More than 6,000 of the Development's acres will be set aside as a nature sanctuary. Miles of trails meander through the preserves. No homes will be built along the shores of the 505-acre Buck Lake or the 465 acre Cat Lake. The entire community is Dark-Sky compliant, providing enjoyment of the night sky for all residents.

Schools

Pursuant to a Public School Mitigation Agreement dated November 13, 2000, between the School District of Osceola County (the "School District") and the Developer, the School District has accepted from the Developer a 67.41 acre high school site on the south side of U.S. 192, adjacent to the Development. The new High School (\$38 million) opened in 2004. The Charter School is on 4 acres adjacent to a 6-acre park. The School District and the Developer worked with the Florida Department of Transportation to build a pedestrian underpass under U.S. 192, connecting the community and the high school site. The underpass, together with the widening of U.S. 192, was completed in August of 2004.

A new Charter School for grades K-8 has also been opened within the District. The charter contract allows for a K-8 educational facility with approximately 80 pupils per grade or a total of 720 student stations. The applicant on the contract was the Harmony Neighborhood School, Inc., a 501(c)(3) not-for-profit corporation (the "Harmony School"), created specifically for this purpose. The Harmony School was responsible for the development and implementation of the charter school. The Charter School is located on 5 acres adjacent to a 9.5 acre planned recreational park.

Traditional Neighborhood Development

In accordance with the requirements of the Harmony DRI, the community will be built using the design principles of Traditional Neighborhood Development (TND). These principles will be used throughout the community, including the residential, Town Center, and office areas.

Residential lots and blocks will be formed into small neighborhood groupings. Parks and open spaces will separate the neighborhoods. Small parks will be included within each neighborhood. Active recreation parks will be situated within reasonable walking distance from each neighborhood.

The neighborhood blocks will be relatively short, and will be designed in grid-like patterns. Paved alleys will service the rear of most lots. Alleyways will be constructed of sufficient size to preclude the necessity for three point turns for vehicular entrance into garages. Garages will be set back from the front elevations of the houses. Most garages will be detached. On-street parking will be encouraged. Front porches and street trees will be used to encourage pedestrian friendly neighborhoods.

The Town Center and two village commercial sites are located to provide residents with pedestrian access to retail and convenience shopping, as well as dining and entertainment.

The community will have bike paths and pedestrian paths, which will thread through and around the neighborhoods.

Housing Design and Mix

Pursuant to an agreement with Osceola County, at least 20% of the residential units in the approved portion of the Development must be affordable to low income households.

An important principle of Traditional Neighborhood Development is the mixing of residential styles and price ranges within neighborhoods. Within neighborhoods, and even within blocks, lot sizes and housing styles will vary. Larger neighborhoods will include both single family and multi-family housing. Smaller neighborhoods may be predominately either single-family or multi-family, but may have a variety of lot sizes and housing prices.

Neighborhoods will not be segregated by price range. Each neighborhood will offer a range of housing prices and sizes consistent with the character of the surrounding amenities. There will be no gated communities, and there will be no parks or recreation amenities limited to single neighborhoods. The neighborhoods will be similar in design to the neighborhoods in Abacoa, a traditional neighborhood development in Jupiter, Florida.

The price of housing within a neighborhood will be determined by both market demand and the characteristics of the individual blocks. For example, lots located on a block that fronts a golf course fairway may command premium prices. Consequently, the lots facing the fairway may be designed to accommodate larger homes. Other homes within the same neighborhood, or block, may be smaller.

It is anticipated that single-family detached lots may range in width from as low as 35 feet to over 100 feet. This diversity is a cornerstone of traditional neighborhood development. However, the Developer and the community association, through deed restrictions and architectural standards, will strictly control the quality of construction of the housing. Siding materials, roofing materials, and other elements that control the quality of the housing will be written into the architectural standards. The standards will be outlined in the community association documents and enforced by the community association board. An Architectural Review Board (ARB) will ensure that the plans for all houses and all buildings are consistent with the design standards. A town planner or town architect, appointed by the community association, will chair the ARB.

The Developer anticipates that the homebuyers within the Development will be predominantly primary home buyers (family and retirees) with some second home buyers.

Golf Course

The privately funded and owned Harmony Golf Preserve and Clubhouse have been completed. The golf course is a 7,428 yard, 18-hole Johnny Miller signature course set amid protected wetlands and wildlife. The Harmony Golf Preserve includes a 16,090 square foot Clubhouse, which includes a pro shop, men's and ladies' locker rooms, the 19th Hole tavern, taproom, and banquet facilities. Greenside's Restaurant, a steak and seafood eatery, is located at the Harmony Town Center adjacent to the Harmony Golf Preserve.

Mortgages

Certain property within the District secures a line of credit to the Developer by Franklin Bank of Texas, in the amount of \$20 million of which approximately \$17 million is currently drawn down and outstanding.

Harmony Institute

A portion of the development will be the home of the Harmony Institute ("Institute"), a not-for-profit 501(c)(3) entity. The Institute's mission is to showcase and study the benefits from human interactions with animals, wildlife, and nature. The Institute's philosophy is intended to be an integral part of the community. The Institute will have an advisory role in providing input regarding certain aspects of the Development such as the use and design of certain parks and other recreational activities of the Development. The Institute may also include a campus of the Albert Schweitzer Institute, an educational and research facility having a common focus and mission as the Institute. Also, included as part of the Institute will be the Model Program Showcase, which emphasizes the benefits of these interactions. The Model Program Showcase has initially identified three existing organizations that are expected to be components of the Program. They are Paws with a Cause, a national organization that trains dogs for the handicapped; Back to Nature Wildlife Refuge, involving the rescue, rehabilitation, and release of wildlife, and Personal Ponies, providing handicapped and critically ill children with miniature Shetland ponies. The participating program showcase partners are existing organizations that will be responsible for raising their own funds.

The Harmony Institute has been gifted 100 acres within the DRI. The Institute was originally formed by the wife of the President of the General Partner (Three E Corporation). Also, an additional gift of 25% of the shares of the Three E Corporation was donated to the Institute as a future endowment to the Institute.

Competition

The area surrounding the Development is largely undeveloped or developed as low density residential. It is anticipated, however, that the Development's residential sales will compete with four existing TND communities located in the southern and southeastern market areas of the Orlando metropolitan area. Avalon, which is located 15 miles north and west of the Development, is a TND community containing residential units, a town center, 600 acres of preservation areas, and 258 acres of man-made lakes. Avalon opened for sale in March 1999 and sold 175 residential units in its first year. Northlake at Lake Nona, which opened in March 2000, is located adjacent to the Orlando International Airport. In addition to residential units, it will offer an elementary school in the town center, a wellness center, and recreational parks. It will be offering town homes, single-family detached production homes, and semi-custom homes. Stevens Plantation is located approximately 15 miles west and south of the Development and is a mixed-use community that will open at the end of 2005. Celebration, Disney's successful TND community, is located on U.S. Highway 192, approximately 20 miles west of the Development.

Construction Timeline

Infrastructure construction for Phase 2 and Phase 3 is projected to commence in late 2004 and continue through most of 2005 for the final phases of master infrastructure. Once completed, the Phase 2 and Phase 3 infrastructure will allow the sale and use of the marketable properties within the remaining areas of the District. See "THE 2004 PROJECT" herein.

Ownership and Value of Land Within the District

The land within the District, other than that which has been sold in the ordinary course of business, is owned entirely by Birchwood Acres Limited Partnership, LLLP.

Venture Financing

Arthur J. Gallagher & Co. ("AJG") has requested to be released from the credit support on the Capital Improvement Revenue Bonds, Series 2001. As a result, Municipal Mortgage & Equity, LLC ("MMA") will be providing credit support. The purpose of the credit support is to assure that there is sufficient funds available to pay the debt service on the bonds. The proposed transaction, as documented in the Amended and Restated Debt Service Reserve Fund Deficiency Agreement, will include the release of the \$5.0MM Reserve Account Letter of Credit, provided by Harris Bank, and the \$5.1MM AJG Future Advance Obligation, in lieu of which MMA will provide a \$10.1MM guaranty.

Millage

The District Lands have been and are expected to be subject to taxes and assessments imposed by taxing authorities other than the District. These taxes would be payable in addition to the Special Assessments and any other assessments levied by the District. The District has no control over the level of ad valorem taxes and/or special assessments levied by other taxing authorities. It is possible that in future years taxes levied by these other entities could be substantially higher than in 2003.

The taxing authorities and millage rates for the District Lands include the following:

| Taxing Authority | Millage Rate |
|---|---------------------|
| Osceola County, Florida | 5.990 |
| MSTU | .660 |
| Osceola School | 5.540 |
| Discretionary Fund | .689 |
| Capital Outlay | 2.000 |
| South Florida Water Management District | .284 |
| Okeechobee Basis | .313 |
| Everglades | .100 |
| Osceola Voted Debt | .285 |
| Osceola Library | .500 |
| Total Millage | 16.361 |

Source: Developer

Utilities

In accordance with that certain Harmony Transition Interlocal Agreement by and among the District, the Limited Partnership, Osceola County (the “County”), and the City of Kissimmee (“City”) adopted as of April 1, 2003, and recorded in Official Records Book 2233, Page 1582, of the Public Records of Osceola County, Florida (the “Interlocal Agreement”), the City has purchased the water and waste water system (the “Harmony System”), including all real property interests owned, used, or controlled in conjunction with the operation of the Harmony System, as well as non-potable, reuse, and reclaimed water, treatment plants, wells, collection, transmission, distribution, pumping, effluent and disposal facilities used in the operation of the Harmony System. The City and County have created the Tohopekaliga Water Authority (the “Authority”), which operates the Harmony System. The Interlocal Agreement provides, under certain circumstances, for the transfer of the Harmony System from the City to the Authority or the County. Pursuant to Section 3.05 of the Interlocal Agreement, the City covenanted that it will timely maintain and provide adequate capacity to the district to meet water and wastewater requirements of the District through build-out.

Distinction Between the 2004 Project and the Development

The District is not responsible for development of the Development. No part of the Development will directly secure payment of the 2004 Bonds, either by mortgage, pledge or otherwise (except that the assessable land within the District, and therefore the assessable land within the Development, will be subject to the lien of the Special Assessments.

Among other factors, the successful or non-successful, as the case may be, development of the Development may have a significant impact upon payment of the Special Assessments and therefore upon payment of the 2004 Bonds.

The materials and discussion contained herein with respect to the Development and the Developer are not intended as, and may not be construed as, representations by the District or the

Underwriter that such development will take place or be completed in accordance with present intentions or agreements, or that such intentions or agreements will not be changed, amended, breached or rescinded in the future. The District does not have the right to control the actions of the Developer.

Land Sales

Of the 496 lots in Phase 1, 13 lots are still owned by the Limited Partnership, 3 of the 13 lots are parking lots for model homes. The balance, 483 lots, have been sold to either builders or end users. Of that 483 lots, 472 are closed or closing in 2004 and the remaining 11 lots are under contract and will close in 2005. Of the 472 owned by either builders or end users, 118 homes are closed and 120 homes are either under contract or under construction. Another 186 additional lots have recently closed with the builder, D.R. Horton. Town homes will be built on this parcel. This product has not been offered yet; however, there is a waiting list of over 1,000 names. Total unsold inventory by either the Limited Partnership or builders is 72 lots (which includes 11 models or parking lots). To date, there are 325 residents in the Development.

Builders in the Development, other than D.R. Horton, include Inland Homes, MWA Builders, Wetherington Builders, Robertson Homes, Distinctive Homes, and Royal Development. All builders must staff and maintain models.

The Limited Partnership owns approximately 25,000 square feet in the Town Center for the Clubhouse, Welcome Center, and Office. To date no other commercial property within the District has been sold; however, there are several offers for development of approximately 75,000 square feet, which are in early stages of contract negotiations.

Sales and Information Center

The approximately 6,000 square foot Information/Welcome Center is located within the Development at the Town Center. It occupies the first floor of a 6,000 square foot building. The Welcome/Information Center has eight full-time employees.

Marketing

The Developer has prepared a comprehensive marketing program for the Development utilizing print, broadcast, direct mail advertising, public relations, billboards, and other means of communication. These programs present and promote the various lifestyle options available in the Development. As noted above, the Developer also operates sales and information facilities, at which employees of the Developer and its affiliates introduce potential homebuyers to the development and provide information on specific lifestyle amenities and home products and, ultimately, sales thereof. In addition, all single-family builders have been or will be required to build models. The Developer also maintains a website with information about the Development (www.harmonyfl.com). The marketing budget for 2005 is \$1,250,000.

Homeowners Association

Each owner of property within District will be required to be a member of a Homeowners Association; however, the primary function is enforcement of CCR's. Homeowners Association dues are less than \$100 per year per homeowner.

Commercial Development

The Town Center is the commercial center of the Development and is planned to include retail stores, restaurants, and a soda shop, and pet café, all within walking distance from the homes. Business parks will be home to offices and light industrial enterprises, again within walking distance of the Development's other attractions.

Permitting

The following permits are required prior to the start of infrastructure construction for District:

- Osceola County (All Site Improvements);
- Florida Department of Environmental Protection (Waste and Wastewater);
- Florida Department of Transportation (ROW/Drainage);
- United States Army Corps of Engineers (Dredge and Fill);
- South Florida Water Management District (Stormwater);

The District Engineer will certify at the closing of the 2004 Bonds that all permits necessary to complete the 2004 Project have either been obtained or, in its expert opinion, will be obtained and that there is no reason to believe that the necessary permits cannot be obtained for the entire development.

Assessments

It is anticipated that the annual assessments for property within District will vary depending on the product type. It is anticipated that the assessments that will remain on the property will range from \$2,000 per unit per year (for single-family units) to \$625 per unit per year (for certain multi-family units). These annual assessment amounts are estimated based upon the Developer's intended buy down of the aggregate assessment. The Developer is not obligated to buy down the assessments. Should the Developer fail to buy down the assessments, payment of the interest and principal of the entire annual assessments would also be an obligation of the property owner. (see **Appendix C--"Third Supplemental Methodology Report"**)

The 2004 Project

General

Proceeds of the 2004 Bonds deposited into the Acquisition and Construction Account will be used to finance, construct, and acquire infrastructure relating to Phase 2 and Phase 3 infrastructure construction within District as described the District Engineer's Report (**Appendix B**) (the "2004 Project").

The community development within the District will be developed in phases in response to market demands. Three phases of major infrastructure construction are anticipated. The Phase 1 infrastructure improvement have been completed and are operational. The 2004 Project is projected to commence in late 2004 and continue through most of 2005 for the final phases of master infrastructure. Once completed, the Phase 2 and Phase 3 infrastructure will allow the sale and use of the marketable properties within the remaining areas of the District. The project also includes a park and landscaping to be constructed between the roadway and the adjacent conservation area.

The infrastructure construction within Phase 2 will begin in 2004. The 2004 Project will be funded by the 2004 Bonds.

The 2004 Project will generally consist of the following:

- Roadways
- Utilities

- Stormwater Management
- Undergrounding of Electrical Infrastructure
- Landscaping
- Wetland Mitigation and Monitoring

Description of Phase 2

Phase 2 of the 2004 Project (“Phase 2”) includes the design, permitting, and construction of approximately 5,500 feet of two-lane roadway infrastructure with utilities and drainage. Phase 2 also includes the construction of one master storm water management pond and one wastewater lift station.

When completed, Phase 2 will provide the roadway and utility infrastructure required to support the completion of the following adjacent development (acreages shown are approximate):

- Charter School and Neighborhood Parks: 9.8 acres
- Residential Development Parcels: 88.3 acres
- Commercial Development Parcels: 14.7 acres
- Community Recreation Amenity Parcel: 2.3 acres

Phase 2 Permits Required

Permits for construction are required prior to the start of the Phase 2 infrastructure construction. Permits from the following agencies will be required:

- Osceola County (All Site Improvements) Expected 12/15/04
- Toho Water Authority Expected 12/15/04
- FDEP (Waste and Wastewater) Expected 1/15/05
- Florida Department of Transportation Expected 1/15/05
- South Florida Water Management District Issued 11/24/04

Phase 2 Status Update

Design of the Phase 2 infrastructure construction plans have been completed. Construction is scheduled to begin in January of 2005.

Description of Phase 3

Phase 3 of the 2004 Project (“Phase 3”) includes the design, permitting, and construction of approximately 7,000 feet of two-lane roadway infrastructure with utilities and drainage. Phase 3 also includes the construction of one master storm water management pond and one wastewater lift station.

When completed, Phase 3 will provide the roadway and utility infrastructure required to support the completion of the following adjacent development (acreages shown are approximate).

- Residential Development Parcels: 142 acres
- Commercial Development Parcels: 21.3 acres
- Community Recreational Amenity Parcel: 7.5 acres

Phase 3 Permits Required

Permits for construction are required prior to the start of the Phase 3 infrastructure construction. Permits from the following agencies will be required:

- Osceola County (All Site Improvements)
- Toho Water Authority
- FDEP (Waste and Wastewater)
- South Florida Water Management District

Phase 3 Status Update

Design of the Phase 3 infrastructure construction plans has been initiated and is scheduled to be completed in March of 2005. Permitting is anticipated to be completed by May of 2005, with construction starting in May or June of 2005.

A description of the 2004 Project, together with a location map, a land use summary of the Development, and a probable construction costs table are included in **Appendix B—“District Engineer’s Report.”**

Opinion of Probable Costs

The following table presents a summary of the totals of probable costs for District ’s infrastructure.

**Opinion of Probable Costs
For the District Infrastructure^{(1), (4)}**

| Construction Schedule | Phase 1 | Phase 2 | Phase 3 | Total |
|--------------------------------------|---------------------|--------------------|--------------------|---------------------|
| Master Infrastructure ⁽²⁾ | \$3,000,000 | \$3,342,100 | \$3,650,900 | \$9,993,000 |
| Mass Grading/Stormwater Facilities | 1,800,000 | 150,000 | 150,000 | 2,100,000 |
| Landscaping/Hardscape | 2,450,000 | 1,200,000 | 1,000,000 | 4,650,000 |
| Recreation/Parks | 1,750,000 | 2,000,000 | 1,000,000 | 4,750,000 |
| Land Acquisition ⁽³⁾ | \$422,000 | \$150,000 | \$408,000 | \$1,312,000 |
| TOTAL | \$13,700,000 | \$6,692,100 | \$5,800,900 | \$26,193,000 |

Source: District Engineer’s Report for the Harmony Community Development District

- (1) The costs are derived from the expected quantities of infrastructure multiplied by unit costs typical of the industry in Central Florida. All costs were based on master plans for each infrastructure item. Provision for professional fees are included. These costs do not include legal, administrative operation, or maintenance services.
- (2) Includes roadways and drainage, water, sewer, reuse, undergrounding of electrical conduit, and entrance ponds.
- (3) Community Lake along Buck Lake
- (4) Revised July 2004

The Completion Agreement

Pursuant to the Completion Agreement that will be executed in conjunction with closing of the 2004 Bonds (the “Completion Agreement”), the Developer has agreed to complete, cause to be

completed, or provide funds to the District to complete the 2004 Improvements (as defined in the Completion Agreement) which remain unfunded from the proceeds of the 2004 Bonds.

The True-Up Agreement

Pursuant to the True-Up Agreement that will be executed in conjunction with closing of the 2004 Bonds (the “True-Up Agreement”), the Developer has agreed, at certain specified times, to make payments that will reduce the assessments on unplatted lands so that the assessments will not exceed \$47,845 per acre.

The 2004 Assessments

The information appearing below under the caption “*Methodology*” has been provided by Severn Trent Environmental Services, Inc., in its capacity as Financial Advisor to District. The information is included herein in reliance upon the expertise of such firm and although believed by the Underwriter to be reliable, has not been independently verified by the Underwriter or its counsel, or Bond Counsel. No person other than the Financial Advisor makes any representation or warranty as to the accuracy or completeness of such information.

1. General. Chapter 170, Florida Statutes, as amended, as authorized for use by Chapter 190, Florida Statutes, as amended, provides that payment of the 2004 Assessments is secured by a lien on the real property in District coequal with all State, County, District and municipal taxes, superior in dignity to all other liens, titles and claims on such real property. District covenants in the Indenture to assess, levy, collect or cause to be collected the 2004 Assessments and to transfer the proceeds of such 2004 Assessments to the Trustee as soon as reasonably practicable after receipt thereof by District.

2. Collection. The District will directly collect the 2004 Assessments until such time as the land to which such 2004 Assessments apply is platted and separate tax identification numbers have been issued by the property appraiser and is sold by the Developer. Thereafter the District will use the uniform method for levy, collection, and enforcement of non-ad valorem assessments set forth in Section 197.3632, Florida Statutes, as amended, pursuant to which the District must certify to the Tax Collector a non-ad valorem assessment roll by September 15 of each year. Under the uniform method of collection, the Tax Collector will include on the tax notice issued pursuant to Section 197.3632 and 197.3635, Florida Statutes, as amended, the dollar amount of the 2004 Assessments so certified. District further intends to ensure that a written agreement with the Tax Collector is entered into and maintained in accordance with Section 197.3632(2), Florida Statutes, as amended, in order to permit the 2004 Assessments to be billed and collected by the Tax Collector pursuant to Section 197.3632, Florida Statutes, as amended commencing at such time as the special assessments have been allocated to land that is platted and separate tax identification numbers have been issued by the tax assessor. See “*Collection and Enforcement Procedures*” below. The terms of such agreements are typically for one year, automatically renewable for successive annual periods.

The Assessment Resolution levying the 2004 Assessments has been adopted and adjusted by the District. The collection method permits up to a 4% discount for early payment of assessments and the assessment amounts. The Tax Collector and Property Appraiser each charge for billing and collecting the 2004 Assessments.

3. Methodology. The District Engineer has identified certain infrastructure that may be provided by the District and has provided a cost estimate of that infrastructure. The infrastructure required and the costs associated with this infrastructure can be found in the District’s Engineering Report dated July, 2004.

The 2004 Assessments are allocated and levied among the various specially benefited parcels in District on the basis of the following premise. Prior to platting, assessments will be levied on all assessable land on an equal acreage basis. The debt incurred by the District to fund the infrastructure program is allocated to the properties receiving special benefits on the basis of development intensity and density in accordance with the Assessment Methodology Report (See **Appendix C – Third Supplemental Methodology Report**). The responsibility for the repayment of the District’s debt through assessments will ultimately be distributed in proportion to the special benefit to the land within the District, as it may be classified within each of the land use categories. With regard to the Roadway improvements, the debt has been allocated first, based on TRIPS (trip generation rates) and second, based on a usage factor adjusting for actual location of property within the project and projected traffic usage for that location. With regard to Park Related improvements, the debt has been allocated first to all the residential property benefiting from the park facilities, and then on an ERU (Equivalent Residential Unit) basis, assuming a lower density unit will have a higher utilization of the park system than will the higher density unit. The base unit is the 4.5 DU (Density Units) per acre product. It has been assigned an ERU value of 1. A fair and reasonable apportionment of benefit will be derived for all other residential and non-residential land use categories based on their relative density as compared to the 4.5 DU/Acre product. With regard to all other improvements to be constructed, such as street lighting, underground power, and stormwater facilities, the debt will be allocated again based on Equivalent Residential Units to both the residential and non-residential uses. The ERU values are delineated in Table 5 of the Third Supplemental Special Assessment Methodology for the Harmony Community Development District.

For more information, see **Appendix C—“Third Supplemental Methodology Report.”**

4. Prepayment. Pursuant to the terms of applicable state law, the owner of property subject to 2004 Assessments may pay the entire balance of the Assessment remaining due, without interest, within thirty days after the 2004 Project has been completed and the Board of Supervisors has adopted a resolution accepting the 2004 Project as provided by Florida Statutes, Section 170.09, as amended. The Assessment Resolutions levying the 2004 Assessments provide that the owner of any property subject to the 2004 Assessments may, after the 30-day period described above, (i) pay the remaining unpaid balance, plus certain interest to accrue, at any time and (ii) pay a portion of the remaining unpaid balance, but only one time. The 2004 Bonds will be subject to extraordinary mandatory redemption, in whole on any date or in part on any Interest Payment Date at a redemption price of 100% of the principal amount of thereof, without premium, together with accrued interest to the redemption date, from amounts deposited into the 2004 Prepayment Subaccount, of the 2004 Redemption Account representing such prepayments (see **“SECURITIES BEING OFFERED—Redemption Provisions—Extraordinary Mandatory Redemption”** herein).

5. Collection and Enforcement Procedures. The primary sources of payment for the 2004 Bonds are the 2004 Assessments imposed on lands within District subject to assessment pursuant to the Assessment Resolutions. To the extent that landowners fail to pay such 2004 Assessments, delay payments, or are unable to pay the same, the successful pursuance of collection procedures available to District is essential to continued payment of principal of and interest on the 2004 Bonds. The Act provides for various methods of collection of assessments, including delinquent assessments, by reference to other provisions of the Florida Statutes. The following is a description of certain statutory provisions of special assessment payment and collection procedures appearing in the Florida Statutes, but is qualified in its entirety by reference to such statutes.

District will levy 2004 Assessments that will be payable in no more than 30 annual principal installments. Pursuant to Florida law District has held all public hearings and taken all other steps necessary to use the uniform method of collecting and enforcing non-ad valorem assessments by the Tax Collector. It is anticipated that District will directly collect the 2004 Assessments until such time as the

land encumbered by such 2004 Assessments is platted and a separate tax parcel identification number has been issued by the property appraiser for that land and has been sold by the Developer. Unless District is using the uniform method of collecting the 2004 Assessments provided by Chapter 197, Florida Statutes, District must collect delinquent assessments in accordance with Section 170.10, Florida Statutes, by instituting the necessary legal proceedings to enforce payment through foreclosure of the lien on the property or, alternatively, pursuant to Chapter 173, Florida Statutes. Once the District begins utilizing the uniform method of collection, District intends annually to take such further actions as are required to effectuate the collections of 2004 Assessments under the uniform method of collection provided by Sections 197.3631, 197.3632 and 197.3635, Florida Statutes, as amended.

The determination, order, levy and collection of 2004 Assessments must be done in compliance with procedural requirements and guidelines provided by law. All taxes and non-ad valorem special assessments shown on the tax notice must be paid in whole, as the Tax Collector cannot accept partial payments. Failure by the District, the Tax Collector or the Property Appraiser to comply with such requirements could result in delays in the collection of, or the complete inability to collect, annual installments of 2004 Assessments during any year pursuant to the uniform method. Such delays in the collection of, or complete inability to collect, annual installments of 2004 Assessments pursuant to the uniform method could have a material adverse effect on the ability of the District to make full or punctual payment of debt service on the 2004 Bonds (see **“RISK FACTORS”** herein).

Taxes for each year and non-ad valorem assessments billed by the Tax Collector on the tax notice are payable during the period commencing November 1 of such year and ending March 30 of the following year. If the amounts on the tax notice (including the annual installments of 2004 Assessments) are paid during the November following the billing or during the succeeding three months, the taxpayer is granted a discount equal to four percent (4%) in November and decreasing one percent (1%) per month to one percent (1%) in February. All unpaid levies become delinquent on April 1 of the year following the November in which they are billed. Commencing in April, a one percent (1%) per month penalty accrues on the unpaid tax notice. Delay in the mailing of tax notices to taxpayers may result in a delay throughout this process.

Collection of delinquent taxes and assessments is, in essence, based upon the sale by the Tax Collector of “tax certificates” on the assessed parcel and the remittance to District of the proceeds of such sale. In the event of a delinquency in the payment of taxes or non-ad valorem special assessments, the landowner may, prior to the sale of tax certificates, pay delinquent taxes plus an interest charge of up to eighteen percent (18%) per annum on the amount of delinquent taxes. If the landowner does not act, the Tax Collector is required to sell a tax certificate to the person who pays the levies owing and interest and penalties thereon and certain costs, and who accepts the lowest interest rate (not to exceed 18% per annum) to be borne by the certificate. If there are no bidders, the County is to hold, but not pay for, tax certificates with respect to the property, bearing interest at the maximum legal rate of interest. The County may sell such certificates to the public at any time at the principal amount thereof plus interest at the rate of not more than eighteen percent (18%) per annum and a fee. The demand for such certificates is dependent upon various factors which include the interest (and the rate thereof) which can be earned by ownership of such certificates and the value of the land which is the subject of such certificates (which may be subject to “tax deed” sale after 2 years at the demand of the certificate holder). The underlying market value of the property in the District should determine the demand for such property and the expectation of successful collection of delinquent annual installments of 2004 Assessments thereon which are the primary source of payment of the 2004 Bonds.

Any tax certificate in the hands of a person other than the County may be redeemed and canceled by anyone prior to the time a tax deed is issued or the property is placed on the list of lands available for sale. The person effecting such redemption must pay the face amount of the certificate and interest at the

rate borne by the certificate plus costs and other charges. Regardless of the interest rate actually borne by the certificates, persons redeeming tax sale certificates must pay a minimum interest rate of five percent (5%), unless the rate borne by the certificates is zero percent (0%). The proceeds of such a redemption are paid to the Tax Collector, who transmits to the holder of the tax certificate such proceeds less service charges, and the certificate is canceled. Redemption of tax certificates held by the County is effected by purchase of such certificates from the County, as described below.

The private holder of a tax certificate that has not been redeemed has seven years from the date of issuance of the tax certificate in which to act against the property. After an initial period of two years from April 1 of the year of issuance of the tax certificate has passed, during which time action against the land is held in abeyance to allow for sales and redemptions of tax sales certificates, such holders may apply for a tax deed. The applicant is required to pay the Tax Collector all amounts required to redeem all other outstanding tax certificates covering the land, any omitted taxes or delinquent taxes, current taxes, if due, and interest. Thereafter, the property is advertised for public sale.

In any such public sale, the private holder of the tax certificate who is seeking a tax deed for non-homestead property is deemed to submit a minimum bid equal to the amount required to redeem the tax certificate, and charges for cost of sale, redemption of other tax sales certificates on the land, and the amounts paid by such holder in applying for the tax deed, plus interest thereon. In the case of homestead property, the minimum bid must include, in addition to the amount of money required for the opening bid on non-homestead property, an amount equal to one-half of the assessed value of the homestead. If there are no higher bids, the holder receives title to the land, and the amounts paid for the certificate and in applying for a tax deed are credited toward the purchase price. If there are other bidders, the holder may enter the bidding. The highest bidder is awarded title to the land. The portion of proceeds of such sale needed to redeem the tax sale certificate (and all other amounts paid by such person in applying for a tax deed) are forwarded to the holder thereof or credited to such holder if he or she is the successful bidder. Excess proceeds are distributed first to satisfy governmental liens against the property and then to the former title holder of the property (less service charges), lien holders of record, mortgagees of record, vendees of recorded contracts for deeds, other lien holders and persons to whom the land was assessed on the tax roll for the year in which the land was last assessed, all as their interests may appear.

If the County holds a tax certificate and has not succeeded in selling it, the County may apply for a tax deed after the County's ownership of such certificate for two years. The County pays costs and fees to the Tax Collector but not any amount to redeem other outstanding certificates covering the land. The public bidding on non-homestead property must start at a minimum bid equal to the value of all outstanding certificates, plus omitted years taxes, delinquent taxes, interest and all costs and fees paid by the County. The minimum bid on homestead property must also include an amount equal to one-half of the latest assessed value of the homestead. If there are no bidders, the County may purchase the land for the opening minimum bid. After ninety days, any person or governmental unit may purchase the land without further notice or advertising by paying the opening minimum bid to the County. Levies accruing after the date of public sale do not require repetition of this process, but are added to the required minimum bid. Seven years after the date of public sale, unsold lands escheat to the county in which they are located and all tax certificates and liens against the property will be canceled and the clerk will execute a tax deed vesting title in the Board of County Commissioners, with no liability to the County.

As reported for the years 1994–2003, the following table indicates the amount of County, special district and municipal ad valorem property related revenue levied and collected:

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**OSCEOLA COUNTY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS
(IN THOUSANDS OF DOLLARS)
LAST TEN FISCAL YEARS
(Unaudited)**

| Year | Total Tax Levy | Current Tax Collections | Percent of Current Tax Collections | Delinquent Tax Collections | Total Tax Collections | Ratio of Total Tax Collections to Total Tax Levy |
|-------------|-----------------------|--------------------------------|---|-----------------------------------|------------------------------|---|
| 1994 | \$87,073 | \$82,382 | 94.61% | \$4,485 | \$86,868 | 99.76% |
| 1995 | 93,047 | 87,632 | 94.18% | 5,255 | 92,866 | 99.83% |
| 1996 | 109,941 | 105,123 | 95.62% | 4,619 | 109,742 | 99.82% |
| 1997 | 118,435 | 113,527 | 95.86% | 4,556 | 118,083 | 99.70% |
| 1998 | 125,140 | 120,382 | 96.20% | 4,386 | 124,768 | 99.70% |
| 1999 | 138,581 | 133,638 | 96.43% | 4,096 | 137,734 | 99.39% |
| 2000 | 151,757 | 146,333 | 96.43% | 4,787 | 151,120 | 99.58% |
| 2001 | 168,255 | 161,457 | 95.96% | 5,631 | 167,088 | 99.31% |
| 2002 | 189,941 | 182,581 | 96.13% | 6,248 | 188,829 | 99.41% |
| 2003 | 214,810 | 207,329 | 96.52% | 6,221 | 213,550 | 99.41% |

Source: Osceola County Tax Collector.

Note: Amounts shown reflect all taxing authorities in Osceola County.

Neither District nor the Underwriter has independently investigated or verified the property data in the table above and neither assumes responsibility for the accuracy or completeness of the information contained therein. The summary of real property taxes and tax certificates were obtained by the Underwriter from the Osceola County Tax Collector.

Neither the District nor the Underwriter can give any assurance to the holders of the 2004 Bonds (1) that the past experience of the County with regard to tax or special assessment delinquencies as shown above is applicable in any way to the 2004 Assessments, (2) that future landowners and taxpayers in the District will pay such 2004 Assessments, (3) that a market may exist in the future for the aforementioned tax certificates in the event of sale of such certificates for taxable units within the District, and (4) that eventual sale of tax certificates for real property within the District, if any, will be for an amount sufficient to pay amounts due under the Indenture to discharge the Assessment lien and all other liens that are coequal therewith.

DEBT SERVICE SCHEDULE

| <u>Year</u> | 2004 Bonds | | Total of Principal and Interest |
|-------------|------------------|-----------------|------------------------------------|
| | <u>Principal</u> | <u>Interest</u> | |
| 05/01/2005 | | 153,028.13 | 153,028.13 |
| 11/01/2005 | | 415,771.88 | 415,771.88 |
| 05/01/2006 | | 526,162.50 | 526,162.50 |
| 11/01/2006 | | 526,162.50 | 526,162.50 |
| 05/01/2007 | 175,000.00 | 526,162.50 | 701,162.50 |
| 11/01/2007 | | 520,256.25 | 520,256.25 |
| 05/01/2008 | 185,000.00 | 520,256.25 | 705,256.25 |
| 11/01/2008 | | 514,012.50 | 514,012.50 |
| 05/01/2009 | 195,000.00 | 514,012.50 | 709,012.50 |
| 11/01/2009 | | 507,431.25 | 507,431.25 |
| 05/01/2010 | 215,000.00 | 507,431.25 | 722,431.25 |
| 11/01/2010 | | 500,175.00 | 500,175.00 |
| 05/01/2011 | 225,000.00 | 500,175.00 | 725,175.00 |
| 11/01/2011 | | 492,581.25 | 492,581.25 |
| 05/01/2012 | 240,000.00 | 492,581.25 | 732,581.25 |
| 11/01/2012 | | 484,481.25 | 484,481.25 |
| 05/01/2013 | 260,000.00 | 484,481.25 | 744,481.25 |
| 11/01/2013 | | 475,706.25 | 475,706.25 |
| 05/01/2014 | 275,000.00 | 475,706.25 | 750,706.25 |
| 11/01/2014 | | 466,425.00 | 466,425.00 |
| 05/01/2015 | 295,000.00 | 466,425.00 | 761,425.00 |
| 11/01/2015 | | 456,468.75 | 456,468.75 |
| 05/01/2016 | 310,000.00 | 456,468.75 | 766,468.75 |
| 11/01/2016 | | 446,006.25 | 446,006.25 |
| 05/01/2017 | 330,000.00 | 446,006.25 | 776,006.25 |
| 11/01/2017 | | 434,868.75 | 434,868.75 |
| 05/01/2018 | 350,000.00 | 434,868.75 | 784,868.75 |
| 11/01/2018 | | 423,056.25 | 423,056.25 |
| 05/01/2019 | 380,000.00 | 423,056.25 | 803,056.25 |
| 11/01/2019 | | 410,231.25 | 410,231.25 |
| 05/01/2020 | 405,000.00 | 410,231.25 | 815,231.25 |
| 11/01/2020 | | 396,562.50 | 396,562.50 |
| 05/01/2021 | 430,000.00 | 396,562.50 | 826,562.50 |
| 11/01/2021 | | 382,050.00 | 382,050.00 |
| 05/01/2022 | 460,000.00 | 382,050.00 | 842,050.00 |
| 11/01/2022 | | 366,525.00 | 366,525.00 |
| 05/01/2023 | 490,000.00 | 366,525.00 | 856,525.00 |
| 11/01/2023 | | 349,987.50 | 349,987.50 |
| 05/01/2024 | 525,000.00 | 349,987.50 | 874,987.50 |
| 11/01/2024 | | 332,268.75 | 332,268.75 |
| 05/01/2025 | 560,000.00 | 332,268.75 | 892,268.75 |
| 11/01/2025 | | 313,368.75 | 313,368.75 |
| 05/01/2026 | 600,000.00 | 313,368.75 | 913,368.75 |
| 11/01/2026 | | 293,118.75 | 293,118.75 |
| 05/01/2027 | 635,000.00 | 293,118.75 | 928,118.75 |
| 11/01/2027 | | 271,687.50 | 271,687.50 |

| <u>Year</u> | <u>2004 Bonds</u> | | <u>Total of Principal and Interest</u> |
|--------------|------------------------|------------------------|--|
| | <u>Principal</u> | <u>Interest</u> | |
| 05/01/2028 | 680,000.00 | 271,687.50 | 951,687.50 |
| 11/01/2028 | | 248,737.50 | 248,737.50 |
| 05/01/2029 | 725,000.00 | 248,737.50 | 973,737.50 |
| 11/01/2029 | | 224,268.75 | 224,268.75 |
| 05/01/2030 | 775,000.00 | 224,268.75 | 999,268.75 |
| 11/01/2030 | | 198,112.50 | 198,112.50 |
| 05/01/2031 | 825,000.00 | 198,112.50 | 1,023,112.50 |
| 11/01/2031 | | 170,268.75 | 170,268.75 |
| 05/01/2032 | 885,000.00 | 170,268.75 | 1,055,268.75 |
| 11/01/2032 | | 140,400.00 | 140,400.00 |
| 05/01/2033 | 945,000.00 | 140,400.00 | 1,085,400.00 |
| 11/01/2033 | | 108,506.25 | 108,506.25 |
| 05/01/2034 | 1,000,000.00 | 108,506.25 | 1,108,506.25 |
| 11/01/2034 | | 74,756.25 | 74,756.25 |
| 05/01/2035 | 1,070,000.00 | 74,756.25 | 1,144,756.25 |
| 11/01/2035 | | 38,643.75 | 38,643.75 |
| 05/01/2036* | 1,145,000.00 | 38,643.75 | 1,183,643.75 |
| TOTAL | \$15,590,000.00 | \$22,229,212.51 | \$37,819,212.51 |

* Final maturity

Note: (1) Annual debt service totals are based on 5/1 and 11/1 payments in each year.
(2) Assumes full draw down and issuance of the 2004 Bonds in accordance with currently anticipated draw down schedule.

RISK FACTORS

In analyzing the 2004 Bonds, prospective purchasers should carefully consider the following risk factors, among others, that may adversely affect the security for the 2004 Bonds. This caption does not purport to summarize all risks that may be associated with purchasing or owning the 2004 Bonds and prospective purchasers are advised to read this Limited Offering Memorandum in its entirety for a more complete description of investment considerations relating to the 2004 Bonds.

1. There is no appraisal on the undeveloped acreage that will support the assessments that are security for the repayment of the 2004 Bonds. Therefore there is no assurance that the value of the land would be sufficient to pay the 2004 Bonds should it be sold to satisfy the 2004 Bonds.

2. The 2004 Assessments will be levied on all real property benefited by the 2004 Bonds, much of which is owned by the Birchwood Acres Limited Partnership, LLLP, sole member of the Developer. Until further sales and development of property in District occurs, payment of the 2004 Assessments is in large part dependent upon their timely payment by the Birchwood Acres Limited Partnership, LLLP. In the event of the institution of bankruptcy or similar proceedings with respect to the Birchwood Acres Limited Partnership, LLLP, or any other subsequent significant owner of property within District, there could be delays or a diminution in the payment of debt service on the 2004 Bonds as such bankruptcy could negatively impact the ability of the District to foreclose the Assessment Lien and to sell the encumbered property. In such event, the interests of the holders of the 2004 Bonds would be adversely affected.

3. Unpaid 2004 Assessments do not constitute a personal indebtedness of the owners of the specially benefited land within District, but only constitute a lien upon the specially benefited land. There is no assurance that the property owners will be able to pay the 2004 Assessments or that they will pay such 2004 Assessments even though financially able to do so. Failure by owners of the specially benefited land to pay the 2004 Assessments when due or the inability of District to foreclose the Assessment Lien and sell the encumbered property for amounts sufficient to cover delinquent 2004 Assessments levied against such land may result in the inability of District to make full or punctual payment of debt service on the 2004 Bonds.

4. The remedies available to the Trustee and the owners of the 2004 Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by federal, state and local law and in the Indenture and the 2004 Bonds, including, without limitation, the imposition of the 2004 Assessments and the issuance of the Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2004 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery and by principles of equity. The inability, either partially or fully, to enforce remedies available respecting the 2004 Bonds could have a material adverse impact on the interest of the owners thereof.

5. No application for a rating on the 2004 Bonds has been made. Nor is there any reason to believe that District would have been successful in obtaining an investment grade rating for the 2004 Bonds had application been made.

6. The development of Harmony may be affected by changes in general economic conditions, fluctuations in the real estate market, and other factors. In addition, the proposed development is subject to comprehensive federal, state, and local regulations and future changes to such regulations. Approval is required from various public agencies in connection with, among other things, the design, nature, and extent of required public improvements, both public and private, and construction of the 2004 Project in accordance with applicable zoning, land use, and environmental regulations for the development. Although the Engineers believe that all permits and approvals are capable of being obtained, in the event that those permits or approvals are not forthcoming or are significantly delayed, the ability of the Developer to develop Harmony would be significantly impaired or frustrated.

7. Although the maturity of the 2004 Bonds may be accelerated in the event of a default as described in the Indenture, the assessments that are the source of repayment of the 2004 Bonds cannot be accelerated and therefore the ability of the maturity of the 2004 Bonds to be accelerated is not practically available.

8. Until District utilizes the uniform method of collecting assessments it cannot make use of the collection remedies, including the sale of tax certificates, provided by Chapter 197, Florida Statutes. Once District utilizes the uniform method of collection, the assessments will be included on the tax notice with many other taxes. Many county, school district, and special district taxes and special assessments, and voter approved ad valorem taxes levied to pay principal of and interest on bonds, including the 2004 Special Assessments levied by District, are payable at one time. If a taxpayer does not make complete payment, such taxpayer cannot designate specific tax bill line items as deemed paid in full. The Tax Collector will not accept partial payment and any partial payment is returned to the taxpayer. Therefore, any failure to pay any one line item, whether it be the Special Assessments or some other line item, will cause the Special Assessments to not be collected to that extent, which could have a significant adverse impact on District's ability to make full or punctual payment of debt service on the 2004 Bonds.

LEGAL MATTERS

Validation

The Bonds, of which the 2004 Bonds are the second Series, were validated by a Final Judgment of the Ninth Judicial Circuit Court in and for Osceola County, Florida, issued August 4, 2000, and the period during which an appeal could be taken from that judgment expired with no appeal having been filed.

Section 75.09, Florida Statutes, as amended, provides that a final judgment validating bonds and taxes, assessments or revenues pledged for the payment thereof, from which no appeal is taken or from which an appeal is taken and the judgment is affirmed, is forever conclusive as to all matters adjudicated against a plaintiff and all parties affected thereby, including all property owners and taxpayers and all others having or claiming any right, title or interest in property to be affected by the issuance of said bonds, certificates or other obligations or to be affected in any way thereby, and the validity of said bonds, certificates or other obligations or of any taxes, assessments or revenues pledged for the payment thereof, or of the proceedings authorizing the issuance thereof, including any remedies provided for their collection, shall never be called in question in any court by any person or party. The scope of judicial review, however, focuses on whether: (1) a public body has the authority to incur the obligation; (2) the purpose of the obligation is legal; and (3) the proceedings authorizing the obligation were proper. A final judgment validating bonds does not preclude a party from challenging the validity of such bonds or certificates on constitutional grounds.

Enforceability of Remedies

The remedies available to the holders of 2004 Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions that are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by the Trust Indenture may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 2004 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors, whether enacted before or after such delivery.

Litigation

According to the District Counsel, there is no litigation of any nature now pending or threatened with regards to District restraining or enjoining the issuance, sale, execution or delivery of the 2004 Bonds, or in any way contesting or affecting the validity of the 2004 Bonds or any proceedings of District taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the 2004 Bonds, or the existence or powers of District.

Legal Proceedings

Certain legal matters related to the authorization, issuance, sale, and delivery of the 2004 Bonds will be passed upon by Akerman Senterfitt, Orlando, Florida, Bond Counsel. Certain legal matters will be passed upon for District by its counsel, Young van Assenderp, P.A., Tallahassee, Florida. Certain legal matters will be passed upon for the Underwriter by its counsel, Greenberg Traurig, P.A., Tallahassee, Florida.

Disclosure Required by Florida Blue Sky Regulations

Section 517.051, Florida Statutes, and the regulations promulgated thereunder (the "Disclosure Act") requires that District make a full and fair disclosure of any bonds or other debt obligations that it has issued or guaranteed and that are or have been in default as to principal or interest at any time. District is not and has not been in default as to principal and interest on its bonds or other debt obligations.

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to the issuance and delivery of the 2004 Bonds for interest thereon to be and remain excludable from gross income for federal income tax purposes. Noncompliance with such requirements could cause the interest on the 2004 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issue of the 2004 Bonds. Those requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the 2004 Bonds and other amounts are to be invested and require, under certain circumstances, that certain excess investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The District has covenanted in the Indenture to comply with each such requirement.

In the opinion of Bond Counsel, assuming continuous compliance by the District with the Code and the tax covenants of the District, under existing statutes, regulations, published rulings, and judicial decisions, and subject to the conditions described below, interest on the 2004 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax on corporations.

Prospective purchasers of the 2004 Bonds should be aware that ownership of the 2004 Bonds may result in other federal tax consequences to certain taxpayers.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications and compliance with certain covenants of the District to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the 2004 Bonds are and will remain obligations interest on which is excludable from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of the certifications and representations made by the District.

Bond Counsel's opinions are based on existing law, which is subject to change. Moreover, Bond Counsel's opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

Failure by the District to comply subsequent to the issuance of the 2004 Bonds with certain requirements of the Code regarding the use, expenditure, and investment of 2004 Bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States may cause interest on the 2004 Bonds to become included in gross income for federal income tax purposes retroactive to their date of issue. The District has covenanted in the Indenture to comply with provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the 2004 Bonds

for purposes of federal income taxation. In rendering its opinion, Bond Counsel has assumed continuing compliance with such covenants.

In the opinion of Bond Counsel, interest on the 2004 Bonds is exempt from taxation under the existing laws of the State of Florida, except as to estate taxes and taxes imposed under Chapter 220, Florida Statutes, on interest, income, or profits on debt obligations owned by corporations, as defined in said Chapter 220.

Interest on the 2004 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the 2004 Bonds should consult their tax advisors as to the income tax status of interest on the 2004 Bonds, in their particular state or local jurisdiction.

During recent years, legislative proposals have been introduced in Congress, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations that are similar to the 2004 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar in nature to the 2004 Bonds. From time to time, legislative proposals may be introduced which could have an effect on both the federal tax consequences resulting from the ownership of the 2004 Bonds and their market value. No assurance can be given that any such legislative proposals, if enacted, would not apply to, or would not have an adverse effect upon, the 2004 Bonds.

Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the 2004 Bonds may affect the tax status of interest on the 2004 Bonds. Moreover, except as stated above, Bond Counsel expresses no opinion regarding other federal tax consequences arising with respect to the 2004 Bonds. Prospective purchasers of the 2004 Bonds are advised to consult their own tax advisors as to the applicability of other federal tax consequences.

MISCELLANEOUS

Suitability For Investment

While the 2004 Bonds are not subject to registration under the Securities Act of 1933, as amended (the "Securities Act"), the Underwriter will initially offer the 2004 Bonds only to accredited investors within the meaning of the rules of the Florida Department of Banking and Finance and Chapter 189, Florida Statutes. This investor limitation on the initial offering does not denote restrictions on transfer in any secondary market for the 2004 Bonds. Prospective investors in the 2004 Bonds should have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the 2004 Bonds and should have the ability to bear the economic risks of such prospective investment, including a complete loss of such investment.

Each prospective investor will be given access to such additional information, including the benefit of a site visit of District and the opportunity to ask questions of representatives of the Developer, as such investor deems necessary in order to make an informed decision with respect to the purchase of the 2004 Bonds. Prospective investors are encouraged to request such additional information, visit District and ask such questions. Such requests should be directed to: William J. Reagan, Banc of America Securities, LLC, 4501 Tamiami Trail North, Suite 400, Naples, Florida 34108.

Ratings

No application for a rating on the 2004 Bonds has been made. Nor is there any reason to believe that District would have been successful in obtaining an investment grade rating for the 2004 Bonds had application been made.

Continuing Disclosure

The Securities and Exchange Commission (the "Commission") has promulgated amendments to Rule 15c2-12 (the "Rule") under the Securities and Exchange Act of 1934, as amended, which prohibit underwriters from purchasing or selling municipal securities unless such underwriters have reasonably determined that the "issuer" and any "obligated persons" with respect thereto, have undertaken to provide continuing disclosure with respect to its securities, subject to certain exemptions.

In the Indenture District has covenanted and will covenant, for the benefit of the Holders of the 2004 Bonds, including Beneficial Owners thereof, to deliver to a nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate Florida information depository, if any, (a) certain financial information and operating data relating to District ("Annual Information"), within 180 days after the end of District 's fiscal year, in each year commencing with the Fiscal Year ending September 30, 2005, (b) (1) the amount of assessments levied on District Land for the 2004 Bonds, as certified by District to the Tax Collector, during such Fiscal Year, (2) the amount of Pledged Series Revenues collected during such Fiscal Year, (3) the amount of delinquent assessments relating to the 2004 Bonds, if available, (4) the dollar amount of tax certificates in respect of the 2004 Bonds during such Year, if available, (5) a schedule of Debt Service for the remaining term of the 2004 Bonds, (6) the percentage of the 2004 Project that has been completed with the proceeds of the 2004 Bonds as of such Fiscal Year, and (7) any materially adverse change or determination in any permit or approval relating to the 2004 Project; and (c) the occurrence of any of the following events with respect to the 2004 Bonds, if material:

Principal and interest payment delinquencies;

Non-payment related defaults;

Unscheduled draws on debt service reserves reflecting financial difficulties;

Unscheduled draws on any credit enhancements securing any 2004 Bonds, if any, reflecting financial difficulties;

Substitution of credit or liquidity providers, or their failure to perform;

Adverse tax opinions or events affecting the tax-exempt status of the 2004 Bonds;

Modification to rights of Bondholders;

Redemptions of the 2004 Bonds other than pursuant to a mandatory sinking fund redemption or extraordinary redemption;

Any defeasance the 2004 Bonds;

Any release, substitution, or sale of any item of the Series 2004 Trust Estate;

Any rating change on the 2004 Bonds.

12. Any failure of the part of District to comply with the requirements of (a) or (b), above.

District is also required to provide, in a timely manner, to the Municipal Securities Rulemaking Board (the "MSRB") and to the appropriate Florida information depository, if any, written notice of the failure of District or any "obligated person" to provide the financial information described above, on or before the date described above.

District from time to time may choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in its judgment, any such other event is material with respect to the 2004 Bonds, but District does not undertake to commit to provide any such notice of the occurrence of any material event except those listed above.

The obligations of District described above will remain in effect, subject to the following paragraph, so long as the 2004 Bonds are outstanding in accordance with their terms.

The purpose of District 's undertaking is to conform to the requirements of the Rule and not to create new contractual or other rights for the original purchasers of the 2004 Bonds, any registered owner or beneficial owner of the 2004 Bonds, any municipal securities broker or dealer, any potential purchaser of the 2004 Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by District to comply with the Rule shall be an action for the specific performance of District 's obligations and not for money damages in any amount. Any failure by District to comply with any provision of such undertaking shall not constitute an event of default with respect to the 2004 Bonds.

In addition, District, as an independent special district under the laws of Florida, is required to file certain information, including audited annual financial statements, with the Department of Community Affairs of Florida, and to maintain records open to the public for examination and copying under state public records laws. In addition, copies of audited annual financial statements and certain other reports and information are required by the Indenture to be filed with the Trustee. Public records of District may be examined upon reasonable notice during normal business hours at its offices at 610 Sycamore Street, Suite 140, Celebration, FL 34747, telephone 407/566-4174, and District will furnish copies of any public records of District to any Holder or person claiming a beneficial ownership interest in the 2004 Bonds, upon written request of such Holder or person specifying the particular records to be copied and payment of District 's copying charges then in effect and mailing or other delivery costs.

Underwriting

The Underwriter agreed, pursuant to a Bond Purchase Agreement entered into with District, subject to the satisfaction of certain conditions, to arrange for the subscription and purchase of the 2004 Bonds from District in a limited offering transaction on December 16, 2004 or such later date as District and the Underwriter may agree (the "Closing Date") at an issue price of 100%, less original issue discount, less underwriting discount of \$233,850. See "**SECURITIES BEING OFFERED—Purpose—Sources and Uses of Funds.**" The Underwriter will be entitled to be released and discharged from its obligations under the 2004 Bond Purchase Agreement in certain circumstances prior to payment to the District.

The Underwriter intends to initially offer the 2004 Bonds to accredited investors within the meaning of the rules of the Florida Department of Banking and Finance and Chapter 189, Florida Statutes, at the offering prices set forth on the cover page of this Limited Offering Memorandum, which

may subsequently change without any requirement of prior notice. The Underwriter may offer and sell the 2004 Bonds to certain dealers (including dealers depositing the 2004 Bonds into investment trusts) at prices lower than the public offering price. The Financial Advisor, Severn Trent Environmental Services, Inc., will not participate in the Underwriting, although it will be delivering a certificate at closing of the 2004 Bonds.

Accuracy and Completeness of Limited Offering Memorandum

Any statements made in this Limited Offering Memorandum involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Limited Offering Memorandum nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the 2004 Bonds.

The information and expression of opinion herein are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of District from the date hereof. However, certain parties to the transaction will, at the closing of the 2004 Bonds, deliver certificates certifying from the date of the Limited Offering Memorandum to the date of closing of the 2004 Bonds that there has been no material adverse change in the information provided.

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

Certificate Concerning Limited Offering Memorandum

We, the undersigned Chairman and Secretary of the Harmony Community Development District, **DO HEREBY CERTIFY** that (i) we have reviewed this Limited Offering Memorandum and that to the best of the knowledge and belief of each of us the statements herein are true and correct; (ii) nothing has come to the attention of either of us that would lead either of us to believe that the Limited Offering Memorandum contains an untrue statement of a material fact or omits to state a material fact that should be included herein for the purpose for which the Limited Offering Memorandum is intended to be used, or that is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading.

IN WITNESS WHEREOF, we have hereunto set our hands and the seal of District this ____ day of December, 2004.

(SEAL)

HARMONY COMMUNITY DEVELOPMENT DISTRICT

By: /s/ _____
Chairman

By: /s/ _____
Secretary

TABLE OF CONTENTS

This Table of Contents is incorporated herein for ease of reference only as shall not be deemed a part of the Master Trust Indenture.

ARTICLE I
DEFINITIONS

Section 101 Meaning of Words and Term2
Section 102 Rules of Construction13

ARTICLE II
FORM, EXECUTION, DELIVERY AND DESIGNATION OF BONDS

Section 201 Issuance of Bonds14
Section 202 Details of Bonds14
Section 203 Execution and Form of Bonds15
Section 204 Negotiability, Registration and Transfer of Bonds15
Section 205 Ownership of Bonds15
Section 206 Special Obligations15
Section 207 Authorization of Bonds16
Section 208 Temporary Bonds17
Section 209 Mutilated, Destroyed or Lost Bonds17
Section 210 Pari Passu Obligations Under Credit Agreements17
Section 211 Bond Anticipation Notes17
Section 212 Tax Status of Bonds18

ARTICLE III
REDEMPTION OF BONDS

Section 301 Redemption Generally18
Section 302 Notice of Redemption; Procedure for Selection19
Section 303 Effect of Calling for Redemption20
Section 304 Cancellation20

ARTICLE IV
ACQUISITION AND CONSTRUCTION FUND

Section 401 Acquisition and Construction Fund20
Section 402 Payments From Acquisition and Construction Fund21
Section 403 Cost of Project21
Section 404 Disposition of Balances in Acquisition and Construction Fund22

ARTICLE V ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501 Lien22
Section 502 Establishment of Funds and Accounts22
Section 503 Acquisition and Construction Fund23
Section 504 Revenue Fund and Series Revenue Accounts24
Section 505 Debt Service Fund and Series Debt Service Accounts24

i

MASTER TRUST INDENTURE

HARMONY
COMMUNITY DEVELOPMENT DISTRICT

TO

FIRST UNION NATIONAL BANK, AS TRUSTEE

Dated as of December 1, 2000

Section 506 Optional Redemption26
Section 507 Rebate Fund and Series Rebate Accounts28
Section 508 Investment of Funds and Accounts29
Section 509 Deficiencies and Surpluses in Funds30
Section 510 Investment Income30
Section 511 Cancellation of Bonds31

ARTICLE VI
CONCERNING THE TRUSTEE

Section 601 Acceptance of Trust31
Section 602 No Responsibility for Recitals31
Section 603 Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Gross Negligence31
Section 604 Compensation and Indemnity31
Section 605 No Duty to Renew Insurance32
Section 606 Notice of Default; Right to Investigate32
Section 607 Obligation to Act on Defaults32
Section 608 Reliance by Trustee32
Section 609 Trustee May Deal in Bonds33
Section 610 Construction of Ambiguous Provisions33
Section 611 Resignation of Trustee33
Section 612 Removal of Trustee33
Section 613 Appointment of Successor Trustee33
Section 614 Qualification of Successor Trustee34
Section 615 Instruments of Succession34
Section 616 Merger of Trustee34
Section 617 Resignation of Paying Agent or Bond Registrar34
Section 618 Removal of Paying Agent or Bond Registrar34
Section 619 Appointment of Successor Paying Agent or Bond Registrar35
Section 620 Qualifications of Successor Paying Agent or Bond Registrar35
Section 621 Acceptance of Duties by Successor Paying Agent or Bond Registrar35
Section 622 Successor by Merger or Consolidation35

ARTICLE VII
FUNDS CONSTITUTE TRUST FUNDS

Section 701 Trust Funds35

ARTICLE VIII
COVENANTS AND AGREEMENTS OF THE DISTRICT

Section 801 Payment of Bonds36
Section 802 Extension of Payment of Bonds36
Section 803 Further Assurance36
Section 804 Power to Issue Bonds and Create a Lien36
Section 805 Power to Undertake Series Projects and to Collect Pledged Revenues37
Section 806 Sale of Series Projects37
Section 807 Completion and Maintenance of Series Projects37

ARTICLE IX
EVENTS OF DEFAULT AND REMEDIES

Section 901 Extension of Interest Payment41
Section 902 Events of Default41
Section 903 Acceleration of Maturities of Bonds of a Series42
Section 904 Enforcement of Remedies43
Section 905 Pro Rata Application of Funds Among Owners of a Series of Bonds43
Section 906 Effect of Discontinuance of Proceedings44
Section 907 Restriction on Individual Owner Actions44
Section 908 No Remedy Exclusive44
Section 909 Delay Not a Waiver45
Section 910 Right to Enforce Payment of Bonds45
Section 911 No Cross Default Among Series45
Section 912 Indemnification45

ARTICLE X
EXECUTION OF INSTRUMENTS BY OWNERS
AND PROOF OF OWNERSHIP OF BONDS

Section 1001 Execution of Instruments by Owners and Proof of Ownership of Bonds45
Section 1002 Deposit of Bonds46

ARTICLE XI
SUPPLEMENTAL INDENTURES

Section 1101 Supplemental Indentures Without Owners' Consent46
Section 1102 Supplemental Indentures With Owner Consent46
Section 1103 Opinion of Bond Counsel With Respect to Supplemental Indenture48
Section 1104 Supplemental Indenture Part of Indenture48
Section 1105 Insurer or Issuer of a Credit or Liquidity Facility as Owner of Bonds48

**ARTICLE XII
DEFEASANCE**

Section 1201 Defeasance and Discharge of the Lien of this Master Indenture and Supplemental Indentures.....49
Section 1202 Moneys Held in Trust.....52

**ARTICLE XIII
MISCELLANEOUS PROVISIONS**

Section 1301 Effect of Covenants.....52
Section 1302 Manner of Giving Notice to the District and the Trustee.....52
Section 1303 Manner of Giving Notice to the Owners.....53
Section 1304 Successorship of District Officers.....53
Section 1305 Inconsistent Provisions.....53
Section 1306 Further Acts.....53
Section 1307 Headings Not Part of Indenture.....53
Section 1308 Effect of Partial Invalidity.....53
Section 1309 Attorney's Fees.....54
Section 1310 Effective Date.....54

APPENDIX A - Form of Requisition

the performance of the obligations of the District herein set forth: (i) the Pledged Revenues (hereinafter defined) and Pledged Funds (hereinafter defined); and (ii) any and all property of every kind or description which may from time to time hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Trustee as security for any Series of Bonds issued pursuant to this Master Indenture by the District or anyone on its behalf or with its consent, or which pursuant to any of the provisions hereof or of the Supplemental Indenture securing such Series of Bonds may come into the possession or control of the Trustee or of a lawfully appointed receiver, as such additional security, and the Trustee is hereby authorized to receive any and all such property as and for security for the payment of such Series of Bonds and the interest and premium, if any, thereon, and to hold and apply all such property subject to the terms hereof, it being expressly understood and agreed that the Trust Estate established and held hereunder for Bonds of a Series shall be held separate and in trust solely for the benefit of the Owners of the Bonds of such Series, Additional Bonds of such Series and other obligations issued expressly on parity therewith and for no other Series;

TO HAVE AND TO HOLD the Trust Estate, whether now owned or held or hereafter acquired, forever;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth (a) for the equal and proportionate benefit and security of all present and future Owners of the Bonds of a Series, without preference of any Bond of such Series over any other Bond of such Series, (b) for enforcement of the payment of the Bonds of a Series, in accordance with their terms and the terms of this Master Indenture and the Supplemental Indenture authorizing the issuance of such Series of Bonds; and all other sums payable hereunder, under the Supplemental Indenture authorizing such Series of Bonds or on the Bonds of such Series, and (c) for the enforcement of and compliance with the obligations covenants and conditions of this Master Indenture except as otherwise expressly provided herein as if all the Bonds at any time Outstanding (hereafter defined) had been authenticated executed and delivered simultaneously with the execution and delivery of this Master Indenture, all as herein set forth.

IT IS HEREBY COVENANTED, DECLARED AND AGREED (a) that this Master Indenture creates a continuing lien equally and ratably to secure the payment in full of the principal of, premium, if any, and interest on all Bonds of a Series which may from time to time be Outstanding hereunder, except as otherwise expressly provided herein, (b) that the Trust Estate shall immediately be subject to the lien of this pledge and assignment without any physical delivery thereof or further act, (c) that the lien of this pledge and assignment shall be a first lien and shall be valid and binding against all parties having any claims of any kind in tort, contract or otherwise against the District, irrespective of whether such parties have notice thereof, and (d) that the Bonds of a Series are to be issued, authenticated and delivered, and that the Trust Estate is to be held, dealt with, and disposed of by the Trustee, upon and subject to the terms, covenants, conditions, uses, agreements and trusts set forth in this Master Indenture and the District covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective Owners from time to time of the Bonds of each respective Series, as follows:

**ARTICLE I
DEFINITIONS**

Section 101 Meaning of Words and Terms. The following words and terms used in this Master Indenture shall have the following meanings, unless some other meaning is plainly intended:

MASTER TRUST INDENTURE

THIS IS A MASTER TRUST INDENTURE, dated as of December 1, 2000, by and between **HARMONY COMMUNITY DEVELOPMENT DISTRICT**, a local unit of special-purpose government organized and existing under the laws of the State of Florida (the "District"), and First Union National Bank, as trustee (the "Trustee"), a national banking association existing under the laws of the United States and having the authority to exercise corporate trust powers, with its principal corporate trust office located in Miami, Florida and its designated office and post office address located at One First Union Financial Center, 200 South Biscayne Boulevard, 14th Floor, Miami, Florida 33131, Attention: Corporate Trust Department.

WHEREAS, the District is a community development district duly organized, created, established and existing under the provisions of Chapter 190, Florida Statutes, as amended (the "Act"), for the purpose, among other things, of financing and managing the acquisition, construction, maintenance, and operation of the major infrastructure within the boundaries of the District; and

WHEREAS, the District has the power and authority under the Act to issue special assessment bonds and revenue bonds and to use the proceeds thereof to finance the cost of acquiring and constructing assessable improvements (as defined in the Act) and, by virtue of Section 190.022 of the Act, to levy and collect special assessments therefor as provided in Chapter 170, Florida Statutes, as amended and to levy and collect user charges and fees therefor as provided in Section 190.011, Florida Statutes, as amended; and

WHEREAS, the District has the power and authority under the Act to issue revenue bonds and to use the proceeds thereof to finance the cost of acquiring and constructing water management and control facilities (as defined in the Act) and, by virtue of Section 190.021 of the Act, to levy and collect Benefit Special Assessments (hereinafter defined) and Maintenance Special Assessments (hereinafter defined) therefor; and

WHEREAS, the District has found and determined and does hereby find and determine, that acquisition and construction of the Series Projects (hereafter defined) is and will be necessary and desirable in serving the District's goal of properly managing the acquisition, construction, and operation of portions of the infrastructure within the boundaries of the District;

NOW, THEREFORE, THIS MASTER TRUST INDENTURE WITNESSETH:

GRANTING CLAUSES

That the District in consideration of the premises and acceptance by the Trustee of the trusts hereby created and the purchase and acceptance of the Bonds (hereafter defined) by the Owners (hereafter defined), and of the sum of ten dollars (\$10.00), lawful money of the United States of America, to it duly paid by the Trustee at or before the execution and delivery of this Master Indenture, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of, premium, if any, and interest on the Bonds of a Series (hereafter defined) issued hereunder according to their tenor and effect and to secure the performance and observance by the District of all of the covenants expressed or implied herein, in the Supplemental Indenture authorizing the issuance of such Series of Bonds and in the Bonds of such Series, does hereby assign and grant a security interest in the following (herein called the "Trust Estate") to the Trustee and its successors in trust, and assigns forever, for the securing of

"Accountant" shall mean the independent certified public accountant or independent certified public accounting firm retained by the District to perform the duties of the Accountant under this Master Indenture.

"Accountant's Certificate" shall mean an opinion signed by an independent certified public accountant or firm of certified public accountants (which may be the Accountants) from time to time selected by the District.

"Accounts" shall mean all accounts created pursuant to Section 502 hereof except amounts on deposit in the Series Rebate Account within the Rebate Fund.

"Accreted Value" shall mean, as of the date of computation with respect to any Capital Appreciation Bonds, an amount (truncated to three (3) decimal places) equal to the original principal amount of such Capital Appreciation Bonds at the date of issuance plus the interest accrued on such Bonds from the date of original issuance of such Capital Appreciation Bonds to the date of computation, such interest to accrue at the rate of interest per annum of the Capital Appreciation Bonds (or in accordance with a table of compound accreted values set forth in such Capital Appreciation Bonds), compounded semi-annually on each Interest Payment Date; provided, however, that if the date with respect to which any such computation is made is not an Interest Payment Date, the Accreted Value of any Bond as of such date shall be the amount determined by compounding the Accreted Value of such Bond as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) at the rate of interest per annum of the Capital Appreciation Bonds for the partial semi-annual compounding period determined by dividing (x) the number of days elapsed (determined on the basis of a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months) from the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance), by (y) one hundred eighty (180). A table of Accreted Values for the Capital Appreciation Bonds shall be incorporated in a Supplemental Indenture executed by the District upon issuance of any Capital Appreciation Bonds.

"Acquisition and Construction Fund" shall mean the fund so designated in, and treated pursuant to, Section 502 hereof.

"Act" shall mean Chapter 190, Florida Statutes, as amended.

"Additional Bonds" shall mean Bonds of a Series, including Completion Bonds, authenticated and delivered pursuant to the terms of a Supplemental Indenture providing for the issuance of pari passu Additional Bonds of such Series.

"Additional Series Project" shall mean the acquisition and/or construction of any additions, extensions, improvements and betterments to and reconstructions of a Series Project to be financed, in whole or in part, from the proceeds of any Additional Bonds or Subordinated Debt.

"Amortization Installments" shall mean the moneys required to be deposited in the Series Redemption Account within the Debt Service Fund for the purpose of redeeming and

paying when due any Term Bonds, the specific amounts and dates of such deposits to be set forth in a Supplemental Indenture.

"**Assessments**" shall mean all non ad valorem special assessments levied and collected by or on behalf of the District pursuant to the Act and pursuant to the assessment plat and the assessment roll referred to therein, together with the interest specified by resolution adopted by the Governing Body, the interest specified in Chapter 170 Florida Statutes (1999), if any such interest is collected by or on behalf of the Governing Body, and any applicable penalties collected by or on behalf of the District, together with any and all amounts received by the District from the sale of tax certificates or otherwise from the collection of Delinquent Assessments and which are referred to as such and pledged to a Series of Bonds pursuant to the Supplemental Indenture authorizing the issuance of such Series of Bonds.

"**Authorized Denomination**" shall, except as provided in any Supplemental Indenture relating to a Series of Bonds, mean the denomination of \$5,000 or any integral multiple thereof.

"**Authorized Officer**" shall mean any person authorized by the District in writing directed to the Trustee to perform the act or sign the document in question.

"**Benefit Special Assessments**" shall mean assessments levied and collected in accordance with Section 190.021(2), Florida Statutes (1999), as amended from time to time, together with any and all amounts received by the District from the sale of tax certificates or otherwise from the collection of Benefit Special Assessments which are not paid in full when due and which are referred to as such and pledged to a Series of Bonds pursuant to the Supplemental Indenture authorizing the issuance of such Series of Bonds.

"**Bond Counsel**" shall mean an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District.

"**Bond Registrar**" or "**Registrar**" shall mean the bank or trust company designated as such by Supplemental Indenture with respect to a Series of Bonds for the purpose of maintaining the registry of the District reflecting the names, addresses, and other identifying information of Owners of Bonds of such Series.

"**Bond Year**" shall mean, unless otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, the period commencing on the first day of May in each year and ending on the last day of April of the following year.

"**Bonds**" shall mean the Outstanding Bonds of all Series, and, except where the context clearly requires otherwise shall include bond anticipation notes issued in anticipation thereof.

"**Business Day**" shall mean any day excluding Saturday, Sunday or any other day on which banks in the cities in which the designated corporate trust office of the Trustee or the Paying Agent are located are authorized or required by law or other governmental action to close and on which the Trustee or Paying Agent, or both, is closed.

4

the District; or (ii) the date on which the District determines, upon the recommendation of or consultation with the Consulting Engineer, that it cannot complete the Series Project in a sound and economical manner within a reasonable period of time as evidenced by a certificate of the Consulting Engineer of the District filed with the Trustee and the District; provided that in each case such certificate of the Consulting Engineer shall set forth the amount of all Costs of such Series Project or Additional Series Project which has theretofore been incurred, but which on the Date of Completion is or will be unpaid or unreimbursed.

"**Debt Service**" shall mean collectively the principal (including Amortization installments), interest, and redemption premium, if any, payable with respect to the Bonds.

"**Debt Service Fund**" shall mean the fund so designated in, and created pursuant to, Section 502 hereof.

"**Delinquent Assessments**" shall mean, collectively, any and all installments of any Assessments which are not paid within thirty (30) days of the date on which such installments are due and payable.

"**Depository**" shall mean any bank or trust company duly authorized by law to engage in the banking business and designated by the District as a depository of moneys subject to the provisions of this Master Indenture.

"**District**" shall mean Harmony Community Development District, a community development district created and established pursuant to the Act or any successor thereto which succeeds to the obligations of the District hereunder.

"**Engineers' Certificate**" shall mean a certificate of the Consulting Engineers or of such other engineer or firm of engineers having a favorable repute for skill and experience in the engineering matters with respect to which such certification is required.

"**Federal Securities**" shall mean, to the extent permitted by law for investment as contemplated in this Master Indenture and any Supplemental Indenture, (i) Government Obligations, (ii) any Tax Exempt Obligations which are fully secured as to principal and interest by an irrevocable pledge of Government Obligations, which Government Obligations are segregated in trust and pledged for the benefit of the holders of the Tax Exempt Obligations, (iii) certificates of ownership of the principal or interest of Government Obligations, which Government Obligations are held in trust and (iv) investment agreements at least 100% collateralized by obligations described in clauses (i), (ii) or (iii) above.

"**Fiscal Year**" shall mean the fiscal year of the District in effect from time to time, which shall initially mean the period commencing on the first day of October of any year and ending on the last day of September of the following year.

"**Funds**" shall mean all funds, except the Rebate Fund, created pursuant to Section 502 hereof.

"**Governing Body**" shall mean the Board of Supervisors of the District.

"**Government Obligations**" shall mean direct obligations of, or obligations of the payment of which is unconditionally guaranteed by, the United States of America.

6

"**Capital Appreciation Bonds**" shall mean Bonds issued under the Indenture and any Supplemental Indenture as to which interest is compounded periodically on each of the applicable periodic dates designated for compounding and payable in an amount equal to the then-current Accreted Value only at the maturity or earlier redemption thereof, all as so designated in a Supplemental Indenture of the District providing for the issuance thereof.

"**Capitalized Interest**" shall mean, with respect to the interest due or to be due on a Series of Bonds prior to, during and for a period not exceeding one year after the completion of a Series Project to be funded by such Series, all or part of such interest which will be paid, or is expected to be paid, from the proceeds of such Series.

"**Capitalized Interest Account**" shall mean any Capitalized Interest Account to be established within a Series Debt Service Account by Supplemental Indenture with respect to any Series of Bonds issued under this Master Indenture, as authorized pursuant to this Master Indenture.

"**Chairman**" shall mean the Chairman of the Governing Body of the District or his or her designee or the person succeeding to his or her principal functions.

"**Code**" shall mean the Internal Revenue Code of 1986, as amended, or any successor provisions thereto and the regulations promulgated thereunder or under the Internal Revenue Code of 1954, as amended, if applicable, or any successor provisions thereto.

"**Collection Agreement**" shall mean the agreement referred to in Section 811 hereof.

"**Completion Bonds**" shall mean Bonds issued pursuant to a Supplemental Indenture ranking on a parity with the Series of Bonds issued under such Supplemental Indenture, the proceeds of which are to be used to complete the Series Project.

"**Consulting Engineers**" shall mean [Consulting Engineer], [Consulting Engineer Location], or any other engineering firm or corporation having a favorable repute for skill and experience employed by the District.

"**Cost**" as applied to the Project, shall include the cost of acquisition and construction and all obligations and expenses relating thereto including, but not limited to, those items of cost which are set forth in Section 403 hereof.

"**Creditor Liquidity Facility**" shall mean a letter of credit, a municipal bond insurance policy, a surety bond or other similar agreement issued by a banking institution or other entity satisfactory to the District and providing for the payment of the principal of, interest on or purchase price of a Series of Bonds or any alternate or substitute Credit or Liquidity Facility if then in effect.

"**Current Interest Bonds**" shall mean Bonds of a Series the interest on which is payable at least annually.

"**Date of Completion**" with respect to a Series Project or Additional Series Project shall mean: (i) the date upon which the Series Project and all components thereof have been acquired or constructed and are capable of performing the functions for which they were intended, as evidenced by a certificate of the Consulting Engineer filed with the Trustee and

5

"**Indenture**" shall mean this Master Indenture, as amended and supplemented from time to time by a Supplemental Indenture or indentures, and, shall mean when used with respect to a Series of Bonds issued hereunder, this Master Indenture, as amended and supplemented by the Supplemental Indenture relating to such Series of Bonds.

"**Insurer**" shall mean the issuer of any municipal bond insurance policy insuring the timely payment of the principal of and interest on Bonds or any Series of Bonds.

"**Interest Payment Date**" shall mean the dates specified in a Supplemental Indenture with respect to a Series of Bonds upon which the principal of and/or interest on Bonds of such Series shall be due and payable in each Bond Year.

"**Investment Obligations**" shall mean and includes any of the following securities, if and to the extent that such securities are legal investments for funds of the District:

- (i) Federal Securities;
- (ii) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Government National Mortgage Association, Federal Land Banks, Federal Home Loan Banks, Federal Intermediate Credit Banks, Banks for Cooperatives, Tennessee Valley Authority, United States Postal Service, Farmers Home Administration, Export-Import Bank, Federal Financing Bank and Student Loan Marketing Association;
- (iii) Bonds, debentures, notes or other evidences of indebtedness issued by the Federal National Mortgage Association to the extent such obligations are guaranteed by the Government National Mortgage Association;
- (iv) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements issued by any bank, trust company or national banking association, including the Trustee or an affiliate thereof, which certificates of deposit, except in the case of certificates of deposit issued by a bank, trust company or national banking association having a capital stock and surplus of more than \$50,000,000, will be continuously secured or collateralized by obligations described in subparagraphs (i), (ii), or (iii) of this definition, which will have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificates of deposit and will be lodged with the Trustee, as custodian, by the bank, trust company or national banking association issuing such certificates of deposit;
- (v) Repurchase agreements with any bank, trust company or national banking association, including the Trustee or an affiliate thereof, or government bond dealer reporting to the Federal Reserve Bank of New York continuously secured or collateralized by obligations described in subparagraph (i) of this definition, which securities will at all times (a) have a market value (inclusive of accrued interest) not less than that of the repurchase agreement, (b) be held free and clear of claims by third parties, (c) be subject to a perfected first security interest in the collateral in favor of the Trustee and (d) be delivered to the Trustee or its agent, as custodian;

7

(vi) Commercial paper, other than that issued by bank holding companies, (1) rated at the date of investment in one of the two highest rating categories issued by Moody's or S&P, or (2) issued by corporations which at the date of investment have an outstanding, unsecured, uninsured and unguaranteed debt issue rated in one of the three highest rating categories by Moody's or S&P;

(vii) Municipal bonds rated in one of the three highest rating categories by Moody's or S&P;

(viii) Other obligations permitted under the laws of the State which are legal investments for the funds of the District, but such term shall not include annuity or other guaranteed investment contracts, except as may be expressly set forth above;

(ix) Any money market fund which invests solely in the obligations described in (i) above; and

(x) other investments permitted by Florida law.

"**Letter of Credit Agreement**" shall mean any financing agreement relating to a Credit Facility for so long as such agreement will be in effect.

"**Liquidity Agreement**" shall mean any financing agreement relating to a Liquidity Facility for so long as such agreement will be in effect.

"**Maintenance Special Assessments**" shall mean assessments levied and collected pursuant to Section 190.021(3), Florida Statutes (1999), as amended from time to time, for benefits with respect to water management and control responsibilities undertaken by the District in accordance with Section 190.013, as amended from time to time.

"**Master Indenture**" shall mean this Master Trust Indenture, as amended and supplemented from time to time in accordance with the provisions hereof.

"**Maturity Amount**" shall mean the amount due at maturity with respect to a Capital Appreciation Bond.

"**Maximum Annual Debt Service Requirement**" shall mean, at any given time of determination the greatest amount of principal, interest and Amortization Installments coming due in any current or future Bond Year with regard to the Series of Bonds for which such calculation is made; provided, the amount of interest coming due in any Bond Year shall be reduced to the extent moneys derived from the proceeds of Bonds are used to pay interest in such Bond Year.

"**Moody's**" shall mean Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "Moody's" will be deemed to refer to any other nationally recognized securities rating agency designated by the District by written notice to the Trustee.

8

"**Principal and Interest Requirement**" shall mean with respect to a Series of Bonds, the respective amounts which are required in each Bond Year to provide:

(i) for paying the interest on all Bonds of such Series then Outstanding which is payable in such Bond Year;

(ii) for paying the principal or Maturity Amount of all Serial Bonds of such Series then Outstanding which is payable in such Bond Year; and

(iii) the Amortization Installments on the Term Bonds of such Series of Bonds, if any, payable in such Bond Year.

"**Property Appraiser**" shall mean the Property Appraiser of Osceola County, Florida, or the person succeeding to his or her principal functions.

"**Rebate Amount**" shall mean the amount, if any, required to be rebated to the United States pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended, and the regulations and rulings thereunder.

"**Rebate Analyst**" shall mean the person or firm selected by the District to calculate the Rebate Amount, which person or firm shall either be a firm of attorneys or independent certified public accountants with expertise in the calculation of the Rebate Amount.

"**Rebate Fund**" shall mean the fund so designated in, and created pursuant to, Sections 502 and 507 hereof.

"**Record Date**" shall mean the fifteenth (15th) day of the calendar month next preceding any Debt Service payment date or, in the case of any proposed redemption of Bonds, the fifth (5th) day next preceding the date of mailing of notice of such redemption, or if either of the foregoing days is not a Business Day, then the Business Day immediately preceding such day.

"**Redemption Account**" shall mean the account so designated in, and created pursuant to, Section 502 hereof.

"**Redemption Price**" shall mean the principal of, premium, if any, and interest accrued to the date fixed for redemption of any Bond called for redemption pursuant to the provisions thereof, hereof and of the Supplemental Indenture pursuant to which such Bond is issued.

"**Refunding Bonds**" shall mean Bonds issued pursuant to provisions of this Master Indenture, the proceeds of which are used to refund one or more Series of Outstanding Bonds.

"**Reserve Fund**" shall mean the fund so designated in, and created pursuant to, Section 502 hereof.

"**Revenue Fund**" shall mean the fund so designated in, and created pursuant to, Section 502 hereof.

10

A-4

"**Option Bonds**" shall mean Current Interest Bonds, which may be either Serial or Term Bonds, which by their terms may be tendered by and at the option of the Owner for purchase prior to the stated maturity thereof.

"**Outstanding**," when used with reference to Bonds, shall mean, as of a particular date, all Bonds theretofore authenticated and delivered under this Master Indenture, except:

(i) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Master Indenture or Supplemental Indenture with respect to Bonds of any Series and set aside for such payment or redemption (whether at or prior to the maturity or redemption date), provided that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article III hereof or in the Supplemental Indenture relating to the Bonds of any Series;

(iii) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Master Indenture and the Supplemental Indenture with respect to Bonds of a Series unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and

(iv) Bonds paid or deemed to have been paid as provided in this Master Indenture or in a Supplemental Indenture with respect to Bonds of a Series; including Bonds with respect to which payment or provision for payment has been made in accordance with Article XII hereof

In addition, Bonds actually known by the Trustee to be held by or for the District will not be deemed to be Outstanding for the purposes and within the purview of Article IX and Article XI of this Master Indenture.

"**Owner**" or "**Owners**" shall mean the registered owners from time to time of Bonds.

"**Paying Agent**" shall mean the bank or trust company designated by Supplemental Indenture with respect to a Series of Bonds as the place where Debt Service shall be payable with respect to such Series of Bonds and which accepts the duties of Paying Agent under this Master Indenture and under such Supplemental Indenture.

"**Pledged Funds**" shall mean all of the Series Pledged Funds.

"**Pledged Revenues**" shall mean all of the Series Pledged Revenues.

"**Prepayments**" shall mean any Assessments, or portions thereof, which shall be paid to the District prior to the time such amounts become due. Prepayments shall not include any interest paid on such Assessments.

9

"**S&P**" shall mean S&P Ratings Group, its successors and its assigns, and, if such corporation is dissolved or liquidated or no longer performs the functions of a securities rating agency, "S&P" will be deemed to refer to any other nationally recognized securities rating agency designated by the District by written notice to the Trustee.

"**Secretary**" shall mean the Secretary to the Governing Body, or his or her designee or the person succeeding to his or her principal functions.

"**Serial Bonds**" shall mean Bonds (other than Term Bonds) that mature in annual or semi-annual installments.

"**Series**" shall mean all of the Bonds authenticated and delivered on original issuance of a stipulated aggregate principal amount in a simultaneous transaction under and pursuant to the same Supplemental Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to this Master Indenture and such Supplemental Indenture regardless of variations in maturity, interest rate or other provisions; provided, however, two or more Series of Bonds may be issued simultaneously under the same Supplemental Indenture if designated as separate Series of Bonds by the District upon original issuance. Two or more Series of Bonds may be issued simultaneously under separate Supplemental Indentures, but under this Master Indenture. In addition, if an issue of Bonds is followed by a second issue of Bonds closed within 45 days of the closing of the first issue and the proceeds of the second issue are to be used to pay the Costs of Issuance of the first issue, or to pay for certain costs of a Series Project being financed from the proceeds of the first issue which costs cannot be financed with Tax Exempt Bonds, then the two issues of Bonds will be deemed a single Series for purposes of this Master Indenture, if so designated by the District.

"**Series Acquisition and Construction Account**" shall mean the account within the Acquisition and Construction Fund with respect to each Series of Bonds so designated in, and created pursuant to Supplemental Indenture.

"**Series Interest Account**" shall mean the account with respect to a Series of Bonds established within the Debt Service Fund so designated in, and created pursuant to, Section 502 hereof.

"**Series Pledged Funds**" shall mean all amounts on deposit from time to time in the Funds and Accounts and designated in the Supplemental Indenture relating to such Series of Bonds as pledged to the payment of such Series of Bonds; provided, however, such term shall not include any amounts on deposit in a Series Rebate Account in the Rebate Fund.

"**Series Pledged Revenues**" shall mean the revenues designated as such by Supplemental Indenture and which shall constitute the security for and source of payment of a Series of Bonds and may consist of Assessments, Maintenance Special Assessments, Benefit Special Assessments or other user fees or other revenues or combinations thereof derived or to be derived by the District in accordance with the Act.

"**Series Principal Account**" shall mean the account with respect to a Series of Bonds established within the Debt Service Fund so designated in, and created pursuant to, Section 502 hereof.

11

"*Series Project*" or "*Series Projects*" shall mean the acquisition, construction, equipping and/or improvement of capital projects to be located within or without the District for the benefit of the District to be financed with all or a part of the proceeds of a Series of Bonds as shall be described in the Supplemental Indenture authorizing such Series of Bonds.

"*Series Rebate Account*" shall mean the account in the Rebate Fund with respect to a Series of Bonds so designated in, and created pursuant to Supplemental Indenture relating to such Series of Bonds.

"*Series Redemption Account*" shall mean the account with respect to a Series of Bonds established within the Debt Service Fund so designated in, and created pursuant to, Section 502 hereof.

"*Series Reserve Account*" shall mean the Reserve Account for a Series of Bonds established in the Reserve Fund by Supplemental Indenture relating to such Series of Bonds in an amount equal to the Series Reserve Account Requirement for such Series of Bonds.

"*Series Reserve Account Requirement*" shall mean the amount of money or other security which may be in the form of a reserve fund insurance policy or other security as may be required by the terms of a Supplemental Indenture to be deposited in or credited to a Series Reserve Account for each Series of Bonds; provided, however, that unless otherwise provided in the Supplemental Indenture relating to a Series of Bonds, as of any date of calculation for a particular Series Reserve Account, the "Series Reserve Account requirement" shall be an amount equal to the lesser of: (A) Maximum Annual Debt Service Requirement for all Outstanding Bonds of such Series, (B) 125% of the average annual debt service for all Outstanding Bonds of such Series, or (C) the aggregate of 10% of the proceeds of the Bonds of such Series calculated as of the date of original issuance thereof. In computing the Series Reserve Account Requirement in respect of any Series of Bonds that constitute Variable Rate Bonds, the interest rate on such Bonds shall be assumed to be the greater of: (1) 110% of the daily average interest rate on such Variable Rate Bonds during the 12 months ending with the month preceding the date of calculation, or such shorter period of time that such Series of Bonds shall have been Outstanding, or (2) the actual rate of interest borne by the such Variable Rate Bonds on such date of calculation; provided, in no event shall the Series Reserve Account Requirement as adjusted on such date of calculation exceed the lesser of the amounts specified in the immediately preceding sentence. In computing the Series Reserve Account Requirement in accordance with clause (C) of this definition in respect of any Capital Appreciation Bonds, the principal amount of such Bonds shall be the original principal amount thereof, not the Accreted Value.

"*Series Revenue Account*" shall mean the Revenue Account for a Series of Bonds established in the Revenue Fund by Supplemental Indenture for such Series of Bonds.

"*Subordinated Debt*" shall mean indebtedness secured hereby or by any Supplemental Indenture which is by its terms expressly subordinate and inferior hereto both in lien and right of payment.

"*Supplemental Indenture*" shall mean an indenture supplemental hereto authorizing the issuance of a Series of Bonds hereunder and establishing the terms thereof and the security therefor and shall also mean any indenture supplemental hereto entered into for the

purpose of amending the terms and provisions hereof with respect to all Bonds in accordance with Article XI hereof.

"*Taxable Bonds*" shall mean Bonds of a Series which are not Tax Exempt Bonds.

"*Tax Collector*" shall mean the Tax Collector of Osceola County, Florida, or the person succeeding to his or her principal functions.

"*Tax Exempt Bonds*" shall mean Bonds of a Series the interest on which, in the opinion of Bond Counsel on the date of original issuance thereof, is excludable from gross income for federal income tax purposes.

"*Tax Exempt Obligations*" shall mean any bond, note or other obligation issued by any person, the interest on which is excludable from gross income for federal income tax purposes.

"*Tax Regulatory Covenants*" shall mean the Tax Regulatory Covenants of the District contained in the Supplemental Indenture authorizing the issuance of a Series of Tax Exempt Bonds, setting forth the covenants of the District necessary for the preservation of the excludability of interest thereon from gross income for federal income tax purposes, as such covenants shall be amended from time to time upon written instructions from Bond Counsel.

"*Term Bonds*" shall mean Bonds that mature on one date and that are subject to mandatory redemption from Amortization Installments or Bonds designated by the District as Term Bonds upon original issuance thereof.

"*Time Deposits*" shall mean time deposits, certificates of deposit or similar arrangements with any bank or trust company, including the Trustee or an affiliate thereof, which is a member of the Federal Deposit Insurance Corporation and any Federal or State of Florida savings and loan association in which deposits are secured or insured in the manner required by Florida law.

"*Trust Estate*" shall have the meaning ascribed to such term in the granting clauses hereof, including, but not limited to, the Pledged Revenues and Pledged Funds.

"*Trustee*" shall mean First Union National Bank, with its principal corporate trust Office located in Miami, Florida, and any successor trustee appointed or serving pursuant to Article VI hereof.

"*Variable Rate Bonds*" shall mean Current Interest Bonds, which may be either Serial Bonds or Term Bonds, issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the entire term thereof at the date of issue, which Bonds may also be Option Bonds.

Section 102 Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Owner," "person," "Paying Agent," and "Bond Registrar" shall include the plural as well as the singular number and the word "person" shall mean any

individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

ARTICLE II FORM, EXECUTION, DELIVERY AND DESIGNATION OF BONDS

Section 201 Issuance of Bonds. For the purpose of refunding Bonds of a Series or providing funds for paying all or part of the Cost of a Series Project, Bonds of a Series, without limitation as to aggregate principal amount, may be issued under this Master Indenture subject to the conditions hereinafter provided in Section 207 of this Article. Debt Service on each Series of Bonds shall be payable solely from the Pledged Revenues and Pledged Funds pledged to such Series of Bonds in the Supplemental Indenture authorizing the issuance of such Series of Bonds and, as may be provided in such Supplemental Indenture, all of the provisions of this Master Indenture shall be for the benefit and security of the present and future Owners of such Series of Bonds so issued, without preference, priority or distinction, as to lien or otherwise, of any one Bond of such Series over another Bond of such Series. The District may also issue from time to time, Additional Bonds, Completion Bonds and Refunding Bonds of a Series under and pursuant to the terms of the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Section 202 Details of Bonds. Bonds of a Series shall be in such Authorized Denominations, shall be numbered consecutively, shall bear interest from their date until their payment at rates not exceeding the maximum rate permitted by law, shall be dated, shall be stated to mature in such year or years in accordance with the Act, and shall be subject to redemption prior to their respective maturities, subject to the limitations hereinafter provided, as provided for in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Bonds of a Series may be Current Interest Bonds, Variable Rate Bonds, Capital Appreciation Bonds, Option Bonds or any combination thereof and may be secured by a Credit and/or Liquidity Facility, all as shall be provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds. Bonds of a Series (or a part of a Series) may be in book-entry form at the option of the District as shall be provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

Debt Service shall be payable in any coin or currency of the United States of America which, at the date of payment thereof, is legal tender for the payment of public and private debts. Interest shall be paid to the registered Owner of Bonds at the close of business on the Record Date for such interest; provided, however, that on or after the occurrence and continuance of an Event of Default under clause (a) of Section 902 hereof, the payment of interest and principal or Redemption Price or Amortization Installments pursuant hereto shall be made by the Paying Agent to such person, who, on a special record date which is fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such proposed payment, appears on the registration books of the Bond Registrar as the registered Owner of a Bond. Any payment of principal, Maturity Amount or Redemption Price shall be made only upon presentation of the Bond at the designated corporate trust office of the Paying Agent. Payment of interest shall be made by check or draft (or by wire transfer to, and at the expense of, the registered Owner if such Owner requests such method of payment in writing prior to the Record Date for the respective interest payment to such account as shall be specified in such request, but only if the registered Owner owns not less than \$1,000,000 in aggregate principal amount of the Bonds). Unless otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, interest on a Series of Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

Section 203 Execution and Form of Bonds. The Bonds shall be signed by, or bear the facsimile signature of, the Chairman, shall be attested and countersigned by the Secretary, and the certificate of authentication appearing on the face of the Bonds shall be signed by, or bear the facsimile signature of, the Trustee; provided, however, that each Bond shall be manually signed by either the Chairman, the Secretary or the Trustee. The official seal of the District shall be imprinted or impressed on the Bonds. In case any officer whose signature or a facsimile of whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature or such facsimile shall nevertheless be valid for all purposes the same as if he or she had remained in office until such delivery. Any Bond may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the execution of such Bond shall be proper officers to execute such Bond although at the date of such Bond such persons may not have been such officers. The Bonds, and the provisions for registration and reconversion to be endorsed on such Bonds, shall be substantially in the form set forth in a Supplemental Indenture. The Trustee may appoint one or more authenticating agents.

Section 204 Negotiability, Registration and Transfer of Bonds. The District shall cause books for the registration and for the transfer of the Bonds as provided in this Master Indenture to be kept by the Bond Registrar. All Bonds shall be registered as to both principal and interest. Any Bond may be transferred only upon an assignment duly executed by the registered owner or his attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed on the Bond by the Bond Registrar. No charge shall be made to any Owner for registration and transfer as herein above provided, but any Owner requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. The Bond Registrar shall not be required to transfer any Bond during the period between the Record Date and the next succeeding Interest Payment Date of such Bond, during the period between the Record Date for the mailing of a notice of redemption and the date of such mailing, nor after such Bond has been selected for redemption. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive Owner, in accepting any of the Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida.

Section 205 Ownership of Bonds. The person in whose name any Bond shall be registered shall be deemed the absolute owner thereof for all purposes, and payment of Debt Service shall be made only to or upon the order of the registered owner thereof or his attorney or legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Trustee, the District, the Bond Registrar and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Trustee, the District, the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary.

Section 206 Special Obligations. Each Series of Bonds shall be a special and direct obligation of the District. Neither the Bonds 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 Florida. The Bonds 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 herein or in the Supplemental Indenture authorizing the issuance of such Series of Bonds. 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 this Master Indenture, any Supplemental Indenture, or the Bonds. Rather, Debt Service and any other amounts required to be paid pursuant to this Master Indenture, any Supplemental Indenture, or the Bonds, shall be payable solely from, and shall be secured solely by, the Pledged Revenues and the Pledged Funds pledged to such Series of Bonds, all as provided herein and in such Supplemental Indenture.

Section 207 Authorization of Bonds. There shall be issued from time to time in Series, under and secured by this Master Indenture, Bonds without limitation as to aggregate principal amount for the purposes of: (i) paying all or part of the Cost of a Series Project or Series Projects or refunding an Outstanding Series of Bonds or any portion thereof, (ii) depositing the Series Reserve Account Requirement to the Series Reserve Account for such Series of Bonds; and (iii) paying the costs and expenses of issuing such Series of Bonds.

Each Series of Bonds, upon initial issuance thereof, shall be executed by the District for deliver to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the District or upon its order, but only upon the further receipt by the Trustee of the following:

(a) an executed and attested original or certified copy of this Master Indenture;

(b) an executed and attested original or certified copy of the Supplemental Indenture fixing the amount of and security for the Series of Bonds authorized to be issued thereby and establishing, among other things, the dates on, and the amounts in, which such Series of Bonds will mature (provided that the final maturity date of such Series of Bonds shall be not later than permitted by the Act with respect to such Series of Bonds), designating the Paying Agent and Bond Registrar, fixing the Amortization Installments, if any, for the Term Bonds of such Series, specifying the interest rates or the method for calculating such interest rates with respect to such Series of Bonds, specifying the redemption provisions and prices thereupon, establishing the provisions for Additional Bonds, specifying other details of such Series of Bonds, and directing the delivery of such Series of Bonds to or upon the order of the initial purchaser thereof upon payment of the purchase price therefor set forth in such Supplemental Indenture;

(c) an opinion of counsel for the District stating that the signer is of the opinion that this Master Indenture and the Supplemental Indenture relating to such Series of Bonds have been duly and validly authorized, approved, and adopted, that the issuance of such Series of Bonds has been duly authorized, and that this Master Indenture and the Supplemental Indenture constitute binding obligations of the District, enforceable against the District in accordance with their terms except as enforcement thereof may be affected by bankruptcy and other similar laws relating to creditor's rights generally or general principles of equity;

(d) An opinion of Bond Counsel for the District stating that the signer is of the opinion that the Bonds of such Series are valid, binding and enforceable obligations of the District and, if such Series of Bonds are not Taxable Bonds, that interest thereon is excludable from gross income of the Owners under the income tax laws of the United States in effect on the date such Series of Bonds are delivered to their initial purchasers.

16

the Project or Projects for which the proceeds of the Bond Anticipation Notes will be applied shall not exceed such Cost. The interest on such Bond Anticipation Notes may be payable out of the related Series Interest Account to the extent provided in the resolution of the District or supplemental indenture authorizing such Bond Anticipation Notes. The principal of and interest on such Bond Anticipation Notes and renewals thereof shall be payable from any moneys of the District available therefor or from the proceeds of the sale of the Series of Bonds in anticipation of which such Bond Anticipation Notes are issued. The proceeds of sale of Bond Anticipation Notes shall be applied to the purposes for which the Bonds anticipated by such Bond Anticipation Notes are authorized and shall be deposited in the appropriate Fund or Account established by the Indenture for such purposes; provided however, that the resolution or resolutions or supplemental indenture authorizing such Bond Anticipation Notes may provide for the payment of interest on such Bond Anticipation Notes from the proceeds of sale of such Bond Anticipation Notes and for the deposit, in the related Series Interest Account. In the event that the District adopts a resolution rather than a supplemental indenture to authorize the issuance of Bond Anticipation Notes, the District will promptly furnish to the Trustee a copy of such resolution, certified by an Authorized Officer, together with such information with respect to such Bond Anticipation Notes as the Trustee may reasonably request, including, without limitation, information as to the paying agent or agents for such Bond Anticipation Notes. If authorized by resolution in lieu of supplemental indenture, the Trustee shall have no duties or obligations to the holders of such Bond Anticipation Notes unless specifically so authorized by the resolution of the District authorizing the issuance of such Bond Anticipation Notes and accepted in writing by the Trustee.

Section 212 Tax Status of Bonds. Any Series of Bonds issued under this Master Indenture either: (i) may be issued as Tax Exempt Bonds or (ii) may be issued as Taxable Bonds. The intended tax status of any Series of Bonds to be issued may be referenced in any Supplemental Indenture authorizing the issuance of such Series of Bonds.

ARTICLE III REDEMPTION OF BONDS

Section 301 Redemption Generally. The Bonds of any Series shall be subject to redemption, either in whole on any date or in part on any Interest Payment Date, and at such times, in the manner and at such prices, as may be provided by the Supplemental Indenture authorizing the issuance of such Series of Bonds. The District shall provide written notice to the Trustee of any optional redemption on or before the forty-fifth (45) day next preceding the date to be fixed for such optional redemption.

Unless otherwise provided in the Supplemental Indenture relating to a Series of Bonds, if less than all of the Bonds of any one maturity of a Series shall be called for redemption, the particular Bonds of a Series to be redeemed shall be selected by lot in such reasonable manner as the Bond Registrar in its discretion may determine. The portion of any Series of Bonds to be redeemed shall be in an Authorized Denomination and, in selecting the Bonds of such Series to be redeemed, the Bond Registrar shall treat each such Bond as representing that number of Bonds of such Series which is obtained by dividing the principal amount of such Bond by an Authorized Denomination (such amount being hereafter referred to as the "unit of principal amount").

If it is determined that one or more, but not all, of the units of principal amount represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such unit or units of principal amount as provided below, the registered Owner of such Bond, upon surrender of

18

The Trustee shall be provided with reliance letters with respect to the opinions required in paragraphs (c) and (d) above. When the documents mentioned in subsections (a) through (d) above shall have been received, and when the Bonds of such Series shall have been executed and authenticated as required by this Master Indenture, such Series of Bonds shall be delivered to, or upon the order of, the District, but only upon payment to the Trustee of the purchase price of such Series of Bonds, together with accrued interest, if any, thereon as set forth in a certificate of delivery and payment executed by the Chairman or Vice Chairman of the District.

The proceeds (including accrued interest and any premium) of each Series of Bonds shall be applied as soon as practicable upon delivery thereof to the Trustee as set forth in the Supplemental Indenture relating to such Series of Bonds.

Section 208 Temporary Bonds. Pending delivery of definitive Bonds, there may be executed, authenticated and delivered to the Owners thereof, in lieu of definitive Bonds and subject to the same limitations and conditions except as to identifying numbers, temporary printed, engraved, lithographed or typewritten Bonds in Authorized Denominations, substantially of the tenor set forth in the Bond form to be set forth in the Supplemental Indenture authorizing such Series of Bonds. The District shall cause definitive Bonds to be prepared and to be executed, endorsed, registered, and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary Bond, shall cancel the same or cause the same to be cancelled and cause to be authenticated and delivered, in exchange therefor, at the place designated by the Owner, without expense to the Owner, definitive Bonds of the same series and in the same aggregate principal amount, maturing on the same date and bearing interest or yield to maturity at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits of this Master Indenture and any supplemental Indenture as the definitive Bonds to be issued hereunder.

Section 209 Mutilated, Destroyed or Lost Bonds. If any Bonds become mutilated or destroyed or lost, the District may cause to be executed, and the District may cause to be delivered, a new Bond in substitution therefor and upon the cancellation of such mutilated Bond, or in lieu of and in substitution for such Bond destroyed or lost, upon payment by the Owner of the reasonable expenses and charges of the District and the Trustee in connection therewith and, in the case of a Bond destroyed or lost, upon the Owner filing with the Trustee evidence satisfactory to it that such Bond was destroyed or lost, and of his or her ownership thereof, and furnishing the District and the Trustee with indemnity satisfactory to them.

Section 210 Pari Passu Obligations Under Credit Agreements. As may be provided for or required in any Supplemental Indenture, the District may incur financial obligations under a Letter of Credit Agreement or a Liquidity Agreement payable *pari passu* with respect to the lien on the Trust Estate pledged to a Series of Bonds issued under this Master Indenture and a Supplemental Indenture, without meeting any financial test or requirement set forth in this Master Indenture or the corresponding Supplemental Indenture, but only if the Letter of Credit Agreement or Liquidity Agreement supports a related Series of Bonds then being issued which does meet such tests or requirements.

Section 211 Bond Anticipation Notes. Whenever the District shall authorize the issuance of a Series of Bonds, the District may by resolution or supplemental indenture authorize the issuance of Bond Anticipation Notes in anticipation of the sale of such authorized Series of Bonds in a principal amount not exceeding the principal amount of such Series. The aggregate principal amount of Bond of such Series and all other Bonds previously authenticated and delivered to pay the Cost of

17

such Bond to the Paying Agent for payment to such registered Owner of the redemption price of the unit or units of principal amount called for redemption, shall be entitled to receive a new Bond or Bonds of such Series in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds of such Series representing the unredeemed balance of the principal amount shall be issued to the Owner thereof without any charge therefor. If the Owner of any Bond of a denomination greater than the unit of principal amount to be redeemed shall fail to present such Bond to the Paying Agent for payment in exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of principal amount called for redemption.

Subject to the provisions of Section 506(b) hereof, the District may purchase a Bond or Bonds of a Series in the open market at a price no higher than the highest redemption price (including premium) for the Bond to be so purchased with any funds legally available therefor and any such Bonds so purchased shall be credited to the amounts otherwise required to be deposited for the payment of Bonds of such Series as provided in Section 506(b) hereof or as otherwise provided in the supplemental Indenture relating to such Series.

Section 302 Notice of Redemption; Procedure for Selection. The District shall establish each redemption date, other than in the case of a mandatory redemption, in which case the Trustee shall establish the redemption date, and the District or the Trustee, as the case may be, shall notify the Bond Registrar in writing of such redemption date on or before the forty-fifth (45th) day next preceding the date fixed for redemption, which notice shall set forth the terms of the redemption and the aggregate principal amount of Bonds so to be redeemed. Except as provided below, notice of redemption shall be given by the Bond Registrar not less than thirty (30) nor more than forty-five (45) days prior to the date fixed for redemption by first-class mail, postage prepaid, to any Paying Agent for the Bonds to be redeemed and to the registered Owner of each Bond to be redeemed, at the address of such registered Owner on the registration books maintained by the Bond Registrar (and, for any Owner of \$1,000,000 or more in principal amount of Bonds, to one additional address if written request therefor is provided to the Bond Registrar prior to the Record Date); and a second notice of redemption shall be sent by registered or certified mail at such address to any Owner who has not submitted his Bond to the Paying Agent for payment on or before the date sixty (60) days following the date fixed for redemption of such Bond, in each case stating: (i) the numbers of the Bonds to be redeemed, by giving the individual certificate number of each Bond to be redeemed (or stating that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or that all of the Bonds of one or more maturities have been called for redemption); (ii) the CUSIP numbers of all Bonds being redeemed; (iii) in the case of a partial redemption of Bonds, the principal amount of each Bond being redeemed, (iv) the date of issue of each Bond as originally issued and the complete official name of the Bonds including the series designation; (v) the rate or rates of interest borne by each Bond being redeemed; (vi) the maturity date of each Bond being redeemed; (vii) the place or places where amounts due upon such redemption will be payable; (viii) the notice date, redemption date, and redemption price; and (ix) the name, address, telephone number and contact person at the office of the Paying Agent with respect to such redemption. The notice shall require that such Bonds be surrendered at the designated corporate trust office of the Paying Agent for redemption at the redemption price and shall state that further interest on such Bonds will not accrue from and after the redemption date. CUSIP number identification with appropriate dollar amounts for each CUSIP number also shall accompany all redemption payments.

Any required notice of redemption also shall be sent by registered mail, overnight delivery service, teletype or other secure means, postage prepaid, to any Owner of \$1,000,000 or more in

19

aggregate principal amount of Bonds to be redeemed, to certain municipal registered Securities Depositories (described below) which are known to the Bond Registrar to be holding Bonds thirty-two (32) days prior to the redemption date and to at least two of the national Information Services (described below) that disseminate securities redemption notices, when possible, at least thirty (30) days, prior to the redemption date; provided that neither failure to send or receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Securities Depositories include: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax-(516) 227-4164 or 4190, Attention: Call Notification; Midwest Securities Trust Company, Capital Structures-Call Notification, 440 South LaSalle Street, Chicago, Illinois 60605, Fax-(312) 663-2959 or 2960; Philadelphia Depository Trust Company, Reorganization Division, 1900 Market Street, Philadelphia, Pennsylvania 19103, Attention: Bond Department, Fax-(215) 496-5058; or, in accordance with the then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other securities depositories or any such other depositories as the District may designate in writing to the Bond Registrar.

Information Services include: Financial Information, Inc., 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Called Bond Service Editor; Kenny Information Systems, Inc., 65 Broadway, 16th Floor, New York, New York 10006, Attention: Called Bond Department; Moody's Investors Service, 99 Church Street, New York, New York 10007, Attention: Called Bond Department; and Standard and Poor's Corporation 25 Broadway, New York, New York 10004, Attention: Called Bond Department; or, in accordance with the then-current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds, or any other such services as the District may designate in writing to the Bond Registrar.

Failure to give notice by mailing to the Owner of any Bond designated for redemption or to any depository or information service shall not affect the validity of the proceedings for the redemption of any other Bond.

Section 303 Effect of Calling for Redemption. On the date designated for redemption of any Bonds, notice having been filed and mailed in the manner provided above, the Bonds called for redemption shall be due and payable at the redemption price provided for the redemption of such Bonds on such date and moneys for payment of the redemption price being held in a separate account by the Paying Agent in trust for the Owners of the Bonds to be redeemed, interest on the Bonds called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit under this Master Indenture and the Owners of such Bonds shall have no rights in respect thereof, except to receive payment of the redemption price thereof, and interest, if any, accrued thereon to the redemption date and such Bonds shall no longer be deemed to be Outstanding.

Section 304 Cancellation. Bonds called for redemption shall be cancelled upon the surrender thereof.

ARTICLE IV ACQUISITION AND CONSTRUCTION FUND

Section 401 Acquisition and Construction Fund. There is created and established by Section 502 hereof a fund designated as the "Acquisition and Construction Fund" which shall be held

20

(e) **Other Professional Fees and Miscellaneous Expenses.** All legal, architectural, engineering, and consulting fees, as well as all financing charges, taxes, insurance premiums, and miscellaneous expenses, not specifically referred to in this Master Indenture that are incurred in connection with the acquisition and construction of the Project.

Section 404 Disposition of Balances in Acquisition and Construction Fund. On the Date of Completion of a Series Project, the balance in the related Series Acquisition and Construction Account not reserved for the payment of any remaining part of the Cost of the Series Project shall be transferred by the Trustee to the credit of the Series Redemption Account and used for the purposes set forth for such Account in the Supplemental Indenture relating to such Series of Bonds.

ARTICLE V ESTABLISHMENT OF FUNDS AND APPLICATION THEREOF

Section 501 Lien. There is hereby irrevocably pledged for the payment of the Bonds of each Series issued hereunder, subject only to the provisions of this Master Indenture and any Supplemental Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in this Master Indenture and any such Supplemental Indenture with respect to each Series of Bonds, the Trust Estate; provided, however, that unless otherwise specifically provided herein or in a Supplemental Indenture relating to a Series of Bonds with respect to the Trust Estate securing such Series of Bonds the Pledged Funds and Pledged Revenues securing a Series of Bonds shall secure only such Series of Bonds and Bonds issued on a parity therewith and shall not secure any other Bonds or Series of Bonds.

The foregoing pledge shall be valid and binding from and after the date of initial delivery of the Bond and the proceeds of sale of the Bonds and all the moneys, securities and funds set forth in this Section 501 shall immediately be subject to the lien of the foregoing pledge, which lien is hereby created, without any physical delivery thereof or further act. Such lien shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the District or the Trustee, irrespective of whether such parties have notice thereof. Such lien shall be prior and superior to all other liens now existing or hereafter created.

Section 502 Establishment of Funds and Accounts. The following funds and accounts are hereby established and shall be held by the Trustee:

(a) Acquisition and Construction Fund, and, within such Fund there may be established by Supplemental Indenture authorizing a Series of Bonds a separate Series Acquisition and Construction Account and a Series Costs of Issuance Account for each Series of Bonds issued hereunder;

(b) Revenue Fund, and, within such Fund there may be established by Supplemental Indenture authorizing a Series of Bonds a separate Series Revenue Account for each Series of Bonds issued hereunder;

(c) Debt Service Fund, and within such Fund there may be established by Supplemental Indenture authorizing a Series of Bonds a Series Debt Service Account and within such Series Debt Service Account,

(i) a Series Interest Account,

22

by the Trustee and to the credit of the Series Acquisition and Construction Accounts there shall be deposited the amounts specified in the Supplemental Indenture relating to such Series of Bonds.

Section 402 Payments From Acquisition and Construction Fund. Payment of the Cost of constructing and acquiring the Project shall be made from the Acquisition and Construction Fund as herein provided. All such payments shall be subject to the provisions and restrictions set forth in this Article and in Article V hereof, and the District covenants that it will not request any sums to be paid from the Acquisition and Construction Fund except in accordance with such provisions and restrictions. Moneys in the Acquisition and Construction Fund shall be disbursed by check, voucher, order, draft, certificate or warrant signed by any one or more officers or employees of the Trustee legally authorized to sign such items or by wire transfer to an account specified by the payee upon satisfaction of the conditions for disbursement set forth in Section 503(b) hereof.

Section 403 Cost of Project. For the purposes of this Master Indenture, the Cost of the Project shall include, without intending thereby to limit or to restrict any proper definition of such cost under the Act, other applicable provisions of Florida law, or this Master Indenture, the following:

(a) **Expenses of Bond Issuance.** All expenses and fees relating to the issuance of the Bonds, including, but not limited to, initial Credit and Liquidity Facility fees and costs, attorneys' fees, underwriting fees and discounts, the Trustee's acceptance fees, expenses and Trustee's counsel fees, rating agency fees, fees of financial advisors, engineer's fees, administrative expenses of the District, the costs of preparing audits and engineering reports, the costs of preparing reports, surveys, and studies, and the costs of printing the Bonds and preliminary and final disclosure documents.

(b) **Accrued and Capitalized Interest.** Any interest accruing on the Bonds from their date through the first Interest Payment Date received from the proceeds of the Bonds (to be deposited into the related Series Interest Account) and Capitalized Interest (to be deposited into the related Series Capitalized Interest Account) as may be authorized or provided for by a Supplemental Indenture related to a Series of Bonds. Notwithstanding the deposit of Capitalized Interest into the related Series Capitalized Interest Account, Capitalized Interest shall also include any amount directed by the District to the Trustee in writing to be withdrawn from the related Series Acquisition and Construction Account and deposited into such Capitalized Interest Account, provided that such direction includes a certification that such amount represents earnings on amounts on deposit in the related Series Acquisition Account and that after such deposit, the amount on deposit in such Acquisition and Construction Account together with earnings thereon will be sufficient to complete the related Series Project which is to be funded from such Acquisition and Construction Account.

(c) **Acquisition Expenses.** The costs of acquiring, by purchase or condemnation, all of the land, structures, improvements, rights-of-way, franchises, easements, and other interests in property, whether real or personal, tangible or intangible, which themselves constitute the Project or which are necessary or convenient to acquire and construct the Project.

(d) **Construction Expenses.** All costs incurred for labor and materials, including equipment and fixtures, by contractors, builders, and materialmen in connection with the acquisition and construction of the Project.

(ii) a Series Principal Account, and

(iii) a Series Redemption Account, and therein a Prepayment Subaccount and an Optional Redemption Subaccount.

for each such Series of Bonds issued hereunder;

(d) Reserve Fund, and, within such Fund there may be established by Supplemental Indenture authorizing a Series of Bonds a separate Series Reserve Account for each such Series of Bonds issued hereunder and any Bonds issued on a parity with any such Series of Bonds hereunder; and

(e) Rebate Fund, and, within such Fund there may be established by Supplemental Indenture authorizing a Series of Bonds a separate Series Rebate Account for each such Series of Tax Exempt Bonds issued hereunder.

Notwithstanding the foregoing, the Supplemental Indenture authorizing any Series of Bonds may establish such other Series Accounts or disperse with the Series Accounts set forth above as shall be deemed advisable by the District in connection with such Series of Bonds.

Section 503 Acquisition and Construction Fund.

(a) **Deposits.** The District shall pay to the Trustee, for deposit into the related Acquisition and Construction Account in the Acquisition and Construction Fund, as promptly as practicable, the following amounts received by it:

(i) the amount set forth in the Supplemental Indenture relating to such Series of Bonds;

(ii) payments made to the District from the sale, lease or other disposition of the Series Project or any portion thereof;

(iii) the balance of insurance proceeds with respect to the loss or destruction of the Series Project or any portion thereof; and

(iv) such other amounts as may be provided in a Supplemental Indenture.

Amounts in such Account shall be applied to the Cost of the Series Project; provided, however, that if any amounts remain in the Series Acquisition and Construction Account after the Date of Completion, and if such amounts are not reserved for payment of any remaining part of the Cost of the Series Project, such amounts shall be applied in the manner set forth in Section 404 above.

(b) **Disbursements.** Unless otherwise provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds, payments from a Series Acquisition and Construction Account shall be paid in accordance with the provisions of this subsection (b). Before any such payment shall be made, the District shall file with the Trustee a requisition in the form attached to the corresponding Supplemental Indenture, signed by an Authorized Officer.

23

Upon receipt of each such requisition and accompanying engineer's certificate the Trustee shall promptly withdraw from the Series Acquisition and Construction Account and pay to the person, firm or corporation named in such requisition the amount designated in such requisition. The Trustee shall have no duty to investigate the accuracy or validity of the items delivered pursuant to this Section 503(b).

(c) **Inspection.** All requisitions and engineer's certificates received by the Trustee pursuant to this Article shall be retained in the possession of the Trustee, subject at all reasonable times to the inspection of the District, the Consulting Engineer, the Owner of any Bonds of the related Series and the agents and representatives thereof.

(d) **Completion of Series Project.** On the Date of Completion, the balance in the Acquisition and Construction Account not reserved by the District for the payment of any remaining part of the Cost of acquiring or constructing the Series Project shall be applied in accordance with the provisions of Section 404 hereof.

Section 504 Revenue Fund and Series Revenue Accounts. The District hereby covenants and agree that it will assess, impose, establish and collect the Pledged Revenues with respect to each Series of Bonds in amounts and at times sufficient to pay, when due, the principal of, premium, if any, and interest on such Series of Bonds. The District hereby covenants and agrees to immediately deposit upon receipt all of such Pledged Revenues (except Prepayments), when received, into the related Series Revenue Account and to immediately deposit all Prepayments, when received, into the Prepayment Subaccount of the related Series Redemption Account, unless otherwise provided for in the Supplemental Indenture relating to a Series of Bonds.

Section 505 Debt Service Fund and Series Debt Service Accounts.

(a) **Principal, Maturity Amount, Interest and Amortization Installments.** On the Business Day preceding each Interest Payment Date on the Bonds, the Trustee shall withdraw from the Series Revenue Account and, from the amount so withdrawn, shall make the following deposits in the following order of priority:

(i) to the credit of the related Series Interest Account, an amount which, together with other amounts, if any, then on deposit therein will equal the amount of interest payable on the Bonds of such Series on such Interest Payment Date;

(ii) to the related Series Principal Account, an amount which, together with other amounts, if any, then on deposit therein will equal the principal amount, if any, payable with respect to Serial Bonds of such Series on such Interest Payment Date;

(iii) in each Bond Year in which Term Bonds of such Series are subject to mandatory redemption from Amortization Installments, to the related Series Principal Account, an amount which, together with other amounts, if any, then on deposit therein, will equal the Amortization Installment payable on the Term Bonds of such Series on such Interest Payment Date; and

(iv) in each Bond Year in which Capital Appreciation Bonds of such Series mature to the related Series Principal Account, an amount which, together with

24

(d) **Series Debt Service Account.** Moneys held for the credit of a Series Principal Account and Series Interest Account in a Series Debt Service Account shall be withdrawn therefrom by the Trustee and transferred by the Trustee to the Paying Agent in amounts and at times sufficient to pay, when due, the interest on the Bonds of such Series, the principal of Serial Bonds of such Series, the Maturity Amount of Capital Appreciation Bonds of such Series and to redeem Term Bonds of such Series that are subject to mandatory redemption from Amortization Installments.

(e) **Series Redemption Account.** Moneys representing Prepayments on deposit in a Series Prepayment Subaccount of the Redemption Account to the full extent of a multiple of an Authorized Denomination shall, unless otherwise provided in the Supplemental Indenture relating to such Series of Bonds, be used by the Trustee to redeem Bonds of such Series on the earliest date on which such Bonds are permitted to be called without payment of premium by the terms hereof (including extraordinary or extraordinary mandatory redemption) and of the Supplemental Indenture relating to such Series of Bonds. Such redemption shall be made pursuant to the provisions of Article III. The District shall pay all expenses incurred by the Trustee and Paying Agent in connection with such redemption. Moneys deposited in a Series Redemption Account other than from Prepayments shall be deposited into the Series Optional Redemption Subaccount in the corresponding Series Redemption Account and held and applied therein as provided in Section 506(a) hereof.

(f) **Payment to District.** When no Bonds of a Series remain Outstanding, and after all expenses and charges herein and in the related Supplemental Indenture required to be paid have been paid as certified to the Trustee in writing by an Authorized Officer, the Trustee shall pay any balance in the Series Accounts for such Series of Bonds to the District upon the written direction of an Authorized Officer, free and clear of any lien and pledge created by this Master Indenture; provided, however, that if an Event of Default has occurred and is continuing in the payment of the principal or Maturity Amount of, or interest or premium on the Bonds of any other Series, the Trustee shall pay over and apply any such excess pro rata (based upon the ratio of the aggregate principal amount of such Series to the aggregate principal amount of all Series Outstanding and for which such an Event of Default has occurred and is continuing) to each other Series of Bonds for which such an Event of Default has occurred and is continuing.

Section 506 Optional Redemption.

(a) **Excess Amounts in Optional Prepayment Subaccount of a Series Redemption Account.** The Trustee shall, but only at the written direction of an Authorized Officer on or prior to the forty-fifth (45th) day preceding the date of redemption, call for redemption on each Interest Payment Date on which Bonds are subject to optional redemption, from moneys on deposit in an Optional Redemption Subaccount in a Series Redemption Account such amount of Bonds of such Series then subject to optional redemption as, with the redemption premium, if any, will exhaust such amount as nearly as may be practicable. Such redemption shall be made pursuant to the provisions of Article III. The District shall pay all expenses incurred by the Trustee and Paying Agent in connection with such redemption.

26

other amounts, if any, then on deposit therein, will equal the Maturity Amount payable with respect to the Capital Appreciation Bonds of such Series maturing on such Interest Payment Date;

(v) to the credit of the Series Reserve Account, an amount, if any, which, together with the amount then on deposit therein, will equal the Series Reserve Account Requirement; and

(vi) to the credit of the Series Rebate Account the Rebate Amount, if any, required to be deposited therein pursuant to the Supplemental Indenture related to a Series of Tax Exempt Bonds.

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

(b) **Disposition of Remaining Amounts on Deposit in Series Revenue Account.** The District shall authorize the withdrawal, from time to time, from the Series Revenue Account an amount sufficient to pay the fees and charges of the Trustee, Bond Registrar, and Paying Agent, when due. Subject to the provisions of Section 604 hereof, if (x) the amount on deposit in the Series Interest Account, Series Principal Account, and Series Redemption Account in each Bond Year equals the interest payable on the Bonds of such Series in such Bond Year, the principal amount of Serial Bonds payable in such Bond Year, the Maturity Amount of all Capital Appreciation Bonds due in such Bond Year and the Amortization Installment required to be paid into the Series Redemption Account in such Bond Year, and if the Debt Service Reserve Account is fully funded, then (y) any amounts remaining in the Series Revenue Account shall, at the written direction of the District, be applied to pay the commissions, fees, costs and any other charges of the Tax Collector and the Property Appraiser, or, if such commissions, fees, costs, or other charges have been paid by the District, then such amounts shall be applied to reimburse the District for such payment upon written request of an Authorized Officer. If, after such amount has been withdrawn and paid for such expenses of collection, any amounts remain in the Series Revenue Account, such amounts shall be disbursed to the District on written request of an Authorized Officer and applied to pay the operating and administrative costs and expenses of the District. After making the payments provided for in this subsection (b), the balance, if any, remaining in the Series Revenue Account shall be retained therein, or, at the written direction of an Authorized Officer to the Trustee, transferred into the Series Redemption Account.

(c) **Series Reserve Account.** Moneys held for the credit of a Series Reserve Account shall be used for the purpose of paying interest or principal or Amortization Installment or Maturity Amount on the Bonds of the related Series whenever amounts on deposit in the Series Debt Service Account shall be insufficient for such purpose.

25

(b) **Purchase of Bonds of a Series.** The District may purchase Bonds of a Series then outstanding at any time, whether or not such Bonds shall then be subject to redemption, at the most advantageous price obtainable with reasonable diligence, having regard to maturity, option to redeem, rate and price, such price not to exceed the principal of such Bonds plus the amount of the premium, if any, which would be payable on the next redemption date to the Owners of such Bonds under the provisions of this Master Indenture and the Supplemental Indenture pursuant to which such Series of Bonds was issued if such Bonds were called for redemption on such date. Before making each such purchase, the District shall file with the Trustee a statement in writing directing the Trustee to pay the purchase price of the Bonds of such Series so purchased upon their delivery and cancellation, which statement shall set forth a description of such Bonds, the purchase price to be paid therefor, the name of the seller and the place of delivery of the Bonds. The Trustee shall pay the interest accrued on such Bonds to the date of delivery thereof from the related Series Interest Account and the principal portion of the purchase price of Serial Bonds from the related Series Principal Account, but no such purchase shall be made after the Record Date in any Bond Year in which Bonds have been called for redemption. To the extent that insufficient moneys are on deposit in a related Series Interest Account to pay the accrued interest portion of the purchase price of any Bonds or in a related Series Principal Account to pay the principal amount of the purchase price of any Serial Bond, the Trustee shall transfer into such Accounts from the related Series Revenue Account sufficient moneys to pay such respective amounts. In the event that there are insufficient moneys on deposit in the related Series Principal Account with which to pay the principal portion of the purchase price of any Term Bonds, the Trustee may, at the written direction of the District, transfer moneys to such related Series Principal Account from the related Series Revenue Account to pay the principal amount of such purchase price, but only in an amount no greater than the Amortization Installment related to such Series of Bonds coming due in the current Bond Year calculated after giving effect to any other purchases of Term Bonds during such Bond Year. The Trustee may pay the principal portion of the purchase price of Bonds from the related Series Redemption Account, but only upon delivery of written instructions from an Authorized Officer to the Trustee by the District accompanied by a certificate of an Authorized Officer: (i) stating that sufficient moneys are on deposit in the Redemption account to pay the purchase price of such Bonds; (ii) setting forth the amounts and maturities of Bonds of such Series which are to be redeemed from such amounts; and (iii) containing cash flows which demonstrate that, after giving effect to the purchase of Term Bonds in the amounts and maturities set forth in clause (ii) above, the Pledged Revenues to be received by the District in the current and each succeeding Bond Year will be sufficient to pay the principal, Maturity Amount and Amortization Installments of and interest on all Bonds of such Series. The Trustee may pay the principal portion of the purchase price of any Term Bonds from the related Series Principal Account, but only Term Bonds of a maturity having Amortization Installments in the current Bond Year and in the principal amount no greater than the Amortization Installment related to such Series of Bonds coming due in the current Bond Year (calculated after giving effect to any other purchases of Term Bonds during such Bond Year). The Trustee may pay the principal portion of the purchase price of Term Bonds having maturities different from or in amounts greater than set forth in the next preceding sentence from amounts on deposit in the related Series Principal Account and the Trustee may transfer moneys from the related Series Revenue Account to the related Series Principal Account for such purpose, but only upon delivery of written instructions from an Authorized Officer to the Trustee accompanied by a certificate of an Authorized Officer: (i) stating that sufficient moneys are on deposit in the Series Principal Account, after giving effect to any

27

transfers from the related Series Revenue Account, to pay the principal portion of the purchase price of such Term Bonds; (ii) setting forth the amounts and maturities of Term Bonds of such Series which are to be redeemed from such amounts and the Amortization Installments against which the principal amount of such purchases are to be credited; and (iii) containing cash flows which demonstrate that, after giving effect to the purchase of Term Bonds in the amounts and having the maturities and with the credits against Amortization Installments set forth in clause (ii) above and any transfers from the related Series Revenue Account, the Pledged Revenues to be received by the District in the current and in each succeeding Bond Year will be sufficient to pay the principal, Maturity Amount and Amortization Installments of and interest on all Bonds of such Series. If any Bonds are purchased pursuant to this Subsection (b), the principal amount of the Bonds so purchased shall be credited as follows:

(i) if the Bonds are to be purchased from amounts on deposit in the Prepayment Subaccount of a Series Redemption Account, against the principal coming due or Amortization Installments set forth in the certificate of the Authorized Officer accompanying the direction of the District to effect such purchase; or

(ii) if the Bonds are Term Bonds of a Series, against the Amortization Installment for Bonds of such Series first coming due in the current Bond Year, or, if such Term Bonds so purchased are to be credited against Amortization Installments coming due in any succeeding Bond Year, against the Amortization Installments on Term Bonds of such Series maturing on the same date and designated in the certificate of the Authorized Officer accompanying the direction of the District to effect such purchase; or

(iii) against the principal or Maturity Amount of Serial Bonds coming due on the maturity date of such Serial Bond.

Section 507 *Rebate Fund and Series Rebate Accounts.*

(a) **Creation.** There is hereby created and established a Rebate Fund, and within the Rebate Fund a Series Rebate Account for each Series of Tax Exempt Bonds. Moneys deposited and held in the Rebate Fund shall not be subject to the pledge of this Master Indenture.

(b) **Payment to United States.** The Trustee shall pay to the District, upon written request of the District, the Rebate Amount required to be paid to the United States at the times, in the manner and as calculated in accordance with the Supplemental Indenture related to a Series of Tax Exempt Bonds. The Trustee shall have no responsibility for computation of the Rebate Amount and instead the District shall cause the Rebate Amount to be calculated by the Rebate Analyst and shall cause the Rebate Analyst to deliver such computation to the Trustee as provided in the Supplemental Indenture related to a Series of Tax Exempt Bonds but before the date of any required payment of the Rebate Amount to the Internal Revenue Service. The fees of, and expenses incurred by, the Rebate Analyst in computing the Rebate Amount shall be paid by the District, which amount shall be treated as an administrative and operating expense of the District payable or reimbursable from the Series Revenue Account in accordance with Section 505(b) hereof.

28

(d) **Valuation.** In computing the value of the assets of any Fund or Account, investments and earnings thereon shall be deemed a part thereof. Such investments, other than in a Series Reserve Account, shall be valued at the par value or the current market value thereof, whichever is lower, or at the redemption price thereof, if then redeemable at the option of the holder. In computing the value of the amount on deposit in a Series Reserve Account, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par or at amortized value if purchased at other than par. Amortized value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation on the date of purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium and adding the amount thus calculated for each Interest Payment Date after such purchase to the purchase price in the case of an obligation purchased at a discount.

Section 509 Deficiencies and Surpluses in Funds. For purposes of this Section: (i) a "deficiency" shall mean, in the case of a Series Reserve Account, that the amount on deposit therein is less than the Series Reserve Account Requirement (but only after the Bond Year in which the amount on deposit therein first equals the Series Reserve Account Requirement), and (ii) a "surplus" shall mean in the case of a Series Reserve Account, that the amount on deposit therein is in excess of the Series Reserve Account Requirement.

At the time of any withdrawal from a Series Reserve Account that results in a deficiency there the Trustee shall promptly notify the District of the amount of any such deficiency and the Trustee shall withdraw the amount of such deficiency from the related Series Revenue Account, and, if amounts on deposit therein are insufficient therefor, the District shall pay the amount of such deficiency to the Trustee, for deposit in such Series Reserve Account, from the first legally available sources of the District.

The Trustee, as of the close of business on the last Business Day in each Bond Year, after taking into account all payments and transfers made as of such date, shall compute, in the manner set forth in Section 508(d), the value of the Series Reserve Account and shall promptly notify the District of the amount of any deficiency or surplus as of such date in such Series Reserve Account. The District shall immediately pay the amount of any deficiency to the Trustee, for deposit in the Series Reserve Account, from any legally available sources of the District. The Trustee, as soon as practicable after such computation, shall deposit any surplus, at the direction of an Authorized Officer, to the credit of the Series Redemption Account or the Series Principal Account or as provided in the Supplemental Indenture relating to a Series of Bonds.

Section 510 Investment Income. Unless provided otherwise in a Supplemental Indenture, earnings on investments in a Series Acquisition and Construction Account and the subaccounts therein, a Series Interest Account and a Series Revenue Account shall be deposited, as realized, to the credit of such Series Account and used for the purpose of such Account. Unless provided otherwise in a Supplemental Indenture, earnings on investments in a Series Principal Account and Redemption Account shall be deposited, as realized, to the credit of such Series Interest Account and aged for the purpose of such Account.

Earnings on investments in a Series Reserve Account shall be disposed of as follows:

30

(c) **Deficiencies.** If the Trustee does not have on deposit in the Series Rebate Account sufficient amounts to make the payments required by this Section, the District shall pay, from any legally available source, the amount of any such deficiency to the United States as in paragraph (b) above provided, and the Trustee shall have no responsibility for funding any such deficiency.

(c) **Survival.** The covenants and agreements of the District in this Section 507 and Section 809, and, any additional covenants related to compliance with provisions necessary in order to preserve the exclusion of interest on the Bonds of a Series from gross income for Federal income tax purposes shall survive the defeasance of the Bonds of such Series in accordance with Article XII hereof.

Section 508 Investment of Funds and Accounts. Unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series of Bonds, moneys held for the credit of the Series Accounts shall be invested as hereinafter in this Section 508 provided.

(a) **Series Acquisition and Construction Account, Revenue Account and Debt Service Account.** Moneys held for the credit of a Series Acquisition and Construction Account, the Series Revenue Account, and the Series Debt Service Account shall, as nearly as may be practicable be continuously invested and reinvested by the Trustee in Investment Obligations as directed in writing by an Authorized Officer, which Investment Obligations shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates, as estimated by an Authorized Officer, when moneys held for the credit of each such Series Account will be required for the purposes intended.

(b) **Series Reserve Account.** Moneys held for the credit of a Series Reserve Account shall be continuously invested and reinvested by the Trustee in Investment Obligations as directed in writing by an Authorized Officer.

(c) **Investment Obligations as a Part of Funds and Accounts.** Investment Obligations purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account, and the interest accruing thereon and profit realized from such investment shall be credited as provided in Section 510 hereof. Any loss resulting from such investment shall be charged to such Fund or Account. The foregoing notwithstanding, for purposes of investment and to the extent permitted by law, amounts on deposit in any Fund or Account may be commingled for purposes of investment, provided adequate care is taken to account for such amounts in accordance with the prior sentence. The Trustee may, upon the direction of an Authorized Officer, transfer investments within such Funds or Accounts without being required to sell such investments. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund or Account. The Trustee shall not be liable or responsible for any loss resulting from any such investment or for failure to make an investment (except failure to make an investment in accordance with the written direction of an Authorized Officer) or for failure to achieve the maximum possible earnings on investments. The Trustee shall have no obligation to invest funds absent written direction from the District.

29

(a) if there was no deficiency (as defined in Section 509 above) in the Series Reserve Account as of the most recent date on which amounts on deposit in the Series Reserve Account were valued by the Trustee, and if no withdrawals have been made from the Series Reserve Account since such date, then earnings on investments in the Series Reserve Account shall be deposited, as realized, in the Series Revenue Account;

(b) if as of the last date on which amounts on deposit in the Series Reserve Account were valued by the Trustee there was a deficiency (as defined in Section 509 above) in the Series Reserve Account, or if after such date withdrawals have been made from the Series Reserve Account and have created such a deficiency, then earnings on investments in the Series Reserve Account shall be deposited to the credit of the Series Reserve Account until the amount on deposit therein equals the Series Reserve Account Requirement and thereafter shall be deposited to the Series Revenue Account.

Section 511 Cancellation of Bonds. All Bonds paid, redeemed or purchased, either at or before maturity, shall be cancelled upon the payment, redemption or purchase of such Bonds. All Bonds cancelled under any of the provisions of this Master Indenture shall be destroyed by the Paying agent, which shall execute a certificate in duplicate describing the Bonds so destroyed. One executed certificate shall be filed with the Trustee and the other executed certificate shall be retained by the Paying Agent.

ARTICLE VI CONCERNING THE TRUSTEE

Section 601 Acceptance of Trust. The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto and the Owners agree.

Section 602 No Responsibility for Recitals. The recitals, statements and representations in this Master Indenture, in any Supplemental Indenture or in the Bonds, save only the Trustee's authentication certificate, if any, upon the Bonds, have been made by the District and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof.

Section 603 Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Gross Negligence. The Trustee may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of counsel concerning all questions hereunder; and the Trustee shall not be answerable for the default or misconduct of any attorney, agent or employee selected by it with reasonable care. In performance of its duties hereunder, the Trustee may rely on the advice of counsel and shall not be held liable for actions taken in reliance on the advice of counsel. The Trustee shall not be answerable for the exercise of any discretion or power under this Master Indenture or any Supplemental Indenture nor for anything whatever in connection with the trust hereunder, except only its own gross negligence or willful misconduct.

Section 604 Compensation and Indemnity. The District shall pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including the reasonable fees and expenses of Trustee's counsel when such fees and expenses become due, and shall indemnify the Trustee (and its respective successors, agents and servants) and hold the Trustee (and its respective successors, agents and servants) harmless against any liabilities,

31

obligations, losses damages, penalties, claims; actions, suits and costs which it may incur in the exercise and performance of its powers and duties hereunder except with respect to its own gross negligence or willful misconduct. The Trustee shall have no duty in connection with its responsibilities hereunder to advance its own funds nor shall the Trustee have any duty to take any action hereunder without first having received indemnification satisfactory to it. If the District defaults in respect of the foregoing obligations, the Trustee may deduct the amount owing to it from any moneys received by the Trustee under this Master Indenture or any Supplemental Indenture and Payable to the District other than Maintenance Special Assessments and moneys from a Credit Facility or a Liquidity Facility. This provision shall survive termination of this Master Indenture and any Supplemental Indenture, and as to any Trustee, its resignation or removal thereof. As security for foregoing, the District hereby grants to the Trustee a security interest in and to the amounts on deposit in all Series Funds and Accounts, subordinate and inferior to the security interest granted to the Owners of the Bonds from time to time secured thereby, but nevertheless payable in the order of priority as set forth in Section 905 upon the occurrence of an Event of Default.

Section 605 No Duty to Renew Insurance. The Trustee shall be under no duty to effect or to renew any insurance policy nor shall it incur any liability for the failure of the District to require or effect or renew insurance or to report or file claims of loss thereunder.

Section 606 Notice of Default; Right to Investigate. The Trustee shall give written notice, as soon as practicable, by first-class mail to registered Owners of Bonds of all defaults of which the Trustee has actual knowledge, unless such defaults have been remedied (the term "defaults" for purposes of this Section and Section 607 being defined to include the events specified as "Events of Default" in Section 902 hereof, but not including any notice or periods of grace provided for therein) or if the Trustee, based upon the advice of counsel upon which it is entitled to rely, determines that the giving of such notice is not in the best interests of the Owners of the Bonds. The Trustee will be deemed to have actual knowledge of any payment default under this Master Indenture or under any Supplemental Indenture and, after receipt of written notice thereof by a Credit Facility issuer or a Liquidity Facility issuer of a default under its respective Reimbursement Agreement, but shall not be deemed to have actual knowledge of any other default unless notified in writing of such default by the Owners of at least 25% in aggregate principal amount of the Outstanding Bonds. The Trustee may, however, at any time require of the District full information as to the performance of any covenant hereunder, and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the District, an investigation into the affairs of the District.

Section 607 Obligation to Act on Defaults. Before taking any action under this Master Indenture or any Supplemental Indenture in respect of an Event of Default, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability resulting from its own gross negligence or willful misconduct in connection with any such action.

Section 608 Reliance by Trustee. The Trustee may act on any requisition, resolution, notice, telegram request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document or telephone message which it in good faith believes to be genuine and to have been passed, signed or given by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Master Indenture or any Supplemental Indenture; and the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

32

Section 614 Qualification of Successor Trustee. A successor Trustee shall be a national bank with trust powers or a bank or trust company with trust powers, having a combined net capital and surplus of at least \$50,000,000, but in no event shall the successor Trustee ever be the Credit Facility issuer or Liquidity Facility issuer.

Section 615 Instruments of Succession. Any successor Trustee shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder; and thereupon such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall pay over to the successor Trustee all moneys held by it hereunder after payment of all fee, and expenses owing to the Trustee; and, the Trustee ceasing to act and the District shall execute and deliver an instrument or instruments transferring to the successor Trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act, except for the rights of the Trustee under Section 604 hereof.

Section 616 Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor Trustee under this Master Indenture, without the execution or filing of any paper or any further act on the part of the parties thereto, anything herein to the contrary notwithstanding; provided, however, that any such successor corporation continuing to act as Trustee hereunder shall meet the requirements of Section 614 hereof, and if such corporation does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to this Article VI.

Section 617 Resignation of Paying Agent or Bond Registrar. The Paying Agent or Bond Registrar may resign and be discharged of the duties created by this Master Indenture by executing an instrument in writing resigning such duties and specifying the date when such resignation shall take effect, and filing the same with the District and the Trustee not less than sixty (60) days before the date specified in such instrument when such resignation shall take effect, and by giving written notice of such resignation mailed not less than sixty (60) days prior to such resignation date to each Owner as its name and address appear on the registration books of the District maintained by the Bond Registrar. Such resignation shall take effect on the date specified in such notice, unless a successor Paying Agent or Bond Registrar is previously appointed in which event such resignation shall take effect immediately upon the appointment of such successor Paying Agent or Bond Registrar. If the Successor Paying Agent or Bond Registrar shall not have been appointed within a period of sixty (60) days following the giving of notice then the Trustee may appoint a successor Paying Agent or Bond Registrar as provided in Section 619 hereof.

Section 618 Removal of Paying Agent or Bond Registrar. The Paying Agent or Bond Registrar may be removed at anytime prior to any Event of Default by the District by filing with the Paying Agent or Bond Registrar to be removed, and with the Trustee, an instrument or instruments in writing executed by an Authorized Officer appointing a successor. Such removal shall be effective thirty (30) days (or such lesser or longer period as may be set forth in such instrument) after delivery of the instrument; provided, however, that no such removal shall be effective until the successor Paying Agent or Bond Registrar appointed hereunder shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder.

34

Section 609 Trustee May Deal in Bonds. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owners may be entitled to take with like effect as if the Trustee were not a party to this Master Indenture or any Supplemental Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the District.

Section 610 Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of this Master Indenture or any Supplemental Indenture and any construction by the Trustee shall be binding upon the Owners. The Trustee shall give prompt written notice to the District of any intention to make such construal.

Section 611 Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Master Indenture by written resignation filed with the Secretary of the District not less than sixty (60) days before the date when such resignation is to take effect; provided that notice of such resignation shall be sent by first-class mail to each Owner as its name and address appears on the Bond Register and to any Paying Agent, Bond Registrar, any Credit Facility issuer, and any Liquidity Facility issuer, at least sixty (60) days before the resignation is to take effect. Such resignation shall take effect on the day specified in the Trustee's notice of resignation unless a successor Trustee is previously appointed, in which event the resignation shall take effect immediately on the appointment of such successor; provided, however, that notwithstanding the foregoing such resignation shall not take effect until a successor Trustee has been appointed. If a successor Trustee has not been appointed within sixty (60) days after the Trustee has given its notice of resignation, the Trustee may, at the expense of the District, petition any court of competent jurisdiction for the appointment of a temporary successor Trustee to serve as Trustee until a successor Trustee has been duly appointed.

Section 612 Removal of Trustee. Any Trustee hereunder may be removed at any time by an instrument appointing a successor to the Trustee so removed, executed by the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, calculated without regard to any Bonds owned by the Trustee, and filed with the Trustee and the District or by resolution duly adopted by the Governing Body; provided, however, that the Trustee shall not be removed without consent of the Owners of a majority of the Bonds at anytime there has occurred and is continuing an Event of Default hereunder.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Master Indenture or any Supplemental Indenture with respect to the duties and obligations of the Trustee, by any court of competent jurisdiction upon the application of the District or the Owners of not less than 20% in aggregate principal amount of the Bonds then Outstanding.

Section 613 Appointment of Successor Trustee. If the Trustee or any successor Trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the District shall appoint a successor and shall mail notice of such appointment by first-class mail to each Owner as its name and address appear on the Bond Register, and to the Paying Agent, Bond Registration, any Credit Facility issuer and any Liquidity Facility issuer; provided, however, that no successor Trustee shall be appointed unless the District shall have received the prior written consent, which Consent shall not be unreasonably withheld, of any Credit Facility issuer, and any Liquidity Facility issuer, to the appointment of such successor Trustee.

33

Section 619 Appointment of Successor Paying Agent or Bond Registrar. In case at any time the Paying Agent or Bond Registrar shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and *ipso facto* exist in the office of the Paying Agent or Bond Registrar, as the case may be, and a successor shall be appointed by the District; and in case at any time the Paying Agent or Bond Registrar shall resign, then a successor shall be appointed by the District. Upon any such appointment, the District shall give written notice of such appointment to the predecessor Paying Agent or Bond Registrar, the successor Paying Agent or Bond Registrar, the Trustee and all Owners. Any new Paying Agent or Bond Registrar so appointed and accepting such duties as provided in Section 621 hereof shall immediately and without further act supersede the predecessor Paying Agent or Bond Registrar.

Section 620 Qualifications of Successor Paying Agent or Bond Registrar. Every successor Paying Agent or Bond Registrar (a) shall be a commercial bank or trust company (i) duly organized under the laws of the United States or any state or territory thereof, (ii) authorized by law to perform all the duties imposed upon it by this Master Indenture and (iii) capable of meeting its obligations hereunder, and (b) shall have a combined net capital and surplus of at least \$50,000,000.

Section 621 Acceptance of Duties by Successor Paying Agent or Bond Registrar. Any successor Paying Agent or Bond Registrar appointed hereunder shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder, and thereupon such Successor Paying Agent or Bond Registrar, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named Paying Agent or Bond Registrar herein. Upon request of such Paying Agent or Bond Registrar, such predecessor Paying Agent or Bond Registrar and the District shall execute and deliver an instrument transferring to such successor Paying Agent or Bond Registrar all the estates, property, rights and powers hereunder of such predecessor Paying Agent or Bond Registrar and such predecessor Paying Agent or registrar shall pay over and deliver to the successor Paying Agent or Bond Registrar all moneys and other assets at the time held by it hereunder.

Section 622 Successor by Merger or Consolidation. Any corporation into which any pang Agent or Bond Registrar hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Paying Agent or Bond Registrar hereunder shall be a party, shall be the successor Paying Agent or Bond Registrar under this Master Indenture without the execution or filing of any paper or any further act on the part of the parties hereto anything in this Master Indenture to the contrary notwithstanding.

ARTICLE VII FUNDS CONSTITUTE TRUST FUNDS

Section 701 Trust Funds. All amounts on deposit in Series Accounts for the benefit of a Series of Bonds shall:

- (a) be used only for the purposes and in the manner herein and in the Supplemental Indenture relating to such Series of Bonds provided and, pending such application, be held by the Trustee in trust for the benefit of the Owners of such Series of Bonds;

35

(b) be irrevocably pledged to the payment of such Series of Bonds, except for amounts on deposit in the Series Rebate Accounts in the Rebate Fund;

(c) be held and accounted for separate and apart from all other Funds and Accounts, including Series Accounts of other Series of Bonds, and other funds and account; of the Trustee and the District;

(d) until applied for the purposes provided herein, be subject to a first lien in favor of the Owners of such Series of Bonds and any pari passu obligations to issuers of Credit or Liquidity Facilities with respect to such Series of Bonds, which lien is hereby created, prior and superior to all other liens now existing or hereafter created, and, to a second lien in favor of the Trustee, as security for the reasonable compensation for the services of the Trustee hereunder, and also all its reasonable expenses and disbursements, including the reasonable fees and expenses of Trustee's counsel, subordinate and inferior to the security interest granted to the Owners of such Series of Bonds and any pari passu obligations to issuers of Credit or Liquidity Facilities with respect to such Series of Bonds, but nevertheless payable in the order of priority as set forth in Section 905 hereof upon the occurrence of an Event of Default; and

(e) shall not be subject to lien or attachment by any creditor of the Trustee or any creditor of the District or any other Series of Bonds other than the Owners of such Series of Bonds and the issuers of Credit or Liquidity Facilities with respect to such Series of Bonds

ARTICLE VIII COVENANTS AND AGREEMENTS OF THE DISTRICT

Section 801 Payment of Bonds. The District shall duly and punctually pay or cause to be paid, but only from the Trust Estate with respect to each Series of Bonds, Debt Service on the dates at the places and in the amounts stated herein, in any Supplemental Indenture, and in the Bonds of such Series.

Section 802 Extension of Payment of Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time for payment of interest thereon. The time for payment of Bonds of any Series shall be the time prescribed in the Supplemental Indenture relating to such Series of Bonds.

Section 803 Further Assurance. At any and all times the District shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better conveying, conveying, granting, assigning and confirming all and singular the rights, moneys, securities and funds hereby pledged or assigned, or intended so to be, or which the District may become bound to pledge or assign after the date of execution of this Master Indenture.

Section 804 Power to Issue Bonds and Create a Lien. The District hereby represents to the Trustee and to the Owners that it is and will be duly authorized under all applicable laws to issue the Bonds of each Series, to execute this Master Indenture, to adopt Supplemental Indentures, and to pledge its moneys, securities and funds in the manner and to the extent provided herein. Except as provided herein, the District hereby represents that such moneys, securities and funds of the District are and will be free and clear of any pledge, lien, charge or encumbrance thereon and all action on

36

maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted.

Section 808 Accounts and Reports.

(a) **Annual Report.** The District shall, within one hundred eighty (180) days after the close of each Fiscal Year (or such lesser period as may be required by Florida law) so long as any Bonds are Outstanding, file with the Trustee, solely as a repository of such information and otherwise as provided by law, a copy of an annual report for such year, accompanied by an Accountant's Certificate, including: (i) statements in reasonable detail of its financial condition as of the end of such Fiscal Year and income and expenses for such Fiscal Year, and (ii) statements of all receipts and disbursements of the Pledged Revenues of each Series of Bonds (unless the Pledged Revenues of such Series are remitted directly to the Trustee). The Trustee shall, within ninety (90) days after the close of each Fiscal Year so long as any Bonds are Outstanding, file with the District a summary with respect to each Fund and Account of the deposits thereto and disbursements therefrom during such Fiscal Year and the amounts held therein at the end of such Fiscal Year, or at the option of the Trustee, such summary can be made on a monthly basis.

(b) **No Default Certificate.** The District shall file with the Trustee, so long as any Bonds are Outstanding, within ninety (90) days after the close of each Fiscal Year, a certificate of an Authorized Officer stating whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions on its part contained in this Master Indenture and in any Supplemental Indenture and, if so, the nature of such default and actions taken or to be taken to remedy such default.

(c) **Inspection.** The reports, statements and other documents required to be furnished by the District to the Trustee and by the Trustee to the District pursuant to any provisions hereof shall be available for inspection by any Owner at the designated corporate trust office of the Trustee upon the giving of at least five (5) days advance written notice to the Trustee.

(d) **Reports Pursuant to Uniform Special District Accountability Act of 1989.** The District covenants and agrees that it will comply with the provisions of Chapter 189.401 et seq., Florida Statutes, as amended (1999), the Uniform Special District Accountability Act of 1989, to the extent applicable to the District, including any reporting requirements contained therein which are applicable to the District.

Section 809 Arbitrage and Other Tax Covenants. The District hereby covenants that it will not take any action, and will not fail to take any action, which action or failure would cause the Tax Exempt Bonds to become "arbitrage bonds" as defined in Section 148 of the Internal Revenue Code of 1986. The District further covenants that it will take all such actions after delivery of any Tax Exempt Bonds as may be required in order for interest on such Tax Exempt Bonds to remain excludable from gross income (as defined in Section 61 of the Internal Revenue Code of 1986) of the Owners. Without limiting the generality of the foregoing, the District hereby covenants that it will, to the extent not remitted by the Trustee, remit to the United States the Rebate Amount at the time and

38

the part of the District to that end has been and will be duly and validly taken. The Bonds of each Series, this Master Indenture and any Supplemental Indenture are and will be the valid and legally enforceable obligations of the District, enforceable in accordance with their terms except to the extent that enforcement thereof may be subject to bankruptcy and other similar laws affecting creditors' rights generally. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and lien created by this Master Indenture and all the rights of the Trustee and the Owners hereunder against all claims and demands of all other persons whomsoever.

Section 805 Power to Undertake Series Projects and to Collect Pledged Revenues. The District has or will have upon the date of issuance of each Series of Bonds, and will have so long as any Bonds are Outstanding, good right and lawful power: (a) to undertake the Series Projects, or it will take such action on its part required which it deems reasonable in order to obtain licenses, orders, permits or other authorizations, if any, from any agency or regulatory body having lawful jurisdiction which must be obtained in order to undertake such Series Project, and (b) to fix, levy and collect or cause to be collected the Assessments, Benefit Special Assessments, Maintenance Special Assessments and any and all Pledged Revenues.

Section 806 Sale of Series Projects. The District covenants that, until such time as there are no Bonds of a Series Outstanding, it will not sell, lease or otherwise dispose of or encumber the related Series Project or any part thereof other than as provided herein. The District may, however, from time to time, sell any machinery, fixtures, apparatus, tools, instruments, or other movable property acquired by the District in connection with a Series Project, or any materials used in connection therewith if the District shall determine that such articles are no longer needed or are no long useful in connection with the acquisition, construction, operation or maintenance of a Series Project, and the proceeds thereof may be applied to the replacement of the properties so sold or disposed of and, if not so applied, shall be deposited to the credit of the related Series Acquisition and Construction Account or, after the Date of Completion of the Series Project, shall be deposited to the credit of the related Series Redemption Account. The District may from time to time sell or lease the such other property forming part of a Series Project which it may determine is not needed or serves no useful purpose in connection with the maintenance and operation of such Series Project, if the Consulting Engineers shall in writing approve such sale or lease; the proceeds of any such sale shall be disposed of as herein above provided for the proceeds of the sale or disposal of movable property. Unless otherwise provided for in the Supplemental Indenture relating to a Series of Bonds, the proceeds of any lease as described above shall be deposited to the credit of the related Series Redemption Account.

Notwithstanding the foregoing, the District may: (i) dispose of all or any part of a Series Project, other than a Series Project the revenues to be derived from the operation of which are pledged to a Series of Bonds, by gift or dedication thereof to Osceola County, Florida or to the State or any agency or instrumentality of either of the foregoing; and/or (ii) impose, declare or grant title to or interests in the Series Project or a portion or portions thereof in order to create ingress and egress rights and public and private utility easements as the District may deem necessary or desirable for the development, use and occupancy of the property within the District; and/or (iii) impose or declare covenants, conditions and restrictions pertaining to the use, occupancy and operation of the Series Projects.

Section 807 Completion and Maintenance of Series Projects. The District shall complete the acquisition and construction of a Series Project with all practical dispatch and in a sound and economical manner. So long as any Series Project is owned by the District, the District shall

37

place required by this Master Indenture and any Supplemental Indenture, including any Tax Regulatory Covenants contained therein.

Section 810 Enforcement of Payment of Assessments, Benefit Special Assessments and Maintenance Special Assessments. The District will assess, levy, collect or cause to be collected and enforce the payment of Assessments, Benefit Special Assessments and/or Maintenance Special Assessments which constitute Pledged Revenues for the payment of any Series of Bonds in the manner prescribed by this Master Indenture, any Supplemental Indenture and all resolutions, ordinances or laws thereto appertaining at times and in amounts as shall be necessary in order to pay, when due, the principal of and interest on the Series of Bonds to which such Pledged Revenues are pledged, and to pay or cause to be paid the proceeds of such Assessments, Benefit Special Assessments and/or Maintenance Special Assessments as received to the Trustee in accordance with the provisions hereof.

Section 811 Method of Collection of Assessments, Benefit Special Assessments and Maintenance Special Assessments. Except as hereinafter provided, the District shall use its best efforts to collect and enforce Assessments and Benefit Special Assessments which are pledged to the payment of any Series of Bonds utilizing the Uniform Method set forth in Section 197.3632, Florida Statutes (1999) and shall furnish the information at the times, and in the manner, required by Section 197.3632, Florida Statutes (1999), in order that such Assessments and Benefit Special Assessments maybe included in the combined notice for ad valorem taxes and non ad valorem assessment provided for in Section 197.3635, Florida Statutes (1999). The District may collect any Maintenance Special Assessments directly or using the Uniform Method.

Notwithstanding the foregoing, the District shall not be required to cause the Tax Collector to collect any Special Assessments, Maintenance Special Assessments or Benefit Special Assessments (i) which are due and payable within a period of less than two calendar years from the date of levy thereof, or, (ii) with respect benefitted land prior to being platted for its ultimate use, or, (iii) with respect to Special Assessments which are pledged as security for bond anticipation notes issued by the District.

Section 812 Delinquent Assessments, Benefit Special Assessments or Maintenance Special Assessments. If the owner of any lot or parcel of land shall be delinquent in the payment of any Assessment, Benefit Special Assessment or Maintenance Special Assessment pledged to a Series of Bonds, then such Assessment, Benefit Special Assessment or Maintenance Special Assessment shall be enforced in accordance with Chapter 190.021(4), Florida Statutes (1999), or collected pursuant to the provisions of Chapters 170 and 197, Florida Statutes (1999), including but not limited to the sale of tax certificates and tax deed as regards such Delinquent Assessment, Benefit Special Assessment or Maintenance Special Assessment. In the event the provisions of Chapter 197, Florida Statute, are inapplicable, then upon the delinquency of any Assessment, Benefit Special Assessment or Maintenance Special Assessment the District either on its own behalf, or through the actions of the Trustee, may, but is not obligated to, declare the entire unpaid balance of such Assessment, Benefit Special Assessment or Maintenance Special Assessment to be in default and, at its own expense, cause such delinquent property to be foreclosed in the same method now or hereafter provided by law for the foreclosure of mortgages on real estate, or pursuant to the provisions of Chapter 173, and Sections 190.026 and 170.10, Florida Statutes, or otherwise as provided by law. The District further covenants to furnish at its expense, to the Trustee and any Owner of Bonds of the related Series so requesting, sixty (60) days after the due date of each annual installment, a list of all Delinquent Assessments and all delinquent Benefit Special Assessments and Maintenance Special Assessments,

39

together with a copy of the District's annual audit, and a list of foreclosure actions currently in progress and the current status of such Delinquent Assessments and all delinquent Benefit, Special Assessments and Maintenance Special Assessments.

Section 813 Deposit of Proceeds from Sale of Tax Certificates. If any tax certificates relating to Delinquent Assessments, Benefit Special Assessments or Maintenance Special Assessments which are pledged to a Series of Bonds are sold by the Tax Collector pursuant to the provisions of Section 197.432 Florida Statutes (1999), or if any such tax certificates are not sold but are later redeemed, the proceeds of such sale or redemption (to the extent that such proceeds relate to the Assessments, Benefit Special Assessments or Maintenance Special Assessments), less any commission or other charges retained by the Tax Collector, shall, if paid by the Tax Collector to the District, be paid by the District to the Trustee not later than one (1) Business Day following receipt of such proceeds by the District and shall be deposited by the Trustee to the credit of the related Series Revenue Fund, or as provided in the Supplemental Indenture relating to a Series of Bonds.

Section 814 Sale of Tax Deed or Foreclosure of Assessment, Benefit Special Assessment or Maintenance Special Assessment Liens. If any property shall be offered for sale for the nonpayment of any Assessment, Benefit Special Assessment or Maintenance Special Assessment which is pledged to a Series of Bonds, and no person or persons shall purchase such property for an amount equal to the full amount due on the Assessment or Maintenance Special Assessment (principal, interest, penalties and costs, plus attorneys' fees, if any), the property shall then be purchased by the District for an amount equal to the balance due on the Assessment or Maintenance Special Assessment (principal, interest, penalties and costs, plus attorneys' fees, if any), from any legally available funds of the District and the District shall receive in its corporate name title to the property for the benefit of the Owners of the Series of Bonds to which such Assessments, Benefit Special Assessments or Maintenance Special Assessments were pledged. The District, either through its own actions, or actions caused to be taken through the Trustee, shall have the power and shall lease or sell such property, and deposit all of the net proceeds of any such lease or sale into the related Series Revenue Fund. Not less than ten (10) days prior to the filing of any foreclosure action as herein provided, the District shall cause written notice thereof to be mailed to the Trustee and any designated agents of the Owners of the related Series of Bonds or as provided in the Supplemental Indenture relating to such Series of Bonds. Not less than thirty (30) days prior to the proposed sale of any lot or tract of land acquired by foreclosure by the District, it shall give written notice thereof to the Trustee and any designated agent of the Owners of the related Series of Bonds. The District, either through its own actions, or actions caused to be taken through the Trustee, agrees that it shall be required to take the measures provided by law for sale of property acquired by it as trustee for the Owners of the related Series of Bonds within thirty (30) days after the receipt of the request therefor signed by the Trustee or the Owners of at least fifteen percent (15%) in aggregate principal amount of the Outstanding Bonds of such Series.

Section 815 Other Obligations Payable from Assessments, Benefit Special Assessments Or Maintenance Special Assessments. The District will not issue or incur any obligations payable from the proceeds of Assessments, Benefit Special Assessments or Maintenance Special Assessments securing a Series of Bonds (other than such related Series of Bonds) nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge upon such Assessments Benefit Special Assessments or Maintenance Special Assessments other than the lien of the related Series of Bonds except for fees, commissions, costs, and other charges payable to the Property Appraiser or to the Tax Collector pursuant to Florida law or amounts payable to the Trustee and an, Credit Facility Issuer or Liquidity Facility Issuer.

40

property and if the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within ninety (90) days from the date of entry thereof,

(e) The District shall file a petition or answer seeking reorganization or any arrangement under the Federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof,

(f) Under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District's assets or any part thereof, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control; or

(g) The District shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds of such Series or in this Master Indenture or in the Supplemental Indenture relating to such Series of Bonds on the part of the District to be performed (other than a default in the payment of Debt Service on the related Series of Bonds when due, which is an Event of Default under subsection (a) above) and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the District by the Trustee or, if the Trustee is unwilling or unable to act, by Owners of not less than ten per centum (10%) in aggregate principal amount of the Bonds of such Series then Outstanding.

Section 903 Acceleration of Maturities of Bonds of a Series. Upon the happening and continuance of any Event of Default specified in clauses (a) through (f) of Section 902 above with respect to a Series of Bonds, the Trustee shall, upon written direction of the Owners of not less than fifty-one percent (51%) of the aggregate principal amount of the Bonds of such Series then Outstanding, by a notice in writing to the District, declare the aggregate principal amount of all of the Bonds of such Series then Outstanding (if not then due and payable) to be due and payable immediately and, upon such declaration, the same shall become and be immediately due and payable, anything contained in the Bonds of such Series or in this Master Indenture or in the Supplemental Indenture authorizing such Series to the contrary notwithstanding; provided, however, that if at any time after the aggregate principal amount of the Bonds of any Series then Outstanding shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Master Indenture or the related Supplemental Indenture, moneys shall have accumulated in the related Series Revenue Account sufficient to pay the principal of all matured Bonds of such Series and all arrears of interest, if any, upon all Bonds of such Series then Outstanding (except the aggregate principal amount of any Bonds of such Series then Outstanding that is only due because of a declaration under this Section, and except for the interest accrued on the Bonds of such series since the last Interest Payment Date), and all amounts then payable by the District hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Paying Agent, and every other default (other than a default in the payment of the aggregate principal amount of the Bonds of such Series then Outstanding that is due only because of a declaration under this Section shall have been remedied, then the Trustee or, if the Trustee is unable or unwilling to act, the Owners of not less than 51% of the aggregate principal amount of the Bonds of such Series then Outstanding not then due except by virtue of a declaration under this Section, may, by written notice to the District, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

42

Section 816 Re-Assessments. If any Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the District shall be satisfied that any such Assessment is so irregular or defective that it cannot be enforced or collected, or if the District shall have omitted to make such Assessment when it might have done so, the District shall either: (i) take all necessary steps to cause a new Assessment to be made for the whole or any part of such improvement or against any property benefited by such improvement; or (ii) in its sole discretion, make up the amount of such Assessment from legally available moneys, which moneys shall be deposited into the related Series Revenue Account. In case any such subsequent Assessment shall also be annulled, the District shall obtain and make other Assessments until a valid Assessment shall be made.

Section 817 General. The District shall do and perform or cause to be done and performed all act and things required to be done or performed by or on behalf of the District under law and this Mast. Indenture, in accordance with the terms of such provisions.

Upon the date of issuance of each Series of Bonds, all conditions, acts and things required by law and this Master Indenture and any Supplemental Indenture to exist, to have happened and to have been performed precedent to and in the issuance of such Series of Bonds shall exist, have happened and have been performed and upon issuance the issue of such Series of Bonds shall be within every debt and other limit prescribed by the laws of the State of Florida applicable to the District.

ARTICLE IX EVENTS OF DEFAULT AND REMEDIES

Section 901 Extension of Interest Payment. If the time for payment of interest of a Bond of any Series shall be extended, whether or not such extension be by or with the consent of the District, such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Master Indenture unless the aggregate principal amount of all Bonds of such Series then Outstanding and of all accrued interest the time for payment of which shall not have been extended shall have previously been paid in full.

Section 902 Events of Default. Each of the following events is hereby declared an Event of Default with respect to a Series of Bonds:

(a) Any payment of Debt Service on such Series of Bonds is not made when due;

(b) The District shall for any reason be rendered incapable of fulfilling its obligations hereunder or under the Supplemental Indenture relating to such Series of Bonds;

(c) The District admits in writing its inability to pay its debts generally as they become due, or files a petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver or trustee for itself or for the whole or any part of a related Series Project;

(d) The District is adjudged insolvent by a court of competent jurisdiction, or is adjudged a bankrupt on a petition in bankruptcy filed against the District, or an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the District, a receiver or trustee of the District or of the whole or any part of its

41

Section 904 Enforcement of Remedies. Upon the happening and continuance of any Event of Default specified in Section 902 above with respect to a Series of Bonds, the Trustee or, if the Trustee is unwilling or unable to act, the Owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds of such Series then Outstanding may protect and enforce the rights of the Owners of the Bonds of such Series under Florida law, and under this Master Indenture, the related Supplemental Indenture and the Bonds of such Series, by such proceedings in equity or at law, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein or in the related Supplemental Indenture granted or for the enforcement of any proper legal or equitable remedy, as the Trustee or the Owners of such Series of Bonds, as the case may be, shall deem most effectual to protect and enforce such rights.

Section 905 Pro Rata Application of Funds Among Owners of a Series of Bonds. Anything in this Master Indenture to the contrary notwithstanding, if at any time the moneys in the Series Funds and Accounts shall not be sufficient to pay Debt Service on the related Series of Bonds when due, such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the aggregate principal amount of all the Bonds of such Series shall have become due and payable or shall have been declared due and payable pursuant to the provisions of Section 903 of this Article, all such moneys shall be applied:

First: to the payment of any then-due fees and expenses of the Trustee, including reasonable counsel fees and expenses, to the extent not otherwise paid.

Second: to payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds of such Series, in the order in which such installments become due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the rates of interest specified in the Bonds of such Series; and

Third: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds of such Series which shall have become due (other than Bonds of such Series called for redemption for the payment of which sufficient moneys are held pursuant to this Master Indenture), in the order of their due dates, with interest upon the Bonds of such Series at the rates specified therein from the dates upon which they become due to their payment date, and, if the amount available shall not be sufficient to pay in full the principal of Bonds of such Series due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Owners of the Bonds of such Series entitled thereto without any discrimination or preference except as to any difference in the foregoing rates of interest.

(b) If the aggregate principal amount of all the Bonds of a Series shall have become due and payable in accordance with their terms or shall have been declared due and payable pursuant to the provisions of Section 903 of this Article, all such moneys shall be

43

applied first to the payment of any then-due fees and expenses of the Trustee, including reasonable counsel fees and expenses, to the extent not otherwise paid, and, then to the payment of the whole amount of principal and interest then due and unpaid upon the Bonds of such Series, without preference or priority of principal or of interest or of any installment of interest over any other installment of interest, or of any Bond over any other Bond of such Series, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds of such Series.

(c) If the principal of all the Bonds of a Series shall have been declared due and payable pursuant to the provisions of Section 903 of this Article, and if such declaration shall thereafter have been rescinded and annulled pursuant to the provisions of Section 903 of this Article, then, if the aggregate principal amount of all the Bonds of such Series shall later become due or be declared due and payable pursuant to the provisions of Section 903 of this Article, the moneys remaining in and thereafter accruing to the related Series Revenue Fund shall be applied in accordance with subsection (b) above.

The provisions of this Section are in all respects subject to the provisions of Section 901 of this Article.

Whenever moneys are to be applied pursuant to this Section, such moneys shall be applied by the Trustee at such times as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application. The deposit of such moneys with the Paying Agent shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to any Owner or to any other person for any delay in applying any such funds, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies such moneys in accordance with such provisions of this Master Indenture as may be applicable at the time of application. Whenever the Trustee shall exercise such discretion in applying such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to any Owner until such Bond shall be surrendered to the Trustee for appropriate endorsement.

Section 906 Effect of Discontinuance of Proceedings. If any proceeding taken by the Trustee or any Owner on account of any default shall have been discontinued or abandoned for any reason, then the District and the Owner shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Owners shall continue as though no such proceeding had been taken.

Section 907 Restriction on Individual Owner Actions. Except as provided in Section 910 below, no Owner of any of the Bonds shall have any right in any manner whatever to affect, disturb or prejudice the security of this Master Indenture or any Supplemental Indenture, or to enforce any right hereunder or thereunder except in the manner herein or therein provided, and all proceedings at law or in equity shall be instituted and maintained for the benefit of all Owners of the Bonds of such Series.

Section 908 No Remedy Exclusive. No remedy conferred upon the Trustee or the Owners is intended to be exclusive of any other remedy herein or in any Supplemental Indenture provided,

44

Section 1002 Deposit of Bonds. Notwithstanding the foregoing, neither the District nor the Trustee shall be required to recognize any person as an Owner of any Bond or to take any action at his request unless such Bond shall be deposited with the Trustee.

ARTICLE XI SUPPLEMENTAL INDENTURES

Section 1101 Supplemental Indentures Without Owners' Consent. The Governing Body from time to time may authorize such indentures supplemental hereto or amendatory hereof as shall not be inconsistent with the terms and provisions hereof (which supplemental indentures shall thereafter form a part hereof), without the consent of the Owners, for the following purposes:

(a) to provide for the initial issuance of a Series of Bonds or refunding bonds of a Series or bond anticipation notes issued in anticipation of a Series of Bonds, or, to provide for the issuance of Additional Bonds of a Series provided that such Additional Bonds satisfy the requirements set forth in the Supplemental Indenture relating to the original Series of Bonds to which such Additional Bonds relate; or

(b) to make any change whatsoever to the terms and provisions of this Master Indenture, but only as such change relates to a Series of Bonds upon the original issuance thereof (or upon the original issuance of refunding bonds of a Series which defease and discharge the Supplemental Indenture of the Series of Bonds to be refunded) under and pursuant to the terms of the Supplemental Indenture effecting such change; or

(c) to cure any ambiguity or formal defect or omission or to correct any inconsistent provisions in this Master Indenture; or

(d) to grant to the Owners or to the Trustee on behalf of the Owners any additional rights or security that may lawfully be granted;

(e) to add to the covenants and agreements of the District in this Master Indenture other covenants and agreements thereafter to be observed by the District to the benefit of the Owners of the Outstanding Bonds;

(f) to make such changes as may be necessary in order to reflect amendments to Chapters 170, 190 and 298, Florida Statutes (1999), so long as, in the opinion of counsel to the District, such changes either: (i) do not have a material adverse effect on the Owners of each Series of Bonds to which such changes relate; or (ii) if such changes do have a material adverse effect that they nevertheless are required to be made as a result of such amendments; or

(g) to modify the provisions of this Master Indenture or any Supplemental Indenture provided that such modification does not, in the written opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Bonds Outstanding.

Section 1102 Supplemental Indentures With Owner Consent. Subject to the provisions fled in this Section and not otherwise, the Owners of not less than fifty-one percent (51 %) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, anything contained in this Master Indenture to the contrary notwithstanding, to consent to and

46

and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or thereunder.

Section 909 Delay Not a Waiver. No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given to the Trustee and the Owners may be exercised from time to time and as often as may be deemed expedient.

Section 910 Right to Enforce Payment of Bonds. Nothing in this Article shall affect or impair the right of any Owner to enforce the payment of Debt Service on the Bond of which such person is the registered Owner, or the obligation of the District to pay Debt Service to the Owner at the time and place specified in such Bond.

Section 911 No Cross Default Among Series. The occurrence of an Event of Default hereunder or under any Supplemental Indenture with respect to any Series of Bonds shall not constitute an Event of Default with respect to any other Series of Bonds, unless the event giving rise to the Event of Default also constitutes an Event of Default hereunder or under the Supplemental Indenture with respect to such other Series of Bonds.

Section 912 Indemnification. Other than to make proper draws under a Credit Facility, the Trustee shall be under no obligation to institute any suitor to take any remedial proceeding under this Master Indenture or any Supplemental Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to advance its own money, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability.

ARTICLE X EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF BONDS

Section 1001 Execution of Instruments by Owners and Proof of Ownership of Bonds. Any request, direction, consent or other instrument in writing required or permitted by this Master Indenture or any Supplemental Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by Owners or their attorneys or legal representatives. Proof of the execution of any such instrument shall be sufficient for any purpose of this Master Indenture and shall be conclusive in favor of the District with regard to any action taken by it under such instrument if verified by any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future owner of the same Bond in respect of anything done by the Trustee or the District in pursuance of such request or consent.

45

approve the adoption of such indentures supplemental hereto or amendatory hereof as shall be deemed desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the provisions of this Master Indenture; provided, however, that nothing herein contained shall permit, or be construed as permitting, without the consent of all owners of Bonds then Outstanding,

(a) an extension of the maturity of, or an extension of the Interest Payment Date on, any Bond;

(b) a reduction in the principal, premium, or interest on any Bond;

(c) a preference or priority of any Bond over any other Bond; or

(d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental indenture.

In addition to the foregoing, the Owners of not less than fifty-one percent (51 %) in aggregate principal amount of the Bonds of a Series then Outstanding shall have the right, from time to time, anything contained in this Master Indenture or in the Supplemental Indenture relating to such Series of Bonds to the contrary notwithstanding, to consent to and approve the adoption of such indentures supplemental to the Supplemental Indenture relating to such Series of Bonds or amendatory thereof, but not hereto, as shall be deemed desirable by the District for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the provisions of such Supplemental Indenture or of any supplemental indenture; provided, however, that nothing herein contained shall permit, to be construed as permitting, without the consent of all Owners of Bonds of such Series then Outstanding,

(a) an extension of the maturity of, or an extension of the Interest Payment Date on, any Bond of such Series;

(b) a reduction in the principal, premium, or interest on any Bond of such Series;

(c) a preference or priority of any Bond of such Series over any other Bond of such Series; or

(d) a reduction in the aggregate principal amount of the Bonds of such Series required for consent to such indenture supplemental to the Supplemental Indenture.

If at any time the District shall determine that it is desirable to approve any Supplemental Indenture pursuant to this Section 1102, the District shall cause the Trustee to mail notice of the propose Supplemental Indenture to the Owners whose approval is required. Such notice shall be prepared by the District and shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file with the Secretary for inspection by all affected Owners. The District shall not, however, be subject to any liability to any Owner by reason of its failure to cause the notice required by this Section to be mailed and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in this Section.

Whenever, at any time within one (1) year after the date of the first mailing of such notice, there shall be delivered to the District an instrument or instruments in writing purporting to be executed by the Owners of the requisite principal amount of the Bonds of such Series Outstanding,

47

which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Governing Body and the Trustee may approve such Supplemental Indenture and cause it to be executed, in substantially such form, without liability or responsibility to any Owner.

Section 1103 Opinion of Bond Counsel With Respect to Supplemental Indenture. In addition to the other requirements herein set forth with respect to Supplemental Indentures, no Supplemental Indenture shall be effective unless and until there shall have been delivered to the Trustee the opinion of Bond Counsel to the effect that such Supplemental Indenture is permitted pursuant to this Master Indenture and that such Supplemental Indenture is the valid and binding obligation of the District enforceable in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or general equitable principles. In addition, if such Supplemental Indenture relates to a Series of Tax Exempt Bonds, such opinion shall also state that such Supplemental Indenture will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the related Series of Bonds.

Section 1104 Supplemental Indenture Part of Indenture. Any Supplemental Indenture executed in accordance with this Article and approved as to legality by counsel to the District shall thereafter form a part of this Master Indenture. Except as applicable only to Bonds of a Series, all of the terms and conditions contained in any such Supplemental Indenture amendatory of this Master Indenture shall be part of the terms and conditions hereof.

Section 1105 Insurer or Issuer of a Credit or Liquidity Facility as Owner of Bonds. As long as a Credit or Liquidity Facility securing all or a portion of the Bonds of a Series Outstanding is in effect, the issuer of the Credit or Liquidity Facility or the Insurer, to the extent so authorized in the applicable Supplemental Indenture, will be deemed to be the Owner of the Bonds of such Series secured by the Credit or Liquidity Facility: (i) at all times for the purpose of the execution and delivery of a Supplemental Indenture or of any amendment, change or modification of the Indenture or the applicable Supplemental Indenture or the initiation by Owners of any action to be undertaken by the Trustee at the Owner's request, which under the Master Indenture or the applicable Supplemental Indenture requires the written approval or consent of or can be initiated by the Owners of at least a majority in principal amount of the Bonds of the Series at the time Outstanding; (ii) at all times for the purpose of the mailing of any notice to Owners under the Master Indenture or the applicable Supplemental Indenture; and (iii) following an Event of Default for all other purposes. Notwithstanding the foregoing, neither an Insurer nor the issuer of a Credit or Liquidity Facility with respect to a Series of Bonds will not be deemed to be an Owner of the Bonds of such Series with respect to any such Supplemental Indenture or of any amendment, change or modification of the Master Indenture which would have the effect of permitting: (i) a change in the terms of redemption or maturity of any Bonds of a Series Outstanding or of any installment of interest thereon; or (ii) a reduction in the principal amount or the Redemption Price thereof or in rate of interest thereon; or (iii) reducing the percentage or otherwise affecting the classes of the consent of the Owners of which is required to effect any such modification or amendment; or (iv) creating any preference or priority of any Bond of a Series over any other Bond of such Series.

48

Securities, the principal of and the interest on which when due shall, as demonstrated in an Accountant's Certificate, provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be; (iii) the District shall have given the Trustee or the Bond Registrar in form satisfactory to it irrevocable instructions to mail, postage prepaid, to each registered Owner of Bonds then Outstanding at the address, if any, appearing upon the registry books of the District, a notice to the registered Owners of such Bonds and to the Registrar that the deposit required by (ii) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Section 1201 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on such Bonds; and, (iv) an opinion of Bond Counsel to the effect that such defeasance is permitted under this Master Indenture and the Supplemental Indenture relating to the Series of Bonds so defeased and that, in the case of Tax-Exempt Bonds, such defeasance will not adversely affect the tax exempt status of such Series of Bonds. Neither Federal Securities nor moneys deposited with the Trustee pursuant to this Section 1201 nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for the payment of the principal or redemption price, if applicable, and interest on such Bonds; provided that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee: (i) to the extent such cash shall not be required at any time for such purpose as evidenced by an Accountant's Certificate or, and to the extent all obligations under any Letter of Credit Agreement or any Liquidity Agreement are satisfied, as determined by an Insurer or an issuer of any Credit Facility and any Liquidity Facility securing the Bonds with respect to which such Federal Securities have been so deposited, shall be paid over upon the direction of the District as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Master Indenture; and (ii) to the extent such cash shall be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the principal or redemption price, if applicable, and interest to become due on such Bonds, or obligations under any Letter of Credit Agreement or any Liquidity Agreement, on or prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over as received by the Trustee to the District, free and clear of any lien, pledge or security interest securing such Bonds or otherwise existing under this Master Indenture. For the purposes of this provision, Federal Securities means and includes only such securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof.

(c) As to any Variable Rate Bonds, whether discharged and satisfied under the provisions of subsection (a) or (b) above, the amount required for the interest thereon shall be calculated at the maximum rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Bonds; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of moneys and Investment Obligations on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order to fully discharge and satisfy such Bonds and obligations under any Letter of Credit Agreement and any Liquidity Agreement pursuant to the provisions of this Section, the District may use the

50

ARTICLE XII DEFEASANCE

Section 1201 Defeasance and Discharge of the Lien of this Master Indenture and Supplemental Indentures.

(a) If the District pays or causes to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal or Redemption Price, if applicable, and interest due or to become due thereon and the obligations under any Letter of Credit Agreement and any Liquidity Agreement, at the times and in the manner stipulated therein and in this Master Indenture and any Letter of Credit Agreement and any Liquidity Agreement and pays or causes to be paid all other moneys owing hereunder and under any Supplemental Indenture, including any amounts then owing to the Trustee, then the lien of this Master Indenture and all covenants, agreements and other obligations of the District to the Owners and the issuer of any Credit Facility or Liquidity Facility shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee upon the request of the District shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and the Paying Agent shall pay over or deliver, as directed by the District, all moneys or securities held by them pursuant to this Master Indenture which are not required for the payment of principal, interest or Redemption Price, if applicable, on Bonds not theretofore surrendered for such payment or redemption or for payment of obligations under any Letter of Credit Agreement and any Liquidity Agreement. If the District pays or causes to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds or of a particular maturity, of a particular Series or of any part of a particular maturity or Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Master Indenture such Bonds shall cease to be entitled to any lien, benefit or security under this Master Indenture, and all covenants, agreements and obligations of the District to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Anything to the contrary in this Section 1201 notwithstanding, this Master Indenture shall not be discharged nor shall any Bonds with respect to which moneys or Federal Securities have been deposited in accordance with the provisions of this Section 1201 cease to be entitled to the lien, benefit or security under this Master Indenture, except to the extent that the lien, benefit and security of this Master Indenture and the obligations of the District hereunder shall be limited solely to and such Bonds shall be secured solely by and be payable solely from the moneys or Federal Securities so deposited.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit pursuant to this Master Indenture of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in this Section. All Outstanding Bonds of any particular maturity or Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 201 if: (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee or the Bond Registrar irrevocable instructions accepted in writing by the Trustee or the Bond Registrar to mail as provided in Article III notice of redemption of such Bonds on such date; (ii) there shall have been deposited with the Trustee either moneys in an amount which shall be sufficient, or Federal

49

amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing said Variable Rate Bonds or otherwise existing under this Master Indenture or under any Letter of Credit Agreement or any Liquidity Agreement.

(d) Notwithstanding any of the provisions of this Master Indenture to the contrary, Option Bonds may only be fully discharged and satisfied either pursuant to subsection (a) above or by depositing in the Series Interest Account, the Series Principal Account and the Series Redemption Account, or in such other accounts which are irrevocably pledged to the payment of the Option Bonds, as the District may create and establish by Supplemental Indenture, moneys which together with other moneys lawfully available therefor shall be sufficient at the time of such deposit to pay when due the maximum amount of principal of and redemption price, if any, and interest on such Option Bonds which could become payable to the Owners of such Bonds upon the exercise of any options provided to the Owners of such Bonds; provided however, that if, at the time a deposit is made pursuant to this subsection (d) the options originally exercisable by the Owner of an Option Bond are no longer exercisable such Bond shall not be considered an Option Bond for purposes of this subsection (d). If any portion of the moneys deposited for the payment of the principal of and redemption price, if any, and interest on Option Bonds is not required for such purpose and is not needed to reimburse an Insurer or an issuer of any Credit Facility or Liquidity Facility, for obligations under any Letter of Credit Agreement or any Liquidity Agreement, the District may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing such Option Bonds or otherwise existing under this Master Indenture or any Letter of Credit Agreement or Liquidity Agreement.

(e) Anything in this Master Indenture to the contrary notwithstanding, any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or any Paying Agent at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such Bonds became due and payable, shall, at the written request of the District be repaid by the Trustee or Paying Agent to the District, as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Trustee or Paying Agent shall, at the expense of the District, cause to be mailed, postage prepaid, to any Insurer or any issuer of any Credit Facility or Liquidity Facility, and to each registered Owner of Bonds then Outstanding at the address, if any, appearing upon the registry books of the District, a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the District.

(f) In the event that the principal and redemption price, if applicable, and interest due on the Bonds shall be paid by the Insurer pursuant to a municipal bond insurance policy, the assignment and pledge and all covenants, agreements and other obligations of the District to the Owners of such Bonds shall continue to exist and the Insurer shall be subrogated to the rights of such Owners.

51

(g) Anything in this Master Indenture to the contrary notwithstanding, the provisions of the foregoing subsections (b) through (f) shall apply to the discharge of Bonds of a Series and to the discharge of the lien of any Supplemental Indenture securing such Series of Bonds as though each reference to the "Master Indenture" were a reference to such "Supplemental Indenture" and as though each reference to "Bonds Outstanding" were a reference to the "Bonds of such Series Outstanding."

Section 1202 **Moneys Held in Trust.** All moneys and obligations held by an escrow or paying agent or trustee pursuant to this Section shall be held in trust and the principal and interest of said obligations when received and said moneys, shall be applied to the payment, when due, of the principal, interest and premium, if any, of the Bonds to be paid or to be called for redemption.

**ARTICLE XIII
MISCELLANEOUS PROVISIONS**

Section 1301 **Effect of Covenants.** All covenants, stipulations, obligations and agreement of the District contained in this Master Indenture shall be deemed to be covenants, stipulation obligations and agreements of the District and of the Governing Body of the District to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall bind or inure to the benefit of the successor or successors thereof from time to time and any office, board, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided herein, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the District or upon the Governing Body by this Master Indenture shall be exercised or performed by the Governing Body, or by such other officers, board, body or commission as may be required by law to exercise such powers or to perform such duties.

No covenant, stipulation, obligation or agreement herein contained shall be deemed to be covenant, stipulation, obligation or agreement of any member, agent or employee of the Governing Body in his or her individual capacity, and neither the members of the Governing Body nor an official executing the Bonds shall be liable personally on the Bonds or be subject to any person liability or accountability by reason of the issuance thereof.

Section 1302 **Manner of Giving Notice to the District and the Trustee.** Any notice demand, direction, request or other instrument authorized or required by this Master Indenture to be given or filed with the District or the Governing Body shall be deemed to have been sufficiently given or filed for all purposes of this Master Indenture if and when sent by certified mail, return receipt requested:

To the District, addressed to:

District Manager
Harmony Community Development District
210 North University Drive, Suite 800
Coral Springs, Florida 33071

52

Section 1309 **Attorney's Fees.** Any reference herein to the term "attorneys' fees" or "legal fees" or words of like import shall include but not be limited to fees of legal assistants and paralegals and fees incurred in any and all legal proceedings, including any trial or appellate level proceedings, and any sales tax thereon.

Section 1310 **Effective Date.** This Master Indenture shall be effective as of the date first above-written.

SEAL

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

By: _____
Chairman, Board of Supervisors

ATTEST:

Secretary

SEAL

**FIRST UNION NATIONAL BANK, as
Trustee**

By: _____
Authorized Signatory

54

To the Trustee, addressed to:

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

or to such other address as shall be provided to the other party hereto in writing.

All documents received by the District and the Trustee under this Master Indenture shall be retained in their possession, subject at all reasonable times upon reasonable notice to the inspection of any Owner and the agents and representatives thereof.

Section 1303 **Manner of Giving Notice to the Owners.** Any notice, demand, direction, request, or other instrument authorized or required by this Master Indenture to be mailed to the Owners shall be deemed to have been sufficiently mailed if mailed by first class mail, postage pre-paid, to the Owners at their addresses as they appear at the time of mailing on the registration books maintained by the Bond Registrar.

Section 1304 **Successorship of District Officers.** If the offices of Chairman, or Secretary shall be abolished or any two or more of such offices shall be merged or consolidated, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the District or otherwise, all powers conferred and all obligations and duties imposed upon such officer shall be performed by the officer succeeding to the principal functions thereof or by the officer upon whom such powers, obligations and duties shall be imposed by law.

Section 1305 **Inconsistent Provisions.** All provisions of any resolutions, and parts thereof, which are inconsistent with any of the provisions of this Master Indenture are hereby declared to be inapplicable to this Master Indenture.

Section 1306 **Further Acts.** The officers and agents of the District are hereby authorized and directed to do all the acts and things required of them by the Bonds and this Master Indenture, for the full, punctual and complete performance of all of the terms, covenants, provisions and agreements contained in the Bonds and this Master Indenture.

Section 1307 **Headings Not Part of Indenture.** Any headings preceding the texts of the several Articles and Sections hereof and any table of contents, marginal notes or footnotes appended to copies hereof shall be solely for convenience of reference, and shall not constitute a part of this Master Indenture nor shall they affect its meaning, construction or effect.

Section 1308 **Effect of Partial Invalidity.** In case anyone or more of the provisions of this Master Indenture or of any Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Master Indenture or of the Bonds, but this Master Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. The Bonds are issued and this Master Indenture is adopted with the intent that the laws of the State of Florida shall govern their construction.

53

**EXHIBIT A
FORM OF REQUISITION**

The undersigned, an Authorized Officer of Harmony Community Development District (the "District") hereby submits the following requisition for disbursement under and pursuant to the terms of the Master Trust Indenture from the District to First Union National Bank, as trustee (the "Trustee"), dated as of December 1, 2000 (the "Master Indenture"), as amended and supplemented by the [] Supplemental Indenture from the District to the Trustee, dated as of [] (the Master Indenture as amended and supplemented is hereinafter referred to as the "Indenture") (all capitalized terms used herein shall have the meaning ascribed to such term in the Indenture):

- (A) Requisition Number:
- (B) Name of Payee:
- (C) Amount Payable:
- (D) Purpose for which paid or incurred (refer also to specific contract if amount is due and payable pursuant to a contract involving progress payments, or, state Costs of Issuance, if applicable):
- (E) Fund or Account and subaccount, if any, from which disbursement to be made:

The undersigned hereby certifies that [obligations in the stated amount set forth above have been incurred by the District that each disbursement set forth above is a proper charge against the [] Acquisition and Construction Account and the subaccount, if any, referenced above, that each disbursement set forth above was incurred in connection with the acquisition and construction of the [] Project and each represents a Cost of the [] Project, and has not previously been paid] OR [this requisition is for Costs of Issuance payable from the Costs of Issuance Account that has not previously been paid].

The undersigned hereby further certifies that there has not been filed with or served upon the District notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to the Payee set forth above, which has not been released or will not be released simultaneously with the payment hereof.

The undersigned hereby further certifies that such requisition contains no item representing payment on account of any retained percentage which the District is at the date of such certificate entitled to retain.

55

If this requisition is for a disbursement from other than the Costs of Issuance Account or for payment of capitalized interest, there shall be attached a resolution of the Governing Body of the District approving this requisition or the approving the specific contract with respect to which disbursements pursuant to this requisition are due and payable.

Attached hereto are originals of the invoice(s) from the vendor of the property acquired or services rendered with respect to which disbursement is hereby requested.

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

By:

Authorized Officer

**CONSULTING ENGINEER'S APPROVAL FOR NON-COST OF ISSUANCE
AND CAPITALIZED INTEREST REQUESTS ONLY**

If this requisition is for a disbursement from other than Capitalized Interest or Costs of Issuance, the undersigned Consulting Engineer hereby certifies that this disbursement is for a Cost of the [] Project and is consistent with: (i) the applicable acquisition or construction contract; (ii) the plans and specifications for the portion of the [] Project with respect to which such disbursement is being made; and, (ii) the report of the Consulting Engineer attached as an Exhibit to the [] Supplemental Indenture, as such report shall have been amended or modified on the date hereof.

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Consulting Engineer

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TABLE OF CONTENTS

This Table of Contents is incorporated herein for ease of reference only and shall not be deemed a part of the Fourth Supplemental Indenture.

ARTICLE I DEFINITIONS3
 Section 1.01. Definitions.....3

ARTICLE II AUTHORIZATION, ISSUANCE AND PROVISIONS OF 2004 BONDS8
 Section 2.01. Authorization of 2004 Bonds; Book-Entry Only Form8
 Section 2.02. Terms10
 Section 2.03. Dating; Interest Accrual10
 Section 2.04. Denominations11
 Section 2.05. Paying Agent11
 Section 2.06. Bond Registrar11
 Section 2.07. Conditions Precedent to Issuance of 2004 Bonds11

ARTICLE III REDEMPTION OF 2004 BONDS12
 Section 3.01. Bonds Subject to Redemption; Amortization Installments12

ARTICLE IV DEPOSIT OF 2004 BOND PROCEEDS AND APPLICATION THEREOF; ESTABLISHMENT OF ACCOUNTS AND OPERATION THEREOF12
 Section 4.01. Establishment of Accounts12
 Section 4.02. Use of 2004 Bond Proceeds13
 Section 4.03. Drawings and the Proceeds Thereof; 2004 Acquisition and Construction Account and 2004 Capitalized Interest Account13
 Section 4.04. 2004 Costs of Issuance Account14
 Section 4.05. 2004 Reserve Account14
 Section 4.06. Reserve Account Release14
 Section 4.07. Amortization Installments15
 Section 4.08. Tax Covenants and Rebate Accounts15
 Section 4.09. Establishment of 2004 Revenue Account in Revenue Fund; Application of Revenues and Investment Earnings15

ARTICLE V CONCERNING THE TRUSTEE18
 Section 5.01. Acceptance by Trustee18
 Section 5.02. Limitation of Trustee's Responsibility18
 Section 5.03. Trustee's Duties18

ARTICLE VI ADDITIONAL BONDS18
 Section 6.01. Limitation on Parity Bonds18

FOURTH SUPPLEMENTAL INDENTURE

HARMONY COMMUNITY DEVELOPMENT DISTRICT

TO

WACHOVIA BANK, NATIONAL ASSOCIATION

AS TRUSTEE

Dated as of December 1, 2004

ARTICLE VII MISCELLANEOUS19
 Section 7.01. Confirmation of Master Indenture19
 Section 7.02. Continuing Disclosure Agreement19
 Section 7.03. Deposit of Bonds19
 Section 7.04. Control of Remedies by Majority Owner20
 Section 7.05. Payment Dates20

EXHIBIT A Description of 2004 Project
 EXHIBIT B Form of 2004 Bond

FOURTH SUPPLEMENTAL INDENTURE

THIS FOURTH SUPPLEMENTAL INDENTURE (the "Fourth Supplemental Indenture") dated as of December 1, 2004, from **HARMONY COMMUNITY DEVELOPMENT DISTRICT** (the "District") to **WACHOVIA BANK, NATIONAL ASSOCIATION** (formerly known as First Union National Bank) as Trustee (the "Trustee"), a national banking association, and authorized to accept and execute trusts of the character herein set out, with its designated corporate trust office and post office address located at 200 South Biscayne Boulevard, 14th Floor, Miami, Florida 33131, Attention: Corporate Trust Department.

WHEREAS, the District has entered into a Master Trust Indenture, dated as of December 1, 2000 (the "Master Indenture") with the Trustee to secure the issuance of its Harmony Community Development District special assessment and revenue bonds (the "Bonds"), issuable in one or more series from time to time; and

WHEREAS, pursuant to Resolution No. 2000-14, adopted by the Governing Body on March 24, 2000 (as amended and supplemented by the Award Resolution hereinafter defined, the "Bond Resolution"), the District authorized the issuance, sale and delivery of not to exceed \$50,000,000 of its Harmony Community Development District Capital Improvement Revenue Bonds (the "Bonds"), to be issued in one or more Series of Bonds as authorized under the Master Indenture, which Bonds were validated by final judgment of the Circuit Court of Osceola County, Florida on August 4, 2000 (the "Validation Judgment"); and

WHEREAS, the only debt of the District previously issued pursuant to the authority of the Validation Judgment is its Capital Improvement Revenue Bonds, Series 2001 issued in the aggregate principal amount of \$17,700,000; and

WHEREAS, the Governing Body of the District duly adopted Resolutions 2004-13 and 2004-14, on August 26, 2004, providing for the acquisition and construction of assessable improvements contained in the engineer's report (each a "Series Project Program"), providing estimated Costs of the Series Projects Program, defining assessable property to be benefited by the Series Projects Program, defining the portion of the cost of the Series Projects Program with respect to which Assessments will be imposed and the manner in which such assessments shall be levied against such benefited property within the District, directing the preparation of an assessment roll (the "Preliminary Assessment Resolution") and the Governing Body of the District duly adopted Resolution No. 2005-01, on October 15, 2004, following a public hearing conducted in accordance with the Act, to fix and establish the assessments and the benefited property (collectively, with any supplements thereto, the "Assessment Resolution"); and

WHEREAS, the District has determined that it is necessary and desirable at this time to proceed with the acquisition, construction, installation and equipping of additional components of the Series Projects Program identified on Exhibit A hereto (the "2004 Project"); and

WHEREAS, pursuant to Resolution 2005-03, adopted by the Governing Body of the District on December 10, 2004 (the "Award Resolution"), the District has authorized the issuance, sale and delivery of its not exceeding \$15,590,000 Harmony Community Development District Capital Improvement Revenue Bonds, Series 2004 (the "2004 Bonds") as an issue of

Bonds under the Master Indenture, and has authorized the execution and delivery of this Fourth Supplemental Indenture to secure the issuance of the 2004 Bonds and to set forth the terms of the 2004 Bonds; and

WHEREAS, the District will apply the proceeds of the 2004 Bonds to: (i) finance the Cost of acquiring, constructing and equipping the 2004 Project; (ii) pay certain costs associated with the issuance of the 2004 Bonds; (iii) make a deposit into the 2004 Reserve Account for the benefit of all of the 2004 Bonds; and (iv) pay a portion of the interest to become due on the 2004 Bonds; and

WHEREAS, the 2004 Bonds will be payable from and secured by Assessments imposed, levied and collected by the District with respect to property specially benefited by the 2004 Project (the "2004 Assessments"), which, together with the other 2004 Pledged Revenues and the 2004 Pledged Funds will comprise the 2004 Trust Estate, which shall constitute the "Trust Estate" as defined in the Master Indenture pledged to secure the 2004 Bonds; and

WHEREAS, the execution and delivery of the 2004 Bonds and of this Fourth Supplemental Indenture have been duly authorized by the Governing Body of the District and all things necessary to make the 2004 Bonds, when executed by the District and authenticated by the Trustee, valid and binding legal obligations of the District and to make this Fourth Supplemental Indenture a valid and binding agreement and, together with the Master Indenture, a valid and binding lien on the 2004 Trust Estate have been done;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS FOURTH SUPPLEMENTAL INDENTURE WITNESSETH:

That the District, in consideration of the premises, the acceptance by the Trustee of the trusts hereby created, the mutual covenants herein contained, the purchase and acceptance of the 2004 Bonds by the purchaser or purchasers thereof, and other good and valuable consideration, receipt of which is hereby acknowledged, and in order to further secure the payment of the principal and Redemption Price of, and interest on, all 2004 Bonds Outstanding (as defined in the Master Indenture) from time to time, according to their tenor and effect, and such other payments required to be made under the Master Indenture or hereunder, and such other payments due under any Letter of Credit Agreement or Liquidity Agreement, and to further secure the observance and performance by the District of all the covenants, expressed or implied in the Master Indenture, in this Fourth Supplemental Indenture and in the 2004 Bonds: (a) has executed and delivered this Fourth Supplemental Indenture and (b) does hereby, in confirmation of the Master Indenture, grant, bargain, sell, convey, transfer, assign and pledge unto the Trustee, and unto its successors in the trusts under the Master Indenture, and to them and their successors and assigns forever, all right, title and interest of the District, in, to and under, subject to the terms and conditions of the Master Indenture and the provisions of the Master Indenture pertaining to the application thereof for or to the purposes and on the terms set forth in the Master Indenture, the revenues derived by the District from the 2004 Assessments (the "2004 Pledged Revenues") and the Funds and Accounts (except for the 2004 Rebate Account) established hereby (the "2004 Pledged Funds and Accounts") which shall comprise a part of the Trust Estate securing the 2004 Bonds (the "2004 Trust Estate");

2

"**Additional 2004 Bonds**" shall mean all 2004 Bonds purchased pursuant to this Fourth Supplemental Indenture other than the initial purchase of the 2004 Bonds in the amount of the Initial Aggregate Principal Amount.

"**Amount Available**" shall mean the Maximum Bond Amount, less the sum of (i) the Initial Aggregate Principal Amount and (ii) all Drawings as of the date of determination.

"**Authorized Denomination**" shall mean \$5,000 or any integral multiple thereof.

"**Beneficial Owners**" shall mean the persons entitled to the receipt of the principal of and interest on the 2004 Bonds for whom the Bond Depository holds such 2004 Bonds as nominee through the Bond Participants.

"**Bond Depository**" shall mean the securities depository from time to time under Section 2.01 hereof, which may be the District.

"**Bond Participants**" shall mean those broker-dealers, banks and other financial institutions from time to time for which the Bond Depository holds Bonds as securities depository.

"**Credit or Liquidity Facility**" shall mean a letter of credit, a municipal bond insurance policy, a surety bond or other similar agreement issued by a banking institution or other entity satisfactory to the District and providing for the payment of the principal of, interest on or purchase price of a Series of Bonds or any alternate or substitute Credit or Liquidity Facility if then in effect.

"**Delinquent Assessment Interest**" shall mean 2004 Assessment Interest deposited by the District with the Trustee on or after May 1 of the year in which such Assessment Interest has, or would have, become delinquent under State law applicable thereto.

"**Delinquent Assessment Principal**" shall mean 2004 Assessment Principal deposited by the District with the Trustee on or after May 1 of the year in which such 2004 Assessment Principal has, or would have, become delinquent under State law applicable thereto.

"**Developer**" shall mean Harmony Development Co., LLC, a Florida limited liability company.

"**Drawing**" shall mean the amounts paid for the purchase of Additional 2004 Bonds pursuant to the Forward Purchase Agreement.

"**Drawing Period**" shall mean the period commencing on the date of initial issuance and delivery of the 2004 Bonds and ending on the earlier to occur of: (i) the Date of Completion; (ii) the date on which the Amount Available is reduced to zero; (iii) September 1, 2005, or (iv) the date on which the District gives written notice to the Trustee and the Initial Owner that it does not intend to make any further Drawings.

"**DTC**" shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

4

TO HAVE AND TO HOLD all the same by the Master Indenture granted, bargained, sold, conveyed, transferred, assigned and pledged, or agreed or intended so to be, to the Trustee and its successors in said trust and to it and its assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trusts in the Indenture set forth for the equal and proportionate benefit, security and protection of all and singular the present and future Owners of the 2004 Bonds issued or to be issued under and secured by this Fourth Supplemental Indenture, without preference, priority or distinction as to lien or otherwise, of any one 2004 Bond over any other 2004 Bond by reason of priority in their issue, sale or execution;

PROVIDED FURTHER HOWEVER, that if the District, its successors or assigns, shall well and truly pay, or cause to be paid, or make due provision for the payment of the principal and Redemption Price of the 2004 Bonds or any 2004 Bond of a particular maturity issued, secured and Outstanding under this Fourth Supplemental Indenture and the interest due or to become due thereon, at the times and in the manner mentioned in the 2004 Bonds and this Fourth Supplemental Indenture, according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of the Master Indenture and this Fourth Supplemental Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of the Master Indenture and this Fourth Supplemental Indenture, then upon such final payments, this Fourth Supplemental Indenture and the rights hereby granted shall cease and terminate, with respect to all 2004 Bonds or any 2004 Bond of a particular maturity, otherwise this Fourth Supplemental Indenture shall remain in full force and effect;

THIS FOURTH SUPPLEMENTAL INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2004 Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the rights and property pledged to the payment thereof are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as in the Master Indenture (except as amended directly or by implication by this Fourth Supplemental Indenture), including this Fourth Supplemental Indenture, expressed, and the District has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective Owners, from time to time, of the 2004 Bonds, as follows:

**ARTICLE I
DEFINITIONS**

Section 1.01. Definitions. All terms used herein that are defined in the recitals hereto are used with the same meaning herein unless the context clearly requires otherwise. All terms used herein that are defined in the Master Indenture are used with the same meaning herein (including the use of such terms in the recitals hereto and the granting clauses hereof) unless (i) expressly given a different meaning herein or (ii) the context clearly requires otherwise. In addition, unless the context clearly requires otherwise, the following terms used herein shall have the following meanings:

"**Forward Purchase Agreement**" shall mean the Forward Bond Purchase Agreement, dated as of the date of issuance of the 2004 Bonds, among the District, the Initial Owner and Bank of America Securities, LLC, as underwriter, pursuant to which the Initial Owner agrees to purchase 2004 Bonds to fund Drawings hereunder for deposit into the 2004 Acquisition and Construction Account to pay Costs of the 2004 Project.

"**Initial Aggregate Principal Amount**" shall mean \$4,450,000.

"**Initial Owner**" shall mean MuniMae TEI Holdings, LLC, a Maryland limited liability company.

"**Interest Payment Date**" shall mean each May 1 and November 1, commencing May 1, 2005.

"**Initial Period**" shall mean the period beginning on the date of initial issuance and delivery of the 2004 Bonds and ending upon the beginning of the Permanent Period.

"**Letter of Credit Agreement**" shall mean any financing agreement relating to a Credit Facility for so long as such agreement will be in effect.

"**Liquidity Agreement**" shall mean any financing agreement relating to a Liquidity Facility for so long as such agreement will be in effect.

"**Majority Owners**" shall mean the Beneficial Owners of more than 50% of the Outstanding Principal Balance of the 2004 Bonds as evidenced by written notice by such Owners provided to the Trustee, with a copy to the District Manager, on which written notice the Trustee and the District Manager shall be conclusively entitled to rely.

"**Maximum Bond Amount**" shall mean \$15,590,000, except as otherwise provided in Section 4.03(a) hereof.

"**Nominee**" shall mean the nominee of the Bond Depository, which may be the Bond Depository, as determined from time to time pursuant to this Fourth Supplemental Indenture.

"**Outstanding Principal Balance**" shall mean the sum of the Initial Aggregate Principal Amount, plus the aggregate principal amount of all 2004 Additional Bonds issued pursuant to a Drawing, less the principal amount of 2004 Bonds redeemed or paid at maturity.

"**Permanent Period**" shall mean the period commencing on May 1, 2006.

"**Redemption Price**" shall mean the outstanding principal of, premium, if any, and unpaid interest accrued to the date fixed for redemption of any Bond called for redemption pursuant to the provisions thereof and hereof.

"**2004 Assessment Interest**" shall mean the interest on the 2004 Assessments which is pledged to the 2004 Bonds.

5

"2004 Assessment Principal" shall mean the principal amount of 2004 Assessments received by the District which represent a proportionate amount of the principal and Amortization Installments of the 2004 Bonds, other than applicable Delinquent Assessment Principal and 2004 Prepayment Principal.

"2004 Assessment Proceedings" shall mean the proceedings of the District with respect to the establishment, levy and collection of the 2004 Assessments, which were adopted by the Governing Body of the District, and any supplemental proceedings undertaken by the District with respect to the 2004 Assessments.

"2004 Assessment Revenues" shall mean all revenues derived by the District from the 2004 Assessments.

"2004 Bonds" shall mean the not to exceed \$15,590,000 Harmony Community Development District Capital Improvement Revenue Bonds, Series 2004.

"2004 Investment Obligations" shall mean any of the following, if and to the extent that the same are at the time legal for investment of funds of the District, and subject to the terms and conditions of the Tax Certificate:

(a) Government Obligations; "Government Obligations" shall mean direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies of such other government-sponsored agencies which may presently exist or be hereafter created; provided that, such bonds, debentures, notes or other evidences of indebtedness are fully guaranteed as to both principal and interest by the United States of America; Bank of Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Rural Economic Community Development Administration; Inter-American Development Bank; International Bank of Reconstruction and Development; Federal Land Banks, Fannie Mae; the Government National Mortgage Association; the Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(c) Direct and general obligations of any state of the United States, the payment of the principal of and interest on which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in either of the two highest rating categories without regard to gradations within a category by either S&P or Moody's;

(d) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation (including the FDIC's Savings Association Insurance Fund), which securities, to the extent that the principal thereof exceeds the maximum amount insurable by the Federal Deposit Insurance Corporation and, therefore, are not so insured, shall be fully secured to the extent permitted by law as to principal and interest by the securities listed in subsections (a), (b), or (c) above, provided, however, that with respect to securities used to secure securities hereunder, in

6

to the Trustee, provided that such obligations shall be rated in the highest rating category of either Moody's or S&P;

(j) shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1950, as amended, and which invests its assets in any of the securities described in clauses (a), (b) or (c) hereof; or

(k) shares of any open-end, SEC-registered money market mutual funds which fund invests its assets in any of the securities described in clauses (a), (b) or (c) hereof.

Under all circumstances, the Trustee shall be entitled to request and to receive from the District a certificate of an Authorized Officer setting forth that any investment directed by the District is permitted under the Indenture.

"2004 Pledged Revenues" shall mean the 2004 Assessments.

"2004 Prepayment Principal" shall mean the excess amount of 2004 Assessment Principal received by the District over the 2004 Assessment Principal included within an Assessment appearing on any outstanding and unpaid tax bill, whether or not mandated to be prepaid in accordance with the Assessment Proceedings. Anything herein or in the Master Indenture to the contrary notwithstanding, the term 2004 Prepayment Principal shall not mean the proceeds of any Refunding Bonds or other borrowing of the District.

"2004 Reserve Account Requirement" shall mean, as determined from time to time, an amount equal to 70% of the then Maximum Annual Debt Service Requirement for the 2004 Bonds.

ARTICLE II AUTHORIZATION, ISSUANCE AND PROVISIONS OF 2004 BONDS

Section 2.01. Authorization of 2004 Bonds; Book-Entry Only Form. The 2004 Bonds are hereby authorized to be issued in one Series of draw down Bonds in the aggregate principal amount of not to exceed \$15,590,000 for the purposes enumerated in the recitals hereto to be designated "Harmony Community Development District Capital Improvement Revenue Bonds, Series 2004". 2004 Bonds purchased pursuant to the Forward Bond Purchase Agreement shall for all purposes hereunder be Additional 2004 Bonds, ranking on a parity with the Outstanding 2004 Bonds as to the lien and pledge of the 2004 Trust Estate.

The 2004 Bonds shall be substantially in the form set forth as Exhibit B to this Fourth Supplemental Indenture. Each 2004 Bond shall bear the designation "2004R" and shall be numbered consecutively from 1 upwards. The 2004 Bonds shall be initially issued in the form of one separate single certificated fully registered 2004 Bond in an aggregate principal amount equal to the Initial Aggregate Principal Amount. The Trustee is hereby authorized and directed to authenticate and deliver without further action on the part of the District to Cede & Co, as Nominee for DTC, one separate single certificated fully registered 2004 Bond upon each such Drawing in an aggregate principal amount equal to the aggregate principal amount of such Drawing. Upon commencement of the Permanent Period, the Trustee shall authenticate and deliver, without further action on the part of the District, to Cede & Co, as Nominee for DTC,

8

in addition to direct and general obligations of any political subdivision or instrumentality of any such state, the payment of the principal of and interest on which the full faith and credit of such subdivision or instrumentality is pledged if such obligations are initially rated "A" or higher by either S&P or Moody's;

(e) Bank or broker repurchase agreements fully secured by securities specified in (a) or (b) above, which may include repurchase agreements with the commercial banking department of the Trustee, provided that such securities are deposited with the Trustee, with a Federal Reserve Bank or with a bank or trust company (other than the seller of such securities) having a combined capital and surplus of not less than \$100,000,000;

(f) A promissory note of a bank holding company rated "AA," "Aa" or better by either S&P or Moody's, respectively;

(g) Investment agreements with a bank, mono-line insurance company (excluding life and casualty insurance companies) or other financial institution, or the subsidiary of a bank, insurance company or other financial institution if the parent guarantees the investment agreement, which bank, mono-line insurance company, financial institution or parent has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated in the highest short-term rating category by Moody's or S&P (if the term of such agreement does not exceed 365 days), or has an unsecured, uninsured and unguaranteed obligation (or claim-paying ability) rated in the highest rating categories, "Aaa" or "AAA," by Moody's or S&P, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation of the aforesaid ratings, provided:

- (A) interest is paid at least semiannually at a fixed or variable rate during the entire term of the agreement, consistent with the interest payment dates;
- (B) moneys invested thereunder may be withdrawn without penalty, premium, or charge upon not more than two days' notice unless otherwise specified herein;
- (C) the same guaranteed interest rate will be paid on any future deposits made to restore the account to its required amount; and
- (D) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company, bank, financial institution or parent;

(h) Commercial paper which at the time of purchase is rated in the highest rating category by either S&P or Moody's;

(i) (A) certificates evidencing a direct ownership in non-callable Government Obligations or in future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Trustee, and (B) obligations of any state of the United States of America or any political subdivision, public instrumentality or public authority of any such state which are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and which are fully secured by and payable solely from non-callable Governmental Obligations held pursuant to an escrow agreement satisfactory

7

one separate single certificated fully registered 2004 Bond in the registration books kept by the Bond Registrar in an aggregate principal amount equal to the then-Outstanding Principal Balance and shall cancel the then outstanding 2004 Bonds.

The ownership of each such 2004 Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, the initial Bond Depository. Except as provided in this Section 2.01, all of the Outstanding 2004 Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC.

With respect to 2004 Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, the District, the Trustee, the Bond Registrar and the Paying Agent shall have no responsibility or obligation to any such Bond Participant or to any indirect Bond Participant. Without limiting the immediately preceding sentence, the District, the Trustee, the Bond Registrar and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any Bond Participant with respect to any ownership interest in the 2004 Bonds, (ii) the delivery to any Bond Participant or any other person other than an Owner, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the 2004 Bonds, including any notice of redemption, or (iii) the payment to any Bond Participant or any other person, other than an Owner, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal of, premium, if any, or interest on the 2004 Bonds. The District, the Trustee, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2004 Bond is registered in the registration books kept by the Bond Registrar as the absolute owner of such 2004 Bond for the purpose of payment of principal, premium and interest with respect to such 2004 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2004 Bond, for the purpose of registering transfers with respect to such 2004 Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the 2004 Bonds only to or upon the order of the respective Owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2004 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Bond Registrar, shall receive a certificated 2004 Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new Nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the words "Cede & Co." in this Fourth Supplemental Indenture shall refer to such new Nominee of DTC; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee, Bond Registrar and the Paying Agent.

Upon receipt by the Trustee or the District of written notice from DTC: (i) confirming that DTC has received written notice from the District in accordance with any agreements between DTC and the District to the effect that a continuation of the requirement that all of the Outstanding 2004 Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, is not in the best interest of the Beneficial Owners of

9

the 2004 Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute Bond Depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, the 2004 Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the 2004 Bonds shall designate, in accordance with the provisions hereof.

If certificates for the 2004 Bonds are printed, no charge shall be made to any Owner for registration and transfer of 2004 Bonds, but any Bondholder requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto.

Section 2.02. Terms. The 2004 Bonds shall be Term Bonds and shall be issued in one series. Each 2004 Bond shall be dated the date of issuance thereof and shall bear interest at the fixed interest rate per annum of 6.75% on the Outstanding Principal Balance. The 2004 Bonds shall mature, subject to prior redemption, on May 1, 2036.

The 2004 Bonds shall be draw down Bonds during the Initial Period and upon the date of initial issuance of the first 2004 Bonds hereunder, shall be issued in the Initial Aggregate Principal Amount, which shall be the initial Outstanding Principal Balance. The Outstanding Principal Balance shall be increased by the sum of all Additional 2004 Bonds and shall be reduced by the principal amount of 2004 Bonds redeemed or paid at maturity.

Section 2.03. Dating; Interest Accrual. Each 2004 Bond shall be dated the date of its issuance and delivery. Each 2004 Bond also shall bear its date of authentication. Interest shall accrue and be payable on the Outstanding Principal Balance, from time to time, of the 2004 Bonds as follows:

(i) during the Initial Period, interest shall accrue on the 2004 Bonds on the Initial Aggregate Principal Amount from the date of issuance and delivery of the 2004 Bonds, and upon the issuance of each Additional 2004 Bond, from the date of the issuance of such Additional 2004 Bond; and

(ii) during the Permanent Period, each 2004 Bond shall bear interest from the Interest Payment Date to which interest has been paid immediately preceding the date of its authentication, unless the date of its authentication: (i) is an Interest Payment Date to which interest on such 2004 Bond has been paid, in which event such 2004 Bond shall bear interest from its date of authentication; or (ii) is prior to the first Interest Payment Date for the 2004 Bonds, in which event, such 2004 Bond shall bear interest from its issuance and delivery, with respect to the Initial Aggregate Principal Amount, and from the date of such Drawing, with respect to any Drawing.

Interest on the 2004 Bonds shall accrue as provided above and be due and payable on each May 1 and November 1, commencing May 1, 2005, and shall be computed on the basis of a 360 day year of twelve 30 day months.

10

county, district and municipal taxes, superior in dignity to all other liens, titles and claims, until paid;

(e) A certificate of an Authorized Officer to the effect that, upon the authentication and delivery of the 2004 Bonds, the District will not be in default in the performance of the terms and provisions of the Master Indenture or this Fourth Supplemental Indenture;

(f) An Engineers' Certificate or Engineers' Certificates which set forth the estimated Cost of the 2004 Project;

(g) A certified copy of the final judgment of validation in respect of the Bonds together with a certificate of no appeal.

Notwithstanding the foregoing, so long as the foregoing conditions are satisfied on the date of initial issuance and delivery of 2004 Bonds, any 2004 Bonds issued subsequent thereto and satisfying the requirements of the Forward Purchase Agreement shall not be required to satisfy the foregoing requirements. The Trustee shall be entitled to exclusively rely upon the receipt of the proceeds of a Drawing to evidence compliance with the provisions of the Forward Purchase Agreement. The District at least ten (10) days prior to the proposed issuance of Additional 2004 Bonds shall provide the Trustee a written request to authenticate such Additional 2004 Bonds which request shall contain such other information as the Trustee may request.

ARTICLE III REDEMPTION OF 2004 BONDS

Section 3.01. Bonds Subject to Redemption; Amortization Installments. The 2004 Bonds are subject to redemption prior to maturity as provided in the form thereof set forth as Exhibit B to this Fourth Supplemental Indenture.

The 2004 Bonds are subject to redemption from mandatory amortization installments to be established at the end of the Initial Period in accordance with Section 4.07(b) hereof.

ARTICLE IV DEPOSIT OF 2004 BOND PROCEEDS AND APPLICATION THEREOF; ESTABLISHMENT OF ACCOUNTS AND OPERATION THEREOF

Section 4.01. Establishment of Accounts. There are hereby established, the following Funds and Accounts.

(a) There are hereby established within the Acquisition and Construction Fund held by the Trustee pursuant to this Fourth Supplemental Indenture the following accounts:

- (i) a 2004 Acquisition and Construction Account;
- (ii) a 2004 Costs of Issuance Account; and
- (iii) a 2004 Capitalized Interest Account.

12

Section 2.04. Denominations. The 2004 Bonds shall be issued in Authorized Denominations, provided, however, that the 2004 Bonds will be issued to the Initial Owner only in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

Section 2.05. Paying Agent. The District appoints the Trustee as Paying Agent for the 2004 Bonds.

Section 2.06. Bond Registrar. The District appoints the Trustee as Bond Registrar for the 2004 Bonds.

Section 2.07. Conditions Precedent to Issuance of 2004 Bonds. In addition to complying with the requirements set forth in the Master Indenture in connection with the issuance of the 2004 Bonds, all the 2004 Bonds shall be executed by the District for delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the District or upon its order, but only upon the further receipt by the Trustee of:

- (a) Certified copies of the Assessment Proceedings;
- (b) Executed copies of the Master Indenture, this Fourth Supplemental Indenture and the Forward Purchase Agreement;

(c) A Bond Counsel opinion substantially to the effect that: (i) the District has the right and power under the Act as amended to the date of such opinion to authorize, execute and deliver the Master Indenture and this Fourth Supplemental Indenture, and the Master Indenture and this Fourth Supplemental Indenture have been duly and lawfully authorized, executed and delivered by the District, are in full force and effect and are valid and binding upon the District and enforceable in accordance with their respective terms; (ii) the Master Indenture, as amended and supplemented by this Fourth Supplemental Indenture, creates the valid pledge which it purports to create of the 2004 Trust Estate in the manner and to the extent provided in the Master Indenture and this Fourth Supplemental Indenture; and (iii) the 2004 Bonds are valid, binding, special obligations of the District, enforceable in accordance with their terms and the terms of the Master Indenture and this Fourth Supplemental Indenture, subject to bankruptcy, insolvency or other laws affecting the rights of creditors generally and entitled to the benefits of the Act as amended to the date of such opinion, and the 2004 Bonds have been duly and validly authorized and issued in accordance with law and the Master Indenture and this Fourth Supplemental Indenture;

(d) The District Counsel opinion substantially to the effect that (i) the District has been duly established and validly exists as a community development district under the Act, (ii) the District has good right and lawful authority under the Act to undertake the 2004 Project being financed with the proceeds of the 2004 Bonds, subject to obtaining such licenses, orders or other authorizations as are, at the date of such opinion, required to be obtained from any agency or regulatory body having lawful jurisdiction in order to undertake the 2004 Project, (iii) all proceedings undertaken by the District with respect to the 2004 Assessments have been in accordance with Florida law (iv) the District has taken all action necessary to levy and impose the 2004 Assessments, and (v) the 2004 Assessments are legal, valid and binding liens upon the property against which such 2004 Assessments are made, coequal with the lien of all state,

11

(b) There are hereby established within the Debt Service Fund held by the Trustee: (i) a 2004 Debt Service Account and therein a 2004 Sinking Fund Account and a 2004 Interest Account; and (ii) a 2004 Redemption Account, and, therein a 2004 Prepayment Subaccount and a 2004 Optional Redemption Subaccount;

(c) There is hereby established within the Reserve Fund held by the Trustee a 2004 Reserve Account, which shall be held for the benefit of all of the 2004 Bonds, without distinction as to 2004 Bonds and without privilege or priority of one 2004 Bond over another;

(d) There is hereby established within the Revenue Fund held by the Trustee a 2004 Revenue Account; and

(e) There is hereby established within the Rebate Fund held by the Trustee a 2004 Rebate Account.

Section 4.02. Use of 2004 Bond Proceeds. Following the Trustee's receipt of the items set forth in Section 2.07 of the Master Indenture and Section 2.07 hereof, the Initial Aggregate Principal Amount less the total underwriter's discount of \$233,850.00, shall be applied as follows:

(a) \$246,225.00, representing the initial 2004 Reserve Account Requirement shall be deposited to the credit of the 2004 Reserve Account;

(b) \$426,965.35, representing the costs of issuance (including, without limitation, a one-time draw down administration fee in the amount of \$250,000.00 payable to the Initial Owner) relating to the 2004 Bonds shall be deposited to the credit of the 2004 Costs of Issuance Account;

(c) \$542,959.65 shall be deposited to the 2004 Capitalized Interest Account; and

(d) the balance of the proceeds of the Initial Aggregate Principal Amount remaining after the deposits above, \$3,000,000.00, shall be deposited to the credit of the 2004 Acquisition and Construction Account.

Section 4.03. Drawings and the Proceeds Thereof; 2004 Acquisition and Construction Account and 2004 Capitalized Interest Account.

(a) Provided that the conditions to purchase set forth in the Forward Purchase Agreement are satisfied, the District may demand in writing that the Initial Owner fund a Drawing by the purchase from the Underwriter of Additional 2004 Bonds up to the Amount Available. Such written demand shall be given to the Underwriter, the Trustee and the Initial Owner setting forth the Business Day on which such Drawing shall occur (each, a "Settlement Date") which Settlement Date shall be at least thirty (30) calendar days subsequent to the date of such demand. Each such Drawing shall be in an integral multiple of \$5,000 and in the minimum amount of \$3,000,000, unless the Amount Available is less than \$3,000,000 in which case the minimum amount of such Drawing shall be the Amount Available. No Drawing shall be made after the end of the Drawing Period. The Maximum Bond Amount shall not exceed

13

\$13,773,548.18 until such time as the District certifies to the Trustee that the boundaries of the District include approximately 1,020 total acres.

(b) The Trustee shall deposit the proceeds of each Drawing into the following Funds and Accounts in the following amounts and in the following order of priority: First, there shall be deposited into the 2004 Reserve Account, an amount necessary to cause the amount to be on deposit therein equal to the 2004 Reserve Account Requirement; Second, an amount equal to the amount of interest which will accrue on the Drawing, on each May 1 and November 1 through and including November 1, 2006, shall be deposited into the 2004 Capitalized Interest Account and applied, together with other amounts already on deposit therein, to pay the interest coming due on the 2004 Bonds on such dates; and Third, the balance shall be deposited into the 2004 Acquisition and Construction Account.

(c) Amounts on deposit in the 2004 Acquisition and Construction Account shall be applied to pay the Costs of the 2004 Project upon compliance with the requisition provisions set forth in Section 4.3 of the Master Indenture.

(d) Any balance remaining in the 2004 Acquisition and Construction Account after the Date of Completion and after retaining the amount, if any, of all remaining unpaid Costs of the 2004 Project set forth in the Engineers' Certificate establishing such Date of Completion, shall be transferred to and deposited in the 2004 Prepayment Subaccount in the 2004 Redemption Account and applied to the Extraordinary Mandatory Redemption of the 2004 Bonds in the manner prescribed in the form of 2004 Bond set forth as Exhibit B hereto.

(e) If at anytime the District determines that it intends to make no more Drawings on the 2004 Bonds, the District shall provide written notice of such to the Trustee and to the Initial Owner.

Section 4.04. 2004 Costs of Issuance Account. The amount deposited in the 2004 Costs of Issuance Account shall, at the written direction of an Authorized Officer to the Trustee, be used to pay the costs of issuance relating to the 2004 Bonds. At the written direction of an Authorized Officer, any amounts deposited in the 2004 Costs of Issuance Account which are not needed to pay such costs shall be transferred over and deposited into the 2004 Acquisition and Construction Account and used for the purposes permitted therefor.

Section 4.05. 2004 Reserve Account. Amounts on deposit in the 2004 Reserve Account shall be used only for the purpose of making payments into the 2004 Interest Account and the 2004 Sinking Fund Account to pay Debt Service on the 2004 Bonds, when due, without distinction as to 2004 Bonds and without privilege or priority of one 2004 Bond over another, to the extent the moneys on deposit in such Accounts therein and available therefor are insufficient and for no other purpose.

Section 4.06. Reserve Account Release. Notwithstanding anything contained in the Indenture to the contrary, simultaneously with the deposit by the Trustee of the 2004 Prepayments in the 2004 Prepayment Subaccount, the Trustee is hereby authorized and directed to recalculate the 2004 Reserve Account Requirement and to transfer any resulting excess to the

14

(ii) 2004 Assessment Principal, which shall be deposited into the 2004 Sinking Fund Account;

(iii) 2004 Prepayment Principal, which shall be deposited into the 2004 Prepayment Subaccount in the 2004 Redemption Account;

(iv) Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the 2004 Reserve Account to pay the principal of 2004 Bonds, and, the balance, if any, shall be deposited into the 2004 Sinking Fund Account;

(v) Delinquent Assessment Interest, which shall first be applied to restore the amount of any withdrawal from the 2004 Reserve Account to pay the interest on 2004 Bonds, and, the balance, if any, deposited into the 2004 Revenue Account; and

(vi) all other 2004 Assessment Revenues, which shall be deposited into the 2004 Revenue Account.

Moneys other than 2004 Assessment Revenues, shall, at the written direction of the District be deposited into the Optional Redemption Subaccount of the 2004 Redemption Account and used to pay the principal of and premium, if any, on 2004 Bonds called or to be called for optional redemption at the written direction of the District in accordance with the provisions for optional redemption of 2004 Bonds as set forth in the form of 2004 Bonds attached hereto.

(c) On each March 15 and September 15 (or if such March 15 or September 15 is not a Business Day, on the Business Day next preceding such day), the Trustee shall determine the amount on deposit in the 2004 Prepayment Subaccount of the 2004 Redemption Account, and, if the balance therein is greater than zero, and after determining that following such transfer sufficient amounts will remain on deposit in the 2004 Revenue Account to make the transfers required by (d) below, shall transfer from the 2004 Revenue Account for deposit into the 2004 Prepayment Subaccount, an amount sufficient to increase the amount on deposit therein to an integral multiple of \$5,000, and, shall thereupon give notice and cause the extraordinary mandatory redemption of the 2004 Bonds on the next succeeding Interest Payment Date in the maximum aggregate principal amount for which moneys are then on deposit in such Prepayment Subaccount in accordance with the provisions for extraordinary redemption of such Series of 2004 Bonds set forth in the form of 2004 Bond attached hereto, Section 3.01 hereof, and Article III of the Master Indenture.

(d) On each May 1 (or if such May 1 is not a Business Day, on the Business Day preceding such May 1), the Trustee shall first transfer from the 2004 Capitalized Interest Account to the 2004 Interest Account the lesser of (x) the amount of interest coming due on the 2004 Bonds on such May 1, less the amount already on deposit therein, or (y) the amount remaining in the 2004 Capitalized Interest Account. Following the foregoing transfers, on such May 1 (or if such May 1 is not a Business Day, on the Business Day preceding such May 1), the Trustee shall then transfer amounts on deposit in the 2004 Revenue Account to the Funds and Accounts designated below in the following amounts and in the following order of priority:

FIRST, to the 2004 Interest Account of the 2004 Debt Service Fund Account, an amount equal to the amount of interest payable on all 2004 Bonds then Outstanding on such

16

2004 Prepayment Subaccount to be used for extraordinary mandatory redemption of the 2004 Bonds as provided for herein and therein.

On the earliest date on which there is on deposit in the 2004 Reserve Account, sufficient monies, taking into account other monies available therefor, to pay and redeem all of the Outstanding 2004 Bonds, together with accrued interest and redemption premium, if any, on such 2004 Bonds to the earliest date of redemption permitted therein and herein, then the Trustee shall transfer the amount on deposit in the 2004 Reserve Account into the 2004 Prepayment Subaccount in the 2004 Redemption Account to pay and redeem all of the Outstanding 2004 Bonds on the earliest date permitted for redemption therein and herein.

Section 4.07. Amortization Installments.

(a) The Amortization Installments established for the Outstanding Principal Balance shall be determined as set forth in paragraph (b) of this Section 4.07.

(b) On the date of the beginning of the Permanent Period, and upon any redemption of 2004 Bonds (other than 2004 Bonds redeemed in accordance with scheduled Amortization Installments), the District shall cause to be recalculated and delivered to the Trustee revised Amortization Installments recalculated so as to amortize the Outstanding 2004 Bonds in substantially equal annual installments of principal and interest (subject to rounding to Authorized Denominations of principal) over the remaining term of the 2004 Bonds, with Amortization Installments commencing on May 1, 2007.

Section 4.08. Tax Covenants and Rebate Accounts. The District shall comply with the representations, warranties and covenants contained in that certain tax certificate executed as of December 16, 2004 by the District (the "Tax Certificate").

Section 4.09. Establishment of 2004 Revenue Account in Revenue Fund; Application of Revenues and Investment Earnings.

(a) The Trustee is hereby authorized and directed to establish within the Revenue Fund a 2004 Revenue Account into which the Trustee shall deposit any and all amounts required to be deposited therein by this Section 4.09 or by any other provision of the Master Indenture or this Fourth Supplemental Indenture, and any other amounts or payments specifically designated by the District pursuant to a written direction or by a Fourth Supplemental Indenture for said purpose. The 2004 Revenue Account shall be held by the Trustee separate and apart from all other Funds and Accounts held under the Indenture and from all other moneys of the Trustee.

(b) The District shall deposit 2004 Assessment Revenues with the Trustee promptly upon receipt thereof, with a written accounting setting forth the amounts of such 2004 Assessment Revenues in the following categories which shall be deposited by the Trustee into the Funds and Accounts established hereunder as follows:

(i) 2004 Assessment Interest which shall be deposited into the 2004 Interest Account;

15

May 1 and the immediately succeeding November 1, less any amount transferred from the 2004 Capitalized Interest Account in accordance with Section 4.03(c) hereof and less any other amount already on deposit in the 2004 Interest Account not previously credited;

SECOND, to the 2004 Sinking Fund Account, the amount, if any, equal to the difference between the Amortization Installments of all 2004 Bonds subject to mandatory sinking fund redemption on such May 1, and the amount already on deposit in the 2004 Sinking Fund Account not previously credited;

THIRD, to the 2004 Reserve Account, the amount, if any, which is necessary to make the amount on deposit therein equal to the 2004 Reserve Account Requirement with respect to the 2004 Bonds; and

FOURTH, the balance shall be retained in the 2004 Revenue Account.

Anything herein to the contrary notwithstanding, it shall not, a fortiori, constitute an Event of Default hereunder if the full amount of the foregoing deposits are not made due to an insufficiency of funds therefor, and provided that such insufficiency does not result in there being insufficient amounts on deposit in the foregoing Funds and Accounts to pay the principal of and interest on the 2004 Bonds, when due.

(e) On any date required by the Tax Certificate, the District shall give the Trustee written direction, and the Trustee shall, transfer from the 2004 Revenue Account to the Rebate Account established for the 2004 Bonds in the Rebate Fund in accordance with the Master Indenture, the amount due and owing to the United States, which amount shall be paid, to the United States, when due, in accordance with such Tax Certificate. To the extent insufficient moneys are on deposit in the 2004 Revenue Account to make such transfer, the District shall deposit with the Trustee from legally available moneys of the District the amount of any such insufficiency.

(f) On or after each November 2, the Trustee shall, at the written direction of the District transfer to the District the balance on deposit in the 2004 Revenue Account on such November 2 to be used for any lawful District purpose; provided, however, that on the date of such proposed transfer the amount on deposit in the 2004 Reserve Account in the Debt Service Reserve Fund shall be equal to the 2004 Reserve Account Requirement, and, provided further, that neither the District nor the Trustee shall have actual knowledge of an Event of Default under the Master Indenture or hereunder relating to any of the 2004 Bonds, including the payment of Trustee's fees and expenses then due, the amount of such excess, shall be paid to, or upon the order of, the District.

(g) Anything herein or in the Master Indenture to the contrary notwithstanding, earnings on investments in all of the Funds and Accounts held as security for the 2004 Bonds shall be invested only in 2004 Investment Obligations, and further, earnings on the 2004 Acquisition and Construction Account and the subaccounts therein shall be retained, as realized, in such Accounts or sub accounts and used for the purpose of such Account or subaccount. Earnings on investments in the 2004 Sinking Fund Account and the 2004 Redemption Account

17

shall be deposited, as realized, to the credit of the 2004 Revenue Account and used for the purpose of such Account.

Earnings on investments in the 2004 Reserve Account shall be disposed of as follows:

(i) if there was no deficiency (as described in Section 509 of the Master Indenture) in the 2004 Reserve Account as of the most recent date on which amounts on deposit in the 2004 Reserve Account were valued by the Trustee, and if no withdrawals have been made from the 2004 Reserve Account since such date which have created a deficiency, then earnings on investments shall be allocated to and deposited into the 2004 Revenue Account; and

(ii) if as of the last date on which amounts on deposit in the 2004 Reserve Account were valued by the Trustee there was a deficiency in the 2004 Reserve Account, or if after such date withdrawals have been made from the 2004 Reserve Account and have created such a deficiency, then earnings on investments in the 2004 Reserve Account shall be deposited to the credit of the 2004 Reserve Account until the amount on deposit therein equals the 2004 Reserve Account Requirement and thereafter shall be allocated to and deposited into 2004 Revenue Account.

**ARTICLE V
CONCERNING THE TRUSTEE**

Section 5.01. Acceptance by Trustee. The Trustee accepts the trusts declared and provided in this Fourth Supplemental Indenture and agrees to perform such trusts upon the terms and conditions set forth in the Master Indenture and this Fourth Supplemental Indenture.

Section 5.02. Limitation of Trustee's Responsibility. The Trustee shall not be responsible in any manner for the due execution of this Fourth Supplemental Indenture by the District or for the recitals contained herein, all of which are made solely by the District.

Section 5.03. Trustee's Duties. Except as otherwise expressly stated in this Fourth Supplemental Indenture, nothing contained herein shall limit the rights, benefits, privileges, protection and entitlements inuring to the Trustee under the Master Indenture, including, particularly, Article VI thereof.

**ARTICLE VI
ADDITIONAL BONDS**

Section 6.01. Limitation on Parity Bonds. The District covenants and agrees that so long as there are any 2004 Bonds Outstanding, it shall not cause or permit to be caused any lien, charge or claim against the 2004 Trust Estate, except for fees, commissions, costs and other charges payable pursuant to Florida law; provided, however, that the District reserves the right to issue bonds, notes or other obligations payable from or secured by the 2004 Trust Estate pledged to the 2004 Bonds, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2004 Trust Estate equal or prior to the lien of this Fourth Supplemental Indenture securing the 2004 Bonds. Each bond, note or other obligation issued pursuant to the authority of the preceding sentence shall conspicuously state on the face thereof

Section 7.04. Control of Remedies by Majority Owner. Anything herein or in the Master Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, and upon delivery of an indemnity satisfactory to the Trustee, the Majority Owners shall have the right to direct any remedial proceedings undertaken by the Trustee under the Master Indenture or this Fourth Supplemental Indenture, provided that such directions are in accordance with the provisions thereof and with law.

Section 7.05. Payment Dates. In any case where an Interest Payment Date or the maturity date of the 2004 Bonds or the date fixed for the redemption of any 2004 Bonds shall be other than a Business Day, then payment of interest, principal or Redemption Price need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date, and no interest on such payment shall accrue for the period after such due date if payment is made on such next succeeding Business Day.

IN WITNESS WHEREOF, Harmony Community Development District has caused these presents to be signed in its name and on its behalf by its Chairman, and its official seal to be hereunto affixed and attested by its Secretary, thereunto duly authorized, and to evidence its acceptance of the trusts hereby created, the Trustee has caused these presents to be signed in its name and on its behalf by its duly authorized officer, and its corporate seal to be hereunto affixed.

SEAL

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

Attest:

By: _____
Chairman, Board of Supervisors

Secretary

SEAL

**WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee**

By: _____
Title: Vice President

that such obligation is, and such obligation shall be, subordinate and inferior in right of lien and payment to the lien of the Master Indenture and this Fourth Supplemental Indenture on such 2004 Trust Estate and the rights and remedies of the holders of such subordinate debt to payment and upon default thereon and under any instrument securing such subordinate debt shall not be subject to action for collection or acceleration thereof except upon the exercise of and subject to the first and prior rights of the Trustee and Owners of the 2004 Bonds to payment and the control of remedies and acceleration granted hereunder and under the Master Indenture.

Notwithstanding the foregoing, the District shall be permitted to issue Bonds ranking on a parity with the 2004 Bonds as to the lien and pledge of the 2004 Trust Estate, in an amount not in excess of the then applicable Amount Available for the purpose of completing the 2004 Project, in the event that the Initial Owner has failed to honor a permitted Drawing under the Forward Purchase Agreement.

Although the lien and the proceeds of assessments securing the 2004 Bonds are pledged exclusively to the 2004 Bonds, the liens of the assessments may be on the same property as, and therefore overlap and be co-equal with, the liens of other assessments which have been or may be imposed the District, Osceola County, Florida, or other units of local government having assessment powers within the District and also will be co-equal with the lien of county, school district and municipal taxes.

**ARTICLE VII
MISCELLANEOUS**

Section 7.01. Confirmation of Master Indenture. As supplemented by this Fourth Supplemental Indenture, the Master Indenture is in all respects ratified and confirmed, and this Fourth Supplemental Indenture shall be read, taken and construed as a part of the Master Indenture so that all of the rights, remedies, terms, conditions, covenants and agreements of the Master Indenture, except insofar as modified herein, shall apply and remain in full force and effect with respect to this Fourth Supplemental Indenture and to the 2004 Bonds issued hereunder.

Section 7.02. Continuing Disclosure Agreement. Contemporaneously with the execution and delivery hereof, the District has executed and delivered a Continuing Disclosure Agreement in order to comply with the requirements of Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934. The District covenants and agrees to comply with the provisions of such Continuing Disclosure Agreement; however, as set forth therein, failure to so comply shall not constitute an Event of Default hereunder, but, instead shall be enforceable by mandamus, injunction or any other means of specific performance.

Section 7.03. Deposit of Bonds. No deposit of Bonds shall be required so long as the 2004 Bonds are held in book-entry only form and the Trustee shall be protected in relying upon the Beneficial Owners who shall have identified themselves as such to the Trustee, in writing, in a manner, and with indemnity, satisfactory to the Trustee, and, in the event that the 2004 Bonds shall be required and the Trustee shall be protected in recognizing as Owners the persons whose names appear on the registration books maintained by the Bond Registrar.

EXHIBIT A

DESCRIPTION OF 2004 PROJECT

- Roads
- Water Facilities
- Wastewater Facilities
- Stormwater Management Facilities
- Landscaping/Hardscape
- Park Facilities

AS AMENDED BY RESOLUTION OF THE DISTRICT

EXHIBIT B
FORM OF 2004 BONDS
[TEXT OF 2004 BOND FACE]

No. 2004R-

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United States of America
 State of Florida
HARMONY COMMUNITY DEVELOPMENT DISTRICT
CAPITAL IMPROVEMENT REVENUE BOND, SERIES 2004

| Interest Rate | Maturity Date | Dated Date | CUSIP |
|---------------|---------------|------------|-----------|
| 6.75% | May 1, 2036 | | 413213AE9 |

Registered Owner: CEDE & CO.

Principal Amount:

HARMONY COMMUNITY DEVELOPMENT DISTRICT, a community development district duly established and existing pursuant to Chapter 190, Florida Statutes (the "District"), for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the registered Owner set forth above, or registered assigns, on the maturity date shown hereon, unless this Bond shall have been called for redemption in whole or in part and payment of the Redemption Price (as defined in the Indenture mentioned hereinafter) shall have been duly made or provided for, the Principal Amount set forth above (reduced by the principal amount paid or redeemed) (but only out of the sources hereinafter mentioned) together with interest thereon from the most recent Interest Payment Date to which interest has been paid or provided for, or, if no interest has been paid, from the Dated Date shown above on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing on May 1, 2005 or if later the May 1 or November 1 immediately subsequent to the dated date, until payment of said principal sum has been made or provided for, at the rate per annum set forth above. Notwithstanding the foregoing, if any Interest Payment Date is not a Business Day (as defined in the Indenture hereinafter mentioned), then all amounts due on such Interest Payment Date shall be payable on the first Business Day succeeding such Interest Payment Date, but shall be deemed paid on such Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture (as hereinafter defined), be paid to the registered Owner hereof at the close of business on the regular record date for such interest, which shall be the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date, or, if such day is not a Business Day on the Business Day immediately preceding such day; provided, however, that on or after the occurrence and continuance of an Event of Default under clause (a) of Section 902 of the Master Indenture (hereinafter defined), the payment of interest and principal or Redemption Price or Amortization Installments shall be made by the Paying Agent (hereinafter defined) to such person, who, on a

special record date which is fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such proposed payment, appears on the registration books of the Bond Registrar as the registered Owner of this Bond. Any payment of principal, or Redemption Price shall be made only upon presentation hereof at the designated corporate trust office of Wachovia Bank, National Association, a national banking association organized under the laws of the United States of America, or any alternate or successor paying agent (collectively, the "Paying Agent"). Payment of interest shall be made by check or draft (or by wire transfer to the registered Owner set forth above if such Owner requests such method of payment in writing on or prior to the regular record date for the respective assessable payment to such account as shall be specified in such request, but only if the registered Owner set forth above owns not less than \$1,000,000 in aggregate principal amount of the 2004 Bonds, as defined below). Interest on the Outstanding Principal Balance on this 2004 Bond will be computed on the basis of a 360-day year of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the District designated "Capital Improvement Revenue Bonds, Series 2004" in the aggregate principal amount not to exceed \$15,590,000 (the "2004 Bonds") (the "2004 Bonds," together with any other Bonds issued under, and governed by the terms of, the Master Indenture, are hereinafter collectively referred to as the "Bonds"), under a Master Trust Indenture, dated as of December 1, 2000 (the "Master Indenture"), between the District and Wachovia Bank, National Association (formerly known as First Union National Bank), a national banking association organized under the laws of the United States of America, as trustee (the "Trustee"), as amended and supplemented by a Fourth Supplemental Indenture, dated as of December 1, 2004 (the "Supplemental Indenture"), between the District and the Trustee (the Master Indenture as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the "Indenture"). The 2004 Bonds are issued to (i) finance the Cost of acquiring, constructing and equipping assessable improvements comprising the 2004 Project (as more particularly described in Exhibit A to the Supplemental Indenture, the "2004 Project"); (ii) pay certain costs associated with the issuance of the 2004 Bonds; (iii) make a deposit into the 2004 Reserve Account for the benefit of all of the 2004 Bonds; and (iv) pay a portion of the interest to become due on the 2004 Bonds.

NEITHER THIS 2004 BOND NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE HEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF FLORIDA. THIS 2004 BOND AND THE SERIES OF WHICH IT IS A PART AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE HEREON AND 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 MASTER INDENTURE OR IN THE SUPPLEMENTAL INDENTURE AUTHORIZING THE ISSUANCE OF THE 2004 BONDS. 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 MASTER INDENTURE, THE SUPPLEMENTAL INDENTURE, OR THE 2004 BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE MASTER INDENTURE, THE SUPPLEMENTAL INDENTURE, OR THE 2004 BONDS, SHALL BE

B-2

PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2004 PLEDGED REVENUES AND THE 2004 PLEDGED FUNDS AND ACCOUNTS PLEDGED TO THE 2004 BONDS, ALL AS PROVIDED HEREIN, IN THE MASTER INDENTURE AND IN THE SUPPLEMENTAL INDENTURE.

All acts, conditions and things required by the Constitution and laws of the State of Florida and the ordinances and resolutions of the District to happen, exist and be performed precedent to and in the issuance of this 2004 Bond and the execution of the Indenture, have happened, exist and have been performed as so required. This 2004 Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

IN WITNESS WHEREOF, Harmony Community Development District has caused this Bond to bear the signature of the Chairman of its Board of Supervisors and the official seal of the District to be impressed or imprinted hereon and attested by the signature of the Secretary to the Board of Supervisors.

Attest: **HARMONY COMMUNITY DEVELOPMENT DISTRICT**

 Secretary By: _____
 Chairman, Board of Supervisors

[Official Seal]

FORM OF CERTIFICATE OF AUTHENTICATION FOR 2004 BONDS

This Bond is one of the Bonds of the Series designated herein, described in the within-mentioned Indenture.

WACHOVIA BANK, NATIONAL ASSOCIATION, as Trustee

Date of Authentication: _____ By: _____
 Vice President

This 2004 Bond is issued under and pursuant to the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes (2004), and other applicable provisions of law and pursuant to the Indenture, executed counterparts of which Indenture are on file at the corporate trust office of the Trustee. Reference is hereby made to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of Bonds issued under the Indenture, the collection and disposition of revenues and the funds charged with and pledged to the payment of the principal, and Redemption Price of, and the interest on, the Bonds, the nature and extent of the security thereby created, the covenants of the District with respect to the levy and collection of Assessments (as defined in the Indenture), the terms and conditions under which the Bonds are or may be issued, the rights, duties, obligations and immunities of the District and the Trustee under the Indenture and the rights of the Owners of the Bonds, and, by the acceptance of this 2004 Bond, the Owner hereof assents to all of the provisions of the Indenture. The 2004 Bonds are equally and ratably secured by the 2004 Trust Estate, without preference or priority of one 2004 Bond over another. The Supplemental Indenture does not authorize the issuance of any additional Bonds ranking on a parity with the 2004 Bonds as to the lien and pledge of the 2004 Trust Estate.

The 2004 Bonds are issuable only as registered bonds without coupons in current interest form in denominations of \$5,000 or any integral multiple thereof (an "Authorized Denomination"); provided, however, that during the Initial Period, as defined in the Supplemental Indenture, the term "Authorized Denomination" means the aggregate Outstanding principal amount of the 2004 Bonds. This 2004 Bond is transferable by the registered Owner hereof or his duly authorized attorney at the designated corporate trust office of the Trustee in Miami, Florida, as Bond Registrar (the "Bond Registrar"), upon surrender of this 2004 Bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature reasonably satisfactory to the Bond Registrar, subject to such reasonable regulations as the District or the Bond Registrar may prescribe, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new 2004 Bond or 2004 Bonds, in the same aggregate principal amount as the 2004 Bond or 2004 Bonds transferred, will be issued to the transferee. At the corporate trust office of the Bond Registrar in Miami, Florida, in the manner and subject to the limitations and conditions provided in the Master Indenture and without cost, except for any tax or other governmental charge, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of Authorized Denominations and bearing interest at the same rate or rates.

The 2004 Bonds are subject to redemption prior to maturity at the option of the District in whole or in part at any time on or after May 1, 2015 at the Redemption Prices (expressed as percentages of the principal amount of the 2004 Bonds or portions thereof to be redeemed) set forth below, in each case together with accrued interest to the redemption date:

| Redemption Periods (Dates Inclusive) | Redemption Prices |
|---|------------------------------|
| May 1, 2015 through April 30, 2016 | 101% |
| May 1, 2016 and thereafter | 100 |

The 2004 Bonds are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the 2004 Sinking Fund Account established under

B-5

the Supplemental Indenture in satisfaction of applicable Amortization Installments (as defined in the Master Indenture) at the Redemption Price of 100% the principal amount thereof, without premium, together with unpaid accrued interest to the date of redemption, on May 1 of the years and in the principal amounts set forth in a cash flow certificate to be delivered by the District to the Trustee at the end of the Initial Period, which sets forth Amortization Installments which provide for the then-Outstanding Principal Balance of the 2004 Bonds to be amortized in substantially equal annual installments of principal and interest over the then-remaining term of the 2004 Bonds.

As more particularly set forth in the Master Indenture and Supplemental Indenture, any 2004 Bonds that are purchased by the District with amounts held to pay an Amortization Installment will be cancelled and the principal amount so purchased will be applied as a credit against the applicable Amortization Installment of 2004 Bonds. Amortization Installments are also subject to recalculation, as provided in the Supplemental Indenture, on the first day of the Permanent Period (as defined in the Supplemental Indenture) and as the result of the redemption of 2004 Bonds so as to reamortize the remaining Outstanding principal balance of the 2004 Bonds as set forth in the Supplemental Indenture.

The 2004 Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, and if in part by lot in the manner determined by the Bond Registrar at the Redemption Price of 100% of the principal amount thereof, without premium, together with unpaid accrued interest to the date of redemption, if and to the extent that any one or more of the following shall have occurred:

- (a) on or after the Date of Completion of the 2004 Project (as such terms are defined in the Indenture), by application of moneys transferred from the 2004 Acquisition and Construction Account in the Acquisition and Construction Fund established under the Indenture to the 2004 Prepayment Subaccount of the 2004 Redemption Account in accordance with the terms of the Indenture; or
- (b) from Prepayments (as defined in the Indenture) and excess amounts in the 2004 Reserve Account deposited into the 2004 Prepayment Subaccount of the 2004 Redemption Account in accordance with the provisions of the Supplemental Indenture; or
- (c) from amounts on deposit in the 2004 Reserve Account, when such amounts together with other moneys available therefor, are sufficient to pay and redeem all of the 2004 Bonds then Outstanding, including accrued interest thereon.

If less than all of the 2004 Bonds shall be called for redemption, the particular 2004 Bonds or portions of 2004 Bonds to be redeemed shall be selected by lot by the Registrar as provided in the Indenture.

Notice of each redemption of 2004 Bonds is required to be mailed by the Bond Registrar, postage prepaid, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date to each registered Owner of 2004 Bonds to be redeemed at the address of such registered Owner recorded on the bond register maintained by the Bond Registrar. On the date designated for redemption, notice having been given and money for the payment of the

B-6

Redemption Price being held by the Paying Agent, all as provided in the Indenture, the 2004 Bonds or such portions thereof so called for redemption shall become and be due and payable at the Redemption Price provided for the redemption of such 2004 Bonds or such portions thereof on such date, interest on such 2004 Bonds or such portions thereof so called for redemption shall cease to accrue, such 2004 Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture and the Owners thereof shall have no rights in respect of such 2004 Bonds or such portions thereof so called for redemption except to receive payments of the Redemption Price thereof so held by the Paying Agent. Further notice of redemption shall be given by the Bond Registrar to certain registered securities depositories and information services as set forth in the Indenture, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

The Owner of this 2004 Bond shall have no right to enforce the provisions of the Master Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the 2004 Bonds then Outstanding under the Indenture may become and may be declared due and payable before the stated maturities thereof, with the unpaid interest accrued thereon.

Modifications or alterations of the Master Indenture or of any indenture supplemental thereto may be made only to the extent and in the circumstances permitted by the Master Indenture.

Any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any 2004 Bond which remain unclaimed for two (2) years after the date when such 2004 Bond has become due and payable, either at its stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or any Paying Agent at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such 2004 Bond became due and payable, shall be paid to the District, and thereupon and thereafter no claimant shall have any rights against the Paying Agent to or in respect of such moneys.

If the District deposits or causes to be deposited with the Trustee cash or Federal Securities (as defined in the Indenture) sufficient to pay the principal or redemption price of any 2004 Bonds becoming due at maturity or by call for redemption in the manner set forth in the Indenture, together with the unpaid interest accrued to the due date, the lien of the 2004 Bonds as to the 2004 Trust Estate shall be discharged, except for the rights of the Owners thereof with respect to the funds so deposited as provided in the Indenture.

This Bond shall have all the qualities and incidents, including negotiability, of investment securities within the meaning and for all the purposes of the Uniform Commercial Code of the State of Florida.

B-7

This Bond is issued with the intent that the laws of the State of Florida shall govern its construction.

CERTIFICATE OF VALIDATION

This Bond is one of a Series of Bonds which were validated by judgment of the Circuit Court in and for Osceola County, Florida, rendered on August 4, 2000.

Chairman, Board of Supervisors

B-8

[FORM OF ABBREVIATIONS FOR 2004 BONDS]

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM as tenants in common

TEN ENT as tenants by the entireties

JT TEN as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANSFER MIN ACT (UTMA)

_____ Custodian _____ under UTMA _____
(Cust.) (Minor) (State)

Additional abbreviations may also be used though not in the above list.

[FORM OF ASSIGNMENT FOR 2004 BONDS]

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the said Bond on the books of the District, with full power of substitution in the premises.

Dated:

Social Security Number of Employer:

Identification Number of Transferee:

Signature guaranteed:

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

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**ENGINEER'S REPORT
FOR
THE HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

Prepared for:

**Board of Supervisors
The Harmony Community Development District**

**Mrs. Martha Lentz
Mr. James O'Keefe
Mr. William Johnson
Mr. Kenneth Peach
Mr. Gregory Scott Butterfield**

Consulting Engineer:

**Miller Einhouse Rymer & Boyd, Inc.
230 E. Monument Ave.
Kissimmee, Florida 34741**

Assessment Advisor:

**Severn Trent Environmental Services, Inc.
10300 Northwest 11th Manor
Coral Springs, Florida 33071**

December 10, 2004

TABLE OF CONTENTS

| <u>SECTION</u> | <u>PAGE</u> |
|---|-------------|
| 1. Introduction..... | 1 |
| 2. District Boundary and Properties Served..... | 4 |
| 3. Proposed District Infrastructure..... | 4 |
| 4. Opinion of Probable Construction Costs..... | 7 |
| 5. The 2000 Project..... | 8 |
| 6. The 2004 / 2005 Project... .. | 8 |

TABLES

| | |
|--|---|
| 1 – Land Use Summary within District Boundaries..... | 3 |
| 2 – Opinion of Probable Costs for the District Infrastructure..... | 7 |

EXHIBITS

Exhibit 1 – Location Map and District Boundaries

Exhibit 2 – District Phases

Exhibit 3 – Legal Description of District

Exhibit 4 – District Development Plan

1. Introduction

1.1 Description of the Harmony DRI Community

Harmony is a 11,030 acre master planned Development of Regional Impact project designed as a mixed-use community. It is located along U.S. 192 in Eastern Osceola County. The location of the community is shown on Exhibit 1. The Harmony Community will be designed as a Traditional Neighborhood Development featuring 70% open space, including nearly 1,000 acres of natural lakes known as Buck Lake and Cat Lake. The development program consists of 7,200 residential units; 350,000 gsf of commercial; 500,000 gsf of office; 1,000,000 gsf of light industrial, and an 18-hole golf course. The community also includes numerous community and village parks; an interconnected bikeway and pedestrian path system; a Town Center providing a mix of uses for the entire community; institutional uses including fire, police, EMS, public schools, library, Harmony Institute, and places of worship; on-site water and wastewater facilities; large wetland preserves; upland preservation areas for gopher tortoises, sandhill cranes, and rare plant species; an interconnected water management system; and a wastewater reuse system to minimize water consumption.

1.2 Description of the Harmony Community Development District

The Harmony Community Development District is a portion of the Harmony Community originally consisting of 992.6 acres. This revised Engineer's Report includes an additional 27.60 acres which is being added to the original Harmony Community Development District. New total land area of the Harmony Community Development District is expected to be 1,020.2 acres.

The Harmony CDD lies in the center of the overall Harmony DRI project, and includes, the Town Center, a number of parks, and the golf course (See Exhibit 4). The District will construct two phases of major infrastructure. Construction of the first phase will occur during 2000/2001, followed by a second phase in 2004/2005 and a third phase in 2005/2006. The Phase I infrastructure will serve approximately half of the development program for the District (See Table 1) including the 18-hole golf course. See Exhibit 2 for a depiction of these phases of development.

Table 1 below presents the development program for the Harmony Community Development District.

| TABLE 1 | | | |
|--|---------------|-------------------------|-------------------|
| LAND USE SUMMARY WITHIN THE DISTRICT BOUNDARIES | | | |
| LAND USE | ACRES | DENSITY | % OF TOTAL |
| Residential ⁽³⁾ | 336 | 2146 D.U. | 33% |
| Village Commercial | 6 | 40,000 GSF | 1% |
| Commercial | 21.2 | 399,000 GSF | 2% |
| Office | 26.6 | 385,000 GSF | 3% |
| Institutional | 13.5 | 13.5 AC | 1% |
| Open Space/Parks | 60.5 | | 6% |
| Golf Course/Clubhouse | 288.7 | 18 Holes | 28% |
| Town Center | 29.2 | See Note ⁽²⁾ | 3% |
| Retention/Detention Ponds ⁽¹⁾ | 60.3 | | 6% |
| Road ROW | 47.9 | | 5% |
| Conservation/Preservation Areas | 130.3 | | 13% |
| TOTAL | 1020.2 | | 100% |

- (1). Only ponds located outside golf course. Ponds within golf course are included in golf course acreage.
- (2). Town Center consists of residential, commercial, office , institutional, open space and parks. Density for the development uses are included in the density D.U. / GSF figures designated in this table. For example, the residential D.U.'s to be located within the Town Center will be part of the 2146 D.U.'s allocated to the Harmony CDD.
- (3) Revised July 2004 to include additional 27.60 acre parcel at Cat Lake an additional 86 residential units.

2. District Boundary and Properties Served

2.1 District Boundaries

Exhibit 2 delineates the proposed boundaries of the District. The district is surrounded by the balance of the Harmony DRI.; including the Harmony High School which is part of the Harmony DRI but is not included within the CDD Boundary.. US 192 runs along the Southern Boundary of the District. Buck and Cat Lake serve as the Northern Boundary of the District, and their contributory wetlands define the Easter and Western Boundaries of the District.

2.2 Description of Properties Served

Exhibit 3 provides the legal description of the District. The existing land within the District consists of the existing Phase I Infrastructure, golf course, and Neighborhoods B-1, C-1, C-2 and D-1. Future development slated for the balance of the developable uplands within the CDD includes Neighborhoods, E, F, G, and I. Also included are the remaining commercial and office tracts within the District.

2.3 Existing Infrastructure

The Harmony CDD completed construction of the Phase I Water and Wastewater Treatment Plants in 2002. The Phase I roadway and utility infrastructure was also completed in 2002.

3. Proposed District Infrastructure

3.1 Summary of the Proposed District Infrastructure

The District infrastructure will generally consist of the following:

- Roadways
- Water, Wastewater and Undergrounding of Electrical Infrastructure
- Stormwater Management Facilities
- Landscaping/Hardscape
- Recreation and Parks
- Off-site Water and Wastewater Plants/Infrastructure Connections

3.2 Roadways

The roadways within the District will consist of 4-lane divided, 2 lane divided and 2 lane individual sections. These roadways will be designed as collector roadways. The District will construct these roadways and

convey the improvements to Osceola County from back of curb to back of curb. Sidewalks and bikeways will be constructed adjacent to the roadways, and they will be owned by the District. Roadways will consist of a subgrade, limerock base, curbing, striping and signage in conformance with the Land Development Regulations of Osceola County. Approximately 5 miles of collector roadway will be constructed in the District.

3.3 Water, Wastewater & Electrical Infrastructure

This infrastructure will consist of potable water mains, wastewater gravity mains and forcemains, lift stations, effluent reuse/irrigation mains and undergrounding of electrical cable. These facilities will be constructed in accordance with the Land Development Regulations of Osceola County, the Florida Department of Environmental Protection, the South Florida Water Management District and the Birchwood Development Order.

The potable water system will include the necessary main lines, valving, fire hydrants and connection points to individual parcels, but does not include the lines within privately owned parcels. The system design provides for domestic demand plus a fire flow of 3000 gpm. Approximately 5 miles of water mains will be constructed.

The wastewater infrastructure will include gravity lines, foremain, lift station, and connection points to individual parcels, but does not include the lines within privately owned parcels. Approximately 3.7 miles of gravity lines, 3.2 miles of forcemain and 2 lift stations will be constructed by the District.

An effluent reuse system will be constructed to serve as the primary irrigation system for the project. Highly treated effluent will be discharged from the Toho Water Authority wastewater plant into the Harmony CDD hydropneumatic tank. Effluent reuse mains will be constructed consisting of approximately 5 miles of piping including valving and connection points to individual parcels, but does not include the lines within privately owned parcels. Treated effluent will be supplemented with stormwater and groundwater to satisfy the irrigation demands throughout the District.

Electrical cable will be located adjacent to all collector roadways sufficient to serve all individual lots and development parcels. Street lighting will also be included along the collector roadways.

Areas north of US 192 are located within the Orlando Utilities Commission service area. Areas south of US 192 are located within the service area of Progress Energy Corporation. (f.ka. Florida Power Corp.)

3.4 Stormwater Management Facilities

A master stormwater system will be constructed in accordance with the requirements of the South Florida Water Management District, Osceola County and the Birchwood Development Order. This system will consist of interconnected wet retention/detention ponds. Stormwater runoff from development parcels will be routed via a secondary drainage system into the retention/detention ponds. These ponds will ultimately discharge into adjacent and nearby wetlands through the District. Design criteria include meeting water quality and quantity criteria, and providing compensating storage for any development within the 100-year floodplain areas.

3.5 Landscaping/Hardscape

Landscaping/hardscape will be provided along the project collector roadways, the project entrance on US 192, throughout the Town Center, and within parks and recreation areas. Xeriscape landscaping will be emphasized throughout to minimize irrigation water demands and to maintain a natural look within the community. Existing native vegetation will be used where possible.

3.6 Recreation and Parks

Phase I of a 19 acre Community Park adjacent to Buck Lake has been completed. This Park provides picnic facilities, passive recreation and a children's playground. This community park also includes a fishing pier and boat dock on Buck Lake. Also completed with the Phase I infrastructure are the Town Center Park and Swim Club areas..

3.7 Off-site Water and Wastewater Facilities/Interconnection Infrastructure

All off-site water and wastewater facilities were completed as part of the Phase I Project. The off-site water and wastewater facilities have been completed. The off-site facilities are now owned and operated by Toho Water Authority.

4. Opinion of Probable Construction Costs

Table 2 below represents a summary of the costs for the District Infrastructure.

TABLE 2
OPINION OF PROBABLE COSTS
FOR THE DISTRICT INFRASTRUCTURE ^{(1), (4)}

| Infrastructure | Phase 1 | Phase 2 | Phase 3 | Total |
|--------------------------------------|----------------------|--------------------|--------------------|----------------------|
| Master Infrastructure ⁽²⁾ | \$ 3,000,000 | \$3,342,100 | \$3,650,900 | \$9,993,000 |
| Mass Grading / Stormwater Facilities | \$ 1,800,000 | \$ 150,000 | \$150,000 | \$2,100,000 |
| Landscaping / Hardscape | \$ 2,450,000 | \$1,200,000 | \$1,000,000 | \$4,650,000 |
| Recreation / Parks | \$ 1,750,000 | \$2,000,000 | \$1,000,000 | \$4,750,000 |
| Land Acquisition ⁽³⁾ | \$ 4,700,000 | \$ | \$ | \$4,700,000 |
| Total | \$ 13,700,000 | \$6,692,100 | \$5,800,900 | \$ 26,193,000 |

⁽¹⁾ The costs are derived from the expected quantities of infrastructure multiplied by unit costs typical of the industry in Central Florida. All costs were based on master plans for each infrastructure item. Provision for professional fees are included. These costs do not include legal, administrative operation or maintenance services.

⁽²⁾ Includes roadways and drainage, underground electrical conduit and entrance ponds.

⁽³⁾ Community Lake along Buck Lake

⁽⁴⁾ Revised July 2004

5. 2000/2001 Project – Phase 1

5.1 Description of the Project

Construction commenced in late 2000 and continued through most of 2001 for the initial phase of master infrastructure.

5.2 Permits

Permits for construction are required prior to the start of the infrastructure construction. Permits from the following agencies were issued for the Phase I Construction.

- Osceola County (All Site Improvements)
- Florida Department of Environmental Protection (Waste and Wastewater)
- Florida Department of Transportation (ROW/Drainage)
- U.S. Army Corps of Engineers (Dredge and Fill)
- South Florida Water Management District (Stormwater)

5.3 Status Update

The Phase 1 infrastructure improvements have been completed and are operational.

6. 2004/2005 Project – Phase 2 & 3

6.1 General Description of the Project

Construction is projected to commence in late 2004 and continue through most of 2005 for the final phases of master infrastructure. Once completed, the Phase 2 and Phase 3 infrastructure will allow the sale and use of the marketable properties within the remaining areas of the District. The project also includes a park and landscaping to be constructed between the roadway and the adjacent conservation area.

6.2 Description of Phase 2

The Phase 2 project includes the design, permitting and construction of approximately 5,500 ft. of two lane roadway infrastructure with utilities and drainage. The project also includes the construction of one master storm water management pond and one wastewater lift station.

When completed, the Phase 2 Project will provide the roadway and utility infrastructure required to support the completion of the following adjacent development (acreages shown are approximate):

- Charter School and Neighborhood Park: 9.8 acres
- Residential Development Parcels: 88.3 acres
- Commercial Development Parcels: 14.7 acres
- Community Recreation Amenity Parcel : 2.3 acres

6.21 Permits

Permits for construction are required prior to the start of the Phase 2 Infrastructure construction. Permits from the following agencies will be required:

- Osceola County (All Site Improvements) – Expected 12/15/04
- Toho Water Authority – Expected 12/15/04
- FDEP (Waste and Wastewater) – Expected 1/15/05
- Florida Department of Transportation – Expected 1/15/05
- South Florida Water Management District - Issued 11/24/04.

6.22 Status Update

Design of the Phase 2 Infrastructure construction plans have been completed.

Construction is scheduled to begin in January of 2005.

6.3 Description of Phase 3

The Phase 3 project includes the design, permitting and construction of approximately 7,000 ft. of two lane roadway infrastructure with utilities and drainage. The project also includes the construction of one master storm water management pond and one wastewater lift station.

When completed, the Phase 3 Project will provide the roadway and utility infrastructure required to support the completion of the following adjacent development (acreages shown are approximate):

- Residential Development Parcels: 142 acres
- Commercial Development Parcels: 21.3 acres
- Community Recreation Amenity Parcel : 7.5 acres

6.23 Permits

Permits for construction are required prior to the start of the Phase 3 Infrastructure construction. Permits from the following agencies will be required:

- Osceola County (All Site Improvements)
- Toho Water Authority
- FDEP (Waste and Wastewater)
- South Florida Water Management District

6.24 Status Update

Design of the Phase 3 Infrastructure construction plans has been initiated and is scheduled to be completed in March of 2005. Permitting is anticipated to be completed by May 2005 with construction starting in May or June of 2005.

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**HARMONY
COMMUNITY DEVELOPMENT DISTRICT**

**FINAL
Special Assessment Methodology**

**Severn Trent Environmental Services, Inc.
10300 NW 11th Manor
Coral Springs, Florida 33071**

April 27, 2000

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**ASSESSMENT METHODOLOGY
HARMONY COMMUNITY DEVELOPMENT DISTRICT**

April 27, 2000

1.0 Introduction

1.1 Purpose

This report provides a methodology for allocating the debt incurred by the Harmony Community Development District (“Harmony” or “District”) to properties in the District. The District’s debt will fund infrastructure improvements that will allow the development of the property in the District. The methodology allocates this debt to properties based upon the special benefits each receives from the infrastructure program. In this case the properties receiving benefit include 992.6 acres, a portion of the Birchwood DRI (Development of Regional Impact) Community, within the District. The report is designed to conform to the requirements of Chapters 190 and 170, F.S. with respect to special assessments and is consistent with our understanding of the case law on this subject.

1.2 Background

The Harmony Community Development District consists of approximately 992.6 acres in Osceola County, Florida. Birchwood will be a mixed use master-planned community. The development plan for the land within the District includes the construction of approximately 2,060 residential units, 399,000 square feet of commercial, 385,000 square feet of office, 13.5 acres of Institutional use, an 18-hole golf course and clubhouse, parks, and open space.

**Table 1
Land Use Summary**

| <u>Land Use</u> | <u>Acres</u> | <u>Assessable Acres</u> |
|---------------------------------|---------------|-----------------------------|
| Residential | 308.40 | 308.40 |
| Village Commercial | 6.00 | 6.00 |
| Commercial | 21.20 | 21.20 |
| Office | 26.60 | 26.60 |
| Institutional | 13.50 | |
| Open Spaces/Parks | 60.50 | |
| Golf Course/Clubhouse | 288.70 | 288.70 |
| Town Center | 29.20 | 29.20 |
| Retention/Detention Ponds | 60.30 | |
| Road ROW | 47.90 | |
| Conservation/Preservation Areas | <u>130.30</u> | |
| Total | 992.60 | <u>680.10</u> |

The assessment methodology is a five-step process. Since present plans call for construction of infrastructure in two phases, the District Engineer must first determine the costs for all District improvements needed for the build-out of the community. Second, the District Engineer determines what Phase 1 costs are allocable to Phase 1 acreage, and what costs are allocable to Phase 2 acreage. Third, the District Engineer determines the assessable acres that benefit from the District's infrastructure improvements in each phase of construction. Fourth, a calculation is made to determine the funding amounts necessary to acquire and/or construct the District infrastructure improvements in each phase. Fifth, this amount is initially divided equally among the benefited properties in each phase on a net acreage basis. Ultimately, as land is platted, this amount will be allocated to each of the benefited properties based on certain characteristics accruing to each parcel.

1.3 Special Benefits and General Benefits

Improvements undertaken by the District create special benefits, different in nature and degree, for properties within its borders, as well as general benefits to the public at large. However, as discussed below, these general benefits are incidental in nature and are readily distinguishable from the special benefits which accrue to property within the District. The infrastructure program of the District enables properties within its boundaries to be developed. Without the District's program there would be no infrastructure to support development of land in the District.

Furthermore, the development order for Birchwood requires offsite improvements for Water and Wastewater Facilities/Interconnection Infrastructure. Without these improvements, development of property in the District would be prohibited by law.

There is no doubt that the general public and property owners outside the District will benefit from the provision of the District's infrastructure. However, these are incidental to the District's infrastructure program, which is designed solely to meet the needs of property within the District. Properties outside the District do not depend upon the District's improvement program to obtain, or to maintain, their development entitlements. This fact alone clearly distinguishes the special benefits which District properties receive compared to those lying outside of the District's boundaries.

1.4 Special Benefits Exceed the Costs Allocated to Pay for Them

In the case of Harmony the value of the special benefits provided by the District's improvement program is far greater than the costs associated with providing these same benefits. The amount of bonds to be authorized by the District to fund its improvement program is anticipated to total **\$50,000,000**. It is the District's

improvement program that makes it possible to develop and sell the land within its boundaries.

2.0 Assessment Methodology

2.1 Overview

The current projected financial plan for the District calls for a total of approximately \$50,000,000 in tax exempt bonds to be issued in two series. The proceeds from these bond issues will fund the District's infrastructure program and provide for capitalized interest, a debt service reserve account, and issuance costs. It is this \$50,000,000 in debt that is allocable to all properties within the District benefiting from the improvements funded by the District's bonds.

The landowner has developed a master plan for the property identifying particular land uses throughout the District. Table 2 below depicts acreages accruing to the different land uses and also the current plan for product distribution within each phase of development.

Table 2
Proposed Acreage and Product Distribution by Phase

| Land Use | Phase 1 Acres | Phase 2 Acres | Total Acres | Phase 1 Units | Phase 2 Units | Total Units |
|-------------|------------------|------------------|----------------|------------------|------------------|----------------|
| Residential | 94.5 | 219.9 | 314.4 | 1,069 | 991 | 2,060 |
| Commercial | | 21.9 | 21.2 | | 190k sf | 399k sf |
| Office | | 26.6 | 26.6 | | 320k sf | 385k sf |
| Golf Course | 288.7 | | 288.7 | | | |
| Town Center | 29.2 | | 29.2 | 274k sf | | |
| Totals | 412.4 | 267.7 | 680.1 | | | |

The District has relied upon the landowner's land use plan to develop the District's capital improvement program. As mentioned previously, at the present time, the District plans to construct its infrastructure in two phases, with Phase 1 occurring in the period 2000 through 2001, and Phase 2 being planned for the years 2003 through 2004. Table 3 below delineates the proposed construction costs for the District's infrastructure.

**Table 3
Proposed Construction Costs (1)**

| Item | Phase I Total | Phase II Total | Total Project | Type |
|---|-----------------------------|-----------------------------|------------------------------|-------------|
| Underground Electric/Street Lighting Roadways/Entrance Ponds/Secondary Drainage | \$1,000,000 \$ 2,000,000 | \$1,400,000 \$ 2,600,000 | \$ 2,400,000 \$ 4,600,000 | O R |
| Water, Sewer & Reuse Lines/Lift Stations | \$ 1,650,000 | \$ 2,250,000 | \$ 3,900,000 | O |
| Stormwater Facilities in Golf Course | \$ 1,800,000 | -0- | \$ 1,800,000 | O |
| Landscaping/Hardscape | \$ 1,800,000 | \$ 2,100,000 | \$ 3,900,000 | R |
| Recreation/Parks | \$ 1,750,000 | \$ 2,200,000 | \$ 3,950,000 | O |
| Land Acquisition (2) | \$ 4,500,000 | -0- | \$ 4,500,000 | R |
| Off-Site Water Facilities | \$ 3,500,000 | \$ 1,000,000 | \$ 4,500,000 | O |
| Off-Site Wastewater Facilities | \$ 2,500,000 | \$ 2,000,000 | \$ 4,500,000 | O |
| Off-Site Water/Wastewater/Effluent Reuse Infrastructure Connections | \$ 800,000 | -0- | \$ 800,000 | O |
| Off-Site Effluent Reuse Facilities | \$ 800,000 | -0- | \$ 800,000 | O |
| Public Art (2%) | <u>\$ 436,000</u> | <u>\$ 270,000</u> | <u>\$ 706,000</u> | O |
| Total Construction Costs | \$22,536,000 | \$13,820,000 | \$36,356,000 | |

R=Roadway Related; O=All Other Costs.

- (1) Includes contingency, technical services costs and an inflation factor. Does not include legal, administrative, financing, operation or maintenance services costs.
(2) Parks, ROW, Preservation Areas.

At the outset, the District's debt will be allocated by phase to all assessable property in the Harmony CDD on an equal acreage basis. Based on the developer's current land plan, there are approximately 680.10 assessable acres within the Harmony CDD portion of the development. This acreage is primarily residential property to be devoted to single family and multi-family units. Phase 1 consists of approximately 412.4 assessable acres, and Phase 2 includes approximately 267.7 assessable acres. Based on the proposed construction costs (Table 3 above), a projected financing structure is depicted in Table 4 below.

**Table 4
Proposed Financing Structure**

| Bond Issue: | Series <u>2002(1)</u> | Series <u>2003(2)</u> |
|---------------------------|----------------------------------|----------------------------------|
| Construction Funds | \$22,536,000 | \$13,820,000 |
| Total Bond Amounts | \$30,994,000 | \$19,006,000 |
| Estimated Interest Rates | 7.5% | 7.75% |
| Term (years) | 30 years | 30 years |
| Final Maturity | 5/1/2030 | 5/1/2034 |
| Cap. Interest Period thru | none | 11/1/2005 |
| Debt Service Reserves | \$3,099,400 | \$1,900,600 |

(1) The Series 2002 Bonds will have two components, an A portion and a B portion. The 2002 Series A Bonds will total have an estimated coupon interest rate of 7.5%, and a life of 30 years. The Series 2002B Bonds will have an estimated coupon interest rate of 7.5%, and a life of 5 years.

(2) Similarly, the Series 2003 Bonds will have two components. The 2003 Series A Bonds are projected to have an estimated coupon interest rate of 7.75% and a life of 30 years. The Series 2003B Bonds are projected to have an estimated coupon interest rate of 7.25%, and a life of 5 years.

Notwithstanding (1) and (2) above, nothing shall preclude the District from issuing interim financing such as, but not limited to, bond anticipation notes to facilitate the District's acquisition or construction of the Improvements. In fact, the District does currently anticipate the issuance of Bond Anticipation Notes in the year 2000 to provide interim financing prior to the issuance of the Series 2002 Bonds.

2.2 Master Improvement Program as a Total System

The District is undertaking the responsibility of providing a portion of the infrastructure, which will serve the Harmony CDD portion of the community. The Project is an integrated system of facilities. For example, a total system consists of not only the first mile of roadway or utility piping, but also the last few feet. All landowners benefit from the first mile of roadway pavement. Additionally, all landowners benefit from the last few feet of roadway pavement. Therefore, the infrastructure program works as a total system, and each portion of the system provides special benefits for each land use, according to the development program.

The improvement program anticipated by the District is considered a multi-year construction program. As a practicality, most multi-year improvement programs are constructed in phases. These phases are usually devised so that the management and financing of the construction are performed in coordination with the sell-off of a building program similar to the development program outlined for this community. Under such a phasing plan, each part of the total system is designed to be functional and confer special benefits to the landowners without the subsequent phases having to be in place. Therefore, the first phase of a multi-phase capital improvement program can be financed independently of subsequent phases, and each subsequent phase can be financed independently of the previous phases. Similarly, due to the “total systems approach”, it is appropriate to assess Phase 1 debt to Phase 1 units, as they are developed, and Phase 2 debt to Phase 2 units.

The District is anticipating two phases at this time. This document outlines the methodology for determining the assessments for all benefiting lands within the District. A Supplemental Report will be generated prior to the issuance of the bonds for the infrastructure program, in accordance with the methodology outlined herein.

2.3 Allocation of Debt

The Infrastructure Program benefits all developable acres within the District. The assessment methodology detailed herein provides for a fair and reasonable allocation of debt based on this premise.

Prior to platting, assessments will be levied on all land on an equal acreage basis, because at that juncture every acre benefits equally from the Program.

The debt incurred by the District to fund the Program is allocated to the properties receiving special benefits on the basis of development intensity and density. The responsibility for the repayment of the District’s debt through assessments will ultimately be distributed in proportion to the special benefit peculiar to the land within the District, as it may be classified within each of the land use categories. In this case debt will be allocated based on Equivalent Residential Units. The base unit is the 4.5 DU (Density Units) per acre product. It has been assigned an Equivalent Residential Unit (ERU) value of 1. A fair and reasonable assignment of benefit will be derived for all other residential and non-residential land use categories based on their relative density as compared to the 4.5 DU/Acre product. These ERU values are delineated in Table 5.

Table 5
LAND USE BY FINAL PRODUCT TYPE

| <u>Product Type</u> | <u>Units</u> | <u>ERUs/Unit</u> | <u>Total ERUs</u> |
|-----------------------|--------------|------------------|-------------------|
| Single Family: | | | |
| 4.5 DU/Acre | 1,374 | 1.00 | 1,374 |
| 9 DU/Acre | 118 | 0.70 | 83 |
| Multi Family | 568 | 0.50 | 284 |
| Golf Course/Clubhouse | 1 | 5 | 5 |
| Office | 385k sf | 3/10,000 sf | 116 |
| Commercial | 399k sf | 3/10,000 sf | 120 |

In accordance with the benefit allocation suggested by the ERU’s assigned to each product type, a Total Debt per Unit and an Average Annual Assessment per Unit have been calculated for each product type. (Tables 7 and 9) These amounts are based on the projected debt requirements suggested in Table 4, and represent the anticipated per unit debt allocations assuming all anticipated units are built and sold in the proportions planned, and the entire proposed infrastructure program is developed or acquired and financed by the District.

During the interim state, until all of the District’s land has been developed (including the platting of individual lots and transferring of title to the ultimate homeowner), the assessments on the land that has not been sold are not fixed and determinable. As the District’s infrastructure is built, and land begins to be platted, the District will determine **on an annual basis** the relative value of both the platted lots for sale (“Unsold Platted Lots”) and the unsold and unplatted land (“Unsold Unplatted Acres”). This procedure is performed to fairly distribute the responsibility to repay debt incurred by the District to build its infrastructure.

By virtue of platting land, certain development rights are committed to, and peculiar to, each plat, thereby changing the character and value of the land by enhancing the capacity of the Unsold Platted Lots to receive the special and peculiar benefits of the District’s improvements. This takes place while also incurring a corresponding increase in the responsibility for payment of its portion of the debt associated with the improvements. Therefore, the relative value of both the Unsold Platted Lots and the Unsold Unplatted Acres can be utilized to re-allocate the assessments on a per lot basis for the Unsold Platted Lots, and on a per acre basis for the Unsold Unplatted Acres.

The following paragraphs detail the required calculations:

1. First, the District will calculate the “Unallocated Balance”. This balance is calculated by subtracting the principal amount of debt service which has been allocated to the platted lots that have been sold and ownership transferred to the ultimate landowner (“Sold Lots”), and subtracting the principal amount of debt service which has been allocated to the development parcels that have been sold (“Sold Units”) from the principal amount of the Bonds outstanding.
2. The District will subtract the Sold Lots Acres and the Unsold Platted Lots Acres from the Total Assessable Acres to yield the number of Unsold Unplatted Acres.
3. The District will determine the aggregate value of all Unsold Unplatted Acres by securing the most recent assessed value of such land as determined by the Osceola County Property Appraiser’s Office (the “Unsold Unplatted Acres Value”).
4. Next, the District must determine the relative aggregate value of all Unsold Platted Lots and Unsold Unplatted Acres. The District will determine the value of all Unsold Platted Lots by obtaining the most current sales prices of comparable lots in the development from the developer, multiplying such values by 90% (to approximate “appraised values”) and multiplying the resulting values times the number of each such Unsold Platted Lot. These values are then summed (the “Unsold Platted Lots Value”).
5. The District will sum the Unsold Platted Lots Value and the Unsold Unplatted Acres Value (the “Aggregate Unsold Value”).
6. The District shall then divide the Unsold Unplatted Acres Value by the Aggregate Unsold Value to obtain the “Unsold Unplatted Acres Ratio” and shall divide the Unsold Platted Lots Value by the Aggregate Unsold Value to obtain the “Unsold Platted Lots Ratio”.
7. Next, the District shall apply the Unsold Unplatted Acres Ratio to the Unallocated Balance and divide the result thereof by the number of Unsold Unplatted Acres in order to obtain the assessment per acre for Unsold Unplatted Acres.
8. Then, the District shall apply the Unsold Platted Lots Ratio to the Unallocated Balance and divide the result thereof by the number of acres allocable to Unsold Platted Lot to obtain the assessment per acre for Unsold Platted Lots.
9. The assessment per acre for the Unsold Platted Lots will be applied to each Unsold Platted Lot by multiplying the Unsold Platted Assessment per Acre by the lot size of each Unsold Platted Lot.

A **hypothetical** illustration of how the assessment methodology works in the interim state follows:

Illustration

The District shall, on an annual basis, ascertain the following:

1. Sales Price per Unsold Platted Lot
2. Total Number of Unsold Platted Lots
3. Acreage of each Unsold Platted Lot
4. Unsold Platted Lots Value (Aggregate)
5. Total Number of Sold Lots
6. Total Sold Lots Acreage
7. Number of Unsold Unplatted Acres
8. Total Value of Unsold Unplatted Acres
9. Relative Value Percentages of Unsold Platted Lots and Unsold Platted Acres
10. Sold Lots Assessments
11. Calculation of the Unallocated Balance
12. Ratio Calculation of Unsold Platted Lots and Unsold Platted Acres
13. Calculation of Unsold Unplatted Acres Assessments (per acre)
14. Calculation of Unsold Platted Lots Assessments (per acre)
15. Calculation of individual Unsold Platted Lots Assessment (per lot)

A detailed example of this illustration may be found in Table 10.

2.4 Lienability Test: Special and Peculiar Benefit to the Property

Construction and/or acquisition by the District of its proposed infrastructure program will provide several types of systems, facilities and services for its residents. These include surface water management, parks and recreation, and the provision of water and sewer facilities. These improvements accrue in differing amounts and are somewhat dependent on the type of land use receiving the special benefits peculiar to those properties which flow from the logical relationship of the improvements to the properties.

An example of this differentiation, is that the average daily road trip rate (as cited in the 6th Edition of the Institute of Transportation Engineers, 1997 (“ITE”) is 5.86 average daily trips for a residential condominium/townhouse unit (page 361), and 9.57 average daily trips for the single family residential category (page 263). In addition, the ITE (page 262) also suggests that “dwelling units that were larger in size and more expensive, had a higher rate of trip generation per unit than those smaller in size, and less expensive”. In this example the larger dwelling unit

would create more trips (more use) than the smaller unit. Therefore, it can be logically determined that larger dwelling units receive more benefit from a quantity of roadway than the benefit received by a smaller unit. It can also be recognized that each condominium and villa unit receives less surface water management, per unit, than single family residences situated on the larger lots. Similarly, water and sewer benefits received by condominiums and villas are also less than those received by the larger single family residences.

Once these determinations are made, they are reviewed in the light of the special benefits peculiar to the property which flow to the properties as a result of their logical connection from the improvements in fact actually provided. The special and peculiar benefits, identified for each improvement, are:

- a. For the provision of underground electric/street lighting, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- b. For the provision of Roadways/Entrance Ponds/Secondary Drainage, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- c. For the provision of Water, Sewer & Reuse Lines/Lift Stations, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- d. For the provision of Stormwater Facilities in the Golf Course, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- e. For the provision of Landscaping/Hardscape, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- f. For the provision of recreation/parks, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- g. For the provision of Off-site Water/Wastewater/Effluent Reuse Facilities and Infrastructure Connections, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- h. For the provision of public art, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.

These special and peculiar benefits are real and ascertainable, but are not yet capable of being calculated as to value with mathematical certainty. However, each is by orders of magnitude more valuable than either the cost of, or the actual non-ad valorem special assessment levied for, the improvement or the debt as allocated.

2.5 Lienability Test: Reasonable and Fair Apportionment of the Duty to Pay

A reasonable estimate of the proportion of special and peculiar benefits received from the Improvements is as follows (expressed in Equivalent Residential Units):

| <u>Product Type</u> | <u>Equivalent Residential Units</u> |
|---------------------------|---|
| 4.5 DU/Acre Units | 1.00 |
| 9 DU/Acre Units | 0.70 |
| Multi-family Units | 0.50 |
| Golf Course/Clubhouse (1) | 5 |
| Office/Commercial | 3 ERU/10,000 s.f. |

(1) Assumes a 10,000 s.f. Clubhouse at commercial rate of 2 ERUs/1000 s.f.

The determination has been made that the duty to pay the non-ad valorem special assessments is fairly and reasonably apportioned because the special and peculiar benefits to the property deriving from the acquisition and/or construction of the District’s Improvements (and the concomitant responsibility for the payment of the resultant and allocated debt) have been apportioned to the property according to reasonable estimates of the special and peculiar benefits provided consistent with each land use category.

Accordingly, no acre or parcel of property within the boundary of the District will be liened for the payment of any non-ad valorem special assessment more than the determined special benefit peculiar to that property, further, the debt allocation will not be affected.

In accordance with the benefit allocation suggested by the ERU’s assigned to each product type, a Total Debt per Unit has been calculated for each product type. (Table 9A) These amounts represent the anticipated per unit debt allocations assuming all anticipated units are built and sold in the proportions planned, and the entire proposed infrastructure program is developed or acquired and financed by the District.

2.6 True-Up Mechanism

In order to assure that the District's debt will not build up on the Unplatted Acres, and to assure that the requirements that the non-ad valorem special assessments will be constitutionally lienable on the property will continue to be met, the District shall determine the following:

To assure that there will always be sufficient development potential remaining in the undivided property to assure payment of debt service after a plat, the following test will be applied. The test is that the debt per acre remaining on the unplatted land is never allowed to increase above its maximum debt per acre level. Initially, the maximum level of debt per acre is calculated as the total amount of debt for the District's improvement program divided by the number of developable acres in the District. In this case it is \$50,000,000 divided by 680.10 acres, equaling \$73,519 per acre. Thus, if the initial debt level is \$73,519 per acre, every time a plat is presented, the debt on the land remaining after the plat must remain at or below \$73,519 per acre. If not, then to approve the plat the District will require a density reduction payment so that the \$73,519 per acre debt level is not exceeded.

Thus, the debt allocation methodology provided above is really a process by which the District can allocate debt to particular parcels of land at the time of platting. The procedures also assure that the debt will not build up on the unplatted properties creating potential assessment problems.

2.7 Bond Sizing

As mentioned previously in Section 2.1, it is expected that the District's bonds will total approximately \$50,000,000 and will be issued in two series. The proceeds from these bonds will:

- (a) fund the District's proposed infrastructure,
- (b) provide for capitalized interest,
- (c) fund the debt service reserve fund,
- (d) and cover the costs of issuance of the bonds.

The bond structure for the first bond issue in connection with the funding of the District's infrastructure for Phase 1 (the Series 2002 Bonds) is a 30 year A Series Bond with annual amortization of principal and interest and a 5 year bond with one principal payment to be paid in the final year, for the B Series Bonds. It is also anticipated that the Series B debt will be paid down as sales of lots occur. It is assumed that an additional bond series of a similar structure will be issued in the year 2003, the Series 2003 Bonds to pay for Phase 2 infrastructure.

Prior to the issuance of each Series of Bonds, a supplemental assessment report based on the proposed development plan, based on density and intensity, and likewise the allocation of the total debt and the maximum annual assessments per unit.

The maximum annual assessments to be allocated to the Series A Bonds, the permanent bonds, will not exceed the following rates:

| | | |
|---------------|-------------|---------------------------|
| Single Family | 4.5 DU/Acre | \$2,000 per unit per year |
| Multi-Family | 9.0 DU/Acre | \$1,100 per unit per year |
| Multi-Family | | \$ 625 per unit per year |
| Golf Course | | \$ 140 per acre per year |
| Office | | \$ 0.44 per sf per year |
| Commercial | | \$ 0.44 per sf per year |

2.8 Equivalent Residential Units

The assessment methodology directly allocates debt to specific property categories (or land use types) based upon an estimated benefit that each category receives from the development of the District's infrastructure.

It is reasonable to measure benefit bestowed upon platted land by District improvements by taking into consideration certain characteristics accruing to each category of land use, such as average lot size, average cost of the vertical construction to be located on the parcel, and the average amount of District roadway usage emanating from the improved parcel of land. Each of these characteristics impacts on the amount of benefit received from the construction of the District infrastructure.

For example, a larger sized lot would obviously derive more benefit from improvement surface water drainage than would a smaller sized property.

In a similar manner, one must also consider the type of residential unit to be constructed on each parcel. The current District plan envisions two main types of residential constructions: single family and multi-family. In addition to lot size and cost, one must also consider the benefit received by each type of land usage with regard to the use of the District's road system. Generally speaking, single family residences generate more road trips on an average daily basis than do multi-family units.

In summary, it is fair to assume that the 4.5 DU/Acre lot receives the highest proportion of benefit, followed by the 9 DU/Acre lots.

It would be impractical to estimate benefit received based on each individual land parcel because lot sizes, costs of the product and the amount of daily road trips

will vary within each land use type. However, we can structure a relationship between land use types that will reflect the differences in benefit received. This can be accomplished by assigning a common unit of benefit measurement known as Equivalent Residential Units to each land use type in the proportion to the estimated benefit received. These relationships (expressed as TRIPS and Equivalent Residential Units, ERUs) are as follows:

Table 6
Equivalent Residential Units and Trips

| <u>Land Use Type</u> | <u>TRIPS</u> | <u>ERUS</u> |
|-----------------------|--------------|-------------|
| Single Family | 13,122 | 1,374 |
| 9 DU/Acre | 778 | 83 |
| Multi-Family | 3,328 | 284 |
| Golf Course/Clubhouse | 2,405 | 5 |
| Office | 6,383 | 116 |
| Commercial | 16,766 | 120 |
| Total TRIPS/ERUS | 42,782 | 1,981 |

Tables 9A provides an illustration of how the allocation methodology is designed to work. This illustration is based upon the latest land use plan described above and calculates both the total debt allocation per land use type as well as the assessment amounts necessary to pay off the debt allocated to each type of residential unit. Table 7 provides a summary of adopted maximum annual assessments for the Series A Bonds.

**Table 7
Maximum Annual Assessments Per Land Use Type**

| Land Use Type | Number of Type | Maximum Annual Assessment Per Unit | Net Annual Assessment Per Unit (1) |
|----------------|----------------|------------------------------------|------------------------------------|
| Single Family: | | | |
| 4.5 DU/Acre | 1,374 | \$2,000 | \$1,880 |
| 9 DU/Acre | 118 | \$1,100 | \$1,034 |
| Multi-Family | 568 | \$ 625 | \$ 588 |
| Golf Course | 288.7 acres | \$ 140 per acre | \$ 132 per acre |
| Office | 385,000 sf | \$ 0.44 per sf | \$ 0.41 per sf |
| Commercial | 399,000 sf | \$ 0.44 per sf | \$ 0.41 per sf |
| Totals | | | |

(1) Net is less 6% for Discounts and Collections related to collecting the assessments on the County Tax Notice.

2.9 Processing Plat at the District Level

Although the District does not process plats for the developer or the County, it does have an important role to play during the course of platting. Whenever a plat is processed, the District must allocate a portion of its debt to the newly platted property according to the methodology outlined above. In addition, the District must also prevent any buildup of debt on unplatted land. Otherwise, the land could be fully platted without all of the debt being allocated. To preclude this, at each plat the District will determine the amount of debt per acre that remains on the unplatted land, taking into account the proposed plat. If the debt per acre on the unplatted property does not increase above its initial level (\$73,519. per acre), then the plat may be approved.

Table 8 on the following page is the Special Assessment Roll for the District's total bonds to be authorized (\$50,000,000) and indicates the assessments derived from the bonds authorized for issuance accruing to each land parcel presently on the County's tax roll along with the projected initial maximum annual assessment per parcel.

TABLE 9A

Harmony Community Development District
Allocation of Benefit
Phases 1 and 2

Allocation of Construction Costs based on Benefit

| <u>Tract</u> | <u>Product</u> | <u>Total # of Units</u> | | <u>Trip Rates (1)</u> | <u>Assmt. Units</u> | <u>Road Related Costs</u> | <u>Const. Costs Per Unit</u> |
|--------------|----------------|-------------------------|--------|-----------------------|---------------------|---------------------------|------------------------------|
| | 4.5 DU/Acre | 1374 | units | 9.55 | 13121.7 | \$ 3,987,244.53 | \$ 2,901.92 |
| | 9 DU/Acre | 118 | units | 6.59 | 778 | \$ 236,292.64 | \$ 2,002.48 |
| | Multi-family | 568 | units | 5.86 | 3328 | \$ 1,011,413.43 | \$ 1,780.66 |
| | Golf Course | 288.7 | acres | 8.33 | 2405 | \$ 730,759.64 | \$ 2,531.21 |
| | Office | 385,000 | /1k sf | 16.58 | 6383 | \$ 1,939,670.77 | \$ 5.04 |
| | Commercial | 399,000 | /1k sf | 42.02 | 16766 | \$ 5,094,618.99 | \$ 12.77 |
| Totals | | | | | 42782 | \$ 13,000,000.00 | |

| <u>Tract</u> | <u>Product</u> | <u># of Units</u> | | <u>ERU Rates (1)</u> | <u>Assmt. Units</u> | <u>All Other Costs</u> | <u>Const. Costs Per Unit</u> |
|--------------|----------------|-------------------|---------|----------------------|---------------------|------------------------|------------------------------|
| | 4.5 DU/Acre | 1374 | units | 1.00 | 1374 | \$ 16,201,102.58 | \$ 11,791.20 |
| | 9 DU/Acre | 118 | units | 0.70 | 83 | \$ 973,952.75 | \$ 8,253.84 |
| | Multi-family | 568 | units | 0.50 | 284 | \$ 3,348,699.52 | \$ 5,895.60 |
| | Golf Course | 288.7 | acres | 5.00 | 5 | \$ 58,955.98 | \$ 204.21 |
| | Office | 385,000 | /10k sf | 3.00 | 116 | \$ 1,361,883.08 | \$ 3.54 |
| | Commercial | 399,000 | /10k sf | 3.00 | 120 | \$ 1,411,406.10 | \$ 3.54 |
| Totals | | | | | 1981 | \$ 23,356,000.00 | |

Total Project Costs \$ 36,356,000.00

(1) Actual Trip Rates and ERU Rates to be used will be based on final development program, based on density and intensity.

Table 9B
Allocation of Proposed Debt, Based on Density and Intensity of Development

| <u>Tract</u> | <u>Product</u> | <u>Total # of Units</u> | | <u>Allocation of Construction Costs</u> | <u>Allocation of Proposed Debt</u> | <u>Total Debt Per Unit/Ac/SF</u> |
|--------------|----------------|-------------------------|--------|---|------------------------------------|----------------------------------|
| | 4.5 DU/Acre | 1374 | units | \$ 20,188,347 | \$ 27,764,808 | \$ 20,207.28 |
| | 9 DU/Acre | 118 | units | \$ 1,210,245 | \$ 1,664,437 | \$ 14,105.40 |
| | Multi-family | 568 | units | \$ 4,360,113 | \$ 5,996,415 | \$ 10,557.07 |
| | Golf Course | 288.7 | acres | \$ 789,716 | \$ 1,086,087 | \$ 3,761.99 |
| | Office | 385,000 | /1k sf | \$ 3,301,554 | \$ 4,540,590 | \$ 11.79 |
| | Commercial | 399,000 | /1k sf | \$ 6,506,025 | \$ 8,947,664 | \$ 22.43 |
| Totals | | | | \$ 36,356,000 | \$ 50,000,000 | |

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

**Amended and Restated
Third Supplemental
Special Assessment Methodology Report**



Prepared by:

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December 13, 2004

**AMENDED AND RESTATED
THIRD SUPPLEMENTAL ASSESSMENT METHODOLOGY REPORT
HARMONY COMMUNITY DEVELOPMENT DISTRICT**

December 13, 2004

1.0 Introduction

1.1 Purpose

This Amended and Restated Third Supplemental Assessment Methodology Report amends and restates the Preliminary Third Supplemental Methodology Report adopted by the Board of Supervisors on October 15, 2004, to reflect the final bond sizing and terms of the Series 2004 Bonds, which report was prepared to supplement the Special Assessment Methodology Report dated April 27, 2000 and adopted by the Board of Supervisors, as Supplemented on October 24, 2000, and again on October 9, 2001, wherein the Board identified an infrastructure improvement program to be financed through the issuance of tax-exempt bonds not to exceed \$50,000,000. The details of the infrastructure improvements to be constructed with the special assessment bonds and the current financing plan is the purpose of this report.

This report provides a methodology for allocating the debt incurred by the Harmony Community Development District (“Harmony” or “District”) to properties in the District. The District’s debt has and will fund infrastructure improvements that will allow the continued development of the property in the District. The methodology allocates this debt to properties based upon the special benefits each receives from the infrastructure program.

The original boundaries of the District consists of 992.6 acres. During 2005 the District anticipates annexing an additional 27.6 acres into the boundaries of the District consisting of a parcel referred to as Cat Lake. In this case the properties receiving benefit will include the total 1020.2 acres projected after the 2005 annexation. The District encompasses only a portion of the Birchwood DRI (Development of Regional Impact) Community. This report is designed to conform to the requirements of Chapters 190 and 170, F.S. with respect to special assessments and is consistent with our understanding of the case law on this subject.

1.2 Background

The Harmony Community Development District will consist of approximately 1,020.2 acres in Osceola County, Florida after the 2005 annexation of the Cat Lake Parcel. Harmony will be a mixed-use master-planned community. The development plan for the land within the District includes the construction of approximately 2,146 residential units, 399,000 square feet of commercial, 40,000 square feet of Town Center commercial, and 385,000 square feet of office, 13.5 acres of Institutional use, an 18-hole golf course and clubhouse, parks, and open space. (See Table 1 in the Appendix)

The assessment methodology is a six-step process, as follows:

1. Since current plans call for construction of infrastructure in three phases, the District Engineer must first determine the costs for all District improvements needed for the build-out of the community by phase.
2. The District Engineer determines what Phase 1 costs are allocable to Phase 1 acreage, and what costs are allocable to Phase 2 acreage and so on.
3. The District's Board of Supervisors determines the assessable acres that benefit from the District's infrastructure improvements in each phase of construction.
4. A calculation is made to determine the funding amounts necessary to acquire and/or construct the District infrastructure improvements in each phase.
5. This amount is initially divided equally among the benefited properties in each phase on a net acreage basis. Ultimately, as land is platted, this amount will be allocated to each of the benefited properties based on certain characteristics accruing to each parcel.
6. The Board of Supervisors determines the special and peculiar benefit to be apportioned to the assessable property through the preparation of an assessment methodology and the related duty to pay the assessments conferred on the benefited property.

1.3 Special Benefits and General Benefits

Improvements undertaken by the District create special benefits, different in nature and degree, for properties within its borders, as well as general benefits to the public at large. However, as discussed below, these general benefits are incidental in nature and are readily distinguishable from the special benefits which accrue to property within the District. The infrastructure program of the District enables properties within its boundaries to be developed. Without the District's program there would be no infrastructure to support development of land in the District.

There is no doubt that the general public and property owners outside the District will benefit from the provision of the District's infrastructure program. However, these are incidental to the District's infrastructure program, which is designed solely to meet the needs of property within the District. Properties outside the District do not depend upon the District's improvement program to obtain, or to maintain, their development entitlements. This fact alone clearly distinguishes the special benefits which District properties receive compared to those lying outside of the District's boundaries.

1.4 Special Benefits Exceed the Costs Allocated to Pay for Them

In the case of Harmony the value of the special benefits provided by the District's improvement program is far greater than the costs associated with providing these same benefits. The amount of bonds authorized by the District to fund its entire improvement program is anticipated to total \$50,000,000. The District anticipates the issuance of a total of \$33,290,000 of special assessment bonds to fund the improvement program outlined in this report. It is the District's improvement program that makes it possible to develop and sell the land within its boundaries.

2.0 Assessment Methodology

2.1 Overview

The current projected financial plan for the District calls for a total of approximately \$33,290,000 in tax-exempt special assessment bonds to be issued in three series. The proceeds from these bond issues will fund the District's infrastructure program and provide for capitalized interest, a debt service reserve account, and issuance costs. It is this \$33,290,000 in debt that is allocable to all properties within the District benefiting from the improvements funded by the District's bonds.

The landowner has developed a master plan update for the property, including the proposed 2005 annexation area, identifying particular land uses throughout the District. Table 1 in the Appendix depicts acreages accruing to the different land uses and Table 2 provides the current plan for product distribution depicting existing units, current planned units and estimated future units for development.

The District has relied upon the landowner's land use plan to develop the District's infrastructure improvement program. As mentioned previously, at the present time, the District plans to construct the infrastructure improvement program in three phases, with Phase 1 having been completed and occurring in the period 2000 through 2002, Phase 2 being planned for the years 2004 through 2005, and Phase 3 planned for 2006. Table 3 in the Appendix delineates the estimated construction costs for the District's infrastructure program.

At the outset, the District's debt will be allocated to all assessable property in the Harmony CDD on an equal acreage basis. Based on the developer's current updated land use plan, there are approximately 707.6 assessable acres within the Harmony CDD portion of the development. This acreage is primarily residential property to be devoted to single family and multi-family units. Based on the estimated construction costs (Table 3), a projected financing structure is depicted in Table 4, including the previously issued Series 2001 Bonds and the projected future bonds planned for the years 2004 through 2006 (the "Series 2004" Bonds).

The proposed 2005 annexation area consisting of approximately 27.6 acres and planned for 86 residential units will not be assessed for the District's existing or proposed debt until such time as the annexation of the lands has been concluded. It is estimated that the total par amount of debt related to the annexation acreage is \$1,816,451.82, based on the current development plans for this area. The appendix of this report contains a table allocating future projected debt to the proposed annexation acreage.

2.2 Master Improvement Program as a Total System

The District has undertaken the responsibility of providing a portion of the infrastructure, which will serve the Harmony CDD portion of the community. The Project is an integrated system of facilities. For example, a total system consists of not only the first mile of roadway or utility piping, but also the last few feet. All landowners benefit from the first mile of roadway pavement. Additionally, all landowners benefit from the last few feet of roadway pavement. Therefore, the infrastructure program works as a total system, and each portion of the system provides special benefits for each land use, according to the development program.

The improvement program anticipated by the District is considered a multi-year construction program. As a practicality, most multi-year improvement programs are constructed in phases. These phases are usually devised so that the management and financing of the construction are performed in coordination with the sell-off of a building program similar to the development program outlined for this community. Under such a phasing plan, each part of the total system is designed to be functional and confer special benefits to the landowners without the subsequent phases having to be in place. Therefore, the first phase of a multi-phase capital improvement program can be financed independently of subsequent phases, and each subsequent phase can be financed independently of the previous phases. Similarly, due to the “total systems approach”, it is appropriate to assess Phase 1 debt to Phase 1 units, as they are developed, and Phase 2 debt to Phase 2 units and so on.

The District is anticipating three construction phases at this time. This document outlines the methodology for determining the assessments for all benefiting lands within the District. A Supplemental Report will be generated prior to the issuance of future bonds for the infrastructure program, in accordance with the methodology outlined herein.

2.3 Allocation of Debt

The Infrastructure Program benefits all developable acres within the District. The assessment methodology detailed herein provides for a fair and reasonable allocation of debt based on this premise.

Prior to platting, assessments will be levied on all assessable land on an equal acreage basis, because at that juncture every acre benefits equally from the Program.

The debt incurred by the District to fund the Program is allocated to the properties receiving special benefits on the basis of development intensity and density. The responsibility for the repayment of the District’s debt through assessments will ultimately be distributed in proportion to the special benefit peculiar to the land within the District, as it may be classified within each of the land use categories.

With regard to the Roadway improvements, the debt has been allocated first, based on TRIPS and second, based on a usage factor adjusting for actual location of property within the project and projected traffic usage for that location.

With regard to Park Related improvements, the debt has been allocated first to all the residential property benefiting from the park facilities, and then on an ERU basis, assuming a lower density unit will have a higher utilization of the park system than will the higher density unit. The base unit is the 4.5 DU (Density Units) per acre product. It has been assigned an Equivalent Residential Unit (ERU) value of 1. A fair and reasonable assignment of benefit will be derived for all other residential and non-residential land use categories based on their relative density as compared to the 4.5 DU/Acre product.

With regard to all other improvements to be constructed, such as street lighting, underground power, and stormwater facilities, the debt will be allocated again based on Equivalent Residential Units to both the residential and non-residential uses. These ERU values are delineated in Table 5.

In accordance with the benefit allocation suggested by the ERU's assigned to each product type, a Total Debt per Unit and an Average Annual Assessment per Unit have been calculated for each product type. (Table 9) These amounts are based on the projected debt requirements suggested in Table 4, and represent the anticipated per unit debt allocations assuming all anticipated units are built and sold in the proportions planned, and the entire proposed infrastructure program is developed or acquired and financed by the District.

During the interim state, until all of the District's land has been developed (including the platting of individual lots and transferring of title to the ultimate homeowner), the assessments on the land that has not been sold are not fixed and determinable. As the District's infrastructure is built and land begins to be platted, the District will determine on an annual basis the relative value of both the platted lots for sale ("Unsold Platted Lots") and the unsold and unplatted land ("Unsold Unplatted Acres"). This procedure is performed to fairly distribute the responsibility to repay debt incurred by the District to build its infrastructure.

By virtue of platting land, certain development rights are committed to, and peculiar to, each plat, thereby changing the character and value of the land by enhancing the capacity of the Unsold Platted Lots to receive the special and peculiar benefits of the District's improvements. This takes place while also incurring a corresponding increase in the responsibility for payment of its portion of the debt associated with the improvements. Therefore, the relative value of both the Unsold Platted Lots and the Unsold Unplatted Acres can be utilized to re-allocate the assessments on a per lot basis for the Unsold Platted Lots, and on a per acre basis for the Unsold Unplatted Acres.

The following paragraphs detail the required calculations:

1. First, the District will calculate the “Unallocated Balance”. This balance is calculated by subtracting the principal amount of debt service which has been allocated to the platted lots that have been sold and ownership transferred to the ultimate landowner (“Sold Lots”), and subtracting the principal amount of debt service which has been allocated to the development parcels that have been sold (“Sold Units”) from the principal amount of the Bonds outstanding.
2. The District will subtract the Sold Lots Acres and the Unsold Platted Lots Acres from the Total Assessable Acres to yield the number of Unsold Unplatted Acres.
3. The District will determine the aggregate value of all Unsold Unplatted Acres by securing the most recent assessed value of such land as determined by the Osceola County Property Appraiser’s Office (the “Unsold Unplatted Acres Value”).
4. Next, the District must determine the relative aggregate value of all Unsold Platted Lots and Unsold Unplatted Acres. The District will determine the value of all Unsold Platted Lots by obtaining the most current sales prices of comparable lots in the development from the developer, multiplying such values by 90% (to approximate “appraised values”) and multiplying the resulting values times the number of each such Unsold Platted Lot. These values are then summed (the “Unsold Platted Lots Value”).
5. The District will sum the Unsold Platted Lots Value and the Unsold Unplatted Acres Value (the “Aggregate Unsold Value”).
6. The District shall then divide the Unsold Unplatted Acres Value by the Aggregate Unsold Value to obtain the “Unsold Unplatted Acres Ratio” and shall divide the Unsold Platted Lots Value by the Aggregate Unsold Value to obtain the “Unsold Platted Lots Ratio”.
7. Next, the District shall apply the Unsold Unplatted Acres Ratio to the Unallocated Balance and divide the result thereof by the number of Unsold Unplatted Acres in order to obtain the assessment per acre for Unsold Unplatted Acres.
8. Then, the District shall apply the Unsold Platted Lots Ratio to the Unallocated Balance and divide the result thereof by the number of acres allocable to Unsold Platted Lot to obtain the assessment per acre for Unsold Platted Lots.

9. The assessment per acre for the Unsold Platted Lots will be applied to each Unsold Platted Lot by multiplying the Unsold Platted Assessment per Acre by the lot size of each Unsold Platted Lot.

A hypothetical illustration of how the assessment methodology works in the interim state follows:

Illustration

The District shall, on an annual basis, ascertain the following:

1. Sales Price per Unsold Platted Lot
2. Total Number of Unsold Platted Lots
3. Acreage of each Unsold Platted Lot
4. Unsold Platted Lots Value (Aggregate)
5. Total Number of Sold Lots
6. Total Sold Lots Acreage
7. Number of Unsold Unplatted Acres
8. Total Value of Unsold Unplatted Acres
9. Relative Value Percentages of Unsold Platted Lots and Unsold Platted Acres
10. Sold Lots Assessments
11. Calculation of the Unallocated Balance
12. Ratio Calculation of Unsold Platted Lots and Unsold Platted Acres
13. Calculation of Unsold Unplatted Acres Assessments (per acre)
14. Calculation of Unsold Platted Lots Assessments (per acre)
15. Calculation of individual Unsold Platted Lots Assessment (per lot)

2.4 Lienability Test: Special and Peculiar Benefit to the Property

Construction and/or acquisition by the District of its proposed infrastructure program will provide several types of systems, facilities and services for its residents. These include surface water management, parks and recreation, and the provision of water and sewer distribution and collection facilities. These improvements accrue in differing amounts and are somewhat dependent on the type of land use receiving the special benefits peculiar to those properties which flow from the logical relationship of the improvements to the properties.

An example of this differentiation, is that the average daily road trip rate (as cited in the 6th Edition of the Institute of Transportation Engineers, 1997 ("ITE")) is 5.86 average daily trips for a residential condominium/townhouse unit (page 361), and 9.57 average daily trips for

the single family residential category (page 263). In addition, the ITE (page 262) also suggests that “dwelling units that were larger in size and more expensive, had a higher rate of trip generation per unit than those smaller in size, and less expensive”. In this example the larger dwelling unit would create more trips (more use) than the smaller unit. Therefore, it can be logically determined that larger dwelling units receive more benefit from a quantity of roadway than the benefit received by a smaller unit. It can also be recognized that each condominium and villa unit receives less surface water management, per unit, than single-family residences situated on the larger lots. Similarly, water and sewer benefits received by condominiums and villas are also less than those received by the larger single-family residences.

Once these determinations are made, they are reviewed in the light of the special benefits peculiar to the property which flow to the properties as a result of their logical connection from the improvements in fact actually provided. The special and peculiar benefits, identified for each improvement, are:

- a. For the provision of underground electric/street lighting, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- b. For the provision of Roadways/Entrance Ponds/Secondary Drainage, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- c. For the provision of Water, Sewer & Irrigation Lines, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- d. For the provision of Stormwater Facilities in the Golf Course, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- e. For the provision of Landscaping/Hardscape, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.
- f. For the provision of Recreation/Parks, the special and peculiar benefits are the added use of the property, added enjoyment of the property, and the probability of increased marketability and value of the property.

These special and peculiar benefits are real and ascertainable, but are not yet capable of being calculated as to value with mathematical certainty.

However, each is by orders of magnitude more valuable than either the cost of, or the actual non-ad valorem special assessment levied for, the improvement or the debt as allocated.

2.5 Lienability Test: Reasonable and Fair Apportionment of the Duty to Pay

A reasonable estimate of the proportion of special and peculiar benefits received from the Improvements is as follows (expressed in Equivalent Residential Units):

| <u>Product Type</u> | <u>Equivalent Residential Units</u> |
|---------------------------|---|
| 4.5 DU/Acre Units | 1.00 |
| 9 DU/Acre Units | 0.70 |
| Multi-family Units | 0.50 |
| Golf Course/Clubhouse (1) | 5 |
| Office/Commercial | 3 ERU/10,000 s.f. |

(1) Assumes a 10,000 s.f. Clubhouse at commercial rate of 2 ERUs/1000 s.f.

The determination has been made that the duty to pay the non-ad valorem special assessments is fairly and reasonably apportioned because the special and peculiar benefits to the property deriving from the acquisition and/or construction of the District's Improvements (and the concomitant responsibility for the payment of the resultant and allocated debt) have been apportioned to the property according to reasonable estimates of the special and peculiar benefits provided consistent with each land use category.

Accordingly, no acre or parcel of property within the boundary of the District will be liened for the payment of any non-ad valorem special assessment more than the determined special benefit peculiar to that property, further, the debt allocation will not be affected.

In accordance with the benefit allocation suggested by the ERU's assigned to each product type, a Total Debt per Unit has been calculated for each product type. (Tables 9 and 10) These amounts represent the anticipated per unit debt allocations assuming all anticipated units are built and sold in the proportions planned, and the entire proposed infrastructure program is developed or acquired and financed by the District.

2.6 True-Up Mechanism

In order to assure that the District's debt will not build up on the Unplatted Acres, and to assure that the requirements that the non-ad valorem special assessments will be constitutionally lienable on the property will continue to be met, the District shall determine the following:

To assure that there will always be sufficient development potential remaining in the undivided property to assure payment of debt service after a plat, the following test will be applied. The test is that the debt per acre remaining on the unplatted land is never allowed to increase above its maximum debt per acre level. Initially, the maximum level of debt per acre is calculated as the total amount of debt for the District's improvement program divided by the number of developable acres in the District. In this case it is \$33,290,000 divided by 707.6 acres, equaling \$47,046 per acre. Thus, if the initial debt level is \$47,046 per acre, every time a plat is presented, the debt on the land remaining after the plat must remain at or below \$47,046 per acre. If not, then to approve the plat the District will require a density reduction payment so that the \$47,046 per acre debt level is not exceeded.

Thus, the debt allocation methodology provided above is really a process by which the District can allocate debt to particular parcels of land at the time of platting. The procedures also assure that the debt will not build up on the unplatted properties creating potential assessment problems.

2.7 Bond Sizing

As mentioned previously in Section 2.1, it is expected that the District's special assessment bonds will total approximately \$33,290,000 and will be issued in two series. The proceeds from these bonds will:

- (a) fund the District's proposed infrastructure,
- (b) provide for capitalized interest,
- (c) fund the debt service reserve fund,
- (d) and cover the costs of issuance of the bonds, including the Draw Down Administration Fee.

The bond structure for the first bond issue in connection with the funding of the District's infrastructure for Phase 1 (the Series 2001 Bonds) is a 30 year A Series Bond with annual amortization of principal and interest. The Series 2004 Bonds are being issued in the year 2004 to fund the construction planned for the years 2004 through 2006, to pay for Phase 2 infrastructure. The Series 2004 Bonds have been structured as "draw down bonds" pursuant to a forward funding agreement. The District will

make periodic draws on the total available bond proceeds, as needed, in \$3 million minimum increments. The District will pay interest only on the par amount of bonds that have been drawn down. In no event will the District draw down more than the total approved par amount of \$15,590,000. In addition, the par amount of bonds related to the proposed 2005 annexation acreage totaling \$1,816,451.82 will not be drawn down until such time as the annexation acreage has been successfully added to the District's legal boundaries.

The maximum annual assessments to be allocated will not exceed the following rates:

Adopted Maximum Annual Assessments¹

| | | |
|---------------|-------------|---------------------------|
| Single Family | 4.5 DU/Acre | \$2,300 per unit per year |
| Multi-Family | 9.0 DU/Acre | \$1,100 per unit per year |
| Multi-Family | | \$ 625 per unit per year |
| Golf Course | | \$64,808 per year |
| Office | | \$ 0.97 per sf per year |
| Commercial | | \$ 0.64 per sf per year |

Adopted Maximum Annual Assessment.

The Adopted Maximum Annual Assessment is \$2,300 per unit per year based on the 4.5 Density Unit (DU) per Acre product. Initially, this is assessed on a per acre basis until the property is platted and the density and intensity of developer can be determined. Should the property be developed at a lesser density and intensity than 4.5 DU's per Acre, then the assessments would be adjusted accordingly, based on the adopted model. For example, the \$2,300 per unit per year is based on the 4.5 units per acre development. Should an area be developed at 2 units per acre, the annual assessment would be calculated by dividing the standard of 4.5 by 2.0 and multiplying by \$2,300 ($4.5/2 \times \$2,300$), which would equate to an annual assessment of \$5,175 per unit. Similarly, should the property ultimately be developed at 6 DU's per acre, simply divide the 4.5 by 6 and multiply by \$2,300 ($4.5/6 \times \$2,300$) for an annual debt assessment of \$1,725 per unit.

¹ The Adopted Maximum Annual Assessments include a gross-up of 6% per year for discounts and collections. The actual amount to be assessed attributable to amortization of the debt is 94% of the number shown.

2.8 Equivalent Residential Units

The assessment methodology directly allocates debt to specific property categories (or land use types) based upon an estimated benefit that each category receives from the development of the District's infrastructure.

It is reasonable to measure benefit bestowed upon platted land by District improvements by taking into consideration certain characteristics accruing to each category of land use, such as average lot size, average cost of the vertical construction to be located on the parcel, and the average amount of District roadway usage emanating from the improved parcel of land. Each of these characteristics impacts on the amount of benefit received from the construction of the District infrastructure.

For example, a larger sized lot would obviously derive more benefit from improvement surface water drainage than would a smaller sized property.

In a similar manner, one must also consider the type of residential unit to be constructed on each parcel. The current District plan envisions two main types of residential constructions: single family and multi-family. In addition to lot size and cost, one must also consider the benefit received by each type of land usage with regard to the use of the District's road system. Generally speaking, single-family residences generate more road trips on an average daily basis than do multi-family units.

In summary, it is fair to assume that the 4.5 DU/Acre lot receives the highest proportion of benefit, followed by the 9 DU/Acre lots.

It would be impractical to estimate benefit received based on each individual land parcel because lot sizes, costs of the product and the amount of daily road trips will vary within each land use type. However, we can structure a relationship between land use types that will reflect the differences in benefit received. This can be accomplished by assigning a common unit of benefit measurement known as Equivalent Residential Units to each land use type in the proportion to the estimated benefit received. These relationships (expressed as TRIPS and Equivalent Residential Units, ERUs) are outlined in Table 6 in the Appendix.

Tables 9 and 10 provide an illustration of how the allocation methodology is designed to work. This illustration is based upon the latest land use plan described above and calculates both the total costs of the improvements per land use type as well as the cost per unit of the costs allocated to each type of unit. Tables 9 and 10 provide an illustration of the allocation of the debt, based on the allocations in Table 7 of the costs, and the total amount of debt allocated per unit.

2.9 Processing Plat at the District Level

Although the District does not process plats for the developer or the County, it does have an important role to play during the course of platting. Whenever a plat is processed, the District must allocate a portion of its debt to the newly platted property according to the methodology outlined above. In addition, the District must also prevent any buildup of debt on unplatted land. Otherwise, the land could be fully platted without all of the debt being allocated. To preclude this, at each plat the District will determine the amount of debt per acre that remains on the unplatted land, taking into account the proposed plat. If the debt per acre on the unplatted property does not increase above its initial level (\$47,046 per acre), then the plat may be approved.

Table 12 in the Appendix is the Special Assessment Roll for the District's Series 2001 Bonds (\$17,700,000) and the Series 2004 Bonds (\$15,590,000) and indicates the assessments derived from the bonds authorized for issuance accruing to each land parcel presently on the County's tax roll along with the projected initial maximum annual assessment per parcel.

**Harmony Community Development District
Supplemental Assessment Report
Table 1
Land Use Summary**

| Land Use | Acres (3) | Density | % of Total | Assessable Acres |
|--|------------------|--------------------|-------------------|-------------------------|
| Residential | 336.0 | 2146 DU | 33% | 336.0 |
| Village Commercial | 6.0 | 40,000 GSF | 1% | 6.0 |
| Commercial | 21.2 | 399,000 GSF | 2% | 21.2 |
| Office | 26.6 | 385,000 GSF | 3% | 26.6 |
| Institutional | 13.5 | 13.5 AC | 1% | |
| Open Spaces/Parks | 60.5 | | 6% | |
| Golf Course/Clubhouse | 288.7 | 18 Holes | 28% | 288.7 |
| Town Center | 29.2 | See Note 2 | 3% | 29.2 |
| Retention/Detention Ponds (1) | 60.3 | | 6% | |
| Road ROW | 47.9 | | 5% | |
| Conservation/Preservation Areas | 130.3 | | 13% | |
| Total | 1020.2 | | 100% | 707.7 |

Notes:

(1) Only ponds located outside golf course. Ponds within golf course included in golf course acreage.

(2) Town Center consists of residential, commercial, office, institutional, open space, and parks. Density for the development uses are included in the density D.U./GSF figures designated in this table. For example, the residential D.U.'s to be located within the Town Center will be part of the 2060 D.U.'s allocated to the Harmony CDD.

(3) Acres shown are following proposed 2004 annexation of parcel at Cat Lake.

| | |
|--------------------------|-------------|
| Original CDD Acres | 992.6 |
| 2004 Annexation-Cat Lake | <u>27.6</u> |
| Revised CDD Acres | 1020.2 |

C-33

**Harmony Community Development District
 Supplemental Assessment Report
 Table 2
 Phased Development Plan**

| Land Use | Existing Units | Current Planned | Estimated Future | Total Projected Units |
|--------------------------------|-----------------------|------------------------|-------------------------|------------------------------|
| Residential | | | | |
| Single Family | 310 | 180 | 626.0 | 1116 |
| Townhomes | 186 | | 298.0 | 484 |
| Apartments | | | 396.0 | 396 |
| Condos | | | 150.0 | 150 |
| Commercial | | | 250000 | 250000 |
| Office | | | 400000 | 400000 |
| Golf Course | | | 244 acres | 244 acres |
| Total Residential | 496 | 180 | 1470.0 | 2146.0 |
| Total Commercial/Office | | | 650000 | 650000 |

C-34

**Harmony Community Development District
 Supplemental Assessment Report
 Table 3
 Estimated Construction Costs (1)**

| Infrastructure | Phase 1 (2001) Completed | Phase 2 (2004) | Phase 3 (2006) | Total |
|---|---|-----------------------|---------------------------|----------------------|
| Master Infrastructure (2) | \$ 3,000,000 | \$ 3,342,100 | \$ 3,650,900 | \$ 9,993,000 |
| Mass Grading/Stormwater Facilities | \$ 1,800,000 | \$ 150,000 | \$ 150,000 | \$ 2,100,000 |
| Landscaping/Hardscape | \$ 2,450,000 | \$ 1,200,000 | \$ 1,000,000 | \$ 4,650,000 |
| Recreation/Parks | \$ 1,750,000 | \$ 2,000,000 | \$ 1,000,000 | \$ 4,750,000 |
| Land Acquisition (3) | \$ 4,700,000 | | \$ - | \$ 4,700,000 |
| Total | \$ 13,700,000 | \$ 6,692,100 | \$ 5,800,900 | \$ 26,193,000 |

C-35

(1) Based on Engineer's Report dated June 8, 2001, updated July, 2004.

(2) Includes roadways and drainage, water, sewer, reuse and underground electrical conduit.

(3) Community Lake along Buck Lake.

**Harmony Community Development District
Supplemental Assessment Report
Table 4
Proposed Financing Structure**

| General Information | Series 2001 | Series 2004 | Total Bonds |
|---------------------------|--------------|---------------|--------------|
| Construction Funds (1) | \$9,000,000 | \$12,492,000 | \$21,492,000 |
| Total Par Amount | \$17,700,000 | \$ 15,590,000 | \$33,290,000 |
| Estimated Interest Rates | 7.25% | 6.75% | |
| Term (years) | 30 | 30 | |
| Final Maturity | 5/1/2032 | 5/1/2036 | |
| Capitalized Interest thru | 11/1/2002 | 11/1/2006 | |
| Debt Service Reserves | \$1,465,200 | \$ 864,220 | \$2,329,420 |

(1) Doesn't include \$4.7 million acquisition of park land paid by issuance of bond anticipation notes.

Actual (2001) and Projected Future Bond Sizings:

| General Information | Series 2001 | Series 2004 | Total |
|----------------------------------|---------------|---------------|---------------|
| Notes Takeout | \$ 5,221,018 | | \$ 5,221,018 |
| Const. and Acquisition Funds (2) | \$ 8,932,993 | \$ 12,492,000 | \$ 21,424,993 |
| Reserve Fund | \$ 1,465,200 | \$ 864,220 | \$ 2,329,420 |
| Capitalized Interest Account (3) | \$ 1,330,220 | \$ 1,565,061 | \$ 2,895,281 |
| Issuance Costs | \$ 356,056 | \$ 174,500 | \$ 530,556 |
| Placement Agent Fee | \$ 354,000 | \$ 233,850 | \$ 587,850 |
| Original Issue Discount | \$ 354,000 | | \$ 354,000 |
| Draw Down Admin. Fee | | \$ 250,000 | \$ 250,000 |
| Accrued Interest | \$ (28,517) | | \$ (28,517) |
| Other Funds (4) | \$ (284,970) | \$ 10,369 | \$ (274,601) |
| Total Par Amount of Bonds | \$ 17,700,000 | \$ 15,590,000 | \$ 33,290,000 |

(2) Net funds const/acq of \$ 9,000,000 \$ 12,492,000
(3) Net funded to 11/1/02 11/1/2006

(4) Amount held in funds and accounts for the Notes.

C-36

**Harmony Community Development District
 Supplemental Assessment Report
 Table 5
 Land Use by Type**

| Land Use Type | Units/Sq.Ft. | ERUs/Unit | Total ERUs |
|------------------------------|---------------------|------------------|-------------------|
| Single Family: | | | |
| 4.5 DU/Acre | 1116 | 1 | 1116 |
| 9 DU/Acre | 484 | 0.7 | 338.8 |
| Multi-family | 546 | 0.5 | 273 |
| Golf Course/Clubhouse | 1 | 5 | 5 |
| Office (x1000) | 400 | 3 | 1200 |
| Commercial (x1000) | 250 | 3 | 75 |
| Totals | | | 3007.8 |

C-37

**Harmony Community Development District
 Supplemental Assessment Report
 Table 6
 Equivalent Residential Units and Trips**

| Land Use Type | Units/Sq.Ft. | ERUS | TRIP RATES | Usage Factor | TRIPS |
|-----------------------|---------------------|---------------|-------------------|---------------------|--------------|
| Single Family: | | | | | |
| 4.5 DU/Acre | 1116 | 1116 | 9.55 | 1 | 10658 |
| 9 DU/Acre | 484 | 338.8 | 6.59 | 1 | 3190 |
| Multi-family | 546 | 273 | 5.86 | 0.5 | 1600 |
| Golf Course/Clubhouse | 286 | 5 | 8.33 | 0.5 | 1191 |
| Office | 400 | 1200 | 16.58 | 0.25 | 1658 |
| Commercial (x1000) | 250 | 75 | 42.02 | 0.25 | 2626 |
| Totals | | 3007.8 | | | 20923 |

C-38

**Harmony Community Development District
Supplemental Assessment Report
Table 7
Allocation of Costs by Land Use**

| Land Use Type | Units/Sq.Ft. | ERUS | All Other Costs | Park Related Costs | TRIPS | Road Related Costs | Total Costs |
|--------------------------|--------------|---------------|---------------------|---------------------|--------------|---------------------|----------------------|
| Single Family: | | | | | | | |
| 4.5 DU/Acre | 1116 | 1116 | \$ 2,504,488 | 6,103,831 | 10658 | 5,090,357 | \$ 13,698,676 |
| 9 DU/Acre | 484 | 338.8 | \$ 760,323 | 1,853,027 | 3190 | 1,523,391 | \$ 4,136,741 |
| Multi-family | 546 | 273 | \$ 612,657 | 1,493,142 | 1600 | 764,084 | \$ 2,869,882 |
| Golf Course/Clubhouse | 286 | 5 | \$ 11,221 | | 1191 | 568,934 | \$ 580,155 |
| Office (x1000) | 400 | 1200 | \$ 2,692,998 | | 1658 | 791,891 | \$ 3,484,889 |
| Commercial (x1000) | 250 | 75 | \$ 168,312 | | 2626 | 1,254,344 | \$ 1,422,657 |
| Totals | | 3007.8 | \$ 6,750,000 | \$ 9,450,000 | 20923 | \$ 9,993,000 | \$ 26,193,000 |
| Total Residential | 2146 | 1727.8 | | | | | |

C-39

**Harmony Community Development District
 Supplemental Assessment Report
 Table 8
 Allocation of Total Costs and Total Projected Debt**

| Land Use Type | Units/Sq.Ft. | Total Costs Allocation | Total Projected Debt Allocation |
|------------------------------|---------------------|-------------------------------|--|
| Single Family: | | | |
| 4.5 DU/Acre | 1116 | \$ 13,698,676 | \$17,410,336 |
| 9 DU/Acre | 484 | \$ 4,136,741 | \$5,257,592 |
| Multi-family | 546 | \$ 2,869,882 | \$3,647,478 |
| Golf Course/Clubhouse | 286 | \$ 580,155 | \$737,348 |
| Office (x1000) | 400 | \$ 3,484,889 | \$4,429,120 |
| Commercial (x1000) | 250 | \$ 1,422,657 | \$1,808,126 |
| Totals | | \$ 26,193,000 | \$33,290,000 |
| Total Residential | 2146 | | |

C-40

**Harmony Community Development District
Supplemental Assessment Report
Table 9
Allocation of Phase 1 Debt**

| Land Use Type | Phase 1 - Units or Square Feet | Par Amount Per Unit | Total Par Amount Allocated to Phase 1 | Adopted Maximum Annual Assessment Per Unit (1) | Net Annual Assessment Per Unit (2) | Total Annual Debt Assmt Revenues - Phase 1 |
|----------------------------|--------------------------------------|------------------------|--|--|--|---|
| Single Family: | | | | | | |
| 4.5 DU/Acre | | | | | | |
| 35' Lots | 52 | \$ 10,173.93 | \$ 529,044 | \$ 894.22 | \$ 840.57 | \$ 43,709 |
| 42' Lots | 83 | \$ 12,209.43 | \$ 1,013,383 | \$ 1,073.13 | \$ 1,008.74 | \$ 83,726 |
| 52' Lots | 83 | \$ 15,116.82 | \$ 1,254,696 | \$ 1,328.67 | \$ 1,248.95 | \$ 103,663 |
| 65' Lots | 69 | \$ 18,896.02 | \$ 1,303,825 | \$ 1,660.83 | \$ 1,561.18 | \$ 107,721 |
| 80' Lots | 23 | \$ 23,252.75 | \$ 534,813 | \$ 2,043.76 | \$ 1,921.13 | \$ 44,186 |
| 9 DU/Acre | | | | | | |
| Townhomes | 186 | \$ 10,147.63 | \$ 1,887,459 | \$ 838.39 | \$ 788.09 | \$ 146,584 |
| Golf Course/Clubhouse | 1 | \$ 737,348 | \$ 737,348 | \$64,808 | \$60,919 | \$ 60,919 |
| Total Single Family | 310 | | \$ 4,635,762 | | | \$ 383,005 |
| Total Townhomes | 186 | | \$ 1,887,459 | | | \$ 146,584 |
| Total Other | 1 | | \$ 737,348 | \$ 64,808 | \$ 60,919 | \$ 60,919 |
| Total Phase 1 | 496 | | \$ 7,260,569 | | | \$ 590,509 |

(1) Includes 6% Gross-up for Discounts and Collections.

(2) Net is less 6% for Discounts and Collections related to collecting the assessments on the County Tax Notice.

C-41

**Harmony Community Development District
Supplemental Assessment Report
Table 10
Allocation of Future Projected Debt**

| Land Use Type | Total Projected Debt | Debt Allocated to Phase 1 Units | Unallocated Debt Remaining | Remaining Units/Sq. Ft. | Average Par Debt Per Remaining Unit/1000 sq. ft. | Average Annual Assmt. Phases 2 and 3 |
|------------------------------|-----------------------------|--|-----------------------------------|--------------------------------|---|---|
| Single Family: | | | | | | |
| 4.5 DU/Acre | \$ 17,410,336 | \$ 4,635,762 | \$ 12,774,575 | 806 | \$ 15,849 | \$ 1,309 |
| 9 DU/Acre | \$ 5,257,592 | \$ 1,887,459 | \$ 3,370,133 | 298 | \$ 11,309 | \$ 934 |
| Multi-family | \$ 3,647,478 | | \$ 3,647,478 | 546 | \$ 6,680 | \$ 552 |
| Golf Course/Clubhouse | \$ 737,348 | \$ 737,348 | \$ - | 0 | | |
| Office (x1000) | \$ 4,429,120 | | \$ 4,429,120 | 400 | \$ 11,073 | \$ 915 |
| Commercial (x1000) | \$ 1,808,126 | | \$ 1,808,126 | 250 | \$ 7,233 | \$ 598 |
| Totals | \$ 33,290,000 | \$ 7,260,569 | \$ 26,029,431 | | | |

C-42

**Harmony Community Development District
Supplemental Assessment Report
Table 11
Allocation of Future Projected Debt**

| Land Use Type | Projected Remaining Units | Projected Future Debt | Total Projected Debt Per Unit | Annual Assessment Per Unit for Debt | Total Annual Assmt Per Unit | Compare to Phase 1 |
|----------------------------------|----------------------------------|------------------------------|--------------------------------------|--|------------------------------------|---------------------------|
| Single Family: | | | | | | |
| 35' Lots | 230 | \$ 2,572,063 | \$ 11,182.88 | \$923.93 | \$982.90 | \$ 894.22 |
| 42' Lots | 130 | \$ 1,744,632 | \$ 13,420.25 | \$1,108.78 | \$1,179.55 | \$ 1,073.13 |
| 52' Lots | 270 | \$ 4,486,309 | \$ 16,615.96 | \$1,372.80 | \$1,460.43 | \$ 1,328.67 |
| 65' Lots | 110 | \$ 2,284,694 | \$ 20,769.95 | \$1,716.01 | \$1,825.54 | \$ 1,660.83 |
| 80' Lots | 66 | \$ 1,686,876 | \$ 25,558.73 | \$2,111.65 | \$2,246.44 | \$ 2,043.76 |
| Total Single Family | 806 | \$ 12,774,575 | | | | |
| Townhomes | 298 | \$ 3,370,133 | \$ 11,309.17 | \$934.36 | \$994.00 | \$ 891.91 |
| Multi-family | | | | | | |
| Apartments | 396 | \$ 2,645,423 | \$ 6,680.36 | \$551.93 | \$587.16 | \$ 578.06 |
| Condos | 150 | \$ 1,002,054 | \$ 6,680.36 | \$551.93 | \$587.16 | \$ 578.06 |
| Total Multi-family | 546 | \$ 3,647,478 | | | | |
| Golf Course/Clubhouse (1) | | | | | | \$64,808 |
| Office (x1000) | 400 | \$ 4,429,120 | \$ 11.07 | \$0.91 | \$0.97 | \$ 0.25 |
| Commercial (x1000) | 250 | \$ 1,808,126 | \$ 7.23 | \$0.60 | \$0.64 | \$ 0.46 |
| Totals | | \$ 26,029,431 | | | | |

C-43

(1) Golf Course/Clubhouse costs allocated 100% to Phase 1 Bonds.

**Harmony Community Development District
Table 12
Preliminary Assessment Roll
Third Supplemental Special Assessment
Methodology Report**

| Parcel Number | Owner1 | Units | ASMT Code | Total Par Amount Per Unit | Maximum Annual Assmt Amount (1) | Net Annual Available for Debt | Total Annual Avail for Debt Service |
|-------------------------|-----------------------------|-------|-----------|---------------------------|---------------------------------|-------------------------------|-------------------------------------|
| PHASE 1: | | | | | | | |
| Neighborhood "B" | | | | | | | |
| 30-26-32-2612-0001-B001 | HARMONY FOUNDATION INC | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B002 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B003 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B004 | WETHERINGTON BUILDERS INC | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B005 | WETHERINGTON BUILDERS INC | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B006 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B007 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B008 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B009 | HUFFMAN TRUST | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B010 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B011 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B012 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B013 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B014 | CHAPPEL CHRISTOPHER | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B015 | STEARNS JAMES C | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B016 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B017 | HERNANDEZ RUBEN | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B018 | CHITWOOD ANTHONY G | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B019 | DAWES TERRY L | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B020 | DRAGONE GARY S | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B021 | GRUZYNSKI GILBERT R | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B022 | POZZI JOHN JR | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B023 | HARRINGTON JAMES F | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B024 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |

C-44

| | | | | | | | |
|-------------------------|------------------------------|---|------|--------------|-------------|-------------|-------------|
| 30-26-32-2612-0001-B025 | COCKLIN CYNTHIA C | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B026 | AMER RANNIEA A | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B027 | HILL MICHAEL F | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B028 | EQUITY TRUST COMPANY | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B029 | ROYAL DEVELOPMENT LLC | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B030 | ROYAL DEVELOPMENT LLC | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B031 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B032 | HUFFMAN TRUST THE | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B033 | ROYAL DEVELOPMENT LLC | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-B034 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B035 | EQUITY TRUST COMPANY | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B036 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B037 | WETHERINGTON BUILDERS INC | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B038 | MWA BUILDERS LLC | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B039 | ROBERTSON HOMES INC | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B040 | DISTINCTIVE HOMES | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B041 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B042 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B043 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B044 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B045 | BIRCHWOOD ACRES LTD PRTRNSHP | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B046 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B047 | ZARETSKY STEVEN P | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B048 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B049 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B050 | GARWOOD DONALD | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B051 | CUPAIUOLO EDWARD | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B052 | WILLIAMS PETER T | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B053 | FLOWERS TIMOTHY A | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B054 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B055 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B056 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B057 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B058 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B059 | RAY DAVID S | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B060 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B061 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |

| | | | | | | | |
|-------------------------|-----------------------------|---|------|--------------|-------------|-------------|-------------|
| 30-26-32-2612-0001-B062 | GUZMAN CARMEN E | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B063 | COLOMBO AMBER M | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B064 | CARRASQUILLO JOSE O | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B065 | POIRIER CARLA T | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B066 | TAVARES STEVEN J | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B067 | CLESTER DAVID E | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B068 | HAMILTON BA | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B069 | FALANGA MICHAEL | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B070 | RUSSELL RICHARD A | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B071 | AGEE MICHAEL B | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B072 | LENTZ JAMES L | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B073 | SALATA FRANK J | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B074 | ROSATO FRANK J | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B075 | HICKEY NANCY J | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B076 | STRELAUSKI JOE C | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B077 | CAOUS ODALYS C | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B078 | BISHOP ROBERT E | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B079 | BALL KATHRYN A | 1 | HCD6 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B080 | BYARS ROBERT C | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B081 | MARTINDALE KEVIN | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B082 | WOOLDRIDGE FREDERICK JAY | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-B083 | NELSON FREDRIC L | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B084 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-B085 | ROUNDS THOMAS F | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B086 | WETHERINGTON BUILDERS INC | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B087 | ROBERTSON HOMES INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B088 | WACHTER RICHARD M | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B089 | JAWORSKI ANDRE | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B090 | BOHMAN DANIEL ARNOLD | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B091 | DEISHER VICTOR W | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B092 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B093 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-B094 | LOTS O HARMONY LLC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B095 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B096 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B097 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B098 | MARK P STRAUCH TRUST | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |

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|---------------------------|-----------------------------|------------|------|--------------|-------------|-------------|-------------|
| 30-26-32-2612-0001-B099 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B100 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B101 | MARDIROSIAN HUDDIE | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B102 | WETHERINGTON BUILDERS INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B103 | MCNEELY LESTER J | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B104 | WETHERINGTON BUILDERS INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B105 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-B106 | LOTS O HARMONY LLC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| Neighborhood "C-1" | | 106 | | | | | |
| 30-26-32-2612-0001-C001 | HACKER CHARLES L | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C002 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C003 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C004 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C005 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C006 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C007 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C008 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C009 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C010 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C011 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C012 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C013 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C014 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C015 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C016 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C017 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C018 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C019 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C020 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C021 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C022 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C023 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C024 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C025 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C026 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C027 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C028 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |

C-47

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|-------------------------|-----------------------------|---|------|--------------|-------------|-------------|-------------|
| 30-26-32-2612-0001-C029 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C030 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C031 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C032 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C033 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C034 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C035 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C036 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C037 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C038 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C039 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C040 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C041 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C042 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C043 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C044 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C045 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C046 | BARDELL DOREEN E | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C047 | RENER MAXIMILIAN | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C048 | JARQUIN EDMUNDO | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C049 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C050 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C051 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C052 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C053 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C054 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C055 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C056 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C057 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C058 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C059 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C060 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C061 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C062 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C063 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C064 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C065 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |

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|-------------------------|-----------------------------|---|------|--------------|-------------|-------------|-------------|
| 30-26-32-2612-0001-C066 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C067 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C068 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C069 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C070 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C071 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C072 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C073 | BAILEY STEPHEN M | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C074 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C075 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C076 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C077 | D R HORTON INC | 1 | HCD4 | \$ 10,173.93 | \$ 894.22 | \$ 840.57 | \$ 840.57 |
| 30-26-32-2612-0001-C078 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C079 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C080 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C081 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C082 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C083 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C084 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C085 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C086 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C087 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C088 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C089 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C090 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C091 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C092 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C093 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C094 | SWAIN THOMAS WILLIAM | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C095 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C096 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C097 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C098 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |
| 30-26-32-2612-0001-C099 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C100 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C101 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C102 | D R HORTON INC | 1 | HCD3 | \$ 12,209.43 | \$ 1,073.13 | \$ 1,008.74 | \$ 1,008.74 |

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|------------------------------|-----------------------------|------------|-------|---------------------|--------------|--------------|----------------------|
| 30-26-32-2612-0001-C103 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C104 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C105 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C106 | GARDINER VIVECA | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C107 | KASSEL KERUL | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C108 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C109 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C110 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C111 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C112 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C113 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD2 | \$ 18,896.02 | \$ 1,660.83 | \$ 1,561.18 | \$ 1,561.18 |
| 30-26-32-2612-0001-C114 | NEVEU JOHN P | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C115 | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD1 | \$ 23,252.75 | \$ 2,043.76 | \$ 1,921.13 | \$ 1,921.13 |
| 30-26-32-2612-0001-C116 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| 30-26-32-2612-0001-C117 | D R HORTON INC | 1 | HCD5 | \$ 15,116.82 | \$ 1,328.67 | \$ 1,248.95 | \$ 1,248.95 |
| | | 117 | | | | | |
| Neighborhood C-2 | | | | | | | |
| H 35' | BIRCHWOOD ACRES LTD PRTNRSH | 25 | HCD4 | \$ 254,348 | \$ 894.22 | \$ 840.57 | \$ 21,014.17 |
| G 42' | BIRCHWOOD ACRES LTD PRTNRSH | 31 | HCD3 | \$ 378,492 | \$ 1,073.13 | \$ 1,008.74 | \$ 31,271.01 |
| E 52' | BIRCHWOOD ACRES LTD PRTNRSH | 13 | HCD5 | \$ 196,519 | \$ 1,328.67 | \$ 1,248.95 | \$ 16,236.35 |
| C 65' | BIRCHWOOD ACRES LTD PRTNRSH | 14 | HCD2 | \$ 264,544 | \$ 1,660.83 | \$ 1,561.18 | \$ 21,856.52 |
| B 80' | BIRCHWOOD ACRES LTD PRTNRSH | 4 | HCD1 | \$ 93,011 | \$ 2,043.76 | \$ 1,921.13 | \$ 7,684.54 |
| Neighborhood A-1 THs | BIRCHWOOD ACRES LTD PRTNRSH | 186 | HCD6 | \$ 1,887,459 | \$ 838.39 | \$ 788.09 | \$ 146,584.11 |
| Golf Course/Clubhouse | BIRCHWOOD ACRES LTD PRTNRSH | 1 | HCD7 | \$ 737,348 | \$ 64,808.00 | \$ 60,919.52 | \$ 60,919.52 |
| TOTALS PHASE 1: | | 497 | | \$ 7,260,569 | | | \$ 590,509.06 |
| PHASES 2 AND 3: | | | | | | | |
| Neighborhood D-1 | | | | | | | |
| E 52' | BIRCHWOOD ACRES LTD PRTNRSH | 6 | HCD25 | \$ 99,696 | \$ 1,460.43 | \$ 1,372.80 | \$ 8,236.83 |
| C 65' | BIRCHWOOD ACRES LTD PRTNRSH | 20 | HCD22 | \$ 415,399 | \$1,825.54 | \$ 1,716.01 | \$ 34,320.11 |
| B 80' | BIRCHWOOD ACRES LTD PRTNRSH | 9 | HCD21 | \$ 230,029 | \$2,246.44 | \$ 2,111.65 | \$ 19,004.87 |
| Neighborhood G | | | | | | | |
| H 35' | BIRCHWOOD ACRES LTD PRTNRSH | 27 | HCD24 | \$ 301,938 | \$982.90 | \$ 923.93 | \$ 24,945.99 |
| G 42' | BIRCHWOOD ACRES LTD PRTNRSH | 76 | HCD23 | \$ 1,019,939 | \$1,179.55 | \$ 1,108.78 | \$ 84,266.94 |
| E 52' | BIRCHWOOD ACRES LTD PRTNRSH | 32 | HCD25 | \$ 531,711 | \$ 1,460.43 | \$ 1,372.80 | \$ 43,929.74 |
| C 65' | BIRCHWOOD ACRES LTD PRTNRSH | 6 | HCD22 | \$ 124,620 | \$1,825.54 | \$ 1,716.01 | \$ 10,296.03 |
| B 80' | BIRCHWOOD ACRES LTD PRTNRSH | 4 | HCD21 | \$ 102,235 | \$2,246.44 | \$ 2,111.65 | \$ 8,446.61 |
| | | 180 | | \$ 2,825,565 | | | \$ 233,447 |

Future Development Areas:

| | | | | | | | |
|------------------------------|-----------------------------|-------------|-------|----------------------|-------------|-------------|---------------------|
| H 35' | BIRCHWOOD ACRES LTD PRTNRSH | 203 | HCD24 | \$ 2,270,125 | \$982.90 | \$ 923.93 | \$ 187,556.87 |
| G 42' | BIRCHWOOD ACRES LTD PRTNRSH | 54 | HCD23 | \$ 724,693 | \$1,179.55 | \$ 1,108.78 | \$ 59,873.88 |
| E 52' | BIRCHWOOD ACRES LTD PRTNRSH | 232 | HCD25 | \$ 3,854,903 | \$ 1,460.43 | \$ 1,372.80 | \$ 318,490.59 |
| C 65' | BIRCHWOOD ACRES LTD PRTNRSH | 84 | HCD22 | \$ 1,744,676 | \$1,825.54 | \$ 1,716.01 | \$ 144,144.45 |
| B 80' | BIRCHWOOD ACRES LTD PRTNRSH | 53 | HCD21 | \$ 1,354,613 | \$2,246.44 | \$ 2,111.65 | \$ 111,917.59 |
| Townhomes | BIRCHWOOD ACRES LTD PRTNRSH | 298 | HCD26 | \$ 3,370,133 | \$ 994.00 | \$ 934.36 | \$ 278,439.12 |
| Apartments | BIRCHWOOD ACRES LTD PRTNRSH | 396 | HCD28 | \$ 2,645,423 | \$ 587.16 | \$ 551.93 | \$ 218,563.87 |
| Condos | BIRCHWOOD ACRES LTD PRTNRSH | 150 | HCD29 | \$ 1,002,054 | \$ 587.16 | \$ 551.93 | \$ 82,789.34 |
| Office | BIRCHWOOD ACRES LTD PRTNRSH | 400 | HCD30 | \$ 4,429,120 | \$ 0.97 | \$ 0.91 | \$ 364,720.00 |
| Commercial | BIRCHWOOD ACRES LTD PRTNRSH | <u>250</u> | HCD31 | \$ 1,808,126 | \$ 0.64 | \$ 0.60 | \$ 150,400.00 |
| TOTAL PHASES 2 AND 3: | | 2300 | | \$ 26,029,431 | | | \$ 2,150,343 |

| | | | | | | | |
|---------------------------------|--|-------------|--|----------------------|--|--|------------------------|
| Total Phases 1, 2 and 3: | | 2797 | | \$ 33,290,000 | | | \$ 2,740,851.89 |
|---------------------------------|--|-------------|--|----------------------|--|--|------------------------|

Summary:

| | | | | | | | |
|--------------------------|--|-------------|--|----------------------|--|--|------------------------|
| Total Residential | | 2146 | | \$ 26,315,406 | | | \$ 2,164,812.37 |
| Total Golf Course | | 1 | | \$ 737,348 | | | \$ 60,919.52 |
| Total Office | | 400 | | \$ 4,429,120 | | | \$ 364,720.00 |
| Total Commercial | | 250 | | \$ 1,808,126 | | | \$ 150,400.00 |
| Total All Uses | | 2797 | | \$ 33,290,000 | | | \$ 2,740,851.89 |

Note: The CDD is in the process of annexing approximately 27.6 adjacent acres into the existing CDD Boundaries. Only property within the CDD will be assessed for the CDD debt. Therefore, until the 27.6 acres are within the legal boundaries of the CDD, no debt will be issued against these acres. It is estimated the total par debt associated with the 27.6 acre annexation, based on the development plan for the annexation acres, is \$1,816,451.82.

| Summary Platted and Unplatted Property: | Tax Folio ID Number (to be provided) | Developable Acres | Platted Units | Total Par Amount Appropriated | Maximum Annual Assmt Amount (1) | Total Annual Avail for Debt Service |
|--|---|--------------------------|----------------------|--------------------------------------|--|--|
| Platted Property: | | | | | | |
| Neighborhood "A-1" | Platted | 20 | 186 | \$ 1,887,459 | \$ 155,940.54 | \$ 146,584 |
| Neighborhood "B" | Platted | 24.64 | 106 | \$ 1,631,980 | \$ 143,440.20 | \$ 134,834 |
| Neighborhood "C-1" | Platted | 30.3 | 117 | \$ 1,816,867 | \$ 159,690.49 | \$ 150,109 |
| Neighborhood "C-2" | Platted | 14 | 87 | \$ 1,186,915 | \$ 104,321.90 | \$ 98,063 |
| Neighborhood "D-1" | Platted | 12 | 35 | \$ 745,123 | \$ 65,491.28 | \$ 61,562 |
| Neighborhood "G" | Platted | 40 | 145 | \$ 2,080,442 | \$ 182,856.71 | \$ 171,885 |
| Golf Course | | 288.7 | 1 | \$ 737,348 | \$ 64,808.00 | \$ 60,920 |
| Totals Phase 1 | | 429.64 | 677 | \$ 10,086,134 | \$ 876,549 | \$ 823,956 |
| Unplatted Property: | | | | | | |
| Neighborhood "A-2" THs | | 6 | | \$ 511,737 | \$ 44,973.55 | \$ 42,275 |
| Neighborhood "D-2" | | 6 | | \$ 511,737 | \$ 44,973.55 | \$ 42,275 |
| Neighborhood "E" | | 30.5 | | \$ 2,601,330 | \$ 228,615.56 | \$ 214,899 |
| Neighborhood "F" | | 14 | | \$ 1,194,053 | \$ 104,938.29 | \$ 98,642 |
| Neighborhood "H-1 and H-2" | | 18 | | \$ 1,535,211 | \$ 134,920.66 | \$ 126,825 |
| Neighborhood "I" | | 47.6 | | \$ 4,059,781 | \$ 356,790.18 | \$ 335,383 |
| Neighborhood "J" | | 25.87 | | \$ 2,206,440 | \$ 193,910.96 | \$ 182,276 |
| Neighborhood "K" | | 26 | | \$ 2,217,527 | \$ 194,885.39 | \$ 183,192 |
| Cat Lake | | 27 | | \$ 2,302,817 | \$ 202,380.98 | \$ 190,238 |
| Office | | 23.56 | | \$ 2,009,421 | \$ 176,596.15 | \$ 166,000 |
| Resid. Near Town Center | | 10.3 | | \$ 878,482 | \$ 77,204.60 | \$ 72,572 |
| Town Center | | 37.23 | | \$ 3,175,329 | \$ 279,060.89 | \$ 262,317 |
| Totals Phases 2 and 3 | | 272.06 | | \$ 23,203,866 | \$ 2,039,250.75 | \$ 1,916,896 |
| Totals Phases 1, 2 and 3 | | 701.7 | | \$ 33,290,000 | \$ 2,915,799.88 | \$ 2,740,852 |

(1) Maximum Annual Assessment Amount includes a gross-up of 6% for discounts allowed for early payment (4%) and collections costs (2%).

Phase 1

| Rate Code | Type | Assmt/Un | Ann/Un | Units | Annual Revenue | Net Revenues |
|-----------|---------|----------|---------|-------|---------------------|---------------|
| HCD1 | B 80' | 23252.75 | 2043.76 | 23 | \$ 47,006.48 | |
| HCD2 | C 65' | 18896.02 | 1660.83 | 69 | \$ 114,597.27 | |
| HCD5 | E 52' | 15116.82 | 1328.67 | 83 | \$ 110,279.61 | |
| HCD3 | G 42' | 12209.43 | 1073.13 | 83 | \$ 89,069.79 | |
| HCD4 | H 35' | 10173.93 | 894.22 | 52 | \$ 46,499.44 | |
| HCD6 | THs | 10147.63 | 838.39 | 186 | \$ 155,940.54 | |
| HCD7 | GC/Club | 737348 | 64808 | 1 | \$ <u>64,808.00</u> | |
| | | | | | \$ 628,201.13 | \$ 590,509.06 |

Phases 2 and 3

| Rate Code | Type | Assmt/Un | Ann/Un | Units | Annual Revenue | Net Revenues | |
|-------------------------------------|------------|-------------|------------|------------|------------------------|-----------------|----------------|
| HCD21 | B 80' | \$25,558.73 | \$2,246.44 | 66 | \$148,264.97 | \$139,369.08 | |
| HCD22 | C 65' | \$20,769.95 | \$1,825.54 | 110 | \$200,809.13 | \$188,760.59 | |
| HCD25 | E 52' | \$16,615.96 | \$1,460.43 | 270 | \$394,316.12 | \$370,657.15 | |
| HCD23 | G 42' | \$13,420.25 | \$1,179.55 | 130 | \$153,341.30 | \$144,140.82 | |
| HCD24 | H 35' | \$11,182.88 | \$982.90 | 230 | \$226,066.86 | \$212,502.85 | |
| HCD26 | THs | \$11,309.17 | \$994.00 | 298 | \$296,211.83 | \$278,439.12 | |
| HCD28 | APTs | \$ 6,680.36 | \$587.16 | 396 | \$232,514.76 | \$218,563.87 | |
| HCD29 | Condos | \$ 6,680.36 | \$587.16 | 150 | \$ <u>88,073.77</u> | \$82,789.34 | |
| | | | | | 1650 | \$1,739,598.75 | \$1,635,222.82 |
| HCD30 | Office | | 0.97 | 400000 | \$ 388,000.00 | \$364,720.00 | |
| HCD31 | Commercial | | 0.64 | 250000 | \$ <u>160,000.00</u> | \$150,400.00 | |
| | | | | | \$ 2,915,799.88 | | |
| | | | | | <u>less 6%</u> | | |
| Net Available for Debt Service | | | | | \$2,740,851.89 | \$ 2,740,851.89 | |
| Max Annual Debt Service Requirement | | | | 2004 Bonds | \$ 1,203,035.88 | | |
| | | | | 1999 Bonds | \$ <u>1,465,200.00</u> | | |
| | | | | Total | \$ 2,668,235.88 | | |

**Supplemental Assessment Report
Allocation of Future Projected Debt
Proposed Annexation Acres**

| Land Use Type | Projected Lots in Annexation Acreage (1) | Total Projected Debt Per Unit | Total Proposed Debt Related to Annexation Acres |
|----------------------------|---|--|--|
| Single Family: | | | |
| 35' Lots | 0 | \$ 11,182.88 | \$0.00 |
| 42' Lots | 0 | \$ 13,420.25 | \$0.00 |
| 52' Lots | 25 | \$ 16,615.96 | \$415,398.99 |
| 65' Lots | 33 | \$ 20,769.95 | \$685,408.34 |
| 80' Lots | 28 | \$ 25,558.73 | \$715,644.48 |
| Total Single Family | 86 | | \$1,816,451.82 |

(1) The CDD is in the process of annexing approximately 27.6 adjacent acres into the boundaries of the CDD. This acreage represents a total of 86 planned units as shown above.

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Fort Lauderdale
Jacksonville
Miami
Orlando
Tallahassee
Tampa
Washington, DC
West Palm Beach

Citrus Center, 17th Floor
255 South Orange Avenue
Orlando, Florida 32801-3483

Post Office Box 231 *mail*
Orlando, Florida 32802-0231

www.akerman.com

407 843 7860 *tel* 407 843 6610 *fax*

Upon delivery of the Series 2004 Bonds in definitive form, Akerman Senterfitt, Bond Counsel, proposes to render its opinion with respect to such Series 2004 Bonds in substantially the following form:

(Date of Delivery)

Board of Supervisors
Harmony Community Development District

NOT EXCEEDING \$15,590,000
HARMONY COMMUNITY DEVELOPMENT DISTRICT
CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2004

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Harmony Community Development District (the "Issuer") of its Capital Improvement Revenue Bonds, Series 2004 (the "Series 2004 Bonds"), pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 190, Florida Statutes (the "Act"), Resolution No. 2000-14 of the Issuer, as supplemented (the "Resolution"), and a Master Trust Indenture dated as of December 1, 2000 as supplemented by a Fourth Supplemental Trust Indenture dated as of December 1, 2004 both between the Issuer and Wachovia Bank, National Association as trustee (collectively, the "Indenture"). Any capitalized undefined term used herein shall have the same meaning as such term has under the Indenture.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the Indenture and in the certified proceedings and other certifications of

public officials furnished to us, without undertaking to verify the same by independent investigation.

Reference is made to the opinion of even date herewith of Young van Assenderp, P.A., Counsel to the Issuer, on which we have solely relied, as to the due creation and valid existence of the Issuer, the due authorization, execution and delivery of the Indenture by the Issuer and the due adoption of the Resolution and other resolutions of the Issuer.

We have also relied upon the findings in the Final Judgment rendered by the Circuit Court of the Ninth Judicial Circuit in and for Osceola County, Florida on August 4, 2000. Reference is also made to the opinion of even date herewith of Holland & Knight, LLP, counsel to the Trustee, on which we have relied, as to the due authorization and execution of the Indenture by the Trustee and of the enforceability of the Indenture against the Trustee.

In addition to the foregoing, we have examined and relied upon such other agreements, certificates, documents and opinions submitted to us, including certifications and representations of public officials and other officers and representatives of the various parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions expressed below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, certificates, documents, representations and opinions submitted to us and have relied solely on the facts, estimates and circumstances described and set forth therein.

In our examination of the foregoing, we have assumed the genuineness of the signatures on all documents and instruments, the authenticity of documents submitted as originals, the conformity to originals of documents submitted as copies and the legal capacity of all natural persons.

The scope of our engagement in relation to the issuance of the Series 2004 Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein.

This opinion should not be construed as offering material or an offering circular, prospectus or official statement and is not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Series 2004 Bonds. Furthermore, we are not passing on the accuracy or sufficiency of any CUSIP numbers appearing on the Series 2004 Bonds. In addition, we have not been engaged to and, therefore, do not express any opinion as to compliance by the Issuer with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Series 2004 Bonds.

Neither the Series 2004 Bonds nor the interest and premium, if any, payable thereon shall constitute a general obligation or general indebtedness of the Issuer within the meaning of the Constitution and laws of Florida. The Series 2004 Bonds and the interest and premium, if any, payable thereon do not constitute either a pledge of the full faith and credit of the Issuer or a lien upon any property of the Issuer other than as provided in the Indenture. No owner of the Series 2004 Bonds or any other person shall ever have the right, directly or indirectly, to require or compel the exercise of any ad valorem taxing power of the Issuer or any other public authority or governmental body to pay the principal of or interest and premium, if any, on the Series 2004 Bonds or to pay any other amounts required to be paid pursuant to the Indenture or the Series 2004 Bonds.

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.

Based upon the foregoing, we are of the opinion that:

1. The Issuer has been duly created and validly exists as a community development district under the Act.
2. The Indenture has been duly authorized and executed by the Issuer and constitutes a valid and binding obligation of the Issuer. The Indenture creates the valid pledge which it purports to create of the 2004 Trust Estate in the manner and to the extent provided therein.
3. The Series 2004 Bonds have been duly authorized, executed and delivered by the Issuer and are valid, binding, and enforceable special obligations of the Issuer, payable solely from the sources provided therefore in the Indenture.
4. The interest on the Series 2004 Bonds is excludable from gross income for federal income tax purposes and is not treated as an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the immediately preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended, and the regulations thereunder (the "Code"), that must be met or satisfied in order that interest thereon be, or continue to be, excludable from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure of the Issuer to comply with such requirements may cause the inclusion of interest on the Series 2004 Bonds in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2004 Bonds. Other provisions of the Code may give rise to adverse federal income tax consequences to particular holders of the Series 2004 Bonds. The scope of

this opinion is limited to the matters addressed above and we express no opinion regarding other federal tax consequences arising with respect to the Series 2004 Bonds.

In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Series 2004 Bonds in order that interest on the Series 2004 Bonds not be included in gross income for federal income tax.

5. Pursuant to the Act, the Series 2004 Bonds and the interest paid thereon are exempt from all taxes imposed by the State of Florida except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes.

It is to be understood that the rights of the owners of the Series 2004 Bonds and the enforceability of the Series 2004 Bonds and the Indenture may be subject to (a) bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other similar statutes, rules, regulations, or other laws affecting the enforcement of creditor's rights and remedies generally and (b) the unavailability of, or limitation on the availability of, a particular right or remedy (whether in a proceeding in equity or at law).

Our opinions expressed herein are predicated upon present law, (and interpretations thereof) facts and circumstances, and we assume no affirmative obligation to update the opinions expressed herein if such laws (and interpretations thereof), facts or circumstances change after the date hereof.

Very truly yours,

AKERMAN SENTERFITT

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (the "Disclosure Agreement") is executed by and between Harmony Community Development District (the "Issuer") and Harmony Development Co., LLC, a Florida limited liability company, and Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership (collectively, the "Developer"), in connection with the issuance of the Issuer's \$15,590,000 Harmony Community Development District (Osceola County, Florida) Capital Improvement Revenue Bonds, Series 2004 (the "2004 Bonds"). The 2004 Bonds are draw down bonds with the initial draw in the amount of \$4,450,000. The Bonds are being issued pursuant to a Master Trust Indenture dated as of December 1, 2000 and a Fourth Supplemental Trust Indenture, dated as of December 1, 2004 (collectively, the Master Trust Indenture and the Fourth Supplemental Trust Indenture, the "Indenture"), between the Issuer and Wachovia Bank, National Association, Miami, Florida (the "Trustee"). Capitalized terms not defined herein shall have the meaning ascribed thereto in the Indenture. For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Issuer and the Developer agree as follows:

SECTION 1. PURPOSE OF DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered in order to comply with the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "Rule"), and is for the benefit of the holders and beneficial owners of the Bonds.

SECTION 2. APPOINTMENT OF DISSEMINATION AGENT. The Issuer and the Developer hereby appoint the Issuer as the dissemination agent (the "Dissemination Agent") hereunder. The Issuer hereby accepts its appointment as Dissemination Agent and all of the obligations and responsibilities related thereto as described herein. The Issuer may, upon the giving of ten (10) days written notice to the Developer, appoint another Person to serve as Dissemination Agent hereunder. Any such Person appointed by the Issuer as Dissemination Agent hereunder shall acknowledge its duties set forth herein by a written acceptance delivered to the Issuer and the Developer.

SECTION 3. PROVISION OF DEVELOPER'S ANNUAL INFORMATION. So long as the Developer is the owner of at least 25% of the Project Lands (as defined in this Section 3) or the Developer is actively engaged in the development of the Project Lands, the Developer shall provide the following information to the Dissemination Agent and to Banc of America Securities on or before March 31, June 30, September 30, and December 31 of each year (unless otherwise specifically provided herein), commencing March 31, 2005, and the Dissemination Agent shall, within fifteen (15) days of its receipt thereof, provide such information to all of the nationally recognized municipal securities information repositories described in Section 8 hereby (the "NRMSIRs"), and to any state information depository that is established within the State of Florida (the "SID").

(A) if the Developer is required to file its audited financial statements with the Securities and Exchange Commission (the "SEC"), the Developer shall provide its audited financial statements for the most recent fiscal year for which audited financial statements have been completed, within ten (10) Business Days after filing the same with the SEC;

(B) additional information relating to the Developer or the Development, as follows:

1. For all Project Lands:

a. Single Family lots

(1) Estimation of total number of lots expected to be included within the Development upon full build-out

(2) Number of lots sold/parcels (closed) to persons or entities in the business of building or developing homes (hereinafter referred to as "Builders")

(3) Number of lots sold (closed) to persons or entities that are not Builders (hereinafter referred to as "Non-Builders")

(4) Number of homes (whether or not occupied) for which certificates of completion or certificates of occupancy have been issued (hereinafter referred to as "Completed Homes")

(5) Number of Completed Homes owned by Non-Builders

(6) Number of Completed Homes for sale by Builders (based upon survey of Builders active within the Development)

b. Multi-Family Units

(1) Estimation of total number of units expected to be included within the Development upon full build-out

(2) Number of acres sold (closed) to Builders

(3) Number of units sold to Non-Builders

(4) Number of units for which certificates of completion or certificates of occupancy have been issued (hereinafter referred to as "Completed Units") which are occupied;

(5) Number of Completed Units for sale by Builders (based upon survey of builders active within the Development)

(6) Number of Completed Units for sale by Non-Builders

c. Commercial Space

- (1) Estimation of total numbers of acres of commercial (that is, non residential) land expected to be included within the Development upon full build-out
- (2) Acreage of commercial land sold (closed) by the Developer
- (3) Acreage of commercial land under agreement (sold but not closed) for sale by the Developer

2. Materially adverse changes or determinations in permits/approvals for the Development that necessitate changes in the Developer's land use plan.

For purposes of this Disclosure Agreement, the term "Project Lands" means the lands within the District that are benefited by the 2004 Project and are subject to the Lien of the Assessments.

SECTION 4. PROVISIONS OF ISSUER'S ANNUAL INFORMATION. The Issuer shall provide the following information to the Dissemination Agent on or before March 31 of each year, commencing March 31, 2005 and the Dissemination Agent shall, within fifteen (15) days of its receipt thereof, provide such information to all of the NRMSIRs and to the SID:

(A) audited financial statements of the Issuer for the most recent fiscal year for which audited financial statements have been completed, prepared in accordance with Generally Accepted Governmental Accounting Principles, as modified by applicable State of Florida requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board; and

(B) additional financial information and operating data relating to the Issuer and the Development, as follows:

1. the amount of Series Assessments to be levied on the Project Lands, as certified by the Issuer to the Tax Collector, during such Fiscal Year.
2. the amount of revenues collected in respect of Series Assessments levied on the Project Lands for the immediately preceding Fiscal Year.
3. the amount of delinquent Series Assessments in respect of Series Assessments during such Year, if available.

4. the dollar amount of tax certificates in respect of Series Assessments during such Year, if available.
5. debt service schedule for the remaining term of the Bonds.
6. percentage of Series 2004 Project that has been completed with proceeds of the Bonds as of such Fiscal Year.
7. materially adverse changes or determinations in permits/approvals relating to the Series 2004 Project.

SECTION 5. DEVELOPER'S OBLIGATION TO REPORT SIGNIFICANT EVENTS. So long as the Developer is the owner of at least 25% of the Project Lands or the Developer is actively engaged in the development of the Project Lands, the Developer shall provide to the Dissemination Agent, on a timely basis, notice of any release, substitution, or sale of all or substantially all of the Project Lands not in the ordinary course of business (provided that the parties acknowledge and agree that the Developer is in the business of selling the Project Lands, and, accordingly, sales of less than 100 acres of land in the aggregate to the same person in any year will be presumed to be in the ordinary course of business). The Dissemination Agent shall promptly provide notice of the foregoing event to the NRMSIR, or the Municipal Securities Rulemaking Board (the "MSRB"), and to the SID. The address of the MSRB is as follows:

Municipal Securities Rulemaking Board

1900 Duke Street Suite 600
Alexandria, VA 22314
Tel. (703) 797-6600
Fax (703) 797-6700

The Developer may from time to time, in its discretion, choose to provide notice of the occurrence of certain other events to the Dissemination Agent, in addition to the foregoing, if, in the judgment of the Developer, such other events are material with respect to the Bonds, but the Developer specifically does not undertake to commit to provide any such additional notice of the occurrence of any material event except those events listed above. In the event the Developer provides such other notice to the Dissemination Agent, the Dissemination Agent shall promptly provide such notice to the NRMSIRs or the MSRB and to the SID as provided above. The Dissemination Agent shall promptly provide notice of the foregoing event to the NRMSIRs or the MSRB and to the SID.

SECTION 6. ISSUER'S OBLIGATION TO REPORT SIGNIFICANT EVENTS. The Issuer shall provide to the Dissemination Agent, on a timely basis, notice of any of the following events, if such event is material under applicable federal securities laws, and the Dissemination Agent shall promptly provide such notice to the NRMSIRs or the MSRB and to the SID:

- (a) principal and interest payment delinquencies on the Bonds;
- (B) the occurrence of any Event of Default under the Indenture (other than as described in (a) above);
- (C) unscheduled draws on a debt service reserve fund reflecting financial difficulties;
- (D) unscheduled draws on credit enhancement reflecting financial difficulties;
- (E) substitution of credit or liquidity providers, or their failure to perform;¹
- (F) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (G) any modification to the rights of Bondholders;
- (H) calls on the Bonds (other than mandatory sinking fund or extraordinary redemption);
- (I) defeasance of the Bonds;
- (J) release, substitution, or sale of any item of the Series 2004 Trust Estate to the extent described in Section 5 hereof;
- (K) rating changes;²
- (L) notice of any failure on the part of the Issuer to meet the requirements of Section 4 hereof.

The Issuer may from time to time, in its discretion, choose to provide notice of the occurrence of certain other events, in addition to those listed in this Section 6, if, in the judgment of the Issuer, such other events are material with respect to the Bonds, but the Issuer does not specifically undertake to commit to provide any additional notice of the occurrence of any material event except those events listed above.

Whenever the Issuer obtains knowledge of the occurrence of a significant event described in this Section 6, the Issuer shall as soon as possible determine if such event is material under the applicable federal securities laws, provided, that any event under clauses (D), (E), (F), (K), or (L) above will always be deemed to be material.

¹ Upon the initial issuance of the Bonds, there will not be any credit enhancement or liquidity facility in effect with respect to the Bonds.

² The Bonds will not be rated when issued.

SECTION 7. ADDITIONAL DUTIES OF DISSEMINATION AGENT.

(a) Upon providing any of the information required in Sections 3 and 4 hereof to the NRMSIRs, the MSRB, or the SID, as the case may be, the Dissemination Agent shall promptly provide the Developer and the Issuer with written notice setting forth a brief description of the information provided, the date such information was provided, and to whom such information was provided.

(B) If the Dissemination Agent has not received the applicable annual information described in Sections 3 and 4 hereof from the Developer and the Issuer, respectively, on or prior to June 15, of any year, the Dissemination Agent shall notify the Developer or the Issuer, as applicable, to determine when such information is expected to be provided to the Dissemination Agent.

(C) Each year the Dissemination Agent shall determine, prior to the date upon which it is required to provide the annual information to the NRMSIRs and the SID pursuant to Sections 3 and 4 hereof, the name and address of each NRMSIR and SID.

SECTION 8. NRMSIRs. As of the date of this Disclosure Agreement, the NRMSIRs to which the Dissemination Agent shall provide the information described in Section 3, 4, 5, and 6 above, to the extent required, shall be the following organizations, their successors and assigns:

- (A) Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: 609/279-3225
Fax: 690/279-5962
http://www.bloomberg.com/markets/muni_contactinfo.html
email: [Munis@Bloomberg.com](mailto: Munis@Bloomberg.com)

- (B) Standard & Poor's J.J. Kenny Depository
55 Water Street, 45th Floor
New York, NY 10041
Phone: 212/438-4595
Fax: 212/438-3975
www.jjkenny.com/jjkenny/pser_descrip_dat_rep.html
email: [nrmsir_repository@sandp.com](mailto: nrmsir_repository@sandp.com)

- (C) DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: 201/346-0701
Fax: 201/947-0107
<http://www.dpccdata.com>
Email: nrmsir@dpccdata.com
- (D) FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Phone: 212/771-6999
Fax: 212/771-7390 (Secondary Market Information)
212/771-7391 (Primary Market Information)
<http://www.interactivedata.com>
Email: NRMSIR@FTID.com

(E) Any NRMSIRs that are established subsequent to the date of this Disclosure Agreement and approved by the Securities and Exchange Commission.

SECTION 9. NO EVENT OF DEFAULT; REMEDY FOR BREACH. This Disclosure Agreement shall be solely for the benefit of the Holders and beneficial owners from time to time of the Bonds. Notwithstanding any other provision in the Indenture to the contrary, failure of the Developer, the Issuer or the Dissemination Agent to comply with the provisions of this Disclosure Agreement shall not be considered an Event of Default under the Indenture or any related bond document. The exclusive remedy for any breach of this Disclosure Agreement by any party hereto shall be limited, to the extent permitted by law, to a right of holders and beneficial owners, or the Trustee, to institute and maintain, or to cause to be instituted and maintained, such proceedings as may be authorized at law or in equity to obtain the specific performance by the Developer or the Issuer, as the case may be, of its obligations under this Disclosure Agreement. The Trustee may exercise any such rights and, if requested to do so by the holders of at least 51% in aggregate principal amount of the Bonds then outstanding, subject to the same conditions, limitations and procedures that would apply under Section 6.3 of the Indenture if the breach were an event of Default under the Indenture, the Trustee shall exercise such rights. Any holder or beneficial owner may exercise any such right. Holders and beneficial owners shall not be entitled to institute or maintain any such proceedings individually that assert a breach of this Disclosure Agreement that is based on the alleged inadequacy of any pertinent filing that has been made.

SECTION 10. INCORPORATION BY REFERENCE. Any or all of the information required herein to be disclosed may be incorporated by reference to documents, including official statements or debt issues of the Developer (or related public entities), or the

issues of the Developer (or related public entities), or the Issuer, which have been submitted to each of the NRMSIRs, the SSRB, the SEC, or the SID. If the document incorporated by reference is a final official statement, it must be available from the MSRB. Such party shall clearly identify each document incorporated by reference.

SECTION 11. DISCHARGE; SUCCESSOR DISSEMINATION AGENTS.

The Developer and the Issuer may discharge the Dissemination Agent at any time and for any reason upon ten (10) days prior written notice, with or without appointing a successor dissemination agent. Any successor Dissemination Agent shall acknowledge its duties set forth herein by a written acceptance delivered to the Issuer and the Developer. If at any time during which this Disclosure Agreement is in effect there is no acting Dissemination Agent, the Developer and the Issuer shall provide the required information described herein directly to the NRMSIRs, the MSRB, and the SID in the manner and at the times in which it presently is required to provide such information to the Dissemination Agent.

SECTION 12. TERMINATION. The obligations of the parties under this Disclosure Agreement shall terminate upon (A) the defeasance, prior redemption or payment in full of all of the Bonds, (B) the termination of the continuing disclosure requirements of the Rule by legislative, judicial, or administration action, (C) in the case of the dissemination Agent, upon receipt of notice of discharge as provided in Section 11 hereof, or (D) in the case of the Developer, when the Developer no longer is (i) the owner of at least 25% of the Project Lands or (ii) actively engaged in the development of the Project Lands.

SECTION 13. AMENDMENTS. Notwithstanding any other provision of this Disclosure Agreement, the Issuer and the Developer may amend this Disclosure Agreement, and may waive any provision, if such amendment or waiver is supported by an opinion of counsel familiar with federal securities laws, 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 amendment or official interpretation of the Rule.

SECTION 14. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent any party hereto from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in its annual information described herein or notice of occurrence of a significant event described herein, in addition to that which is required by this Disclosure Agreement. If any party chooses to include any information in its annual information or notice of occurrence of a significant event in addition to that which is specifically required by this Disclosure Agreement, such party shall have no obligation under this Disclosure Agreement to update such information or include it in its future annual information or notice of occurrence of a significant event.

SECTION 15. OBLIGATED PERSONS. If any person, other than the Issuer or the Developer, becomes an Obligated Person (as defined in the Rule) relating to the Bonds, the

Issuer and the Developer shall use their best efforts to require such Obligated Person to comply with all provisions of the Rule applicable to such Obligated Person.

SECTION 16. NOTICES. Any notices required to be given under this Disclosure Agreement shall be given to the following addresses and telephone numbers (and such notices shall also be given to the Trustee at the address for notices to the Trustee set forth in the Indenture):

- (a) As to the Issuer:
Harmony Community Development District
c/o Severn Trent Environmental Services, Inc.
610 Sycamore Street, Suite 140
Celebration, Florida 34747
Attention: District Manager

With a copy thereof to District Counsel as follows:

Young, van Assenderp, Varnadoe & Anderson, P.A.
225 South Adams Street, Suite 200
Tallahassee, Florida 32302-1833
Attention: Kenza van Assenderp, Esq.

- (b) As to the Developer:

Harmony Development, LLC
Birchwood Acres Limited Partnership, LLLP
4305 Neptune Road
St. Cloud, Florida 34769

With a copy to Developer's Counsel:

Baker & Hostetler, LLP
200 South Orange Avenue, Suite 2300
Orlando, Florida 32802
Attention: Ken Wright, Esq.

- (c) As to the Dissemination Agent:

Harmony Community Development District
c/o Severn Trent Environmental Services, Inc.
610 Sycamore Street, Suite 140
Celebration, Florida 34747
Attention: District Manager

With a copy thereof to Special Counsel as follows:

Young, van Assenderp, Varnadoe & Anderson, P.A.
225 South Adams Street, Suite 200
Tallahassee, Florida 32302-1833
Attention: Kenza van Assenderp, Esq.

SECTION 17. INDEMNIFICATION OF DISSEMINATION AGENT. The Developer and the Issuer each further agree to indemnify and save the Dissemination Agent harmless, to the extent allowed by law, against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder, and which are not due to its negligence or misconduct.

SECTION 18. SOURCES OF PAYMENTS; EXTENT OF COVENANTS; NO PERSONAL LIABILITY. The Issuer shall be required to use only Maintenance Assessment Revenues (as defined below) to pay any costs and expenses to be incurred in the performance of this Disclosure Agreement by it or the Dissemination Agent, and the performance of its obligations hereunder shall be subject to the availability of Maintenance Assessment Revenues for that purpose. This Disclosure Agreement does not and shall not constitute a general obligation of the Issuer. All covenants, stipulations, obligations, and agreements of the Issuer contained in this Disclosure Agreement are and shall be deemed to be covenants, stipulations, obligations, and agreements of the Issuer to the full extent authorized by law and the Florida Constitution. No covenant, stipulation, obligation, or agreement of the Issuer contained in this Agreement shall be deemed to be a covenant, stipulation, obligation, or agreement of any present or future officer, agent, or employee of the Issuer in other than that person's official capacity. For purposes of this Section 18, "Maintenance Assessment Revenues" means the proceeds of "special assessments" levied and collected by the Issuer under Section 190.022 of the Act for maintenance purposes or "maintenance special assessments" levied and collected by the Issuer under Section 190.021(3) of the Act.

SECTION 19. ASSIGNMENT. The Issuer and the Developer each may assign their respective obligations under this Disclosure Agreement only in connection with the assignment of its respective obligations under and in accordance with the provisions of any contractual commitment or other arrangement to support payment of all or any part of the Bonds; provided that neither the Issuer nor the Developer shall assign its obligations under this Disclosure Agreement so long as it remains an Obligated Person with respect to the Bonds and except to the assignee of its obligations under any such contractual commitment or other arrangement to support payment of the Bonds. The Issuer and the Developer each may assign its respective obligations under any such contractual commitment or other arrangement, without remaining primarily liable for the performance of those obligations, only if the assignee of the Issuer or the Developer, as the case may be, assumes the assignor's obligations under this Disclosure Agreement. Any assignment by the Issuer or the Developer of its obligations under

this Disclosure Agreement shall not be effective unless and until the assignee shall have expressly assumed in writing, for the benefit of the holders and beneficial owners from time to time of the Bonds, the obligations of the Issuer or the Developer, as the case may be, under this Disclosure Agreement or enters into a new agreement for purposes of the Rule that is substantially similar to the undertaking of the Issuer or the Developer, as the case may be, under this Disclosure Agreement. If the Developer sells, assigns, or otherwise transfers, directly or indirectly, all of its interests with respect to the Project Lands or the Development, other than in the ordinary course of its business, the Developer shall make it a condition to such sale, assignment, or transfer that the buyer, assignee, or transferee assume all of the Developer's obligations hereunder.

SECTION 20. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Developer, the Trustee, and the holders and beneficial owners from time to time of the Bonds, and any official, employee, or agent thereof acting for and on its behalf, and shall not create any rights in any other person or entity.

SECTION 21. SEVERABILITY. In case any section or provision of this Disclosure Agreement, or any covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder or any application thereof, is for any reason held to be illegal or invalid, such illegality or invalidity shall not affect the remainder thereof or any other section or provision thereof or any other covenant, stipulation, obligation, agreement, act or action, or part thereof made, assumed, entered into, or taken thereunder (except to the extent that such remainder or section or provision or other covenant, stipulation, obligation, agreement, act or action, or a part thereof is wholly dependent for its operation on the provision determined to be invalid), which shall be construed and enforced as if such illegal or invalid portion were not contained therein, nor shall such illegality or invalidity of any application thereof affect any legal and valid application thereof, and each such section, provision, covenant, stipulation, obligation, agreement, act or action, or a part thereof shall be deemed to be effective, operative, made, entered into, or taken in the manner and to the full extent permitted by law.

SECTION 22. COUNTERPARTS. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 23. GOVERNING LAW. This Disclosure Agreement shall be deemed to be an agreement made under the laws of the State of Florida and for all purposes shall be governed by and construed in accordance with the laws of the State of Florida.

[Next page is the signature page.]

IN WITNESS WHEREOF, the parties hereto have each caused this Continuing Disclosure Agreement to be executed by their duly authorized officers and appointed officials and their seals to be hereunder affixed and attested as of the 16th day of December, 2004.

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

(SEAL)

ATTEST:

By: _____
Secretary

By: _____
Chairman

HARMONY DEVELOPMENT, LLC, a Florida limited liability company

By: **BIRCHWOOD ACRES LIMITED PARTNERSHIP, LLLP**, a Florida limited liability limited partnership, its manager

By: **Three E Corporation**, a Florida corporation, its general partner

By: _____
James L. Lentz, its president

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

By: **Three E Corporation**, a Florida corporation, its general partner

By: _____
James L. Lentz, its president

**HARMONY COMMUNITY DEVELOPMENT DISTRICT
CAPITAL IMPROVEMENT REVENUE BONDS SERIES 2004
FORWARD BOND PURCHASE AGREEMENT**

December 16, 2004

Harmony Community Development District
c/o Severn Trent Services, Inc.
610 Sycamore Street, Suite 140
Celebration, Florida 34747

Ladies and Gentlemen:

This Forward Bond Purchase Agreement (the “Forward Purchase Agreement”) is made and entered into by and among Banc of America Securities, LLC, (the “Underwriter”), MuniMae TEI Holdings, LLC, a Maryland limited liability company (the “Purchaser”) and Harmony Community Development District (the “District”), a local unit of special purpose government under Chapter 190, Florida Statutes, as amended. Upon acceptance as described herein, this Forward Bond Purchase Agreement will be binding upon the District, the Underwriter and the Purchaser. This offer is made subject to your acceptance of this Forward Purchase Agreement on or before noon, Eastern Time, on the date hereof. Reference is made to the Master Trust Indenture, dated as of December 1, 2000 (the “Master Indenture”), between the District and Wachovia Bank, National Association, f/k/a First Union National Bank, a national banking corporation, as trustee (the “Trustee”), as amended and supplemented by a Fourth Supplemental Indenture, dated as of December 1, 2004, from the District to the Trustee (the “Supplemental Indenture”) (the Master Indenture, as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the “Indenture”). All capitalized terms used herein and not otherwise defined shall have the meanings given such terms in the Indenture.

PURCHASE, SALE AND DELIVERY OF THE BONDS

1. Subject to the terms and conditions and in reliance upon the representations, warranties and agreements set forth herein and in the Indenture, the Purchaser hereby agrees to purchase from the Underwriter, and the District hereby agrees to issue and sell to the Underwriter for resale to the Purchaser, the District’s Capital Improvement Revenue Bonds, Series 2004 (the “Bonds”), when issued to fund Drawings under the Indenture. The Bonds shall be purchased by the Purchaser from the Underwriter in installments on certain dates from time to time after the Closing Date (as defined herein), as and when amounts are needed in order to fund Drawings required under the terms of Section 4.03 of the Supplemental Indenture (each a “Settlement Date”). The Bonds shall bear interest at the fixed rate determined pursuant to the Supplemental Indenture, and shall be purchased by the Purchaser on each Settlement Date for a

purchase price equal to 100% of the principal amount of the Drawing (as defined in the Supplemental Indenture) on such Settlement Date.

2. The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable and subject to redemption as provided in, the Supplemental Indenture. The issuance of the Bonds is authorized pursuant to the provisions of the Act, the Bond Resolution and the Indenture. The Bonds will be limited obligations of the District payable solely from the 2004 Trust Estate. Proceeds of the sale of the Bonds will be used by the District in accordance with the Indenture and the Act to fund the Costs of the acquisition and construction of the 2004 Project and the issuance of the Bonds, including certain capitalized interest on the Bonds and to maintain reserve requirements in accordance with the terms of the Supplemental Indenture.

3. On the date hereof (the "Closing Date"), the Bonds have been purchased by the Underwriter for redelivery to the Purchaser in the principal amount of \$4,450,000, leaving \$11,140,000 in principal amount of the Bonds to be purchased by the Purchaser subsequent to the date hereof pursuant to the terms of this Agreement and the Indenture. Pursuant to Section 4.03 of the Supplemental Indenture, the District may demand in writing that the Initial Owner fund a Drawing by the purchase from the Underwriter of Additional 2004 Bonds up to the Amount Available. Such written demand shall be given to both the Underwriter and the Initial Owner setting forth the Business Day which is to be the Settlement Date, which Settlement Date shall be at least thirty (30) calendar days subsequent to the date of such demand. On each Settlement Date, the Underwriter will accept such delivery and pay the purchase price of the Bonds to be purchased on such date by wire transfer to the Trustee in immediately available funds and on each such Settlement Date, the Purchaser will accept redelivery of such Bonds and pay the purchase price of the Bonds to be purchased on such date by wire transfer to, or upon order of, the Underwriter. Unless waived by the Purchaser, the Underwriter shall provide to the Purchaser wire transfer instructions for payment of the purchase price at least two (2) Business Days prior to the Settlement Date. The Bonds shall be registered and in such denominations as set forth in the Indenture.

REPRESENTATIONS

4. The District hereby confirms for the benefit of the Underwriter and the Purchaser each of the representations of the District set forth in the Indenture as if and to the extent fully set forth in this Forward Bond Purchase Agreement.

PRECONDITIONS TO CLOSING DATE AND SETTLEMENT DATES

5. The Purchaser and the Underwriter have entered into this Forward Bond Purchase Agreement in reliance upon the representations and warranties of the District contained herein and in the Indenture and the other documents and instruments to be delivered on or prior to the Closing Date and on or prior to each Settlement Date, as required hereunder, and upon the performance by the District of its obligations hereunder on or prior to the Closing Date and on or prior to each Settlement Date, as required hereunder. Accordingly, the Purchaser's and the Underwriter's obligations under this Forward Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be subject to the performance of such obligations to be

performed by the District hereunder and under the Indenture on or prior to the date hereof and on or prior to each Settlement Date, as applicable, and shall also be subject to the following conditions:

(a) The representations and warranties of the District contained herein shall be true, complete and correct on the date hereof, and on each Settlement Date with the same effect as if made on each Settlement Date;

(b) The Indenture shall have been duly authorized, executed and delivered by the respective parties thereto, and together with the Bond Resolution, shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to by the Purchaser and the Underwriter;

(c) On each Settlement Date, the District shall cause the Trustee to deposit all proceeds of each Drawing in the manner set forth in Section 4.03 of the Supplemental Indenture;

(d) All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter, which would constitute a condition precedent to the performance by the District of its obligations under this Forward Bond Purchase Agreement, the Bonds, the Bond Resolution and the Indenture will have been obtained, and any consents, approvals and orders so received will be in full force and effect;

(e) There shall not exist any uncured default or Event of Default under the terms of the Indenture or any of the other Documents;

(f) On each Settlement Date, unless waived by the Purchaser and the Underwriter, the Purchaser and the Underwriter shall have received a bring-down certificate from the District in the form of Exhibit A attached hereto; and

(g) Each of the conditions for the disbursement of moneys from the funds and accounts established under Article IV of the Supplemental Indenture from the proceeds of the Bonds purchased by the Purchaser shall have been satisfied.

Anything contained herein to the contrary notwithstanding, the obligations of the Underwriter to purchase Bonds on each Settlement Date shall be subject to the receipt of a confirmation of purchase from the Purchaser in sufficient time in order for the Underwriter to redeliver the Bonds in a “regular way” delivery and settlement.

The Purchaser acknowledges and agrees that no update will be made to the Limited Offering Memorandum, dated December 10, 2004 with respect to the 2004 Bonds and that it is relying solely upon the information contained in such Limited Offering Memorandum and that neither the District nor the Underwriter shall have any duty to update such Limited Offering Memorandum.

GOVERNING LAW

6. This Forward Bond Purchase Agreement shall be governed in accordance with the laws of the State of Florida.

EFFECTIVE DATE

7. This Forward Bond Purchase Agreement shall become effective upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

[The rest of this page is intentionally left blank.]

This Forward Bond Purchase Agreement may be executed in counterparts, each of which will constitute an original.

**VERY TRULY YOURS,
BANC OF AMERICA SECURITIES, LLC**

By: _____
Name: William Reagan
Title: Principal

**MUNIMAE TEI HOLDINGS, LLC
By: Municipal Mortgage & Equity, LLC,
Its: Sole Member**

By: _____
Name: _____
Title: _____

Accepted:

This 16th day of December, 2004.

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

By: _____
Name:
Title: Chairman, Board of Supervisors

[Signature Page to Forward Bond Purchase Agreement]

Exhibit A

\$15,590,000

**HARMONY COMMUNITY DEVELOPMENT DISTRICT
CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2004**

This Certificate is being delivered pursuant to the Forward Bond Purchase Agreement, dated as of December 16, 2004 (the "Agreement"), by and among Harmony Community Development District (the "District"), MuniMae TEI Holdings, LLC and Banc of America Securities, LLC in connection with the delivery of \$4,450,000 principal amount of the above-captioned Series 2004 Bonds on the closing date set forth below (the "Closing Date"). In connection therewith, the District hereby certifies as follows:

(a) The representations, warranties and covenants of the District contained in the Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and

(b) The District has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied at or prior to the Closing Date.

Closing Date: December 16, 2004

**HARMONY COMMUNITY
DEVELOPMENT DISTRICT**

By: _____
Title: _____

