

In the opinion of Bond Counsel, assuming compliance with existing statutes, regulations, rulings and court decisions, interest on the Notes is excluded from gross income for federal income tax purposes. However, see "TAX MATTERS" herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Notes. Bond Counsel is further of the opinion that the Notes and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220. See "TAX MATTERS" herein.

**HARMONY COMMUNITY DEVELOPMENT DISTRICT
(Osceola County, Florida)**

\$8,080,000 Bond Anticipation Notes, Series 2001

Dated: October 1, 2001

Due: May 1, 2003

Harmony Community Development District (Osceola County, Florida) Bond Anticipation Notes, Series 2001 (the "Notes") are being issued by the Harmony Community Development District (the "District") only in fully registered form, without coupons, in initial denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000. The Notes will bear interest at the fixed rate set forth below, calculated on the basis of a 360-day year comprised of twelve thirty-day months, payable on semiannually on each May 1 and November 1, commencing May 1, 2002. The Notes, when issued, will be registered in the name of Cede & Co., as Note Owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Notes will be made in book-entry form. Accordingly, principal of and interest on the Notes will be paid from the 2001 Trust Estate (as hereinafter defined) by First Union National Bank, as trustee (the "Trustee") directly to DTC as the registered owner thereof. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. Any purchaser of a beneficial interest in a Note must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Note. See "DESCRIPTION OF THE NOTES - Book-Entry System" herein.

The Notes are being issued by the District, a local unit of special purpose government of the State of Florida, created by the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act") and established by Ordinance No. 00-05 of the Board of County Commissioners of Osceola County, Florida effective March 6, 2000. The Notes are being issued pursuant to the Act and a Master Trust Indenture, dated as of December 1, 2000 (the "Master Indenture"), as supplemented by a Second Supplemental Trust Indenture dated as of October 1, 2001 (the "Supplemental Indenture" collectively with the Master Indenture, the "Indenture"), by and between the District and the Trustee. The Notes are equally and ratably secured under the Indenture by a lien upon and pledge of the proceeds of the Bonds (as hereinafter defined), when, as and if issued, (collectively, the "2001 Pledged Revenues") and all moneys on deposit in the Funds and Accounts, created under the Supplemental Indenture other than the Rebate Fund and the Note Purchase Fund (the "2001 Pledged Funds and Accounts").

In connection with the issuance of the Notes, Birchwood Acres Limited Partnership, LLLP (the "Developer") will enter into a Note Purchase Agreement with the Trustee pursuant to which the Developer agrees to deposit with the Trustee on the Mandatory Tender Date (as hereinafter defined) an amount sufficient to pay the principal on the Notes and accrued but unpaid interest. A failure by the Developer to make the payments due under the Note Purchase Agreement is secured by a Mortgage, Security Agreement, Assignment of Leases and Rents and Financing Statement from the Developer to the Trustee encumbering approximately 3,405 gross acres of property located adjacent to the District.

Pursuant to the Indenture, the Notes are subject to optional redemption at the times, in the amounts and at the redemption price as more fully described herein under the caption "DESCRIPTION OF THE NOTES - Redemption Provisions".

In connection with the issuance of the Notes, the District is issuing its Capital Improvement Revenue Bonds, Series 2001 (Special Assessments) to finance and refinance certain infrastructure improvements within the District. See "ADDITIONAL FINANCING" and "SUITABILITY FOR INVESTMENT" herein.

NEITHER THE NOTES NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF FLORIDA. THE NOTES AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE INDENTURE. 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 THE PRINCIPAL OF, OR INTEREST AND PREMIUM, IF ANY, ON THE NOTES OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE NOTES. RATHER, ALL SUCH AMOUNTS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2001 PLEDGED REVENUES AND THE 2001 PLEDGED FUNDS AND ACCOUNTS ALL AS PROVIDED IN THE INDENTURE.

NO APPLICATION HAS BEEN MADE FOR A RATING WITH RESPECT TO THE NOTES NOR IS THERE ANY REASON TO BELIEVE THAT THE DISTRICT WOULD HAVE BEEN SUCCESSFUL IN OBTAINING AN INVESTMENT GRADE RATING FOR THE NOTES HAD APPLICATION BEEN MADE. THE UNDERWRITER IS REQUIRED UNDER FLORIDA LAW TO LIMIT THIS OFFERING TO ACCREDITED INVESTORS. SEE "NOTE OWNER'S RISKS," "NO RATING" AND "SUITABILITY FOR INVESTMENT" HEREIN.

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

MATURITY SCHEDULE

\$8,080,000 Term Note, 6.75%, due May 1, 2003, Price 100%

The Notes 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 legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, as to the validity of the Notes 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 Akerman, Senterfitt & Eidson, P.A., Orlando, Florida; for the District by its counsel Young, van Assenderp, Varnadoe & Anderson, P.A., Tallahassee, Florida, for the Developer by its counsel Baker & Hostetler LLP, Orlando, Florida, and for the Trustee by its counsel, Holland & Knight, LLP, Miami, Florida. Morgan, Keegan & Company, Inc. is serving as financial advisor to the District in connection with the issuance of the Notes. It is expected that the Notes will be delivered in book-entry form through the facilities of The Depository Trust Company, New York, New York on or about October 9, 2001.

Banc of America Securities LLC

Dated: September 26, 2001

No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter (as defined herein) 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 either of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any of the Notes and there shall be no offer, solicitation, or sale of the Notes 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 public documents, records and other sources, including the Developer (as defined herein) which are believed to be reliable but is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of the Underwriter. The information and expressions of opinion herein contained 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 in the affairs of the District, the Developer, the Development (as defined herein) or the Project (as defined herein) since the date hereof.

The Notes have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939. The registration or qualification of the Notes under the securities laws of any jurisdictions in which they may have been registered or qualified, if any, shall not be regarded as a recommendation thereof. Neither the State of Florida, Osceola County, Florida, the District nor any of their agencies has passed upon the merits of the Notes. Neither the State of Florida, Osceola County, Florida, nor any of their agencies has passed upon the accuracy or completeness of this Limited Offering Memorandum.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Notes offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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.

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**Harmony Community Development District
(Osceola County, Florida)
\$8,080,000 Bond Anticipation Notes, Series 2001**

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page and appendices hereto, is to set forth certain information in connection with the offering and issuing by the Harmony Community Development District (the "District") of its 8,080,000 Bond Anticipation Notes, Series 2001 (the "Notes"). At approximately the same time as the District issues the Notes, the District will issue its Capital Improvement Revenue Bonds, Series 2001 (Special Assessments) (the "2001 Bonds"). See "ADDITIONAL FINANCING" and "SUITABILITY FOR INVESTMENT" herein.

The District was created by the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act") and established by Ordinance No. 00-05 of the Board of County Commissioners of Osceola County, Florida effective March 6, 2000. The Notes are being issued pursuant to the Act, a Master Trust Indenture dated as of December 1, 2000 (the "Master Indenture"), as supplemented by a Second Supplemental Trust Indenture dated as of October 1, 2001 (the "Supplemental Indenture" collectively with the Master Indenture, the "Indenture") both by and between the District and First Union National Bank, as trustee (the "Trustee"), and a resolution of the Board of Supervisors of the District authorizing the issuance of the Notes. All capitalized terms used in this Limited Offering Memorandum that are defined in the Indenture and not defined herein shall have the respective meanings set forth in the Indenture (see "FORM OF THE INDENTURE," Appendix "B" hereto).

The Notes are equally and ratably secured under the Indenture by a lien upon and pledge of the proceeds of the District's Capital Improvement Revenue Bonds (Utility Revenue) (the "Bonds"), when, as and if issued, (the "2001 Pledged Revenues") and all moneys on deposit in the Funds and Accounts, created under the Supplemental Indenture other than the Rebate Fund and the Note Purchase Fund (the "2001 Pledged Funds and Accounts").

In connection with the issuance of the Notes, Birchwood Acres Limited Partnership, LLLP (the "Developer") will enter into a Note Purchase Agreement (the "Note Purchase Agreement") with the Trustee pursuant to which the Developer agrees to deposit with the Trustee on the Mandatory Tender Date an amount sufficient to pay the principal on the Notes and accrued but unpaid interest. A failure by the Developer to make the payments due under the Note Purchase Agreement is secured by a Mortgage, Security Agreement, Assignment of Leases and Rents and Financing Statement (the "Mortgage") from the Developer to the Trustee encumbering approximately 3,405 gross acres of property located adjacent to the District. The forms of Note Purchase Agreement and the Mortgage, respectively, are attached as Appendices "D" and "E" hereto, respectively.

The Notes are not a suitable investment for all investors (see "SUITABILITY FOR INVESTMENT" and "NOTE OWNERS' RISKS" herein). Under Florida law the Underwriter is required to limit the offering of the Notes to accredited investors. Prospective investors in the Notes are invited to visit the District, ask questions of representatives of the Developer (as hereinafter defined) and representatives of the District and to request documents, instruments and information which may not necessarily be referred to, summarized or described herein. Therefore, prospective investors should utilize the information appearing in this Limited Offering Memorandum within the context of and in conjunction with availability of such additional information and the sources thereof. Prospective investors may request such additional information and arrange to visit the District as described herein under the caption "SUITABILITY FOR INVESTMENT" herein.

The District was established on March 6, 2000 for the purposes of managing the design, acquisition, construction, maintenance and operation of the infrastructure necessary for community development within its jurisdiction and related financing. The Act authorizes the District to issue debt for the purposes, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and waste water management, bridges or culverts, district roads, landscaping, street lights, recreational amenities, security facilities, and other basic infrastructure projects within or without the boundaries of the District as provided in the Act.

In addition to funding the Project, proceeds of the Notes will also be used to pay costs of issuing and delivering the Notes and for capitalizing the interest accruing on the Notes through November 1, 2002. See "ESTIMATED SOURCES AND USES OF NOTE PROCEEDS" and "THE PROJECT" herein.

The District covenants and agrees in the Supplemental Indenture that so long as there are any Notes Outstanding, it shall not cause or permit to be caused by any lien, charge or claim against the 2001 Trust Estate other than a lien, charge or claim in favor of the Bonds or any lien arising in favor of the Trustee in connection with its fees and expenses under the Indenture, but only if the proceeds of such Bonds are at least sufficient to pay and redeem, or to defease, all of the Outstanding Notes. The District reserves the right to issue bonds, notes or other obligations payable from or secured by the 2001 Trust Estate pledged to the Notes, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2001 Trust Estate equal or prior to the lien of the Supplemental Indenture securing the Notes.

The District has covenanted to comply with the continuing disclosure requirements contained in Securities and Exchange Commission Rule 15c2-12. The Developer has also covenanted to provide certain continuing disclosure. See "CONTINUING DISCLOSURE" herein and Appendix "F" hereto.

There follows in this Limited Offering Memorandum a brief description of the District, the Project, the Developer, the Development, together with summaries of the terms of the Notes, the Indenture, the Mortgage, the Note Purchase Agreement and certain provisions of the Act. All references herein to the Indenture, the Mortgage, the Note Purchase Agreement, and the Act are qualified in their entirety by reference to such documents and statute and all references to the Notes are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. The form of the Indenture appears as Appendix "B" hereto. The form of the Note Purchase Agreement and the form of the Mortgage, respectively are attached as Appendices "D" and "E," respectively hereto. The information herein under the captions "THE DEVELOPMENT," and "THE DEVELOPER" has been furnished by the Developer and not by the District.

Certain statements included or incorporated by reference in this Limited Offering Memorandum constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "project," "budget" or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information under the caption "THE PROJECT," "THE DEVELOPMENT" and "THE DEVELOPER."

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS LIMITED OFFERING MEMORANDUM.

This Limited Offering Memorandum speaks only as of its date and the information contained herein is subject to change.

DESCRIPTION OF THE NOTES

General Description

The Notes are issuable as fully registered notes, without coupons, in the denomination of \$5,000 or any integral multiple thereof; provided, however, that the Notes will be deliverable to the initial purchasers only in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

The Notes will be dated as of October 1, 2001, and will bear interest from such date at the fixed rate per annum set forth on the cover page payable on each May 1 and November 1, commencing May 1, 2002. Interest on the Notes will be computed on the basis of a 360-day year consisting of twelve (12) thirty (30) day months.

The Notes will mature, subject to the redemption provisions set forth below, on the date and in the amount set forth on the cover page hereof.

The Notes will be initially issued in the form of a single fully registered certificate for each maturity thereof. Upon initial issuance, the ownership of the Notes will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial note depository. All of the Outstanding Notes will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of DTC (see "DESCRIPTION OF THE NOTES - Book-Entry System").

During the period for which Cede & Co. is Registered Owner of the Notes, any notices to be provided to any Registered Owner will be provided to Cede & Co. DTC shall be responsible for providing notices to DTC Participants (as hereinafter defined) and DTC Participants shall be responsible for providing notices to Indirect Participants (as hereinafter defined), and DTC Participants and Indirect Participants shall be responsible for providing notices to Beneficial Owners.

The Indenture provides that with respect to Notes registered in the registration books kept by the Note Registrar in the name of Cede & Co., as nominee of DTC, the District, the Trustee, the Note Registrar and the Paying Agent will have no responsibility or obligation to any Bond Participant (as defined in the Indenture) or to any Indirect Participant (hereinafter defined). Without limiting the immediately preceding sentence, the District, the Trustee, the Note Registrar and the Paying Agent will 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 Notes; (ii) the delivery to any Bond Participant or any other person other than a Noteholder, as shown in the registration books kept by the Note Registrar, of any notice with respect to the Notes, including any notice of redemption; or (iii) the payment to any Bond Participant or any other person, other than a Noteholder, as shown in the registration books kept by the Note Registrar, of any amount with respect to principal of, premium, if any, or interest on the Notes. The District, the Trustee, the Note Registrar and the Paying Agent shall treat and consider the person in whose name each Note is registered in the registration books kept by the Note Registrar as the absolute owner of such Note for the purpose of payment of principal of, premium, if any, and interest with respect to such Note, for the purpose of giving notices of redemption and other matters with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. The Paying Agent will pay all principal of and premium, if any, and interest on the Notes only to or upon the order of the respective Noteholders, as shown in the registration books kept by the Note Registrar, or their respective attorneys duly authorized in writing, as provided in the Indenture, and all such payments will 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 Notes 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 Note Registrar, will receive a certificated Note evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the provision of the Indenture.

First Union National Bank is the Trustee, Registrar and Paying Agent for the Notes.

Redemption Provisions

The Notes are subject to redemption at the option of the District in whole or in part at any time on or after May 1, 2002 at a redemption price equal to the principal amount of the Notes to be redeemed plus accrued interest to the redemption date (the "Redemption Price"), upon delivery of notice of such redemption to the registered Owners of the Notes at the address indicated on the register maintained by the Registrar. Such notice of redemption is required to be mailed by the Note Registrar, postage prepaid, not less than 30 nor more than 45 days prior to the redemption date.

On the date designated for redemption of the Notes, notice having been given and the Redemption Price being held by the Paying Agent, the Notes or such portion thereof called for redemption shall become and be due and payable

at the Redemption Price and interest thereon shall cease to accrue and the Owners shall have no further rights in the Notes except to receive payment of the Redemption Price thereof.

Mandatory Tender

The Notes are subject to mandatory tender for purchase by the Owners thereof on a Mandatory Tender Date upon five days' notice thereof to DTC as provided for in the Supplemental Indenture and in the Note Purchase Agreement. See "NOTE PURCHASE AGREEMENT" herein. Notes tendered for purchase shall be surrendered to the Trustee against payment therefor accompanied by an assignment duly executed by the Owner or its attorney or legal representative, as required by the Note and the Indenture, transferring and assigning all of the Owner's interest in the Notes as provided in the Note Purchase Agreement.

NOTES WHICH ARE NOT TENDERED FOR PURCHASE ON A MANDATORY PURCHASE DATE AND FOR WHICH THE PURCHASE PRICE IS HELD BY THE TRUSTEE SHALL BE DEEMED TENDERED FOR PURCHASE, MAY BE REISSUED IN THE NAME OF THE DEVELOPER WITHOUT FURTHER ACTION ON THE PART OF THE OWNERS THEREOF, AND THEREAFTER, PAYMENT OF THE PURCHASE PRICE SHALL BE SECURED ONLY BY MONEYS HELD THEREFOR BY THE TRUSTEE IN THE NOTE PURCHASE FUND ESTABLISHED UNDER THE INDENTURE.

The District has authorized and directed the Trustee in the Supplemental Indenture to enter into the Note Purchase Agreement and to perform the obligations of the Trustee thereunder, in each case for and on behalf of the Owners, from time to time, of the Notes.

Book-Entry System

The following information concerning DTC and DTC's book-entry system are based on information furnished by DTC to the District. No representation is made herein by the District or the Underwriter as to the accuracy or completeness of such information.

Unless the book-entry system described herein is terminated, as hereinafter described, DTC, New York, New York, will act as securities depository for the Notes. The Notes will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered Note certificate will be issued in the aggregate principal amount of each maturity of such Notes.

So long as Cede & Co. is the Registered Owner of the Notes, payments of the principal and interest due on the Notes will be payable directly to DTC. References herein to the registered owners of the Notes shall mean DTC or Cede & Co., and shall not mean the Beneficial Owners referred to below.

DTC 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 "clearing agency" registered pursuant to the provisions of Section 17A of the Securities and Exchange Act of 1934. DTC holds securities that its participants ("DTC Participants") deposit with DTC. DTC also facilitates the clearance and settlement of securities transactions among DTC Participants through electronic computerized book-entry changes in DTC Participant's accounts, thereby eliminating the need for physical movement of securities certificates. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). The rules applicable to DTC and its participants are on file with the Securities and Exchange Commission.

Purchases of the Notes under the DTC system must be made by or through DTC Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note (a Beneficial Owner) is in turn to be recorded on the DTC and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the DTC Participants or Indirect

Participants through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of DTC Participants and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Notes with DTC and their registration in the name of Cede & Co. effects no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the DTC Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The DTC 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 DTC Participants and by DTC 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.

Neither DTC nor Cede & Co. will consent or vote with respect to the Notes. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those DTC Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Notes will be made to DTC. DTC's practice is to credit DTC Participants' accounts on the payable date in accordance with their respective holdings shown on DTC's records, unless DTC has reason to believe that it will not receive payment on the payable date. Payments by DTC or Indirect 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, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to DTC is the responsibility of the District or the Trustee, disbursement of such payments to DTC Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of DTC or Indirect Participants.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEE WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE NOTES. THE DISTRICT CANNOT AND DOES NOT GIVEN ANY ASSURANCES THAT DTC, THE DTC PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF OR INTEREST ON THE NOTES PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR PROVIDE ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS LIMITED OFFERING MEMORANDUM.

The book-entry agreement may be terminated by either the District or DTC. In the event of such a termination, if no substitute Depository can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Notes shall no longer be restricted to being registered in the registration books kept by the 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 Notes shall designate, in accordance with the provisions of the Indenture.

Portions of the foregoing concerning DTC and DTC's Book-Entry System are based on information furnished by DTC to the District. No representation is made herein by the District or the Underwriter as to the accuracy or completeness of such information.

For additional information concerning the Notes, see Appendix "B" hereto.

SECURITY FOR AND SOURCE OF PAYMENT OF THE NOTES

General

The Notes are equally and ratably secured under the Indenture by a lien upon and pledge of the 2001 Pledged Revenues and the 2001 Pledged Funds and Accounts. The 2001 Pledged Revenues and the 2001 Pledged Funds and Accounts are collectively referred to as the 2001 Trust Estate.

In connection with the issuance of the Notes, the Developer will enter into the Note Purchase Agreement with the Trustee pursuant to which the Developer agrees to deposit with the Trustee on the Mandatory Tender Date an amount sufficient to pay the principal on the Notes and accrued but unpaid interest. A failure by the Developer to make the payments due under the Note Purchase Agreement is secured by the Mortgage.

NEITHER THE NOTES NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF FLORIDA. THE NOTES AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE INDENTURE. 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 THE PRINCIPAL OF, OR INTEREST AND PREMIUM, IF ANY, ON THE NOTES OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE NOTES, RATHER, ALL SUCH AMOUNTS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2001 PLEDGED REVENUES AND THE 2001 PLEDGED FUNDS AND ACCOUNTS ALL AS PROVIDED IN THE NOTES AND THE INDENTURE.

No Parity Obligations

The District covenants and agrees in the Supplemental Indenture that so long as there are any Notes Outstanding, it shall not cause or permit to be caused any lien, charge or claim against the 2001 Trust Estate other than a lien, charge or claim in favor of the Bonds or any lien arising in favor of the Trustee in connection with its fees and expenses under the Indenture, but only if the proceeds of such Bonds are at least sufficient to pay and redeem or to defease, all of the Outstanding Notes. The District in the Supplemental Indenture reserves the right to issue bonds, notes or other obligations payable from or secured by the 2001 Trust Estate pledged to the Notes, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2001 Trust Estate equal or prior to the lien of the Supplemental Indenture securing the Notes.

Rate Covenant and Covenant to Issue Bonds

Pursuant to the Supplemental Indenture, the District represents and warrants to the Owners, from time to time of the Notes, that it will proceed diligently to complete the 2001 Project (as defined in the Supplemental Indenture) and to cause to be issued the Bonds on or prior to the maturity date of the Notes. In furtherance of such covenant, the District covenants and agrees to establish rates, fees and charges for the use of the Utility System (as defined in the Supplemental Indenture) which will produce Net Revenues available for Debt Service sufficient to enable the sale and delivery of the Bonds.

Note Purchase Fund; Application of Revenues and Investment Earnings

The Supplemental Indenture provides that:

(i) The Trustee shall deposit all moneys derived under the Note Purchase Agreement into the Note Purchase Fund and shall apply such moneys to the purchase of Notes on and after a Note Purchase Date. Moneys held in the Note Purchase Fund shall be held solely as a source of payment and security for the purchase of Notes tendered

in accordance with the provisions of the Supplemental Indenture and of the Notes, but shall not be held as security for or source of payment of Notes which are actually or beneficially owned by the Developer.

(ii) The Trustee shall deposit net proceeds of the Bonds, when, as and if issued, into the 2001 Redemption Account and 2001 Interest Account in amounts sufficient to pay and redeem all of the then Outstanding Notes, together with interest accrued, but unpaid thereon.

(iii) On or before the earlier of the date of redemption, maturity date or Mandatory Tender Date of the Notes, the Trustee shall withdraw from the Interest Account, and pay, the amount of interest coming due on the Notes on such date. On a Mandatory Tender Date, the Trustee shall withdraw from the Interest Account and deposit into the Note Purchase Fund the interest portion of the Purchase Price to be paid on such Mandatory Tender Date.

(iv) On the Maturity Date, the Trustee shall withdraw from the 2001 Redemption Account, and pay, the amount of principal coming due on the Notes of such Maturity Date.

NOTE PURCHASE AGREEMENT

Pursuant to the Note Purchase Agreement, the Trustee is to notify the Developer on the fifth (5th) Business Day preceding a Mandatory Tender Date that such Mandatory Tender Date will occur and that on or before 10:00 AM, Miami, Florida time on the Mandatory Tender Date, the Developer must deposit with the Trustee, in immediately available funds, for deposit by the Trustee into the Note Purchase Fund established under the Supplemental Indenture, an amount sufficient to pay the principal amount of the Notes Outstanding (as defined in the Indenture) on such Mandatory Tender Date, together with the interest thereon from the date to which interest has last been paid to the Mandatory Tender Date (the "Purchase Price"). If the Developer fails to meet such obligations, the Trustee may proceed under the Mortgage and shall not have any obligation to proceed against any Person or exhaust any other remedy or remedies which it may have and without resorting to any other security, whether held by or available to Requesting Owners (as defined in the Note Purchase Agreement).

"Mandatory Tender Date" is defined as (i) the fifth (5th) Business Day preceding the Maturity Date of the Notes if the District has not on the eleventh (11th) Business Day prior to the Maturity Date deposited with the Trustee sufficient cash or Government Obligations to pay the Outstanding Notes together with accrued but unpaid interest thereon to the Maturity Date; or (ii) the tenth (10th) Business Day following the delivery to the Developer of written notice from the Trustee or the Owners of more than fifty percent (50%) of the Outstanding Notes of the occurrence and continuance of an Event or Default under the Supplemental Indenture or under the Note Purchase Agreement.

In the Note Purchase Agreement, the Developer has waived any right to require the Trustee to proceed against the District or against any other person or to apply any security it may hold or to pursue any other remedy before it may proceed against the Developer under the Note Purchase Agreement and has agreed that until all of the terms, covenants and conditions of the Note Purchase Agreement are fully performed, the obligations of the Developer thereunder are and shall be absolute and unconditional except as otherwise expressly provided therein. The Developer's obligations under the Note Purchase Agreement terminate, and the Mortgage securing such obligations shall be released as to such obligations upon the earlier to occur of, the date on which the Notes are no longer Outstanding or the Developer has satisfied its obligation to purchase the Notes pursuant to the Note Purchase Agreement. The Form of the Note Purchase Agreement is attached as Appendix "D" hereto.

THE MORTGAGE

The Mortgage which will be filed in the real property records of Osceola County in connection with the issuance of the Notes encumbers approximately 3,405 gross acres of property (the "Land") owned by the Developer adjacent to the District. The Land has received a macro PUD approval to have developed on it approximately 2,500 residential units and 100,000 square feet of commercial/retail space. The Mortgage is being provided by the Developer as security for the payment obligations of the Developer under the Note Purchase Agreement and grants a first security interest in the Land and in certain real property and fixtures and other interests and rights subject to Permitted Encumbrances all as provided in the Mortgage. The form of the Mortgage is attached as Appendix "E" hereto. In addition to providing

security for the payment obligations of the Developer under the Note Purchase Agreement, the Mortgage is also being provided to secure the payment obligations of the Developer under the Debt Service Reserve Fund Deficiency Agreement to be entered into by the Developer, Arthur J. Gallagher & Co. and the Trustee in connection with the issuance by the District of the 2001 Bonds. The form of the Debt Service Reserve Fund Deficiency Agreement is attached as Appendix "H" hereto. The Mortgage provides that, until the Notes are no longer Outstanding or the Developer (directly or through an affiliate) has purchased the Notes in satisfaction of its obligation under the Note Purchase Agreement, the lien of the Mortgage as security for the obligations of the Developer under the Debt Service Reserve Fund Deficiency Agreement is subordinate and inferior to the lien and pledge granted as security for the obligations of the Developer under the Note Purchase Agreement.

In connection with the issuance of the Notes the Developer has obtained an MAI appraisal of the Land. Such appraisal may be obtained from the Underwriter as described under "SUITABILITY FOR INVESTMENT" herein.

Upon occurrence of any Event of Default under the Mortgage, other than a failure to pay the purchase price at the time and the amounts specified in the Note Purchase Agreement, the Trustee shall, but only at the written direction of the Owners of all the Outstanding Notes, exercise any of the remedies available under the Mortgage. In case of the Event Default due to failure to pay the purchase price at the time and the amounts specified in the Note Purchase Agreement, the Trustee will accelerate the indebtedness secured by the Mortgage and shall foreclose the Mortgage pursuant to applicable law unless otherwise directed in writing by the Owners of 100% of the outstanding principal amount of the Notes.

Pursuant to the Mortgage, the Developer may sell, transfer or convey title to the property secured by said Mortgage and release such property from lien of the Mortgage provided there is on deposit in the Escrow Account created pursuant to the Mortgage, Cash or Cash Equivalents in an amount equal to the Required Cash Equivalent Balance as a result of such transfer and any preceding transfers.

An ALTA title insurance policy or policies in regard to the Land will be in place at the time of delivery of the Notes. This insurance policy will provide protection against defects in title to the real estate, but not against failure by the District to make payments under the Indenture or any failure by the Developer to perform under the Note Purchase Agreement.

NOTE OWNERS' RISKS

The purchase of the Notes involves a high degree of risk and therefore the Notes are not an appropriate investment for most types of investors. The ability of the District to issue a sufficient amount of Bonds to retire the Notes on the maturity date is dependent on the successful completion and operation of the Project and on the timeliness of the development of the District and the ability of the Developer to successfully develop and market the District to bring to the District users of the System (hereinafter defined).

This section does not purport to summarize all risks that may be associated with purchasing or owning the Notes, and prospective purchasers are advised to read this Limited Offering Memorandum including all appendices hereto in its entirety to identify investment considerations relating to the Notes.

Additional Funds

The proceeds of the Notes will not provide sufficient wastewater capacity to serve all of Phase I of the Development. The District anticipates that the funds needed to expand the wastewater system will come either from funds provided by a purchaser of the System; see "ACQUISITION OF SYSTEM BY OSCEOLA COUNTY" herein; additional District utility debt or Developer advances. Should such additional funds not be available to the District as needed, the ability of the District to issue a sufficient amount of Bonds to retire the Notes could be severely impacted.

Limited Recourse

It is currently anticipated that the primary source of repayment of the Notes shall be a sufficient portion of the proceeds of the Bonds. As of the date of this Limited Offering Memorandum, the District has authorized the issuance of and validated not to exceed \$50,000,000 in Bonds. However, there are no assurances that a sufficient amount of Bonds will be sold to repay the Notes or that the Bonds will be issued in time to repay the Notes at maturity. Issuance of Bonds is dependent on the District adopting a rate schedule and on there being sufficient users and prospective users of the System (hereinafter defined) to provide sufficient net revenues to enable the sale and delivery of the Bonds. In the event the District does not issue the Bonds prior to the maturity date of the Notes, payment of debt service on the Notes is dependent on the performance of the Developer under the Note Purchase Agreement or the ability of the Trustee to realize sufficient proceeds under the Mortgage to retire the Notes. These and other remedies may in many respects require judicial actions which are often subject to discretion and delay.

Development Risks

The willingness or ability of the Developer to perform under the Note Purchase Agreement may be dependent on the success of the Development. The development of the Development may be affected by changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of the Developer. In addition, the development of the 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 improvements, both public and private, and construction of the Project must be in accordance with applicable zoning, land use and environmental regulations. Failure to obtain any such approvals in a timely manner could delay or adversely affect the development of the Project or the Development, which may negatively impact the Developer's desire or ability to continue development of the Development as contemplated. No assurance can be given that unknown hazardous materials, protected animals, etc., do not currently exist or may develop in the future whether originating within the District or from surrounding property, and what effect such may have on the development of the Development and Project.

The future development of the vacant land within the District may be adversely affected by existing or future governmental policies, or both, restricting or controlling the development of vacant land in the District. Specifically, investors should consider the broad power of Osceola County to halt or delay approvals under the Development Order. See "THE DEVELOPMENT" herein. There can be no assurance that the owners of the vacant land in the District will be able to secure the necessary discretionary approvals if they choose to develop their properties.

There can be no assurance that land development operations within the District will not be adversely affected by a future deterioration of the real estate market and economic conditions or future local, State and federal governmental policies relating to real estate development, the income tax treatment of real property ownership, or the national economy. A slowdown of the development process and the absorption rate could adversely affect the ability of the District to sell the Bonds or the Developer to perform under the Note Purchase Agreement or the Trustee to realize sufficient proceeds under the Mortgage to pay the Notes. In that event, there could be a default in the payment of principal of, and interest on, the Notes when due.

It is possible that future growth control initiatives could be enacted by the voters or future local, state or federal land use regulations could be adopted by governmental agencies and be made applicable to the development of the vacant land within the District with the effect of negatively impacting the ability of the owners of such land to complete the development of such land if they should desire to develop it. Development could also be delayed or prohibited under the existing development order. This possibility presents a risk to prospective purchasers of the Notes in that as an inability to complete desired development increases the risk that the Notes will not be repaid when due increases. The owners of the Notes should assume that any reduction in the permitted density, significant increase in the cost of development of the vacant land or substantial delay in development caused by growth and building permit restrictions or more restrictive land use regulations would increase the likelihood the District may not be able to sell sufficient Bonds to retire the Notes.

Completion of construction of any proposed structures on the vacant land within the District is subject to the receipt of approvals from a number of public agencies concerning the layout and design of such structures, land use, health and safety requirements and other matters. The failure to obtain any such approval could adversely affect the planned development of such land.

Illiquidity of Notes

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

Endangered Species

In recent years there has been an increase in activity at the State and federal levels related to the possible listing of certain plant and animal species found in central Florida area as endangered species. An increase in the number of endangered species could curtail development in the District. Any action by the State or federal governments to protect species located on or adjacent to the property within the District could negatively impact the ability of the owners of that land to develop it. See "Development Risks" above.

Natural Disasters

The District may be subject to unpredictable fires, flood, or other natural disasters. This represents a potential risk for damage to buildings, roads, bridges and property within the District. In the event of a severe fire, flood or other natural disaster, there may be significant damage to both property and infrastructure in the District including the System. Damage to the System would limit Net Revenues and consequently limit the ability of the District to issue the Bonds. In that event, there could be a default in the payment of principal of, and interest on, the Notes when due.

Loss of Tax Exemption

As discussed under the caption "TAX MATTERS," the interest on the Notes could become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Notes as a result of a failure of the District to comply with certain provisions of the Internal Revenue Code of 1986, as amended. Should such an event of taxability occur, the Notes are not subject to early redemption and will remain outstanding to maturity or until redeemed under the optional redemption provisions of the Indenture.

Limited Secondary Market

There can be no guarantee that there will be a secondary market for the Notes or, if a secondary market exists, that such Notes can be sold for any particular price. Although the District and the Developer have committed to provide certain financial and operating information as set forth in Appendix "F" hereto, there can be no assurance that such information will be available to Noteowners on a timely basis. See "CONTINUING DISCLOSURE." The failure to provide the required financial information does not give rise to monetary damages but merely an action for specific performance. Occasionally, because of general market conditions, lack of current information, or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Regulation and Control of System

The System is subject to regulation and control by numerous federal, state and local governmental agencies. Neither the District nor its consultants can predict future policies such agencies may adopt. Future changes could result

in the District having to discontinue operations at certain facilities or to make significant capital expenditures and could generate substantial litigation.

Bulk Sale

In the event the Trustee is forced to foreclose under the Mortgage to attempt to pay the Notes, there can be no assurance that any sale, particularly a bulk sale, of land will produce proceeds sufficient to pay the full amount of the Notes.

ESTIMATED SOURCES AND USES OF NOTE PROCEEDS

Sources of Funds

Principal Amount of Notes	\$8,080,000.00
Plus Accrued Interest	12,120.00
Total Sources	\$8,092,120.00

Use of Funds

Deposit to 2001 Acquisition and Construction Account	\$7,184,758.53
Deposit of Accrued and Capitalized Interest to Interest Account	581,622.90
Deposit to 2001 Cost of Issuance Account	204,538.57
Underwriter's Discount	121,200.00
Total Uses	\$8,092,120.00

DEBT SERVICE REQUIREMENTS

The following table sets forth the scheduled debt service on the Notes.

<u>Bond Year Ending May 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Debt Service</u>
2002	\$ -	\$318,150 ⁽¹⁾	\$ 318,150
2003 ⁽²⁾	8,080,000	545,400	8,625,400
TOTAL	\$8,080,000	\$863,550	\$8,943,550

⁽¹⁾ Interest in these periods capitalized from Note proceeds and interest thereon. Interest on the Notes has been capitalized through November 1, 2002.

⁽²⁾ Final maturity on the Notes is May 1, 2003.

THE PROJECT

General

The District has planned certain capital improvements for the Water, Wastewater and Irrigation Systems (collectively, the "System") during the next seven (7) fiscal years, a portion of which will be funded from utility system revenue debt, including the Notes. The projected cost of such improvements, including an allowance for contingencies and an allowance for renewals and improvements, and other costs (e.g., meter installations costs), is anticipated by the District to be \$18,209,150 (approximately 73% of which is expected to be financed with utility system revenue debt). The following table sets forth the various sources to finance the System.

Total System Costs	\$18,209,150
Estimated Funding Source	
Renewal & Replacement Fund	\$96,000
System Capacity Fees	4,704,,000
Utility Debt Proceeds	
Notes	7,300,000
Series 2004	4,250,000
Series 2006	1,770,000
System Operating Revenue	<u>88,650</u>
Total Estimated Funding Sources	\$18,209,150

The current Development Order requires that the entitled portion of the Development must utilize central water and sewer services for at least ninety-six percent (96%) of the dwelling units and that water conservation measures must be used including effluent re-use for irrigation.

Capital Project Summary

The providing of the System is directly tied to the development of the District's utility service area. The Notes will provide initial funding for the Phase IA Water and Wastewater Treatment Plants. The Notes will also provide funding for irrigation (reclaimed water), water distribution and wastewater collection facilities associated with initial development phases along major collector roads within the District.

Water, wastewater, and irrigation facilities internal to the neighborhoods, commercial/office areas, and recreational areas will be constructed by the developers and will be dedicated to the District. The capital costs associated with those contributed are not included in the capital improvement plan since they will not be funded by the District.

The following is a general description of the primary capital projects to be funded by the Notes. The projected total capital cost for these projects is \$7,300,000. These projects will begin in Fiscal Year 2001, and are scheduled for completion during the Fiscal Year 2002.

Phase IA Water Treatment Plant and Related Piping \$2,570,000

The Phase IA Water Treatment Plant (WTP) will have an annual average design capacity of 576,000 gpd. Primary facility components will include a 500,000-gallon ground storage tank with forced draft aerator; high service pumps; hydropneumatic tank; disinfection facilities; polyphosphate feed facilities; and electrical equipment, instrumentation and controls. The Phase IA facilities will be designed such that they can be incorporated into future WTP phases. The Phase IA WTP will have the ability to meet a maximum daily flow requirement of 1,296,000 gpd. The proposed potable water supply and treatment facilities will be located off-site from the service area boundaries. Hence, piping systems will be required to connect these off-site facilities to the service area. The off-site raw water transmission and potable water distribution piping associated with the Phase IA WTP are also included in the \$2,570,000 total projected cost. The total projected cost also includes a \$250,000 contingency for the possible addition of odor control and pH adjustment facilities for the Phase IA WTP. The necessity of implementing this contingency will be evaluated once the Phase IA WTP is operational.

Phase IA Wastewater Treatment Plant and Related Piping \$1,080,000

The Phase IA Wastewater Treatment Plant Facility (WWTF) will have a design capacity of 130,000 gpd. The Phase IA WWTF will be designed for secondary level treatment and will utilize a package-type design of pre-cast concrete construction. The package system will include the following unit processes: bar screening, extended aeration, secondary clarification, aerated sludge holding, and chlorination. Phase IA effluent disposal will be accomplished via

an on-site rapid infiltration basin system. All Phase IA facilities will be designed such that they can be incorporated into future WWTF phases. Upon completion of the future Phase IB, the Phase IA package treatment system will be converted to an aerobic digestion system, and the rapid infiltration basins will be maintained as an alternate effluent disposal/storage facility. The proposed wastewater treatment facility will be located off-site from the service area boundaries and thus, piping will be required to connect this off-site facility to the service area.

Irrigation (Reclaimed Water) Facilities **\$1,500,000**

The irrigation (reclaimed water) facilities will be comprised of water supply, storage, and pumping systems. Initially, the irrigation water supply will be provided by on-site irrigation wells. However, as reclaimed water becomes available from the wastewater treatment plant (Phase IB onward), the well water will be used to supplement the reclaimed water supply. Primary facility components will include two irrigation wells, a ground storage tank, high service pumps, hydropneumatic tank, disinfection facilities, and electrical equipment, instrumentation and controls.

On-Site Piping Systems **\$1,900,000**

Piping systems to be constructed within the District boundaries will include water distribution, gravity sewers, sewage pumping stations, sewage force mains, and irrigation (reclaimed water) distribution facilities. The primary pipeline material will be polyvinyl chloride (PVC), although ductile iron pipe may be used in some locations. The majority of piping will be constructed within public rights of way along major collector roads within the District. The estimated cost breakdown for on-site piping is as follows:

On-Site Water Distribution	\$510,000
On-Site Wastewater	1,140,000
On-Site Reclaimed Water/Irrigation	250,000
Total	\$1,900,000

Utility Site Land Cost **\$250,000**

The proposed Phase IA potable water supply, water treatment, wastewater treatment, and effluent disposal facilities will be located on property located off-site from the service area boundaries. The Developer has agreed to donate any additional land as required support to the proposed development of the District.

For additional information regarding the Project and the System, see Appendix "A" hereto.

ACQUISITION OF SYSTEM BY OSCEOLA COUNTY

One of the conditions of approval included as part of the provisions of the Third Amended Development Order Project: Birchwood Development of Regional Impact Osceola County (the "Development Order"), permits Osceola County (the "County") to elect to be the water and wastewater provider for the District in accordance with the following options:

1. Informing the District in writing prior to May 1, 2000 of its election to provide service and if elected, the County would commit to providing service within fifteen (15) months or by August 1, 2001.
2. The District will plan, design, permit and construct the Phase 1A component of the System and dedicate such facilities to the County upon completion. Under this option, the County would assume all bond/debt obligations allocable to the System.
3. For the County to take over ownership, operation and maintenance of the water and wastewater facilities following a future phase of development and assume all bond/debt obligations.

The Development Order also has an option that the District can plan, design, permit, construct, operate and maintain the water and wastewater facilities to serve in perpetuity.

With respect to the first option, the County did not notify the District of its intent to be the water and wastewater provider as of May 1, 2000 and this option is no longer considered by the District as being available to the County. The County has expressed an interest in being the water and wastewater provider sometime in the future for the District utility system service area.

Pursuant to the Supplemental Indenture, the District covenants and agrees that so long as the Notes are Outstanding, it will not sell or transfer all or any portion of the System.

THE DISTRICT

General Information

The District was established upon the petition of Birchwood Acres Limited Partners by Osceola County effective on March 6, 2000. The District is located within unincorporated Osceola County and encompasses approximately 995.95 acres of land in the center of the Development.

Legal Powers and Authority

The District is an independent unit of local government created by and established in accordance with the Act. 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 and grants legal power and authority, among other things, for community development districts (such as the District) to finance the acquisition, construction, operations and maintenance of the major infrastructure for community development pursuant to its general law charter (sections 190.006 through 190.041, Florida Statutes).

Among other provisions, the Act gives the District's Board of Supervisors the authority to (a) plan, establish, acquire, construct or reconstruct, enlarge or extend, equip, operate and maintain systems and facilities for: (i) water management and control for lands within the District and to connect any of such facilities with roads and bridges; (ii) water supply, sewer and waste-water management reclamation and reuse systems 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; (iii) District roads equal to or exceeding the specifications of the county in which such district roads are located and street lights; and (iv) with the consent of the local general-purpose government within the jurisdiction of which the power is to be exercised, parks and facilities for indoor and outdoor recreational uses and security; (b) borrow money and issue debt of the District; (c) impose and foreclose special assessments liens as provided in the Act; and (d) 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 any land use plans or zoning ordinances and the Act does not empower the District to grant building permits; these functions are to be performed by general purpose local governments having jurisdiction over the lands within the District.

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 owner of lands of the District to pursue any remedy for enforcement of any lien or pledge of the District in connection with its debt, including the Notes.

Board of Supervisors

The governing body of the District is its Board of Supervisors (the "Board"), which is composed of five Supervisors (the "Supervisors"). The Act provides that, at the initial meeting of the landowners, Supervisors must be elected by the landowners with the two Supervisors receiving the highest number of votes to serve for four years and the remaining Supervisors to serve for a two-year term. The Developer as the majority owner of the lands within the District determined and elected the composition of the current Board. Three of the five Supervisors are elected to the Board

every two years in November. At such election the two Supervisors receiving the highest number of votes are elected to four-year terms and the remaining Supervisor is elected to a two-year term. Until the later of six (6) years after the initial appointment of Supervisors or the year in which there are at least 250 qualified electors in the District, or such earlier time as the Board may decide to exercise its ad valorem taxing power, the Supervisors are elected by vote of the landowners of the District. Ownership of the land within the District entitles the owner to one vote per acre (with fractions thereof rounded upward to the nearest whole number). Upon the later of six (6) years after the initial appointment of Supervisors or the year in which there are at least 250 qualified electors in the District, the Supervisors whose terms are expiring will be elected (as their terms expire) by qualified electors of the District, except as described below. A qualified elector is a registered voter who is at least eighteen years of age, a resident of the District and the State of Florida and a citizen of the United States. At the election where Supervisors are first elected by qualified electors, two Supervisors must be qualified electors and be elected by qualified electors, one to a four-year term and one to a two-year term. The other Supervisor will be elected by landowners for a four-year term and is not required to be a qualified elector. Thereafter, as terms expire, all Supervisors must be qualified electors and are elected to serve staggered terms. If there is a vacancy on the Board, the remaining Board members are to fill such vacancy for the unexpired term.

Notwithstanding the foregoing, if at any time the Board proposes to exercise its ad valorem taxing power, prior to the exercise of such power, it shall call an election at which all Supervisors shall be qualified electors and shall be elected by qualified electors in the District. Elections subsequent to such decision shall be held in a manner such that the Supervisors will serve four-year terms with staggered expiration dates in the manner set forth in the Act.

The Act provides that it shall not be an impermissible conflict of interest under Florida law governing public officials for a Supervisor to be a stockholder, officer or employee of a landowner. The current members of the Board and the expiration of the term of each member are set forth below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Greg Butterfield*	Chairman	November, 2004
Martha Lentz	Vice Chairman	November, 2004
William Johnson	Assistant Secretary	November, 2002
Ken Peach	Assistant Secretary	November, 2002
James O'Keefe	Assistant Secretary	November, 2002
*Arthur J. Gallagher Insurance Broker		

A majority of the members of the Board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Action taken by the District shall be upon a vote of a majority of the members present unless general law or a rule of the District requires a greater number. All meetings of the Board are open to the public under Florida's open meeting or "Sunshine" law.

The District Manager and Other Consultants

The chief administrative official of the 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. Severn Trent Environmental Services, Inc. serves as District Manager. The District Manager is actively involved in the management of more than 90 special districts throughout the State of Florida, including community development districts, that have

collectively issued in excess of \$1,000,000,000 of debt in more than 90 separate financings. The District Manager's office is located at 10300 Northwest 11th Manor, Coral Springs, Florida 33071, and his telephone number is (954) 753-0380.

The Act further authorizes the Board to hire such employees and agents as it deems necessary. Thus, the District has employed the services of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, as Bond Counsel; Young, van Assenderp & Varnadoe and Anderson, P.A., Tallahassee, Florida, as District Counsel; and Boyd Environmental Engineering, Inc., and Public Resources Management Group, Inc. to prepare the Project Feasibility Report.

Outstanding Debt of the District

The District has previously issued its Bond Anticipation Notes, Series 2000 in the principal amount of \$5,000,000. Such Notes will be defeased with a portion of the proceeds of the 2001 Bonds. Such Notes have no lien on the 2001 Trust Estate.

THE DEVELOPMENT

The following information appearing below under the captions "THE DEVELOPMENT" and "THE DEVELOPER" has been furnished by the Developer for inclusion in this Limited Offering Memorandum and, although believed to be reliable, such information has not been independently verified by the District or its counsel, or the Underwriter or its counsel, and no persons other than the Developer make any representation or warranty as to the accuracy or completeness of such information supplied by them. For additional information regarding the Development, potential investors should review the offering document for the 2001 Bonds. See "SUITABILITY FOR INVESTMENT" herein.

General

Birchwood (the "Development") is an approximately 11,000 acre site located on U.S. 192 in eastern Osceola County. Approximately 46% of the site, 5,023.7 acres, is entitled as a master planned Development of Regional Impact ("DRI"). The Developer purchased 10,084 acres of the Development in August, 1998 and purchased the balance of the property in two (2) separate transactions.

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 entitlements vested to the property under the DRI allow for a development program that consists of:

- 4,824 residential units;
- 474,000 gross square feet of commercial;
- 79,000 gross square feet of village commercial;
- 385,000 gross square feet of office;

- a Town Center providing a mix of uses for the entire community; and
- an 18-hole golf course.

The Birchwood plan calls for 70% open space, including nearly 1,000 acres of natural lakes known as Buck Lake and Cat Lake. In addition, the DRI sets aside land areas for special uses such as: community and village parks; an interconnected bikeway and pedestrian path system; institutional uses including fire, police, EMS, public schools, library, Harmony Institute and places of worship; on-site water and wastewater facilities; wetland preserves, upland preservation areas for gopher tortoises, sandhill cranes and rare plant species; and an interconnected water management system and a wastewater reuse system.

The District represents the first phase of development to occur in the Development. The plan for the District is further described below under the "Development Plan." The balance of the property that is currently unentitled, which is not part of the DRI, will require rezoning and other entitlements prior to development.

The Development Order

The Development Order initially approved by Osceola County effective February 22, 1995 as subsequently amended and governing the development of the entitled portion of the Development provides among other matters that: (i) the community must include 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 non-residential 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; (ii) the community may not have a density greater than two (2) dwelling units per gross acre if it has 50% to 70% open space, and a density greater than three (3) dwelling units per gross acre if it has more than 70% open space; (iii) residential densities must be linked to pedestrian-oriented town center, with higher density development generally occurring in the core of the town center; (iv) the community must utilize central water and sewer services for at least 96% of the dwelling units; development within the community must utilize water conservation measures including efficient re-use for irrigation; (v) the community must have at least 50% open space; the development activities must not encroach upon wetlands except for crossing; and measures must be taken to conserve environmentally sensitive lands; (vi) at least 20% of the residences constructed within the community must be affordable to low-income households; (vii) the Development shall bear all costs for extension of services and facilities needed to serve the Development; (viii) the right to develop subject to the terms, general provisions, and the conditions of the Development Order shall terminate fifteen (15) years from the effective date of the second amended development order. In the event the Developer fails to have substantially proceeded with the approved development within five (5) years of the effective date of such development order, then development approval shall terminate; (ix) prior to development activities, the Developer shall have an approved sandhill crane management plan which establishes preservation areas for and maintenance of foraging; the management plan shall include the preservation and maintenance of 90 acres of grassland habitat; (x) there shall be no more than one (1) boat ramp access to Cat Lake, two (2) ramp access to Buck Lake, and one (1) ramp access to the canal system; (xi) access to Buck and Cat Lakes will be restricted to residents of the Development; high speed motorboats will not be allowed in these lakes; a no wake zone will be established to help maintain shoreline vegetation; (xii) the use of septic tanks will be limited to sixty (60) estate lots on the north side of Cat Lake; (xiii) no structural building permits shall be issued for the site until it has been demonstrated to the satisfaction of the Florida Department of Community Affairs and Osceola County that sufficient funds have been committed or are scheduled to be committed for the construction of the first phase of both the on-site wastewater treatment plant and the on-site water treatment plant; (xiv) on-site residential development shall only proceed to the extent that the School District of Osceola County determines that adequate school facilities for grades K-12 exist to serve the development; (xv) the Birchwood DRI shall not commence beyond an equivalent of 16,200 external daily trips unless U.S. 192 is six-laned from Neptune Road to Michigan Avenue; (xvi) the Birchwood DRI shall fund and operate an internal shuttle system throughout the project site; (xvii) the Developer or their assigns 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; there shall be funding of the cost of signalization at project entrances and internally to the site when deemed warranted by Osceola County or the FDOT; (xviii) the plan of development shall provide for the development of a child care center on the site; (xix) the Developer shall not proceed to residential construction for the next Phase, nor shall building permits be issued for any additional residential dwelling units (except for affordable housing required by the Development Order,) unless and until

the non-residential development (building permit stage or later) meets or exceeds the jobs required on-site according to the specified mix of employment opportunities; and (xx) buildings on the site will be designed to include energy conserving features.

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 (10) 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 Osceola 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 Notes that they know of no reason why all conditions of the Development Order will not be complied with as required.

Development Plan

District

The Harmony Community Development District is a portion of the Birchwood DRI, consisting of approximately 995.95 acres. The District is in the approximate center of the overall Development. The table below presents the entitlements for property within the District. This program has been approved by Osceola County at the DRI, zoning, Macro CDP and site plan levels of approval.

Land Use Summary Within the District Boundaries

<u>Land Use</u>	<u>Acres</u>	<u>Density</u>	<u>Percentage of Total</u>
Residential	305	2,060 D.U.	31%
Village Commercial	6.7	40,000 GSF	1
Commercial	21.1	399,000 GSF	2
Office	23.5	385,000 GSF	2
Institutional	16.6	13.5 AC	1
Office Space/Parks	50.9		5
Golf Course/Clubhouse	296.6	18 Holes	30
Town Center	27.4		3
Retention/Detention Ponds ⁽¹⁾	60.3		6
Road ROW	47.9		5
Conservation/Preservation Areas	<u>143.95</u>		<u>14</u>
TOTAL	995.95		100

The above land use designations and projected entitlements are based on the current Macro CDP with Osceola County. In order to respond to changing market conditions, the Developer believes that Osceola County would entertain changes to the projected land uses for property within the District, if such changes were consistent with the DRI, if so warranted by the market at the time of sale.

The first phase of infrastructure for the property will provide physical access to approximately 970 residential units, the golf course and the initial phase of commercial development. The breakdown of the projected product types and projected development is shown in the table below.

Product Type Total Units

Residential

80' Wide Lots	38
65' ""	104
52' ""	125
42' ""	162
35' ""	66
Town Homes	170
Condos	305
	970

Non-Residential

Golf Course (Acres)	286
Commercial (Improved sq.ft.)	235,000

It is expected that the first lots within the District will be available for sale in April 2002. The following table sets forth the Developer's expectation of absorption for this first phase of the Development.

Calendar Year	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Residential</u>								
80' Wide Lots	-	9	15	6	8	-	-	-
65' ""	-	15	25	29	35	-	-	-
52' ""	-	35	20	30	40	-	-	-
42' ""	-	28	54	35	45	-	-	-
35' ""	-	11	-	22	33	-	-	-
Townhomes (Units)	-	6	24	60	80	-	-	-
Condos (Units)	-	-	-	-	-	305	-	-
Total Unit Count	-	104	138	182	241	305	-	-
<u>Non-Residential</u>								
Golf Course (Acres)		286	-	-	-	-	-	-
Commercial Space (Sq.Ft.)		55,000	30,000	75,000	75,000	-	-	-

These anticipated absorption rates are based on estimates and assumptions made by the Developer that are inherently uncertain, though considered reasonable 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.

Parks

In addition to the construction of the major infrastructure, including the System, the District will build active and passive recreation parks. Four categories of parks will be developed: 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 will include ball fields and hard court facilities, such as tennis and basketball. Playground equipment will also be included. The first active recreation park will be built concurrently with the first residential neighborhood. The general use parks will include park benches and recreation equipment appropriate to the site. The pet friendly parks will be

fenced and hedged, and will have pet waste disposal facilities. The general use and pet friendly parks will be built concurrently with the residential neighborhoods that they serve.

The Buck Lake Park will be 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. A substantial part of the Buck Lake park will be built during the District's first construction phase.

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 School District has committed to build a high school on the site, subject to the standard qualifying conditions for building new schools. The School District included \$800,000 of design costs in its 2001/02 fiscal year budget and is expected to include \$38.2 million of construction costs in its 2002/03 fiscal year budget. The School District has stated that it anticipates the high school to open in August, 2004. The School District and the Developer are working with Florida Department of Transportation to secure a commitment to build a pedestrian underpass under U.S. 192, connecting the community and the high school site. The underpass, if approved, will be built during the widening of U.S. 192.

In addition to the School District's current plans to open the high school, the Developer anticipates the development of a charter school within the District. On June 12, 2001, the School District approved a charter contract for a new charter school to be developed in 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 will be responsible for the development and implementation of the charter school. The Developer has reserved a permanent charter school site on 5 acres adjacent to a 9.5 acre planned recreational park. The access and infrastructure services for this site are planned to be included in the second phase of development within the District. Prior to that time, the Developer anticipates that the Harmony School will establish temporary quarters within the Town Center and open initially as a K-2 facility.

Traditional Neighborhood Development

In accordance with the requirements of the Birchwood 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 the 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

The Developer intends to develop lots and sell improved lots or parcels to an approved group of builders. To date, the Developer has not entered into any definitive agreements with potential builders. 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 recreational amenities limited to single neighborhoods. The neighborhoods will be similar in design to the neighborhoods in Abacoa, a traditional neighborhood development located 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 primarily primary home buyers (family and retirees) with some second home buyers.

Golf Course

The Developer is funding the golf course with its own funds. Johnny Miller Design Group (Los Angeles) is designing the course. The course will be a public course and no private memberships are anticipated to be sold. The Developer began construction on the golf course in April, 2001 and it is expected to be completed and ready for play in March, 2002. The construction cost of the golf course is approximately \$4 million. As a public course it will be open to the public at expected green fees ranging from \$40 to \$75 per round.

Mortgages

There are no mortgages on the real estate constituting the District.

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 which 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, involved in the rescue, rehabilitation and release of wildlife, and Personal Ponies provide handicapped and critically ill children with miniature Shetland ponies. The participating program showcase partners are existing organizations which 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 three, existing TND communities located in the southern and southeastern market areas of the Orlando metro 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. Celebration, Disney's successful TND community, is located on U.S. Highway 192, approximately 20 miles west of the Development.

The Developer expects the Development to compete favorably with the competition because of the amenities including the golf course, lakes, parks, the to be constructed schools, the Harmony Institute and related programs, the widening of Highway 192, and because housing within the Development will be less expensive compared to similar products within the competing developments.

THE DEVELOPER

General

The developer and current owner of all the land within the District is Birchwood Acres Limited Partnership, LLLP, a Florida limited partnership (the "Developer"), the general partner of which is Three E Corporation, a Florida corporation (the "General Partner") and the sole limited partner of which is AJG Financial Services, Inc., a Delaware corporation ("AJG Financial"). The Developer was formed as of July 31, 1998, with an initial capital contribution from the limited partner of \$10,327,459.56 in cash and a general partner's initial capital contribution of \$648,000 in cash and services. Under Florida law, the partners are not liable for the obligations of the Developer. The President and owner of Three E Corporation is Mr. James Lentz who will oversee the development team for the Development. Mr. Lentz 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 had reported revenue for the year ended December 31, 2000 of \$740,596,000. 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.

Although AJG Financial related entities have been investors in real estate transactions, and Mr. Lentz has over 25 years experience in public finance, their experience in raw land development is limited. Accordingly, the general partner of the Developer formed a development company (Ranch Enterprise Developer) to manage the Development project and staffed it with individuals with extensive expertise in development and management of land development projects. The following individuals are the key employees of the development company:

- Mr. David Evans serves as the development company's President and Chief Operating Officer. Mr. Evans has twenty years of experience in residential and mixed-use real estate development, preceded by seven years of experience as a professional planning consultant. Mr. Evans has extensive experience in land development and sales, with both national development companies and private investment groups. Mr. Evans has been directly responsible for the development of over 7,000 acres of mixed-use and residential projects in four states, including the development of over 10,000 residential lots. Responsibilities have included entitlement, land development, marketing and sales, golf course construction and operations and club management. Mr. Evans has a Masters Degree in Urban and Regional Planning and is a member of the American Institute of Certified Planners. Other memberships include the Urban Land Institute, the Congress for the New Urbanism and the American Planning Association.
- Vence Smith, Jr. will serve as Vice President of the company and is in charge of real estate development. Mr. Smith, a licensed real estate broker since 1970, has over thirty years of experience in all forms of mixed-use developments, has served as a regional vice president for a national homebuilding company, and has been involved in developing over 15,000 residential lots in the Southeastern United States.
- Mr. Jack Ostrander will serve as the company's Golf Course Superintendent. Mr. Ostrander has been a certified Golf Superintendent for twenty years and involved in golf projects for over thirty-six years. His extensive experience includes involvement in the design and construction of golf courses and as project manager both nationally and internationally. Mr. Ostrander has worked with Arnold Palmer, Robert Trent Jones, Jr., Gary Player and Jack Nicklaus.

The Financing Plan

The full development of the land in the District requires the expenditure of substantial amounts directly related to the property for other infrastructure improvements. The table below has been provided by the Developer to indicate its present projection of the sources and uses associated with the development of the property. The Developer's projection of sources and uses associated with the development of this property is based on current land use approvals.

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**DEVELOPER'S PROJECTED SOURCES AND USES OF FUNDS
PUBLIC AND PRIVATE INFRASTRUCTURE**

	At or Prior to Closing	2001	2002	2003	2004 and Beyond	Totals
<u>Sources of Funds</u>						
Developer Equity	\$14,957,000	-	-	-	-	\$14,957,000
<u>AJG Secured Financing</u>						
2000 VRDO Securities (1)	12,410,000	-	-	-	-	12,410,000
2001 Line of Credit (2)	8,500,000	-	-	-	-	8,500,000
<u>Assessment Bonds</u>						
2000 Assessment BANs (3)	4,700,000	-	-	-	-	4,700,000
2001 Assessment Bonds (4)	-	9,000,000	-	-	-	9,000,000
Future Assessment Bonds (5)	-	-	-	3,912,500	3,912,500	7,825,000
<u>Utility Bond Net Proceeds</u>						
2001 Utility BANs (6)	-	7,255,000	-	-	-	7,255,000
Future Utility Bonds (7)	-	-	-	4,250,000	1,770,000	6,020,000
Utility System Capacity Fees (8)	0	0	-	-	4,704,000	4,704,000
TOTAL SOURCES	\$40,567,000	\$16,255,000	\$0	\$8,162,500	\$10,386,500	\$75,371,000
<u>Uses of Funds</u>						
<u>Land Acquisition (9)</u>						
Original Land Purchase	10,000,000	-	-	-	-	10,000,000
Subsequent Payments under Seller	10,613,000	-	-	-	-	10,613,000
Additional Land Purchases	<u>1,303,000</u>	-	-	-	-	<u>1,303,000</u>
Land Acquisition Costs	21,916,000	0	0	0	0	21,916,000
<u>Private Development Costs</u>						
Development Costs (10)	5,140,000	2,210,000	-	-	-	7,350,000
Golf Course Development (11)	750,000	3,250,000	250,000	-	-	4,250,000
Lot Development (12)	-	<u>2,000,000</u>	<u>1,500,000</u>	-	-	<u>3,500,000</u>
Private Development Costs	5,890,000	7,460,000	1,750,000	0	0	15,100,000
<u>Public Development Costs</u>						
Master Infrastructure (13)	-	3,000,000	-	1,775,000	1,775,000	6,550,000
Mass Grading/Stormwater (13)	-	1,800,000	-	-	-	1,800,000
Landscaping/Hardscape (13)	-	2,450,000	-	1,037,500	1,037,500	4,525,000
Recreation/Parks (13)	-	1,750,000	-	1,100,000	1,100,000	3,950,000
Land Acquisition (Park at Buck Lake) (13)	4,700,000	-	-	-	-	4,700,000
Water System Costs (14)	-	1,120,000	1,450,000	-	3,789,000	6,359,000
Wastewater System Costs (14)	-	460,000	620,000	-	4,525,000	5,605,000
Reclaimed Water System (14)	-	635,000	865,000	-	212,000	1,712,000
Utility Site Purchase (14)	-	250,000	-	-	-	250,000

Source: The Developer.

- (1) The Developer closed on a \$12.4 million borrowing in October, 2000 (the "Harris Loan") which borrowing is secured by a letter of credit of the Bank with a reimbursement agreement from Gallagher. These funds were applied to refinance existing Developer debt of approximately \$11 million, fund initial design of the golf course, and provide the Developer approximately \$1 million of working capital. This financing does not encumber any of the lands owned by the Developer.
- (2) As a condition to closing of the 2001 Bonds, the Developer will have secured a \$8.5 million credit facility. The Developer has secured such commitment. This line of credit will not encumber the mortgaged property. The proceeds of this line will be used to make the next scheduled payment under the seller's note scheduled for July 30, 2001 of \$4,346,784 which includes a principal portion of \$3,420,000 and an interest portion of \$926,784. This payment is also a condition of closing on the 2001 Bonds. Once made the principal amount of the seller's note will be reduced to \$8,164,800. Furthermore, all of the land with DRI entitlements will be released from the seller's note mortgage after the July 30, 2001 payment.
- (3) On December 19, 2000, the District sold the \$5,000,000 of such notes. Such notes will be defeased with a portion of the proceeds of the 2001 Bonds. The net proceeds of such notes were used to purchase a large park site from the Developer. The Developer has and is reinvesting those proceeds directly into the Development.
- (4) The deposit to the acquisition and construction fund for the 2001 Bonds, together with interest earnings thereon, are projected to be sufficient to meet the \$9 million infrastructure phase I budget for the District.
- (5) The District anticipates the sale of additional assessment bonds to finance other infrastructure projects within the District. These figures represent the Developer's current estimate of assessment revenue bond sales required to meet the Developer's master infrastructure and other capital needs.
- (6) This represents the expected net Note proceeds.
- (7) The District anticipates the sale of additional utility revenue bonds to finance future phases of the utility system within the District. These figures represent the Developer's current estimate of required utility revenue bond sales required to meet the Developer's water and wastewater needs.
- (8) Like any newly developing property, the property in the District will be required to pay a capacity connection fee to the utility system. This fee would be paid by the builders of property. The amount shown here is an estimate of the capacity fees that would be available based on the Developer's projected absorption schedule. This amount was calculated by the District's utility consultants and set forth in Exhibit A hereto.
- (9) Payments made to acquire Development property.
- (10) This amounts includes approximately \$3.4 million expended since 1998 for legal, DRI amendments, County and State processing fees, planning, engineering, surveys, CDD establishment, charter school establishment, site development and other general operating costs. Also included in this figure is approximately \$1.74 million in interest paid on various loans estimated through July 31, 2001. The additional amount expected for the balance of 2001 is an estimate of \$2.21 million.
- (11) The golf course has been under development since March 2001 and is expected to be completed in April 2002. This is the Developer's expected budget for the golf course construction. This amount does not include a permanent clubhouse facility. The Developer is currently making design modifications to the permanent clubhouse. The Developer expects to start construction of a permanent clubhouse in 2001 with completion in middle to late 2002. The current estimate of construction cost ranges from \$1.5 million to \$2 million depending upon final design modifications. Such additional funding is expected to come from sales of property and/or additional Developer financing.
- (12) The Lot Development Cost shown here is for the Neighborhoods A1 (50 multi-family sites at \$10,000/site or \$500,000) and B/C (223 single family home sites at \$13,500/site or \$3 million). The balance of the site development costs for the first phase of development as shown in "THE DEVELOPMENT - Development Plan" are expected to be financed from land sale proceeds or additional bank borrowings. The developer expects the additional site development costs to be \$3.67 million (272 single family homes) and \$1.2 million (120 multi-family units). The commercial/retail development costs and the condo development costs, pursuant to current market traditions, to be paid by the purchaser of those property types.
- (13) As estimated by the District Engineer.
- (14) As estimated by the District's Utility Engineer. See Exhibit A hereto.

ADDITIONAL FINANCING

At approximately the same time as the District issues the Notes, the District will issue the 2001 Bonds in the principal amount of \$17,700,000. The 2001 Bonds are being issued for the principal purpose of financing and refinancing the construction of the infrastructure for Phase I of the Development. Such 2001 Bonds will be secured by and payable primarily from non-ad valorem special assessments and will not be secured by or be payable from the 2001 Trust Estate. However, as described under "THE MORTGAGE" herein, the obligations of the Developer under the Debt Service Reserve Fund Deficiency Agreement, entered into by the Developer in connection with the issuance of the 2001 Bonds, is secured by the Mortgage subordinate to the lien securing the Developer's payment obligations under the Note Purchase Agreement.

TAX MATTERS

Opinion of Bond Counsel

In the opinion of Bond Counsel, the form of which is included as Appendix C hereto, the interest on the Notes is excludable from gross income and is not a specific item of tax preference for federal income tax purposes under existing statutes, regulations, rulings and court decisions. However, interest on the Notes is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations pursuant to the Internal Revenue Code of 1986, as amended (the "Code"). Failure by the District to comply subsequently to the issuance of the Notes with certain requirements of the Code, regarding the use, expenditure and investment of Note proceeds and the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the Notes to become includable in gross income for federal income tax purposes retroactive to their date of issue. The District has covenanted in the Indenture to comply with all provisions of the Code necessary to, among other things, maintain the exclusion from gross income of interest on the Notes for purposes of federal income taxation. In rendering this opinion, Bond Counsel has assumed continuing compliance with such covenants.

Internal Revenue Code of 1986

The Code contains a number of provisions that apply to the Notes, including, among other things, restrictions relating to the use of investment of the proceeds of the Notes and the payment of certain arbitrage earnings in excess of the "yield" on the Notes to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Notes being included in gross income for federal income tax purposes retroactive to their date of issue.

Collateral Tax Consequences

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of, the Notes. Prospective purchasers of the Notes should be aware that the ownership of the Notes may result in other collateral federal tax consequences. For example, ownership of the Notes may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Notes, (2) the branch profits tax, and (3) the inclusion of interest on the Notes in passive income for certain Subchapter S corporations. In addition, the interest on the Notes may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE NOTES AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL OR CORPORATE NOTEHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE NOTEHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Florida Taxes

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

Other Tax Matters

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

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 Notes. 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 to the Notes. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Notes and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Notes.

AGREEMENT BY THE STATE

Under the Act, the State of Florida pledges to the holders of any debt issued thereunder, including the Notes, that it will not limit or alter the rights of the District to own, acquire, construct, reconstruct, improve, maintain, operate or furnish the projects subject to the Act or to levy and collect taxes, assessments, rentals, rates, fees, and other charges provided for in the Act and to fulfill the terms of any agreement made with the holders of such Notes and that it will not in any way impair the rights or remedies of such holders.

LEGALITY FOR INVESTMENT

The Act provides that the Notes are legal investments for savings banks, banks, trust companies, insurance companies, executors, administrators, trustees, guardians, and other fiduciaries, and for any board, body, agency, instrumentality, county, municipality or other political subdivision of the State of Florida, and shall be and constitute securities which may be deposited by banks or trust companies as security for deposits of state, county, municipal or other public funds, or by insurance companies as required or voluntary statutory deposits.

SUITABILITY FOR INVESTMENT

In accordance with applicable provisions of Florida law, the Notes may be sold by the District only to "accredited investors" within the meaning of Chapter 517, Florida Statutes and the rules promulgated thereunder. Investment in the Notes poses certain economic risks. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum. Additional information will be made available to each prospective investor, including the benefit of a site visit to the District, and the opportunity to ask questions of the Developer, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of Notes. Prospective investors are encouraged to request such additional information (including but not limited to the offering document for the 2001 Bonds), visit the District and ask such questions. Prospective investors in the Notes are encouraged to review the offering document for the 2001 Bonds prior to making a decision about an investment in the Notes. Such requests should be directed to Banc of America Securities, LLC, 750 South Orange Avenue, Winter Park, Florida 32789, Telephone: (407) 646-6118, Attn: Ramiro Albarran.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Section 517.051, Florida Statutes, and the regulations promulgated thereunder (the "Disclosure Act") requires that the District make a full and fair disclosure of any debt obligations that it has issued or guaranteed and that are or have been in default as to principal or interest at any time after December 31, 1975 (including debt obligations for which it has served only as a conduit such as industrial development or private activity Notes issued on behalf of private businesses). The District is not and has never been in default as to principal and interest on any debt it has issued or guaranteed.

ENFORCEABILITY OF REMEDIES

The remedies available to the Owners of the Notes upon an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Indenture and the Notes may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Notes will be qualified, as to the enforceability of the remedies provided in 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.

FINANCIAL ADVISOR

Morgan, Keegan & Company, Inc., Charlotte, North Carolina, is serving as financial advisor to the District in connection with the issuance of the Notes.

LITIGATION

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

NO RATING

No application for a rating for the Notes has been made to any rating agency, nor is there any reason to believe that an investment grade rating for the Notes would have been obtained if application had been made.

EXPERTS

The Project Feasibility Report included in Appendix "A" to this Limited Offering Memorandum has been prepared by Boyd Environmental Engineering, Inc., and Public Resources Management Group, Inc. Appendix "A" should be read in its entirety for complete information with respect to the subjects discussed therein.

CONTINUING DISCLOSURE

The Act requires that financial statements of the District be audited by an independent certified public accountant at least once a year. The Act further provides that the District's budget for the following fiscal year be adopted prior to October 1 of each year. Meetings of the District's Board of Supervisors are open to the public, and a proposed schedule for meetings of the year is published at the beginning of each year. Notice of meetings is published and the agenda for meetings are made available to the public prior to each meeting.

The District and the Developer have covenanted for the benefit of Noteholders to provide certain financial information and operating data relating to the District, the Developer, the Development and the System (the "Annual Report"), and the District has covenanted to provide notices of the occurrence of certain enumerated events, if deemed by the District to be material. The Annual Report will be filed by the District or a dissemination agent on behalf of the District with each National Recognized Municipal Securities Information Repository ("NRMSIR") and State Repository, if any, as set forth in the Continuing Disclosure Agreement (Appendix "F" hereto). The notices of material events will be filed by the District or a dissemination agent on behalf of the District with the Municipal Securities Rulemaking Board and with each NRMSIR and State Repository, if any, as set forth in Appendix "F" hereto. The specific nature of the information to be contained in the Annual Report and a listing of the notices of material events is set forth in "Appendix "F" hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

Neither the District or the Developer have ever failed to provide continuing disclosure with respect to the aforementioned rule.

UNDERWRITING

The underwriter listed on the cover page of this Limited Offering Memorandum (the "Underwriter") has agreed pursuant to a contract with the District, subject to certain conditions, to purchase the Notes from the District at a purchase price of \$7,958,800.00 (representing \$8,080,000 aggregate principal amount of the Notes, less an underwriter's discount

of \$121,200.00) plus accrued interest. The Underwriter's obligation is subject to certain conditions precedent and the Underwriter will be obligated to purchase all the Notes if any are purchased. The Notes may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter.

CERTAIN RELATIONSHIPS

It should be noted that the expected purchaser of all of the 2001 Bonds intends to purchase at least \$100,000 principal amount of the Notes. Since the exercise of certain remedies under the Mortgage occurs at the written direction of the Owners of all Outstanding Notes, the purchaser of the 2001 Bonds as a Note Owner will have the power to grant or withhold its consent to the exercise of certain remedies under the Mortgage.

CONTINGENT FEES

The District has retained Bond Counsel and the Financial Advisor with respect to authorization, sale, execution and delivery of the Notes. Payment of the fees of such professionals and a discount to the Underwriter (which includes the fees of Underwriter's Counsel) are each contingent upon the issuance of the Notes.

VALIDATION

The 2001 Bonds are part of a series of bonds which were validated by final judgment of the Circuit Court of the Ninth Judicial Circuit in and for Osceola County, Florida, rendered on August 4, 2000. The appeal period for the bonds has expired with no appeal having been filed.

LEGAL MATTERS

Certain legal matters related to the authorization, sale and delivery of the Notes are subject to the approval of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Akerman, Senterfitt & Eidson, P.A., Orlando, Florida. Certain legal matters will be passed upon for the District by its counsel, Young, van Assenderp, Varnadoe & Anderson, P.A., Tallahassee, Florida, for the Trustee by its counsel, Holland & Knight, LLP, Miami, Florida and for the Developer by its counsel, Baker & Hostetler, LLP, Orlando, Florida.

FINANCIAL STATEMENTS

The District was established on March 6, 2000 and its first fiscal year ended September 30, 2000. The District's audited financial statements for the period ended September 30, 2000 are attached as Appendix "G" hereto. The District's independent auditor has consented to the use of their report herein. The District has covenanted in the Continuing Disclosure Agreement set forth in Appendix "F" hereto to provide its annual audit commencing with the audit for its fiscal year ended September 30, 2001 to certain information repositories as described in Appendix "F".

MISCELLANEOUS

Any statements made in this Limited Offering Memorandum involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Notes and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such documents for full and complete statements of such provisions. Contemporaneously with the issuance of the Notes, Bond Counsel will deliver its opinion to the effect that the summaries of the Indenture, Notes, and the provisions of the Code are fair and accurate summaries of such provisions and the Chairman or other authorized officer of the District will furnish a certificate to the effect that nothing has come to his attention that would lead him to believe that this Limited Offering Memorandum (other than the information under the captions "THE DEVELOPMENT," "THE DEVELOPER," and the subcaption

"DESCRIPTION OF THE NOTES - Book-Entry System" as to which no representation by the District is expressed), as of its date and as of the date of delivery of the Notes, contains an untrue statement of a material fact or omits to state a material fact which should be included herein for the purposes for which the Limited Offering Memorandum is to be used, or which is necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

This Limited Offering Memorandum has been prepared in connection with the sale of the Notes and may not be reproduced or used, as a whole or in part, for any purpose. This Limited Offering Memorandum is not to be construed as a contract with the Holders or Beneficial Owners of any of the Notes.

This Limited Offering Memorandum has been duly authorized, executed and delivered by the District and deemed "final" by the District within the meaning of Rule 15c2-12 of the Securities and Exchange Commission.

HARMONY COMMUNITY DEVELOPMENT DISTRICT

BY: /s/ Greg Butterfield
Chairman, Board of Supervisors

The following information was obtained from the records of the Department of the Interior, Bureau of Reclamation, and the Bureau of Land Management, and is being furnished for your information.

The following information was obtained from the records of the Department of the Interior, Bureau of Reclamation, and the Bureau of Land Management, and is being furnished for your information.

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APPENDIX "A"

PROJECT FEASIBILITY REPORT

7. 10/10/77 - 10/10/77 - 10/10/77

UNITED STATES DEPARTMENT OF THE ARMY
OFFICE OF THE CHIEF OF STAFF

MEMORANDUM FOR THE CHIEF OF STAFF

SUBJECT: [Illegible text]

1. [Illegible text]

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2. [Illegible text]

3. [Illegible text]

4. [Illegible text]

HARMONY COMMUNITY DEVELOPMENT DISTRICT

PROJECT FEASIBILITY REPORT

CAPITAL IMPROVEMENT BOND ANTICIPATION NOTES (UTILITY REVENUE), SERIES 2001

June 20, 2001

Appendix A



**Public Resources
Management Group, Inc.**

THE UNIVERSITY OF CHICAGO

THE UNIVERSITY OF CHICAGO

FORWARDED BY AIR MAIL TO THE DIRECTOR OF INVESTIGATION
FEDERAL BUREAU OF INVESTIGATION, WASHINGTON, D.C.

Winnipeg, 12th March 1938. Dear Mr. G. H. R. Jones:

Journal of Management Education 30(6)p. 789-804

www.elsevier.com/locate/jmb

[illegible]

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1. The first step in the process of the investigation is the identification of the problem. This is done by the investigator who is responsible for the study. The investigator must first identify the problem and then determine the scope of the study. The next step is to design the study. This involves determining the research objectives, the research questions, and the research hypotheses. The investigator must also determine the appropriate research methods and the data collection techniques. The third step is to collect the data. This involves the actual collection of the data from the subjects of the study. The fourth step is to analyze the data. This involves the use of statistical methods to analyze the data and to draw conclusions from the results. The final step is to report the results. This involves the preparation of a report that summarizes the findings of the study and the conclusions drawn from the results.

1. The first step in the process is to identify the problem or issue that needs to be addressed. This involves gathering information and understanding the context of the problem.

June 20, 2001

Honorable Chairman and
Members of the Board of Supervisors
Harmony Community Development District
210 North University Drive, Suite 802
Coral Springs, FL 33071

**Subject: Project Feasibility Report - Capital Improvement Bond Anticipation Notes,
Series 2001**

Honorable Chairman and Members of the Board:

Presented herein is our Project Feasibility Report (the "Report") for inclusion in the Official Statement which summarizes our analyses, studies, and conclusions with regard to the proposal by the Harmony Community Development District located in Osceola County (the "District") to issue approximately \$7,465,000^(*) Capital Improvement Bond Anticipation Note (Utility Revenue), Series 2001 (the "Series 2001 BANs"). The primary purpose of the Series 2001 BANs is to fund the construction of certain capital improvements associated with the initial development of a water, wastewater, and irrigation utility system within the boundaries of the District.

The principal purposes of this Report are to present a summary description of the anticipated or planned facilities which comprise the water, wastewater, and irrigation utility system (the "System") which will service the District, including a discussion of the System service area, the forecast of development or customer growth and capacity needs, anticipated rates or rate levels for service, the projects anticipated to be financed by the issuance of the Series 2001 BANs, as well as a presentation of the projected financial operating results of the System once the facilities are constructed and placed into service. The forecast of the System operations recognizes that the Series 2001 BANs will be taken out with permanent financing associated with the anticipated issuance of approximately \$9,065,000^(*) Capital Improvement Bonds (Utility Revenue), Series 2002 (the "Series 2002 Bonds") and includes projections of the ability of the System to meet the rate covenant requirements of the Indenture of Trust anticipated to be adopted by the District which authorized the District to issue the Series 2001 BANs and the anticipated Series 2002 Bonds.

The financial projections in the Report associated with the issuance with the Series 2001 BANs were based on discussions with and information provided by the District, the Senior Managing Underwriter for the District, information provided by other utilities within the State of Florida, as well as certain assumptions and analysis made by us to such financial projections.

^(*) Preliminary, subject to change.

Findings and Conclusions

Based upon the principal considerations and assumptions and the results of our studies and analyses, as summarized in this Report which should be read in its entirety in conjunction with the following, we are of the opinion that:

1. The cost of the planned facilities for the water, wastewater, and irrigation system is reasonable based on the available information to us and comparisons to similar facilities constructed for other Florida utilities.
2. Recognizing the planned capital facilities for the System, the water and wastewater system will have sufficient capacity to meet the projected service area needs through the fiscal year ending September 30, 2008 based on the customer and service area forecast assumed for the purposes of this Report.
3. During the course of the engineering due diligence investigations, nothing has come to the attention of the consulting engineer that lead them to believe that significant funds would be required to finance additional capital requirements of the System over and above what is presented in the Report. Should the investigations conducted subsequent to the issuance of the Series 2001 BANs reveal the need for the funding of additional capital requirements or an increase in costs required to construct the facility as identified herein, funding can be provided by several options including, but not limited to, the following:
 - i) The receipt of commitments from the Developer Guarantee associated with the establishment of the District;
 - ii) The increase of the principal amount of bonds anticipated to be issued in subsequent phases of System facility expansion which will provide for repayment of any short-term financing requirements, including the use of developer commitments, with such funds being pledged from System Capacity Fees (impact fees) from new development within the District; and
 - iii) Use of additional available funds generated from the application of increased monthly rates and charges of the System.
4. It is anticipated that the District Board will formally adopt a rate resolution which will delineate the rates for service, utility connection policies, and general rate application guidelines for the System. Based on the estimate of the average rates per equivalent residential connection (ERC) served (where one ERC is equivalent to capacity requirements an individually metered single-family residence) as contained in this Report, the rates for

service appear to be comparable to the rates charged for similar service by other neighboring or similar public utilities.

5. The System revenues projected for the Fiscal Years ending September 30, 2003 through 2008 under the District anticipated rates, plus: i) projected additional annual rate revenue based on System growth; ii) the use of funds on deposit in the Capacity Fee Account created by the Indenture of Trust and funded from projected development within the service area; and iii) projection of deposits made by the developer in association with the guarantee of the payment of the Series 2001 BANs and the Series 2002 Bonds should be sufficient to: i) pay all projected expenses; ii) pay the estimated debt service on the Series 2001 BANs and associated Series 2002 Bonds coming due in such years; iii) make the projected deposits necessary to meet the Renewal and Replacement Fund Requirement which is available for additions, extensions, and improvements to the System; and iv) generally meet the rate covenants of the Indenture of Trust.

The ability of the System to meet the debt service requirements and comply with the rate covenants of the Indenture of Trust are subject to the assumptions and considerations identified in the Report and information obtained during preparation of the Report regarding the System and the associated financial projections reflected therein. As such, the Report should be read in its entirety with respect to such projections.

Respectfully submitted,

Boyd Environmental Engineering, Inc. Public Resources Management Group, Inc.

James Boyd, P.E.
President

Robert J. Ori
President

HARMONY COMMUNITY DEVELOPMENT DISTRICT
PROJECT FEASIBILITY REPORT
CAPITAL IMPROVEMENT BOND ANTICIPATION NOTES (UTILITY REVENUE),
SERIES 2001

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HARMONY COMMUNITY DEVELOPMENT DISTRICT
PROJECT FEASIBILITY REPORT
CAPITAL IMPROVEMENT BOND ANTICIPATION NOTES (UTILITY REVENUE),
SERIES 2001

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HARMONY COMMUNITY DEVELOPMENT DISTRICT

PROJECT FEASIBILITY REPORT CAPITAL IMPROVEMENT BOND ANTICIPATION NOTES (UTILITY REVENUE), SERIES 2001

INTRODUCTION

Presented herein is our Project Feasibility Report (the "Report"), which summarizes our analyses and studies with regard to the proposal by the Harmony Community Development District (the "District") to issue in the principal amount of approximately \$7,465,000^(*) Capital Improvement Bond Anticipation Notes (Utility Revenue), Series 2001 (the "Series 2001 BANs"). The District is a local unit of special purpose government of the State of Florida, created pursuant to the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act") and was established on the property by County Ordinance No. 00-05 as adopted by the Board of County Commissioners on February 28, 2000 with an effective date of March 6, 2000 (the "District Ordinance"). The Series 2001 BANs are being issued by the District pursuant to the Act and an Indenture of Trust dated as of _____, 2001 (the "Indenture"), by and between the District and _____, as Trustee (the "Trustee"). For a more complete description of the Indenture, please refer to "Appendix B - Form of the Master Indenture" in the Official Statement. The Series 2001 BANs are being issued by the District for the purpose of providing funds to: i) pay the costs of construction of the planned capital improvements for initiation of the District's water supply, treatment and distribution system, and wastewater collection, treatment and effluent disposal system and irrigation water supply and transmission system; and ii) pay the costs of issuing the Series 2001 BANs. Neither the credit nor the taxing power of the District will be pledged for debt repayment. It is anticipated by the District that the Series 2001 BANs will be redeemed from the proceeds associated with the issuance of Capital Improvement Bonds (Utility Revenue), Series 2002, which represent permanent financing on behalf of the funding of the District's initial utility infrastructure program.

The District currently does not have an existing utility system, since it was established on February 28, 2000 pursuant to the adoption of the District Ordinance and is now in the initial or beginning phases of development. The primary purposes of this Report are to: i) present a summary description of the District's anticipated or planned water, wastewater and irrigation systems (the "System"); ii) discuss the projects to be financed by the Series 2001 BANs; and iii) present financial projections of the operating results of the System for the period commencing October 1, 2002 through September 30, 2008. Boyd Environmental Engineering, Inc. (the "Consulting Engineer") was responsible for the presentation of the facilities required to provide water, wastewater and irrigation utility service, including facility capacity and service area requirements, cost of construction, and the general utility needs of the System. Boyd

^(*) Preliminary, subject to change.

Environmental Engineering, Inc. ("Boyd") is a full-service environmental and infrastructure consulting engineering firm located in the Orlando, Florida area. The firm has provided water and wastewater management system planning, permitting, design, construction administration, and operational assistance to counties, municipal governments, and other private and public utilities in Florida for over eight (8) years and is the District's consulting engineers as it relates to the design of the water production and wastewater treatment facilities and other general utility engineering matters.

Public Resources Management Group, Inc. (the "Feasibility Consultant") was responsible for the development of the financial projections of the System. Public Resources Management Group, Inc. ("PRMG") is a recognized utility management consulting firm that specializes in the development of rates and charges and financial projections for publicly owned utility systems, primarily in Florida. The firm has been involved in numerous utility financings involving the issuance of utility revenue bonds and the performance of financial evaluations associated with private to publicly-owned utility acquisitions in Florida.

In the preparation of this Report, Boyd and PRMG have relied upon information, assumptions and projections furnished by the management of the District and others, including the estimated levels of debt service requirements by the District's Senior Managing Underwriter, and we have utilized information obtained from other utility systems in Florida and other sources. While we believe the sources of such information, assumptions and projections to be reasonable for the purposes of this Report, we offer no assurances with respect thereto. The actual results achieved during the forecast period reflected in this Report may vary from those projected and such variations could be material. Such projections are, therefore, subject to adjustment and we can give no assurances that the projections will be realized.

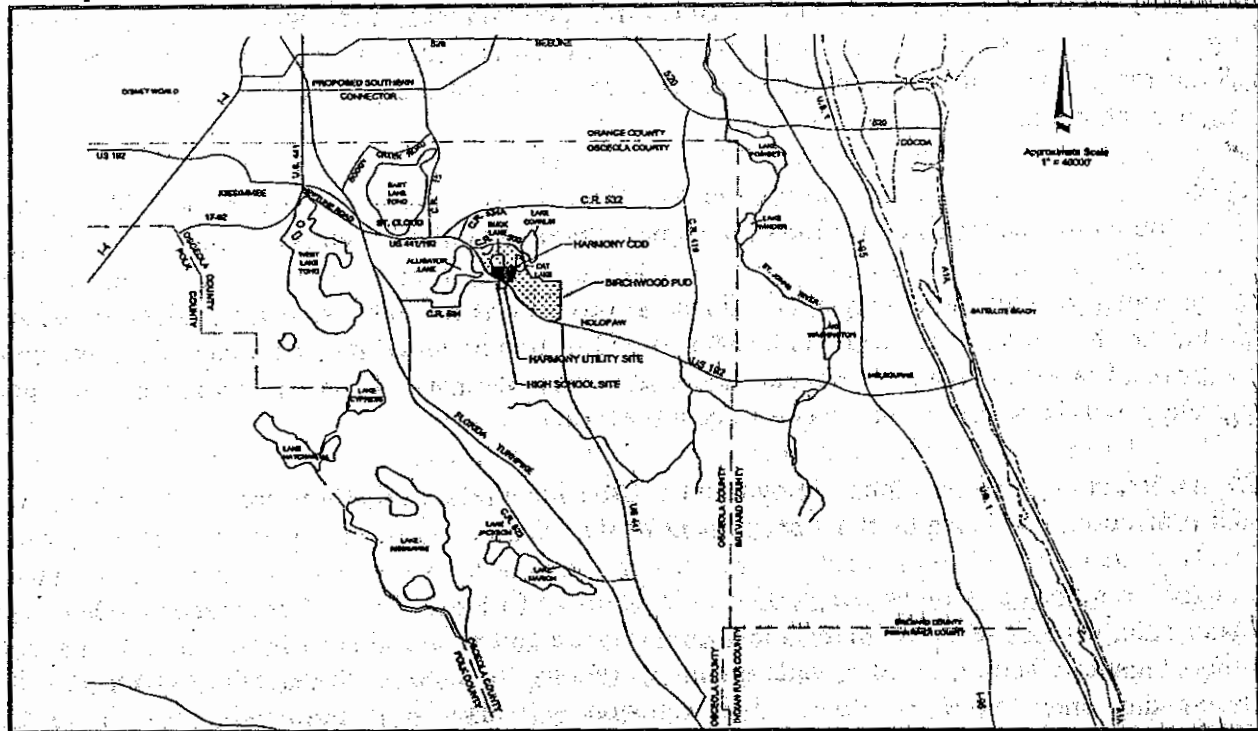
This Report summarizes the results of our studies and analyses up to the date of this Report. Prospective purchasers of the Series 2001 BANs should not rely upon the information contained in this Report for a current description of any matters set forth herein as of any date subsequent to the date of this Report. Changed conditions occurring or becoming known after such date could affect the material presented herein to the extent of such changes.

THE SYSTEM

General

The District is an independent unit of local government created in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act") and was established effective February 28, 2000 coincident with the adoption of the District Ordinance by Osceola County. The Act was enacted in 1980 to provide a uniform method for the establishment of independent districts, such as the District, to manage and finance basic community development services, including capital infrastructure (such as the provision of

water and wastewater service) required for community developments throughout the State of Florida. The Act provides legal authority for community development districts to finance the acquisition, construction, operation and maintenance of the major infrastructure for community development.



The District forms a portion of the Birchwood Planned Unit Development (PUD) located in Osceola County, Florida. A map depicting the location of the District and the Birchwood PUD is shown in the above figure. Located in the central portion of Osceola County (the "County"), the District encompasses approximately 993-acres and is a master planned community consisting of residential, commercial, office, and recreational land uses. The System Service area encompasses the geographical boundaries of the District as well as a future high school site that will lie adjacent to the District. The proposed potable water supply, water treatment, wastewater treatment, and effluent disposal facilities will be located off-site from the service area boundaries. Transmission piping will connect these off-site facilities to the service area. All other System components will be located within the service area. As can be seen above, the District is located within 60 miles of the Cities of Orlando, Kissimmee and St. Cloud and the resorts of Disney World, Sea World, and Universal Studios.

System Operations

The District will be operated under the direction of a District Manager, who will be directly responsible to the Board of Supervisors. The operating functions of the System are planned to be handled via contracted services in accordance with the following categories:

1. Administration and Management.
2. Field Operations and Maintenance.
3. Accounting, Customer Service and Meter Reading.

The following is a brief description of the operation functions of the utility:

Administration and Management: This function will handle the executive operations of the utility such as planning; budgeting; administration of contracted services; operations oversight; coordination with other governmental entities; coordination with State regulatory agencies; and reporting to the Board of Supervisors. This function will be performed by: i) Birchwood Acres, L.P. relative to the planning and general management activities; and ii) Severn Trent Environmental Services/Gary Moyer, P.A. for the daily budgeting and accounting, and cash/inventory purchasing activities of the District.

Field Operations and Maintenance: This function will be responsible for the operations of the water supply and treatment plant; the wastewater treatment and effluent disposal facilities; and the irrigation facilities. The water plant operations function is responsible for the supply, treatment, and storage of water. This function will also be responsible for providing the District's water customers with a safe and reliable supply of drinking water in order to comply with all local, state, and federal standards for potable water quality. The wastewater plant operations function will be responsible for the operation, maintenance, and regulatory reporting for the wastewater treatment plant and operation and maintenance of the effluent disposal facilities. The irrigation operations function will be responsible for the operation and maintenance of the raw water irrigation wells and irrigation water storage and pumping facilities. Other field responsibilities will include the maintenance of water mains; irrigation mains; gravity sewers and force mains; fire hydrants; and lift stations throughout the District's utility service area. Responsibilities also extend to the prompt repair and maintenance of leaks, major line breaks, new installations, lift station repairs, and correction of sewer backups. This function will be performed by a private contract operator experienced in and licensed to operate on a daily basis the water, wastewater, and irrigation system infrastructure. The selection of the private contractor(s) will be accomplished prior to the in-service date (serving active accounts) of the System.

Accounting, Customer Service and Meter Reading: The function will be responsible for all customer service activities, including meter reading, customer billing, and collection for the water, wastewater and irrigation system. This function is also responsible for coordinating the

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preparation of all financial and budgetary documents as well as monitoring the daily financial operations of the of the System for rate and bond covenant compliance. This function will be performed by the management of the Harmony CDD relative to general customer service activities. The cost of reading the potable water and irrigation water meters and the rendition of bills will be performed by a private contractor experienced with these specific utility services. The selection of the private contractor(s) will be accomplished prior to the in-service date (serving active accounts) of the System.

Water System

General

The Water System will be comprised of raw water supply and transmission facilities, a water treatment plant; and water distribution facilities. The distribution portion of the Water System will be constructed commensurate with development, while the remaining portions of the Water System will be constructed in the following phases:

Phase	Cumulative Average Day Capacity (gpd)	Projected Year On-Line
IA	576,000	2002
IB	576,000	2004
II	1,000,000	2006

The proceeds from the Series 2001 BANs, and ultimately from the Capital Improvement Bonds (Utility Revenue), Series 2002 (the "Series 2002 Bonds"), will provide the initial funding for the construction of the Phase IA water supply and treatment facilities. The funding of future water supply and treatment facilities will be achieved through the issuance of future bonds issued on a parity basis to the Series 2002 Bonds with repayment from rates and the use of capacity fees collected from new development within the District.

As noted in the above table, Phase IA of the water supply and treatment system will be designed for an average daily flow capacity of 576,000 gallons per day (gpd). This will provide service to approximately 1,646 equivalent residential connections ("ERCs") within the service area. A water ERC represents the equivalent water usage requirements of a typical single-family residential customer, and is assumed to equal 350 gpd. The following is a description of the proposed Water System.

Source of Supply

The source of the raw water supply for the Water System will be the Upper Floridan Aquifer. The raw water withdrawal will be regulated by the South Florida Water Management District ("SFWMD"). The SFWMD is a public entity of the State of Florida established as a multi-purpose water management district, which has the responsibility of managing the water resources

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within its boundaries. The SFWMD is authorized to require permits for the consumptive use of water. The District has submitted a water use permit (WUP) application to the SFWMD for the anticipated water use associated with the Water System. The WUP was granted by the SFWMD, however, the granted water capacity allocation was determined by SFWMD staff to be in error (inadequate allocation due to administrative staff error). Consequently, the WUP is currently undergoing in-house revision by the SFWMD staff, and it is anticipated that the revised water allocation will be in general conformance with the requested allocation. The revised WUP, when issued by the SFWMD, will likely cover a five-year period. Hence, it will be necessary to submit a renewal WUP application to the SFWMD at the appropriate time.

Projected water capacity demands for the next ten (10) years of development within the District are summarized in the following table:

Year	Requested Potable Water Allocation (gpd)
1	95,000
2	196,000
3	320,000
4	455,000
5	665,000
6	834,000
7	991,000
8	1,201,000
9	1,224,000
10	1,247,000

The above potable water allocation includes a 20 percent allowance for concentrate flow associated with the future water membrane softening process (see discussion of water treatment processes in a later section of this Report). Hence, in terms of finished potable water, the build-out demand (year 10 of water allocation period) is estimated to be approximately 1,000,000 gpd.

The Phase IA Water System will consist of two (2) potable water supply wells. In addition to these Phase IA wells, an additional potable water supply well will be constructed for Phase II of the Water System. These three water supply wells are designed to meet the build-out condition for the service area. The first two wells have already been constructed. A permit for constructing the third (future) well will need to be obtained from the SFWMD and Osceola County at the appropriate time. Detailed information for the wells is as follows:

Well No.	Depth in Well (Ft.)	Casing Depth (Ft.)	Well Diameter (Inches)	Pumping Capacity (GPM)	Actual/Projected Year Installed	Auxiliary Power
1	560	305	12	900	2000	WTP Generator
2	530	305	12	900	2000	Portable Generator/Receptacle
3	500	300	12	900	2006	Well Site Generator

Wells No. 2 and No. 3 will be located off-site from the water plant and will be remotely operated by a radio-based telemetry system. Well No. 1 will be located on the water plant site.

Raw Water Transmission System

The raw water transmission system will carry water from the wells to the water treatment plant. The raw water transmission system will consist of approximately 4500-feet of 12-inch diameter raw water main. Polyvinyl chloride (PVC) piping will be used to eliminate any chance of iron contamination that can be harmful to the future softening membranes located at the treatment plant site. The raw water transmission system has been permitted through the Florida Department of Environmental Protection ("FDEP"), and Osceola County approval is anticipated in the near future.

Water Treatment and Storage

As previously discussed, the Phase IA Water Treatment Plant (WTP) will have an annual average design capacity of 576,000 gpd. Primary facility components for Phase IA will include a 500,000-gallon ground storage tank with forced draft aerator; high service pumps; hydropneumatic tank; disinfection facilities; polyphosphate feed facilities; and electrical equipment, instrumentation and controls. Pumps and electrical/instrumentation components will be housed within a control building. The Phase IA facilities will be designed such that they can be incorporated into future WTP phases.

The Phase IA facilities will include the feeding of a polyphosphate sequestrant to mitigate the natural hardness of the raw water supply. This treatment technology is considered adequate for the relatively low initial water demands that will be experienced, and may be adequate over the long-term. However, for facility planning purposes, it is considered prudent to anticipate the future addition of membrane softening technology for the mitigation of natural raw water hardness. Consequently, Phase IB of the water treatment plant will include the addition of membrane softening equipment. The capacity of the Phase IB facility will be equivalent to Phase IA (576,000 gpd annual average basis), and hence Phase IB is considered an upgrade rather than an expansion.

Phase II of the WTP will have a capacity of 1,000,000 gpd (annual average basis) and will be constructed via the modular addition of the aforementioned treatment components. The capacity of the Phase II WTP in terms of ERCs will be 2,857.

All plant phases will have the ability to treat a maximum daily flow requirement of 2.25 times the annual average daily flow. The ability to meet maximum daily flow requirements is mandated by FDEP. Hence, the maximum daily flow capacity of Phase IA and IB will be 1,296,000 gpd, while the maximum daily flow capacity of Phase II will be 2,250,000 gpd. Upon

completion of the Phase II WTP, there will be adequate capacity to meet the potable water needs of the service area. The Phase IA WTP has been permitted through FDEP, and Osceola County approval is anticipated in the near future. Future water plant phases (IB and II) will need to be permitted through FDEP and Osceola County at the appropriate time.

The future membrane softening process will produce a concentrate stream. This stream includes those water quality constituents that have been removed from the raw water by the membrane, such as calcium, iron and total dissolved solids. Typical membrane units produce a concentrate stream that is approximately 20 percent of the raw water flow. Concerning concentrate disposal, it is proposed that the concentrate be pumped to an irrigation holding pond for the planned golf course within the District. At the pond site, the concentrate will be blended with irrigation water obtained from other water supply sources. Therefore, the concentrate stream will become a water resource, rather than a waste product that serves no beneficial purpose. Blending calculations will be performed during the design and permitting process to verify that the proposed concentrate utilization meets regulatory requirements. It will be necessary to obtain an industrial waste permit from FDEP (or a permit exemption) for the concentrate stream disposal.

The water treatment plant will have a standby electrical power source in case of commercial power failure. The standby power will be provided by a diesel fueled auxiliary generator located at the water plant site. The auxiliary generator for the Phase IA construction will be sized to handle the emergency generation needs of the Phase IA water plant as well as the Phase IA wastewater treatment plant.

Water Distribution Facilities

The Water System's water distribution facilities will consist of pipeline ranging in size from 8 to 20 inches in diameter. The primary pipeline material will be PVC, although ductile iron pipe may be used in some locations. The majority of piping will be constructed within public rights of way along the main collector roads within the District. Water distribution piping internal to the neighborhoods, commercial/office areas, and recreational areas will be constructed by the developers and will be dedicated to the District.

The operating pressure of the water distribution system is anticipated to be maintained between 55 and 65 pounds per square inch ("psi"). The water distribution system will be designed to provide peak domestic water demands as well as meet the fire-flow requirements for the service area. The water distribution system will generally consist of a looped network. Dead-end lines will be avoided to the extent possible, since they will require periodic flushing to assure adequate water quality. The water distribution facilities will be equipped with isolation valves to accommodate repairs and maintenance without shutting down significant portions of the Water System at one time. The water distribution system will also include fire hydrants to provide fire protection throughout the service area. All water distribution piping and appurtenances will need to be permitted through FDEP. Water distribution facilities, internal to neighborhoods,

commercial/office areas, and recreational areas will be constructed by the developer and subsequently dedicated to the District.

For sales forecast purposes (as detailed later in this Report), an allowance for unaccounted water ranging from 13 to 15 percent was assumed for the Water System. The allowance for unaccounted water, sometimes referred to as unbilled water, is due to a variety of factors, including water used for line flushing, hydrant testing, fire fighting, construction use, and water losses or system leakage. The unaccounted water percentage is expected to be higher during the first few years of development due to flushing required during the construction of new mains.

Wastewater System

General

The Wastewater System will be comprised of gravity sewer mains; sewage pumping stations and force mains; a wastewater treatment plant; and effluent disposal facilities. Most Wastewater System components will be constructed commensurate with development. However, the wastewater treatment and effluent disposal portions of the Wastewater System will be constructed in the following phases:

Phase	Average Day Capacity (gpd)	Projected Year On-Line
IA	130,000	2002
IB	400,000	2004
II	800,000	2006

The proceeds of the Series 2001 BANs will provide the initial funding for the Phase IA wastewater treatment and disposal facilities with permanent financing being provided by the issuance of the Series 2001 Bonds. The funding of future treatment and disposal facilities will be achieved through the issuance of future bonds on a parity with the Series 2002 Bonds which will be repaid by the imposition of rates and capacity fees to new development associated with the increased capacity.

As noted in the above table, Phase IA of the wastewater treatment and disposal system will be designed for an average daily flow capacity of 130,000 gallons per day (gpd). This will provide service to 464 sewer ERCs within the service area. A sewer ERC represents the equivalent wastewater generation for a typical single-family residential customer, and is assumed to equal 280 gpd. The following is a description of the Wastewater System.

Collection/Pumping

Sewage will be collected from utility customers in gravity sewers typically installed down the center of the street. The collected sewage will flow to pumping stations for transmission via force mains to the wastewater treatment plant. At build-out, a total of four pumping stations will

be located throughout the District. Each pump station will incorporate a generator receptacle to provide power in case of interruption of commercial power.

The collection/pumping system will be constructed in accordance with the latest industry standards. All gravity sewer and force main piping will typically be constructed of PVC, although ductile iron piping may be used in some locations. All collection/pumping system components will need to be permitted through FDEP. Wastewater collection facilities internal to neighborhoods, commercial/office areas, and recreational areas will be constructed by the developers and subsequently dedicated to the District.

Wastewater Treatment and Effluent Disposal

As previously discussed, the Phase IA Wastewater Treatment Facility (WWTF) will have a design capacity expressed on an average daily flow basis of 130,000 gpd. The Phase IA WWTF will be designed for secondary level treatment and will utilize a package-type design of pre-cast concrete construction. The package system will include the following unit processes: bar screening, extended aeration, secondary clarification, aerated sludge holding, and chlorination. Phase IA effluent disposal will be accomplished via an on-site rapid infiltration basin system. However, from Phase IB onward, the WWTF will be designed to produce reclaimed water for public access reuse within the service area. All Phase IA facilities will be designed such that they can be incorporated into future WWTF phases. For example, upon completion of the future Phase IB, the Phase IA package treatment system will be converted to an aerobic digestion system, and the rapid infiltration basins will be maintained as an alternate effluent disposal/storage facility.

Phase IB of the WWTF will have a permitted and design capacity of 400,000 gpd, while Phase II will have a capacity of 800,000 gpd (annual average daily basis). Upon completion of the Phase II WWTF, there will be adequate capacity to meet the wastewater needs of the service area. The Phase IA WWTF has been permitted through FDEP, and Osceola County approval is anticipated in the near future. All future wastewater plant phases will need to be permitted through FDEP and Osceola County.

The wastewater treatment plant will have a standby electrical power source in case of commercial power failure. The standby power will be provided by a diesel fueled auxiliary generator located at the water plant site. (As previously discussed, the auxiliary generator for the Phase IA water plant construction will be sized to handle the emergency generation needs of the Phase IA water plant as well as the Phase IA wastewater treatment plant.)

Off-Site Sludge Disposal

The wastewater treatment plant will generate waste sludge. This sludge will be hauled off-site for treatment and ultimate disposal on agricultural lands. The District will execute a contract

with a licensed sludge hauler for this purpose. The sludge treatment and disposal activities will need to be permitted through FDEP as part of the wastewater facility permitting process. The necessary permit has already been obtained from the FDEP for the Phase IA WWTF.

Irrigation System

General

The Irrigation System will be comprised of water supply, storage, pumping and distribution systems. These systems will be constructed commensurate with development. Initially, the irrigation water supply will be provided by on-site irrigation wells. However, as reclaimed water becomes available from the wastewater treatment plant (Phase IB onward), the well water will be used to supplement the reclaimed water supply. The following is a description of the Irrigation System.

Source of Supply

The initial source of water supply for the Irrigation System will be the Upper Floridan Aquifer. The irrigation water withdrawal will be regulated by the SFWMD. The District has submitted a water use permit (WUP) application to the SFWMD for the anticipated water use associated with the Irrigation System. As previously mentioned under the Water System discussion, the WUP was granted by the SFWMD. However, the granted water capacity allocation was determined by SFWMD staff to be in error (inadequate allocation due to administrative staff error). Consequently, the WUP is currently undergoing in-house revision by the SFWMD staff, and it is anticipated that the revised water allocation will be in general conformance with the requested allocation. The revised WUP, when issued by the SFWMD, will likely cover a five-year period. Hence, it will be necessary to submit a renewal WUP application to the SFWMD at the appropriate time.

In its water use permit application, the District has identified a total of five (5) wells that may be used for irrigation purposes. Three of these wells are existing, while two are proposed for construction. The two new wells will be adequate to meet the build-out condition for the service area. Therefore, the existing wells will be available for backup/contingency purposes. Permits for constructing the two new irrigation wells will need to be obtained from the SFWMD and Osceola County. These new wells will be located within open space areas within the District. Detailed information for the new wells is as follows:

Well No.	Depth in Well (Ft.)	Casing Depth (Ft.)	Well Diameter (Inches)	Pumping Capacity (GPM)	Projected Year Installed
1	500	300	10	1100	2001
2	500	300	10	1100	2001

Storage and Pumping System

Irrigation water will be stored within a ground storage tank located within an open space area within the District. A 10-inch diameter PVC transmission line will connect the irrigation wells to the new storage tank. Located adjacent to the storage tank will be other support facilities including high service pumps, hydropneumatic tank, disinfection facilities, and electrical equipment, instrumentation and controls.

Upon completion of Phase IB of the wastewater treatment facility, highly treated reclaimed water will be pumped from the wastewater facility to the irrigation storage tank. The reclaimed water will serve as the primary source of irrigation water, with groundwater from the irrigation wells serving as a supplemental source. Hence, for Phases IB and II of the wastewater treatment plant, the primary means of effluent disposal will be public-access irrigation within the service area. Such public access irrigation will include irrigation of residential lawns, rights-of-way, parks, and other open space areas. The provision of reclaimed water to the service area will require permitting through FDEP.

Reclaimed water will also be made available to the golf course. A corresponding agreement between the District and the golf course ownership (Birchwood Acres, L.P., or "Birchwood") has been executed. In accordance with the terms of this agreement, the District shall have the right and obligation to provide to Birchwood all "excess" reclaimed water produced by the District. The amount of reclaimed water that constitutes "excess" will be determined at the discretion of the District Board of Supervisors. (In practical terms, it is anticipated that the "excess" reclaimed water will be that portion of reclaimed water that is not needed for the aforementioned public access irrigation within the District.) The reclaimed water will be provided to the golf course at no charge, unless the District Board determines that a potential wholesale market exists for the profitable sale of excess reclaimed water. In that case, Birchwood is given a "right of first refusal" to some or all of the wholesale reclaimed water. Such unit price shall be not more than 75% of the average prevailing unit price (if such market price is determinable), or not more than 65% of any quoted offering price (when such offering price is written and binding and submitted in good faith).

Irrigation Distribution System

The Irrigation System's distribution facilities will consist of pipeline ranging in size from 6 to 12 inches in diameter. The primary pipeline material will be PVC, although ductile iron pipe may be used in some locations. The majority of piping will be constructed within public rights of way along the main collector roads within the District. Irrigation piping internal to the neighborhoods, commercial/office areas, and recreational areas will be constructed by developers and will be dedicated to the District.

The operating pressure of the irrigation distribution system is anticipated to be maintained between 55 and 65 psi. The system will be designed to meet peak irrigation demand within the service area. The irrigation distribution system will generally consist of a looped network. Dead-end lines will be avoided to the extent possible, since they will require periodic flushing to assure adequate water quality. The distribution facilities will be equipped with isolation valves to accommodate repairs and maintenance without shutting down significant portions of the Irrigation System at one time. Once reclaimed water is introduced as a water supply component, it will be necessary to permit the use of the distribution system for reclaimed water irrigation through FDEP. Hence, the irrigation distribution system will be designed and constructed to comply with FDEP reclaimed water standards including setback requirements, identification requirements, etc.

CAPITAL IMPROVEMENT PROGRAM

General

The District has planned certain capital improvements for the Water, Wastewater and Irrigation Systems during the next seven (7) fiscal years, a portion of which will be funded from utility system revenue bonds, including the Series 2001 BANs, and subsequently the 2002 Bonds. The projected cost of such improvements, including an allowance for contingencies and an allowance for renewals and replacements and other costs (e.g., meter installations costs), is anticipated by the District to be \$18,209,150. It should be noted that all lands, rights-of-way, and easements required for the System facilities will be either purchased or donated by the District or developer and will be dedicated to the System. As shown below and on Table 6 at the end of this Report, this amount will be funded primarily from bond proceeds, during the next seven (7) years.

Total System Costs [1]	<u>\$18,209,150</u>
Estimated Funding Sources [1]	
Renewal & Replacement Fund	\$96,500
System Capacity Fees	4,704,000
Utility Bond Proceeds	
Series 2002 [2]	7,300,000
Series 2004	4,250,000
Series 2006	1,770,000
System Operating Revenue	<u>88,650</u>
Total Estimated Funding Sources	<u>\$18,209,150</u>

[1] Amounts derived from Table 6.

[2] Project initially funded from Series 2001 BANs; amount shown reflects permanent financing.

This estimate of the cost of capital improvements was based on estimates made by the District's consulting engineers or as budgeted by the District. In particular, projected costs for on-site and

off-site piping systems (water distribution, sanitary sewer and reclaimed water irrigation facilities) were provided by the District Engineer (Miller Einhouse Rymer and Associates, Inc.) and have not been independently verified by the authors of this Report. Additionally, with the exception of a \$250,000 equivalent cost for land associated with the water and wastewater treatment facilities, the capital expenditures do not include any allowances for the cost of land (plant sites) since such assets will be dedicated by the District at no cost to the System. Table 6 at the end of this Report summarizes the projects and improvements identified by the District and its consulting engineers.

Capital Project Summary

The provision of water, wastewater and irrigation systems is directly tied to the development of the District's utility service area. The Series 2001 BANs will provide the initial funding for the Phase IA Water and Wastewater Treatment Plants. The Series 2001 BANs will also provide the initial funding for irrigation (reclaimed water), water distribution and wastewater collection facilities associated with initial development phases along major collector roads within the District. As previously mentioned, it is anticipated by the District that the Series 2001 BANs will be taken out and replaced by the issuance of the Series 2002 Bonds, which represents a permanent financing structure for the projects. Funding for future utility construction and other capital expenditures will be provided by the issuance of additional parity bonds, rate revenues and deposits made to the Renewal and Replacement Fund.

Water, wastewater, and irrigation facilities internal to the neighborhoods, commercial/office areas, and recreational areas will be constructed by the developers and will be dedicated to the District. The capital costs associated with those contributed facilities are not included in the capital improvement plan shown on Table 6 since they will not be funded by the District.

The following is a general description of the primary capital projects to be funded by the Series 2001 BANs. The projected total capital cost for these projects is \$7,300,000. These projects will begin in Fiscal Year 2001, and are scheduled for completion during the Fiscal Year 2002.

Phase IA Water Treatment Plant and Related Piping \$2,570,000

The Phase IA Water Treatment Plant (WTP) will have an annual average design capacity of 576,000 gpd. Primary facility components for Phase IA will include a 500,000-gallon ground storage tank with forced draft aerator; high service pumps; hydropneumatic tank; disinfection facilities; polyphosphate feed facilities; and electrical equipment, instrumentation and controls. Pumps and electrical/instrumentation components will be housed within a control building. The Phase IA facilities will be designed such that they can be incorporated into future WTP phases. The Phase IA WTP will have the ability to meet a maximum daily flow requirement of 2.25 times the annual average daily flow as mandated by FDEP. Hence, the maximum daily flow capacity of the Phase IA WTP will be 1,296,000 gpd. The proposed potable water supply

and treatment facilities will be located off-site from the service area boundaries. Hence, piping systems will be required to connect these off-site facilities to the service area. Therefore, the off-site raw water transmission and potable water distribution piping associated with the Phase IA WTP are also included in the \$2,570,000 total projected cost. Finally, the total projected cost includes a \$250,000 contingency for the possible addition of odor control and pH adjustment facilities for the Phase IA WTP. The necessity of implementing this contingency will be evaluated once the Phase IA WTP is operational.

Phase IA Wastewater Treatment Plant and Related Piping **\$1,080,000**

The Phase IA Wastewater Treatment Facility (WWTF) will have a design capacity of 130,000 gpd. The Phase IA WWTF will be designed for secondary level treatment and will utilize a package-type design of pre-cast concrete construction. The package system will include the following unit processes: bar screening, extended aeration, secondary clarification, aerated sludge holding, and chlorination. Phase IA effluent disposal will be accomplished via an on-site rapid infiltration basin system. All Phase IA facilities will be designed such that they can be incorporated into future WWTF phases. For example, upon completion of the future Phase IB, the Phase IA package treatment system will be converted to an aerobic digestion system, and the rapid infiltration basins will be maintained as an alternate effluent disposal/storage facility. The proposed wastewater treatment facility will be located off-site from the service area boundaries. Hence, piping will be required to connect this off-site facility to the service area. Therefore, the off-site sewage force main associated with the Phase IA WWTF is also included in the \$1,080,000 total projected cost.

Irrigation (Reclaimed Water) Facilities **\$1,500,000**

The irrigation (reclaimed water) facilities will be comprised of water supply, storage, and pumping systems. Initially, the irrigation water supply will be provided by on-site irrigation wells. However, as reclaimed water becomes available from the wastewater treatment plant (Phase IB onward), the well water will be used to supplement the reclaimed water supply. Primary facility components will include two irrigation wells, a ground storage tank, high service pumps, disinfection facilities, and electrical equipment, instrumentation and controls.

On-Site Piping Systems **\$1,900,000**

Piping systems to be constructed within the District boundaries will include water distribution, gravity sewers, sewage pumping stations, sewage force mains, and irrigation (reclaimed water) distribution facilities. The primary pipeline material will be polyvinyl chloride (PVC), although ductile iron pipe may be used in some locations. The majority of piping will be constructed within public rights of way along major collector roads within the District. The estimated cost breakdown for on-site piping is as follows:

On-Site Water Distribution	\$510,000
On-Site Wastewater	\$1,140,000
On-Site Reclaimed Water/Irrigation	<u>\$250,000</u>
Total	\$1,900,000

Utility Site Land Cost **\$250,000**

The proposed Phase IA potable water supply, water treatment, wastewater treatment, and effluent disposal facilities will be located on property located off-site from the service area boundaries. A \$250,000 not-to-exceed allowance will be set aside for the land value associated with these off-site facilities. The actual land value will be established in the future via an appraisal conducted by a licensed property appraiser. No payment will be made for the land value until the appraisal has been completed and approved by the District. It is anticipated that the appraised value will exceed \$250,000. However, the \$250,000 cap has been established in order to ensure a conservative estimate. It is also important to note that the land owner (Birchwood Acres, L.P.) has agreed to donate any additional land as required support the proposed development of the District.

Renewal and Replacement Fund Summary

Pursuant to the terms and conditions of the Indenture, the District must establish and maintain a Renewal and Replacement Fund ("R&R Fund"). With respect to the R&R Fund, such amounts shall be used by the District for the purpose of paying the costs of extensions, improvements or additions to; or the replacement or renewal of capital assets of the System or extraordinary repairs of the System. The required annual deposit to such fund shall be at least equal to five percent (5%) of the Gross Revenues derived from the operation of the System during the immediately preceding fiscal year or an amount as determined by the District's Consulting Engineers to be sufficient to pay ongoing renewal and replacement expenditures of the System (the "Renewal and Replacement Fund Requirement"). This requirement is established to allow the District to annually deposit funds to the R&R Fund in order to accrue monies for future facility replacement and betterment. With respect to the deposit to the R&R Fund for the projected period reflected in the forecast of utility operations, the amount is slightly greater than the minimum funding requirements of the Indenture. The projected deposit to the R&R Fund from System operations averages approximately 5.2% of the current year System Gross Revenues which recognizes the establishment of an annual accrual for the future replacement of the softening membranes at the water treatment plant which is in addition to accrual of funds for plant replacement (it should be noted that the percentage deposit rate in the last year of the forecast was assumed to be 6.15% of estimated sales revenues). For the projected six (6) fiscal year period reflected in the Report, the R&R Fund deposit was estimated to average approximately \$31,500 annually. This amount is anticipated to be funded annually from System revenues and is to be set aside in the R&R Fund for current or future projects as identified by the District.

PROJECTED SYSTEM SALES AND CUSTOMER USAGE STATISTICS

General

This section of the Report summarizes the anticipated trends in water, wastewater, and irrigation system customers, projected water production and wastewater treatment requirements, and associated sales and usage characteristics for the water, wastewater, and irrigation systems. The projected period reflected in the Report is for the Fiscal Years 2003 through 2008 (whereby a fiscal year is defined as the twelve months ending September 30). Table 1 at the end of this Report reflects the forecast of customer accounts as well as sales and water production requirements for the District's water system. Similar information regarding customers and treatment requirements for the District's wastewater and irrigation systems are shown on Tables 2 and 3 respectively at the end of this Report.

Water System

The projections of the annual customer accounts anticipated to be served by the District's water system was based on the development (lot absorption or sales) forecast prepared by Robert Charles Lesser & Co., the District's Real Estate and Marketing Consultants (the "Marketing Consultants") and Birchwood Acres, L.P., and managers for the development (Birchwood). The forecast of customer accounts reflected on Table 1 for the water system assumed: i) a period of twelve months would occur from the date of the sale of a lot to a builder to account for dwelling unit or building construction, marketing, and closing; and ii) the annual absorption forecast of lot sales as estimated on an annual basis by the Marketing Consultants and subsequent connections to the System would occur uniformly over each individual twelve-month period. Recognizing the construction period of the water system utility plant facilities, it was assumed that the water system would begin to provide service to active accounts beginning with the Fiscal Year 2003 (on October 1, 2002). Based on the lot absorption estimates as prepared by the Marketing Consultants and Birchwood, the following forecast in average annual water accounts, equivalent residential connections (ERC), and water sales (gallons) was assumed.

Water System [1]				
Fiscal Year Ending September 30 (projected)	Average Annual Accounts [2]	Average ERCs Served [3]	Water Sales (000s Gallons)	Average Monthly Use per ERC (gallons)
2003	37	38	2,444	5,361
2004	141	148	9,652	5,434
2005	294	333	22,567	5,647
2006	474	740	44,881	5,054
2007	716	1,184	67,750	4,768
2008	1,024	1,496	85,831	4,781

Footnotes on following page.

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- [1] Amounts derived from Table 1 at end of Report.
- [2] Reflects average accounts served during year; not number of active accounts estimated at year end.
- [3] ERC based on type of customers served and recognizes differences in capacity needs due to size/type of such customers.

The District management has identified and expects a significant amount of development to occur during the next several years. This development will result in a continuous rate of growth for the customer base of the water system and has been recognized in the development of the financial projections presented in this Report. Based on discussions with the District, the completion of the development necessary to achieve the above referenced growth within the water service area will not cause the District's service area to be in a fully built-out situation. It is expected by the District that the System will serve approximately 2,857 water and wastewater ERCs once the first phase (which is the only component of the District being considered at this time) of the master-planned community is fully developed. Based on the projections contained in this Report, the District will be providing service on average to approximately 1,496 water and wastewater ERCs, or 52%, of the total service requirements by the Fiscal Year 2008. An ERC represents the equivalent usage requirements of a single-family residential customer. Since commercial and industrial customers are generally served by larger sized meters than the standard residential customer, it is useful to equate such customers on a basis equivalent to the residential class for a more consistent presentation of the total customer base served. It should be noted that the District has already received commitments for development, which is discussed in greater detail in the Official Statement. Specifically, the following commercial use or development has been identified as:

Osceola High School	2,000 Students
One Charter School	250 Students
Office Space	385,000 Square Feet
Commercial	439,000 Square Feet

Thus and with its close proximity to major metropolitan areas and vacation resorts, it appears that the service area has the potential for a significant amount of development during the forecast period reflected in this Report.

Water sales were based on: i) a review of water and wastewater flow standards per account type (land use) used by the District and other utilities in the evaluation of facilities; ii) comparisons of water use for similarly structural utilities such as the District; and iii) discussions with the District and its Consulting Engineers. Based on projections of retail water sales which recognizes continued development within the District, it is anticipated that the District will have sufficient water production and treatment capacity to serve the anticipated customer demands in the water system service area. As can be seen below, it is estimated that the District will, during

the forecast period, utilize less than 31% of the total anticipated permitted capacity of the water system. This capacity utilization relationship was based on the forecast of water sales for the retail customers served by the water system as summarized on Table 1, the recognition of an allowance for unbilled or unaccounted for water, and average day to maximum day relationships assumed for the District.

Water Production (Finished Water) [1]

Fiscal Year Ending September 30	Permitted Capacity (MGD) [2]	Thousands of Gallons [2]	Average Daily Flow (MGD)	Maximum Daily Flow (MGD) [3]	Percent Capacity Utilized
2003	1,296	2,876	0.008	0.018	0.6%
2004	1,296	11,355	0.031	0.070	5.4%
2005	1,296	26,394	0.072	0.163	12.6%
2006	1,296	52,187	0.143	0.322	24.8%
2007	2,000 [4]	78,324	0.215	0.483	24.2%
2008	2,000	98,657	0.270	0.608	30.4%

MGD = Million Gallons per Day

- [1] Reflects maximum daily demand of the Water Production and Treatment Facilities assumed to be in service during Fiscal Year.
- [2] Amounts derived from Table 1.
- [3] Maximum daily flow projection based on a peak day to average daily demand factor of 2.25 based on the water use capacity criteria used by the District's Consulting Engineer to design the water treatment plant facilities.
- [4] Reflects capacity after expansion of facilities as currently contemplated by the District; actual additions will ultimately depend on service area capacity needs and District plans.

As can be seen above and based on the current schedule of water capacity additions planned for the water service area, it is projected that less than 31% of the available water capacity will be utilized during the forecast period presented in this Report. It should be recognized that for capacity planning purposes, the District's Consulting Engineers have assumed full utilization (and the reservation) of plant use per ERC. This is required in order to ensure that: i) water capacity is available to serve the then existing customers of the service area at requested capacity use/needs; and ii) to allow for the reservation of capacity such that service will be available to allow for future growth. With respect to the planning of potential use requirements, issues such as seasonality and vacancy of occupancy, occupants per household, and weather, can affect actual use and corresponding sales revenues. For the purposes of the financial forecast, a lower average use per ERC (i.e., less than the reserved capacity) was assumed for conservative purposes. It should be noted that if actual use is significantly less than the available capacity to service the area, the District could postpone the addition of increased capacity (plant additions) to provide for a better long-term match of capacity utilization. This would have a positive effect on the financial projections reflected in the Report due to the postponement of the need to finance plant capacity additions.

For the forecast period reflected in the Report, it has been assumed that the Water System will experience unaccounted for or unbilled water averaging approximately 14.0% on an annualized basis during the forecast period. The allowance for unaccounted for water is due to a variety of factors, including water used for water distribution line flushing, hydrant testing, fire fighting, construction water use and water losses (system leakage). Although it is expected that losses due to leakage will be minimal due to the age of the System, it is expected that because of the planned construction activities, the need to use water to flush lines and to insure quality service, will be required. As the service area grows, it is expected that this unbilled water percentage will decrease towards the 5% to 10% range of water production level which is generally consistent with the percentage of water unaccountability experienced by other Florida utilities.

Based on the expected development within the initial construction phases of the District, it has been assumed that the water system customer base will consist primarily of individually metered residential customers, the majority being serviced through a 5/8 x 3/4-inch meter or service. As shown in the table below, this class has been projected to account for approximately 98% of the total average number of customers (accounts) anticipated to be served by the water system by the Fiscal Year 2008:

	Projected for the Fiscal Year 2008			
	Estimated Average Annual Customers	Percent of Total Customers	Estimated Equivalent Residential Connections [1]	Percent of Total ERCs
Residential Class [2]	1,002	97.9%	1,398	93.4%
Commercial Class	22	2.1%	98	6.6
Total	1,024	100.0%	1,496	100.0%

[1] For purposes of this comparison, ERC amounts based on meter size equivalent factors utilized by the Florida Public Service Commission which is based on the maximum water use demand of a meter relative to a 3/4 inch meter.

[2] Amounts shown include multi-family residential accounts which are served by a master water meter.

As summarized on the table above, it has been projected that the water system will provide service to an average of approximately 1,496 ERCs by the Fiscal Year 2008 which is greater than the number of accounts (bills). As previously mentioned, an ERC represents the equivalent usage requirements of a single-family residential customer. Since commercial and industrial customers are generally served by larger sized meters than the standard residential customer, it is useful to equate such customers on a basis equivalent to the residential class for a more consistent presentation of the total customer base served.

Wastewater System

The projection of customers served and associated billed usage or flow for the wastewater system was prepared in a similar manner as previously described for the water system. Specifically, the forecast of accounts was based on the lot development or absorption projections prepared by the District's Marketing Consultants and Birchwood. Based on discussions with District management, it is anticipated that all water connections will receive wastewater service and that the frequency of water-only use will be minimal. Recognizing: i) the development patterns expected for the System service area as prepared by the District's Marketing Consultants and Birchwood; and ii) the estimated water usage (sales) requirements of the customers for which the wastewater usage requirements will be billed, the following is a summary of the projected customer (account) statistics for the wastewater system which is reflected on Table 2 at the end of this Report.

Wastewater System [1]				
Fiscal Year Ending September 30 (projected)	Average Annual Accounts [2]	Average ERCs Served [3]	Billed Sales (000s Gallons)	Average Monthly Billed Sales per ERC (gallons)
2003	37	38	2,030	4,452
2004	141	148	8,030	4,521
2005	294	333	18,691	4,678
2006	474	740	38,046	4,284
2007	716	1,184	58,217	4,097
2008	1,024	1,496	73,796	4,111

[1] Amounts derived from Table 2 at end of Report.

[2] Reflects average accounts served during year; not number of active accounts estimated at year end.

[3] ERC based on type of customers served and recognizes differences in capacity needs due to size/type of customers.

As can be seen above, the forecast in accounts and ERCs served is the same as the water system. It is estimated that over 98% of accounts served will be residential in nature and since septic tanks or other on-site disposal system will not be allowed within the District, the growth in wastewater customers and water customers would tend to be consistent.

As previously discussed with respect to the wastewater system, it is anticipated by the District that the construction of the wastewater treatment and disposal capacity will be performed in a series of phases consistent with the planned development of the District. Initially, it is anticipated that the District will construct a wastewater treatment facility with a design and FDEP permitted capacity of 130,000 gallons per day (gpd). Subsequent to the initial construction, planned capacity expansions are anticipated to allow for ongoing development and future capacity reservation. As was discussed with respect to the water system, the actual expansion of the wastewater facilities will be dependant on actual wastewater treatment requirements of the then existing customer base and future needs of the District. With respect to the projected period reflected in this Report and the forecast of customer growth and usage

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requirements, the estimated utilization of the wastewater treatment capacity for the utility system service area for the forecast period was estimated as follows:

Wastewater Treatment				
Fiscal Year Ending September 30	Permitted Capacity (MGD)[1]	Average Daily Flow(MGD)[2]	Maximum Month Daily Flow	Percent Capacity Utilized
2003	0.130	0.007	0.009	6.9%
2004	0.130	0.028	0.034	26.2%
2005	0.400 [4]	0.063	0.076	19.0%
2006	0.400	0.141	0.169	42.3%
2007	0.800 [4]	0.225	0.270	33.8%
2008	0.800	0.284	0.341	42.6%

[1] Reflects permitted and design capacity of the wastewater treatment facilities assumed to be in service during the fiscal year.

[2] Amounts derived from Table 2 at the end of the Report.

[3] Maximum monthly flow projection based on a maximum month to average daily demand factor of 1.20 based on the wastewater treatment capacity criteria for the design used by the District's Consulting Engineer associated with the design of such respective facilities.

[4] Reflects capacity after expansion of facilities as currently contemplated by the District; actual additions will ultimately depend on service area capacity needs and District plans.

As can be seen above, the projected utilization of the permitted wastewater capacity during the forecast period, which recognizes planned plant additions, is projected not to exceed 43% of available capacity. Thus, the District will have sufficient future capacity to meet ongoing service area needs beyond the forecast period as reflected in this Report, thus avoiding the need to construct additional wastewater capacity above what is assumed in this Report.

Irrigation System

In addition to providing water and wastewater service, the District also anticipates to have an irrigation utility which will allow for the distribution of irrigation quality (IQ) water to the residents and commercial establishments throughout the District service area. The primary purpose of the IQ System is to: i) avoid the need to use potable water for irrigation purposes which will reduce the need to construct additional water production capacity; and ii) improve the aesthetics and the overall marketability of the community to its residents. The IQ System is designed to rely on highly treated wastewater effluent as a primary source of irrigation water. Such supply will be augmented by the use of raw water (groundwater) derived from supply wells to the extent there is not enough highly treated effluent for irrigation purposes. The service area of the IQ System or irrigation system is consistent with the service area of the water and wastewater system and essentially all customers are expected to have the service available. The IQ System is planned to serve retail end users (e.g., single-family residence) on a high pressure delivery basis. Additionally, and as part of the effluent disposal system, the utility will be structured to provide treated effluent to a golf course located within the District boundaries for disposal. This service will be provided on a low pressure delivery basis. The difference between

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the two levels of service deals with: i) quantity of delivery to the end user; and ii) the golf course provides on-site storage and must repump (pressure) the reclaimed water for its irrigation needs. Although the golf course is not considered as a large user in terms of the IQ System, it is linked to such system due to the ability to take treated effluent from the wastewater treatment facilities as required.

The forecast of the irrigation customers and usage requirements was prepared in a similar manner as previously discussed for the water and wastewater systems. As previously mentioned, it is anticipated by the District that all residential customers located within the District will have IQ System water available. As such, the anticipated growth of this service is anticipated by the District to be consistent with the anticipated growth of the water and wastewater system. Table 3 at the end of this Report provides the projections of the IQ System customer statistics, which is summarized below:

Fiscal Year Ending September 30 (projected)	Irrigation System [1]			Large User (Low Pressure) Service [3]	
	Retail (High Pressure) Service [2]			Reclaimed	Average Daily
	Average Annual Accounts [4]	Average ERCs Served [5]	IQ Water Sales (000s gallons)	Water Sales (000s gallons)	Flow (MGD)
2003	38	53	3,717	-	-
2004	131	166	11,819	-	-
2005	259	480	32,899	-	-
2006	392	854	48,000	-	-
2007	590	1,268	65,703	-	-
2008	856	1,552	85,100	-	-

[1] Derived from Table 3 at the end of the Report.

[2] Reflects IQ System water sales which recognizes as a source of supply: i) treated effluent from the District's wastewater treatment facilities; and ii) non-potable water from groundwater supply wells.

[3] For illustrative purposes only; reflects sales of treatment effluent to golf course to augment on-site raw water supply wells of golf course which are not considered as part of the IQ System.

[4] Reflects average accounts served during the year; not number of active accounts estimated at year end.

[5] ERC based on type of customers served and recognizes differences in capacity needs due to size/type of customer.

The growth in the IQ System customers and sales was based on the forecast of future development as previously discussed. Based on discussions with the District, all new development will be required to have an irrigation system installed as part of the extension of service. The purpose for this development policy includes, but is not limited to: i) the need to have "take-back" provisions for the disposal of effluent produced from the wastewater treatment facilities since the use of a spray irrigation is the primary method of effluent disposal for the District; and ii) aesthetic purposes. Therefore, the growth in the number of residences served and commercial and multi-family common area irrigation (acres) requirements is expected by the District to mirror the growth of the water and wastewater service area. A difference in the account growth of the IQ System when comparing to the other utilities is associated with the serving of townhomes and other multi-family units which will be individually metered (and

billed) for water and wastewater service but billed on an commercial basis (generally for common area irrigation to a homeowner's association) for irrigation service.

With respect to the water source for IQ System supply, it is expected that the majority of the supply will be derived from treated effluent from the District's wastewater system. Once the second phase of the wastewater expansion is completed and in operation (assumed to occur by the Fiscal Year 2003), the IQ System demands will be met primarily by the use of treatment effluent. For the purposes of the projections contained in this Report and once treated effluent is available as a water resource to the IQ System, it was assumed that 15% of the treatment effluent would continue to be disposed by use of percolation at the District's rapid infiltration basis (RIBS) due to the effects on system use resulting from factors such as weather (rainfall) and seasonal demand (and unit occupancy). This percentage of use factor was based on a review of usage requirements of other community development districts with similar service requirements as planned by the District. Based on the forecast of customer needs, irrigation requirements of the various customer classes, the availability of treated effluent, the projected irrigation water service needs were anticipated to be met by the following water supply sources as shown below:

Fiscal Year	Total Irrigation Water Supply Requirements (000s) [1]	Treated Effluent [1]		Non-Potable Water [1]	
		Amount (000s)	Percent	Amount	Percent
2003	3,755	--- [2]	0.0%	3,755	100.0%
2004	11,938	--- [2]	0.0%	11,938	100.0%
2005	33,231	19,630	59.7%	13,601	40.9%
2006	48,485	43,621	89.7%	4,863	10.3%
2007	66,366	66,366	100.0%	---	0.0%
2008	85,960	85,960	100.0%	---	0.0%

[1] Derived from Table 3 at the end of the Report.

[2] Treatment standards not of quality in accordance with FDEP regulations for production of effluent for delivery to IQ System; upgrade of wastewater treatment to produce effluent for public access reuse will be accomplished in next expansion (estimated to be completed by Fiscal Year 2004) of wastewater treatment facility.

As can be seen above, once the wastewater treatment facilities have adequate treatment capabilities for public access reuse, it is anticipated by the District that all of the water supply requirements for the IQ System will be derived from treated effluent from the wastewater treatment facilities.

RATES, FEES, AND CHARGES

General

The Indenture authorizing the issuance of the Series 2001 BANs, and ultimately the Series 2002 Bonds, contains a covenant under which the District will fix, establish and maintain such rates

and collect fees, rentals, or other charges for the services and facilities of the System, so as to provide Net Revenues in each fiscal year to meet certain debt coverage relationships (reference Appendix B - Form of the Master Indenture in the Official Statement for more information). Furthermore, the District further covenants in the Indenture that it will revise from time to time and as often as necessary the rates, fees, and charges of the System so that the Net Revenues in each fiscal year are sufficient to meet the covenants of the District as reflected in such Indenture.

It is anticipated that prior to the commercial implementation of the System (for the construction of residential dwelling units and commercial properties), the Board of Supervisors of the District will adopt a formal utility rate tariff. The rate tariff will include, but not be limited to, the following provisions:

- i) a schedule of water, wastewater, and irrigation or IQ System rates for monthly service, including applicability provisions;
- ii) price index and pass-through rate adjustment policy;
- iii) schedule of capacity or impact fees applied on an ERC basis;
- iv) schedule of miscellaneous service charges, including but not limited to, service initiation fees, connection fees, returned check charges, meter installation and testing fees, late payment fees, and fees allowable to development such as plan review and inspection fees; and
- v) connection and service policies.

The rate policies will be developed similar to those used by other neighboring utilities and the Florida Public Service Commission (FPSC). The rates of the District will not be regulated by the FPSC but by the Board of Supervisors of the District. It is expected that the rates for service of the District will include: i) a constant service charge (readiness-to-serve charge) which will vary by meter size for the water, wastewater and irrigation systems and which serves as the minimum bill; and ii) a volumetric flow charge based on metered potable water consumption for the water and wastewater system and metered IQ water for the irrigation system.

Although a formal rate tariff has not been completed at this time by the Board of Supervisors, a preliminary average rate per ERC has been assumed in the development of the financial forecast presented in this Report. As discussed in subsequent section of this Report, it has been recognized that a monthly charge which averages \$61.00 per ERC is reasonable and comparable to rates charged for similar service by other neighboring or similar jurisdictions. Since a formal cost allocation of expenditures has not been performed by the District, no monthly rates for individual service are currently available.

Table 10 at the end of this Report provides a comparison of the monthly cost of providing water, wastewater and irrigation services for a single-family residential customer of the District which is considered as being typical. With respect to the water and wastewater rate comparisons, monthly costs are calculated reflecting a 5/8 x 3/4-inch meter at an assumed usage level consistent with the service area needs of the System. Also included on the water and wastewater comparisons are bills calculated under the rates of other neighboring Florida utilities as of the billing month of June 2001. The monthly bills for the various Florida utilities used for the comparisons are exclusive of local taxes, if any. The comparison assuming a 5/8 x 3/4-inch meter or smaller service was prepared since this represents the majority of the water and wastewater customers anticipated to be served by the District (essentially all consist of residential service) and the majority of the customers for the other utilities reflected in the comparison. It should also be noted that in many instances, the rates for water and wastewater service charged by Florida municipalities include a surcharge for service rendered outside the corporate limits of such municipality. In accordance with Section 180.191, Florida Statutes, a municipality may add a surcharge ranging up to 50% of the inside City rates to be applied to the rates for outside the City service. The comparisons shown on Table 10 does not include the recognition of the application of the outside City surcharge, if any, by the municipalities shown on the comparison.

As can be seen in the comparisons, the rates anticipated to be charged by the District produce bills that are anticipated be competitive with the bills charged for similar levels of service by other neighboring utilities. For the purposes of this comparison, the average residential customer of the District was assumed to use approximately 4,000 gallons of monthly potable water and associated wastewater service for indoor use and 6,000 gallons of monthly IQ water for irrigation (outdoor) purposes.

It should be noted, for the purposes of this comparison, essentially all of the other utilities generally use potable water for outdoor irrigation needs. Since the District plans to have a separate irrigation system to meet outdoor irrigation demands and will charge a separate fee for such service (which will be encouraged to be used by District customers), it was necessary to prepare the comparisons recognizing these usage differences. The wastewater charges for those utilities which do not have a separate irrigation system assume that all potable water sales will be held in accordance with the general rate provisions of each utility. The comparison does not recognize the installation of a separate potable water meter for irrigation because several jurisdictions will not allow them since the installation of a separate irrigation meter is generally cost prohibitive. A summary of the comparison as shown on Table 10 at the end of this Report for the typical residential customer is shown below:

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	<u>Total Monthly Billed [1]</u>
Harmony Community Development District	\$61.00
Other Community Development Districts (CDD)	
Enterprise (Celebration) CDD [*]	\$62.94
Gateway Services District [*]	38.76
St. Lucie West Services District [*]	61.33
Other Florida Utilities	
City of Altamonte Springs [*]	\$34.43
City of Casselberry	31.92
City of Clermont (East)	37.78
City of Clermont (West)	29.92
City of Kissimmee	22.39
City of Lake Mary	31.92
City of Longwood	25.00
City of Maitland	28.02
City of Mt. Dora	30.90
City of Ocoee	32.43
Orange County	43.11
City of Orlando	30.21
City of Oviedo	40.32
Polk County	55.96
City of Sanford	32.85
City of St. Cloud	35.83
Seminole County	34.81
Village Center District	32.27
Volusia County	45.73
City of Winter Park	30.37
Other Florida CDDs and Utilities' Average	\$36.92

[1] Amounts derived from Table 10; recognizes 4,000 gallons of monthly indoor potable (domestic) water and wastewater service and 6,000 gallons of monthly irrigation use for entities which have separate irrigation systems; all others assumed 10,000 gallons of water and wastewater service.

[*] Noted utilities have separate residential irrigation utility.

It should be noted that the rates charged by the surveyed utilities are as of June 2001 and a number of utilities anticipate a rate adjustment in the future. Thus, the rates for the surveyed utilities are expected to increase over time which will be considered by the District when it adopts its Rate Tariff (i.e., a policy to maintain rate competitiveness).

System Capacity (Impact) Fee

As part of the plan to finance the construction of the System, the District plans to implement a capacity or impact fee. This fee will be applied to new development requesting water,

wastewater, and IQ water capacity from the System in an effort to fund the capital cost of such capacity and to equitably assign such costs to those users which are imposing the need for the capital facilities. This application of a Capacity Fee is commonly used by Florida utilities to fund the expansion of utility plant required to service new customers.

The Capacity Fee (impact fee) shall be based upon an equitable and proportionate share of the cost for: i) water production and transmission facilities; ii) wastewater transmission, treatment and effluent disposal capacity of the wastewater system; and iii) the irrigation transmission and water supply system. The purposes of the Capacity Fees are for paying or reimbursing the equitable share of the capital costs relating to the construction, expansion, or equipping of excess or unused capacity of the System in order to serve new users.

Based on discussions with the District's management, it is anticipated that the fee will be collected at the time that a building permit is issued for construction of a dwelling unit or commercial structure (in advance of certificate of occupancy). Based on the anticipated project costs associated with the water, wastewater, and irrigation facilities required for the service area and the level of service requirements (expressed on the gpd per ERC) for service, the following preliminary capacity fees for the District are anticipated:

	Water and Irrigation	Wastewater
Level of Service (gpd per ERC)	350	280
Anticipated Capacity Fee	2,850 (*)	\$2,800

(*) Includes potable water capacity fee of \$2,150 and irrigation capacity fee of \$700 per ERC.

Table 11 at the end of this Report provides a comparison of the Capacity Fees anticipated for the District and those currently charged by neighboring utilities. The charges shown are based on an ERC basis. An ERC is representative of the average daily capacity of a single-family residential unit and generally represents the lowest level and most common level of use. As shown below and on Table 11, the District's proposed Capacity Fees are higher when compared to the utility average reflected on the comparison. It should be noted that when making this comparison, the fees charged by other communities may not: i) reflect current construction costs of new facilities but embedded costs of facilities constructed several years ago; ii) the high quality level of water treatment (eventually a membrane softening treatment facility) and wastewater treatment (suitable for public access reuse) required for the District; and iii) the additional cost of the construction of an irrigation utility system.

	Capacity Fee Comparison - Rate per ERC		
	Water and Irrigation	Wastewater	Combined
District Anticipated	\$2,850	\$2,800	\$5,650
Utility Average [1]	\$901	\$2,387	\$3,216

[1] Based on utility survey shown on Table 11.

PROJECTED OPERATING RESULTS

General

Presented on Table 8 at the end of this Report are the financial projections for the System. The table includes annual projections of revenue, operations and maintenance expenses, allowances for debt service allocable to the System being repaid through System revenues, the identification of required deposits to funds created by the Indenture, and balances available for capital outlay and other services. Projected revenue includes those from sales (rate revenue), interest income on available funds anticipated for the utility and System capacity or impact fees allocable to the payment of debt service, and other revenue sources available to the System or derived from System operations. The projected sales revenue was based on the growth projections and customer usages as illustrated on Tables 1 through 3 at the end of this Report. These forecasts were based on projections prepared by the Marketing Consultants and Birchwood on behalf of the District and have been deemed by the District management to be reasonable for the purposes of this Report. Interest income has been estimated on predicted cash balances available to the System for various funds created by the Indenture or anticipated to be maintained by the District. Projected operating expenses were based on various factors, including discussions with private utility operations contractors, comparisons of costs with other similarly sized utilities, discussions with consultants to the District and others, and information provided by the District management.

Principal Considerations and Assumptions Regarding Projected Operating Results

In the preparation of this Report and the conclusions that follow, we have made certain assumptions with respect to the conditions that may occur in the future. While we believe the assumptions are reasonable for the purposes of this Report, they are dependent upon future events and actual conditions may differ from those assumed. In addition for our projections, estimates, and studies, we have used and relied upon certain information and assumptions provided to us or prepared by others, including: i) information and assumptions provided to us by the District such as projections of development, service area requirements, and other information; ii) information provided by the District's independent consulting engineers for the System; and iii) information provided by the District's Senior Managing Underwriter relative to the financing contemplated with the issuance of this Official Statement. While we believe the use thereof are reasonable for the purpose of this Report, we offer no further assurances with respect thereto. To the extent that actual conditions differ from those assumed by us herein or from information and assumptions provided to us, or prepared by others, the actual results will vary from those estimated and projected herein. Specifically, if the District experiences a significant change in the rate, timing, or type of development currently anticipated for the master planned community, this could have an effect on the projections contained herein which could be material.

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In making the projections and estimates summarized in this Report, the principal considerations and assumptions made by us, and the principal information and assumptions provided to us or prepared by others, include the following:

1. The System will not commence or begin to serve active accounts until the construction of the initial projects anticipated to be financed by the Series 2001 BANs associated with the implementation of the System by the District has been completed. Once service is available, the construction of the individual dwellings or buildings will occur twelve (12) months after the absorption (purchase) of lots by builders. Based on the estimated project construction schedule developed by the District's Consulting Engineers and lot absorption or development schedule prepared by the District's Marketing Consultants, it has been assumed that the System will be available to provide service to ultimate customers at the beginning of Fiscal Year 2002 (October 1, 2001) and that no customers will connect to the System until the beginning of the Fiscal Year 2003 (October 1, 2002). However, the District will provide service to builders/developers during the construction of residential dwelling units/buildings (during Fiscal Year 2002). Therefore, the financial forecast presented in this Report begins with the Fiscal Year 2002 coincident with the anticipated fiscal year in which operating expenses are being incurred by the System for service availability.
2. The absorption rate of the sale of developable lots once the construction of the infrastructure is complete was based on projections prepared by Robert Charles Lesser & Co. on behalf of the District (previously defined as the "Marketing Consultants") and by Birchwood Acres, L.P., which serves as a management consultant to the District (previously defined as Birchwood). This forecast was deemed by the management of the District to be reasonable and representative of the anticipated growth of the System. We have utilized this projection in the development of the utility rate revenues and to assist in the escalation of certain expenses as reflected in the financial forecast contained in this Report. We do not take any responsibility for the projections of the development of the District as prepared by the Marketing Consultants and Birchwood, which are considered solely the responsibility of the management of the District. The following is a summary of the projection of residential sales or development by land use category as estimated by the Marketing Consultants and Birchwood:

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Harmony CDD - Lot Absorption (Sales) [*]							
Fiscal Year Ending September 30							
	2002	2003	2004	2005	2006	2007	2008
Residential Lot Sales							
Large Lot	10	20	29	14	27	29	32
Standard Lot	24	18	30	28	61	67	74
Small Lot	24	49	35	25	36	39	43
Sidyard Villa/Affordable Housing	8	3	22	26	109	119	130
Townhomes	—	24	48	48	42	44	46
Multi-Family Residential (apartments)	—	—	—	432	—	—	—
Total Residential Lot Sales/Units per Year	<u>76</u>	<u>126</u>	<u>170</u>	<u>579</u>	<u>291</u>	<u>316</u>	<u>345</u>

[*] Estimates prepared by Robert Charles Lesser & Co. as updated by Birchwood Acres, L.P. on behalf of the District.

3. As previously mentioned, it is anticipated that the District Board will adopt a formal rate resolution or tariff, and accompanying utility policy, in order to codify the monthly utility rates for service prior to the initiation of the System. For the purposes of this Report, the monthly rate for service was predicated on average cost per ERC based on: i) the anticipated revenue requirements of the System (i.e., expenditures to be recovered from rates estimated for the forecast period which is summarized on Table 9 at the end of this Report); ii) the projected customer accounts and associated ERCs anticipated to be in service in such year; and iii) the recognition that all customers will generally be required to receive water, wastewater, and irrigation service. The average rate for service was estimated to initially be \$61.00 per month per ERC for the combined utility services. Although it is expected that the actual cost incurred by individual customers will vary based on actual usage requirements and need, the use of this average rate is reasonable since rates will ultimately be designed to recover the total System revenue requirements for which the average rate was based. Assuming the estimated average annual ERCs are in service as shown on Tables 1 through 3 at the end of this Report, the anticipated revenues for each respective fiscal year of the forecast period is summarized below:

Fiscal Year ending September 30						
	2003 [2]	2004	2005	2006	2007	2008
Average ERCs Served [1]	38	148	333	740	1,184	1,496
Average Monthly Rate per ERC	\$61.00	\$62.00	\$63.00	\$64.00	\$65.00	\$66.00
Estimated System Rate Revenues	<u>\$27,816</u>	<u>\$110,112</u>	<u>\$251,748</u>	<u>\$568,320</u>	<u>\$923,520</u>	<u>\$1,184,832</u>

[1] Derived from Tables 1 through 3; represents ERCs for water, wastewater, and irrigation services.

[2] Fiscal Year 2002 not shown since no active accounts (ultimate customers) assumed to be added to the System.

4. As discussed previously in the section of this Report entitled "Rates, Fees, and Charges," the District will charge a capacity fee (impact fee) to new connections to recover the capital cost

of its investment in utility plant constructed in advance of future connections. The projected revenues from the application of the capacity fee charge was based on: i) the preliminary rates as developed based on the estimated capital cost of the System and level of service requirements associated with the allocation of System capacity to each ERC requesting service; ii) the projected development for the service area (expressed in ERCs); and iii) the assumption that the fees will be paid by new development at the time the lot is sold which was assumed to be generally coincident with the construction of dwelling units/building structures. A summary of the projection in capacity fee receipts for the forecast period is as follows:

Fiscal Year	Water and Wastewater System [1]		Irrigation System [1]		Total Estimated Capacity Fee Revenue
	ERCs Reserved through Development Process	Capacity Fee Revenues [4]	ERCs Reserved through Development Process	Capacity Fee Revenues [4]	
2002 [2]	72	\$356,400	72	\$50,400	\$406,800
2003	130	643,500	121	84,700	728,200
2004	178 [3]	881,100	145 [3]	101,500	982,600
2005	587 [3] [5]	2,905,650	272 [3]	190,400	3,096,050
2006	299	1,480,050	272	190,400	1,670,450
2007	324	1,603,800	295	206,500	1,810,300
2008	353	1,747,350	322	225,400	1,972,750

[1] Includes both residential and commercial ERCs reserved by developer/builders for subsequent development within the District's utility service area.

[2] Represents first year which capacity fees will be collected (in advance of the servicing of active or ultimate accounts).

[3] ERCs do not include addition of schools (commercial accounts) which were assumed exempt from payment of capacity fees.

[4] Based on preliminary capacity fees as determined by District consultants.

[5] Includes addition of 432 unit apartment complex (multi-family residential) where each unit was considered to be equivalent to one (1) ERC.

- Based on discussions with the District, it was assumed that all water service lines to serve individual accounts or properties will be constructed as development occurs by the developers/builders and will be dedicated to the District. Therefore, the cost of the physical installation and connection of a customer to the District's water system will include only the installation of the meter, meter box, and other appurtenances. For the forecast period, revenues derived from water meter installation fees were predicated on an estimated rate of \$75.00 per meter installation based on a review of other utility rates and the projection of water customer additions anticipated to occur during the forecast period as presented in this Report. The following table summarizes the estimate of the meter installation fee revenues for the forecast period:

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	Fiscal Year Ending September 30,					
	2003	2004	2005	2006	2007	2008
Total New Customer Additions (Accounts)	74	131	175	187	295	320
Initiation of Service Charge	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00	\$75.00
Meter Installation Fee Revenue	\$5,550	\$9,825	\$13,125	\$14,025	\$22,125	\$24,000

6. Included in the financial projections are other operating revenues associated with service initiation and discontinuance fees, late payment fees, engineering review and inspection fees and other related customer requested services revenues. For the purposes of this Report, other operating revenues were based on: i) the application of an initiation service fee to new accounts to establish service applied to the growth in customers served by the System; and ii) an allowance for miscellaneous revenues. For the purposes of this financial forecast, no other operating revenues, including the potential sales of reclaimed water to the golf course located in the District, were assumed. A summary of the projected other operating revenues is shown on Table 5 at the end of this Report.
7. The first year of the forecast period reflects limited operation since service to residential dwellings and commercial structures (end users) is assumed not to occur until twelve (12) months after lot sale. It was assumed that the District will begin to charge rates for service during the construction period of such dwelling units. Since: i) the utility services provided by the District would probably be considered as water only service; ii) the allocation of costs and the design of individual utility usage rates have not been formulated; and iii) the estimated amount of water use during dwelling unit construction is somewhat unpredictable, no revenues from the application of monthly user fees was assumed for water use during the construction of such dwelling units/buildings. The payment of all operating expenses will be secured by a working capital line of credit which was assumed based on discussions with the District to be secured by the Developer Guarantee (see Assumption 19).
8. The projected System operating expenses for the forecast period is summarized on Table 4 at the end of this Report. The projected System operation and maintenance expenses associated with operation of the District's facilities have been escalated from Fiscal Year 2003 levels (which was assumed as the Test Year since this represents the first full year of serving active accounts of System) based upon several assumptions and the nature of the expense. The Fiscal Year 2003 projected expenditures and the associated basis for the escalation of subsequent year operating expenses for the development of the financial forecast for the projection period were as follows:
 - a. The projected operating expenses associated with the daily operations of the plant facilities were based on inquiries made by the District's Consulting Engineer with various private contractors who operate similar size facilities. The contracted services for operation does not include the variable costs of operation (chemicals, power, etc.) or

customer service and billing activities. The first year of the forecast was based on contractor estimates and increased for the forecast period based on allowances for inflation and facility expansion and adjustments.

- b. With respect to the daily accounting and financial reporting, budgeting, and cash disbursements of the System, the District anticipates to enter into a Management Contract with Severn Trent Environmental Services/Gary Moyer, P.A. (the "District Manager") for these services. Mr. Moyer is a Senior Vice President with the firm and has been actively involved in the management of more than 80 special districts throughout the State of Florida, including community development districts, that have collectively issued in excess of \$1 billion of debt obligations. This expenditure is considered as an operating expense of the System. Based on discussions with the District and a review of the costs for other districts in Florida, a first year allowance of \$25,000 was recognized. Such amounts were subsequently increased by 3.0% annually to allow for general inflationary effects on the anticipated cost of providing these services.
- c. In addition to the management Fees anticipated to be incurred by the District for the financial and general management functions of the System, it has been assumed that the District will also enter into a District Utility Management Contract with Birchwood Acres, L.P. to provide overall management, supervisory and strategic planning services on behalf of the System. The initial amount of this expense of \$25,000 was based on discussions with District management and was escalated at 3.0% annually to allow for general inflationary effects on the cost of provide these services.
- d. The cost of power, chemicals, and sludge disposal was estimated based on a review of similar costs incurred by other utilities expressed on a "per gallon treated" basis; estimates of average costs to operate membrane softening water treatment plant facilities contained in publications as researched by the Consulting Engineers of the District; and discussions with contract operators. Such initial cost estimates were subsequently escalated for the projection period based on: i) the increase in the amount of water produced and wastewater treated associated with anticipated customer growth for the forecast period of Fiscal Years 2004 through 2008; and ii) assumed increases in power rates, chemical costs, and sludge disposal expenses due to inflationary allowances.
- e. With respect to the estimate of inflation for the forecast period, the inflation indices included the Consumer Price Index (CPI) and Implicit Gross Domestic Price Deflator Index. These escalation factors were based on the forecast prepared by the Congressional Budget Office as contained in The Economic and Budget Outlook dated January 2001. Additionally, these escalators are generally consistent to historical price indices used by the Florida Public Service Commission (FPSC) for financial forecasting and rate review purposes (i.e., the gross national product implicit price deflator index which is used by

the Florida Public Service Commission in the establishment of price indices for operating costs as required pursuant to Section 367.081(4)(a), Florida Statutes, in the regulation of private or investor owned utilities). The indices were applied to the certain operating expenses to recognize the inflationary effects on such costs. For the forecast period, these annual inflationary indices were assumed to be as follows:

	<u>Average Annual Inflation Index</u>
Consumer Price Index	2.5%
GDP Price Deflator Index	1.9%

- f. The cost of meter reading and billing was assumed to be a contractual expense of the District and was based on actual contractor quotes recently received by a public utility from a statewide private contracting firm. The quotes included a monthly meter reading charge (expressed on a per read basis) and a bill preparation fee (expressed on a per bill basis) which included the cost of the billing statement, envelope, and related office supplies, bill stuffing and mailing. The costs did not assume cash collection activities which were assumed to be part of the cost of administration and management. It was further assumed that all accounts would be separately metered and billed.
 - g. Except as noted below, all other expenses were based on: i) data provided by and inquiries with other utility systems; ii) comparisons to published utility financial data with regulatory agencies (e.g., Florida Public Service Commission); and iii) discussions with the District management and its consultants. Such amounts, as initially estimated, were subsequently escalated based on an allowance for System inflation, anticipated growth of the System, increases associated with the financing of System expansion, changes in revenues, and other related factors.
 - h. No District personnel were assumed to be required to assist in the daily operations of the System since it is anticipated that the daily operations of the System will be performed based on the use of contract services.
9. A contingency allowance of five percent (5.0%) of total operating expenses was recognized in each fiscal year for the determination of System operating expenses. The allowance has been included in order to recognize unknown or unplanned expenditures which may occur throughout the fiscal year and to recognize potential changes in revenues which may occur due to weather, conservation, and other factors. This level of contingency was recognized since this utility is a "start-up" utility and no previous operating history exists for trend and expense comparison purposes. This allowance increases the revenue requirements of the combined utility systems (water, wastewater, and irrigation) by approximately \$18,200 annually during the forecast period and is included as an operating expense for the utility with respect to the determination of total revenue requirements.

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10. An allowance for bad debt expense has been recognized as a revenue requirement to recognize a certain amount of revenues which will be considered as uncollectible and written off throughout the year. This expenditure item was considered as an operating expense of the utility and was projected based on trends incurred by utilities statewide and discussions with District personnel. A bad debt ratio estimated at 1.00% of current period sales revenues was subsequently applied to the level of sales revenues projected for the forecast period in the Report to estimate the amount of the recognized expense. The recognition of this expense increased the revenue requirements of the System approximately \$5,100 annually throughout the forecast period.
11. The capital improvement program for the water, wastewater, and irrigation utilities is based on: i) assumptions prepared by the District's consulting engineers associated with the development of the capital expansion plan; ii) estimates of growth and capital costs related to such growth (i.e., meter installation costs); and iii) the recognition of other miscellaneous expenditures generally associated with general utility operations. These other miscellaneous expenditures include: i) general/ongoing utility plant replacement and upgrades (e.g., pumps); ii) installation of new water meters necessitated by growth; iii) miscellaneous capital expenditures such as vehicles and equipment which is anticipated to be owned by the District; and iv) the recognition of an accrual for the future replacement of the membranes required for the treatment of water at the water treatment plant facilities. Table 6 at the end of this Report provides a detailed listing of the capital projects for the water, wastewater, and irrigation systems for the forecast period. Included in the capital improvement program is the use of the R&R Fund to finance recurring capital projects (i.e., essentially the betterment or replacement of assets). The recognition of this revenue requirement is necessary in order to allow the District a funding mechanism to continue to provide high quality service (i.e., maintain same level of service) to its customers as the utility system ages. Additionally, the current financing plans of the District recognizing that a portion of the water, wastewater, and irrigation transmission lines will be included as part of annual property assessments and will be outside the financing plan to be funded from System revenues as delineated in this Report.

Capital Improvement Program - Estimated Funding [*]								
	Fiscal Year Ending September 30,							
	2000/ 2002	2003	2004	2005	2006	2007	2008	Totals
Total System Capital Costs	<u>\$7,300,000</u>	<u>\$7,550</u>	<u>\$5,072,825</u>	<u>\$23,125</u>	<u>\$4,941,525</u>	<u>\$49,625</u>	<u>\$814,500</u>	<u>\$18,209,150</u>
Funding Sources								
R&R Fund	\$—	\$2,000	\$3,000	\$10,000	\$16,500	\$27,500	\$37,500	\$96,500
System Capacity Fees	—	—	810,000	—	3,141,000	—	753,000	4,704,000
Series 2001 Bonds	7,300,000	—	—	—	—	—	—	7,300,000
Series 2003 Bonds	—	—	4,250,000	—	—	—	—	4,250,000
Series 2005 Bonds	—	—	—	—	1,770,000	—	—	1,770,000
System Operating Revenue	—	5,550	9,825	13,125	14,025	22,125	24,000	88,650
Total Funding Sources	<u>\$7,300,000</u>	<u>\$7,550</u>	<u>\$5,072,825</u>	<u>\$23,125</u>	<u>\$4,941,525</u>	<u>\$49,625</u>	<u>\$814,500</u>	<u>\$18,209,150</u>

[*] Derived from Table 6.

12. The District is currently anticipating the issuance of the Series 2001 BANs for the purpose of funding the water, wastewater, and irrigation system capital improvements as identified by the District. The annual debt service payments for the Series 2001 BANs were derived from the estimated debt service schedule as provided by the District's Senior Managing Underwriter. The assumptions provided by the Senior Managing Underwriter with respect to the debt service on the Series 2001 BANs include: i) total principal amount of the bonds estimated at approximately \$7,465,000; ii) an assumed average coupon interest rate of six percent (6.00%); iii) a term of fourteen and one-half (14 1/2) months; iv) the use of interest earnings (net funding) on projected Construction Fund balances to finance a portion of the project; and v) the payment of issuance expenses associated with the Series 2001 BANs. It was further assumed that the Series 2001 BANs would be dated and delivered on approximately July 15, 2001.
13. Based on the current finance plan of the District, it is anticipated that upon maturity of the Series 2001 BANs, they will be taken out and permanently financed by the issuance of the Capital Improvement Bonds (Utility Revenue), Series 2002 (the "Series 2002 Bonds"). The annual debt service requirements for the Series 2002 Bonds were derived from the estimated debt service schedule as provided by the District's Senior Managing Underwriter. The assumptions provided by the senior Managing Underwriter with respect to the debt service on the Series 2002 Bonds include: i) total principal amount of the bonds estimated at approximately \$9,065,000 which financed the principal on the interest due upon the Series 2001 BANs; ii) an assumed average coupon interest rate of seven percent (7.00%); iii) a term of thirty (30) years of which the first four (4) years being interest only payment with essentially level debt service payments thereafter; iv) the use of interest earnings (net funding) on projected Construction Fund balances to finance a portion of the project; v) no interest payments being funded by bond proceeds since interest accrued on the Series 2001 BANs were recognized in the estimated sizing of the principal amount of the Series 2002 Bonds; vi) the fully funding of a debt service reserve account from bond proceeds; and vii) the payment of issuance expenses associated with the Series 2002 Bonds would be dated and delivered on or about October 1, 2001. A summary of the Series 2002 Bonds debt service payments for the forecast period is shown on Table 7 at the end of this Report.
14. In addition to the Series 2002 Bonds, it is anticipated during the course of the projection period outlined in this Report and based on discussions with the District that two (2) series of additional parity bonds payable from the pledged revenues of the System will be issued. With respect to the first series of additional parity bonds and based on the District's capital improvement program, it has been assumed that the District will issue in the principal amount of \$5,115,000 Capital Improvement Bonds (Utility Revenue), Series 2003 (the "Series 2003 Bonds") on or after October 1, 2003 for the purpose of funding additional System improvements.

Based on assumptions provided by the District's Senior Managing Underwriter, it has been assumed relative to the issuance of the Series 2003 Bonds that: i) total principal amount of the bonds estimated at approximately \$5,115,000; ii) an assumed average coupon interest rate of seven percent (7.00%); iii) a term of thirty (30) years of which the first three (3) years being interest payments only; iv) the use of interest earnings (net funding) on the Construction Fund to finance a portion of the project; v) the payment of the first year of interest expense from the bond proceeds (capitalized interest) while the project is being constructed; vi) the fully funding of a debt service reserve account from bond proceeds; and vii) the payment of issuance expenses associated with the Series 2003 Bonds. It was assumed that the bonds would be dated and delivered on October 1, 2003. A summary of the Series 2003 Bonds debt service payments for the forecast period is shown on Table 7 at the end of this Report.

15. As mentioned above, the District anticipates the issuance of two (2) series of additional parity bonds payable from the pledged revenues of the System. With respect to the second series of additional parity bond and based on the District's capital improvement program, it has been assumed that the District will issue in the principal amount of \$2,170,000 Capital Improvement Bonds (Utility Revenue), Series 2005 (the "Series 2005 Bonds") on or after October 1, 2005 for the purpose of funding additional System improvements.

Based on assumptions provided by the District's Senior Managing Underwriter, it has been assumed relative to the issuance of the Series 2005 Bonds that: i) total principal amount of the bonds estimated at approximately \$2,170,000; ii) an assumed average coupon interest rate of seven percent (7.00%); iii) a term of thirty (30) years of which the first twenty-eight (28) years being interest payments only; iv) the use of interest earnings (net funding) on the Construction Fund to finance a portion of the project; v) the payment of the first year of interest expense from the bond proceeds (capitalized interest) while the project is being constructed; vi) the fully funding of a debt service reserve account from bond proceeds; and vii) the payment of issuance expenses associated with the Series 2005 Bonds. It was assumed that the bonds would be dated and delivered on October 1, 2005. A summary of the projected debt service payments for the forecast period for such bonds is included on Table 7 at the end of this Report.

16. With respect to the determination of the annual debt service payments on the Series 2001 BANs and additional parity bonds, it is anticipated that the District will issue a series of super sinker bonds which are anticipated to be redeemed in advance from available capacity fees collected from development within the District. Based on: i) the assumed rate of System growth in ERCs served; ii) the proposed capacity fees and monthly rates for service for the System; iii) the projected debt service requirements as provided by the District's Senior Managing Underwriters; and iv) the projection of projects assumed to be financed

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from available capacity fees (reference Table 6); v) the estimate of the Net Revenues of the System, the following summarizes the use of the System capacity fees for capital funding, payment of current debt obligations, and super sinker bond redemption:

	Fiscal Year Ending September 30,						
	2002	2003	2004	2005	2006	2007	2008
Beginning Balance - Impact Fee Fund	\$ ---	\$417,479	\$530,281	\$91,556	\$2,269,079	\$70,660	\$913,922
Plus Current Year Collections	406,800	728,200	982,600	3,096,050	1,670,450	1,810,300	1,972,750
Less Funding of Capital Projects	---	---	810,000	---	3,141,000	---	753,000
Less Funding of Developer Guarantee	---	---	---	---	---	---	---
Less Funding of Current Year Debt Service	---	639,640	627,231	978,909	787,716	922,222	711,595
Net Available for Principal Reduction	406,800	506,039	75,650	2,208,697	10,813	958,738	1,422,077
Amount Used for Principal Reduction	---	---	---	---	---	70,000	910,000
Net Carryforward of Available Capacity Fees	\$406,800	\$506,039	\$75,650	\$2,208,697	\$10,813	\$888,738	\$512,077
Interest Income End of Year	10,679	24,242	15,906	60,382	59,847	25,184	37,432
Net Available for Carryforward	<u>\$417,479</u>	<u>\$530,281</u>	<u>\$91,556</u>	<u>\$2,269,079</u>	<u>\$70,660</u>	<u>\$913,922</u>	<u>\$549,509</u>

Based on the annual amount of the principal amount of bonds assumed to be redeemed for the forecast period reflected in this Report, the estimated effect on the annual debt service payments was projected as follows:

	Fiscal Year Ending September 30,						
	2002	2003	2004	2005	2006	2007	2008
Interest Expense Reduction							
Cumulative Principal Reduction	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$70,000	\$980,000
Interest Rate of Super Sinker Bonds	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%
Estimated Interest Expense Reduction	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$4,900</u>	<u>\$68,600</u>

17. As reflected in the Indenture which authorized the issuance of the Series 2001 BANs, the System is required to and will establish and make annual deposits into the R&R Fund. The R&R Fund has been established to provide a dedicated source of monies for the funding of capital improvements related to the renewal, replacement, betterment, and upgrade of existing System utility assets. Based on the provisions of the Indenture, the minimum deposit to the R&R Fund shall be calculated as an amount equal to five percent (5%) of the Gross Revenues derived from the preceding fiscal year of the System (or some other amount as determined by the Consulting Engineer, and defined herein as the "R&R Fund Requirement"). For the purposes of developing the funding requirements from rates and based on discussions with District staff, we have recognized an anticipated deposit to the R&R Fund to average approximately 5.8% of the current year's Gross Revenues over the forecast period which is somewhat greater than the R&R Fund Requirement as reflected in the Indenture. This additional deposit was based on the funding of a future reserve for the periodic replacement of the membranes required for water treatment. With respect to analysis of meeting the rate covenant requirements as defined in the Indenture, only the minimum deposit as provided in the Indenture has been recognized. Based on the estimate of

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total System revenues derived from the application of rates and other charges for utility service, other available income which will accrue to the benefit of the utility (e.g., interest earnings), the assumed level of funding requirements as delineated in this assumption, the following annual deposits to the R&R Fund were assumed:

Fiscal Year	Estimated Deposit Recognized	R&R Fund Requirement [1]	Additional Deposit [2]
2003 [3]	\$4,292	\$4,292	\$—
2004	9,758	9,758	—
2005	22,226	17,226	5,000
2006	41,020	33,520	7,500
2007	62,015	52,015	10,000
2008	80,180	65,180	15,000

[1] Represents 5.0% of previous year's Gross Revenues as defined in Indenture (for purposes of this Report, amount reflects 5.0% of current year's Gross Revenues due to utility implementation).

[2] Reflects additional deposits funded from System operations above the R&R Fund Requirement.

[3] No deposit assumed for the Fiscal Year 2002 since service will be primarily for development construction needs and not for service to ultimate customers of System.

18. It has been recognized that the District will need to periodically budget capital outlay expenditures for furniture, fixtures, equipment, vehicles, and other related items as an operating expenditure of the System (as part of the operating budget). Since such expenditures represent a capital expenditure as opposed to an operating expense, such expenditures were classified as a payment after the payment of operating expenses. This departmental capital outlay expenditure requirement was assumed to be in addition to the transfer to the R&R Fund recognized annually. As shown on Table 6 at the end of this Report, this capital expenditure allowance averaged approximately \$5,000 annually.

19. Interest income has been recognized as an available revenue source to fund the expenditure needs of the System. For the forecast period, interest income was based on estimated balances in unrestricted funds as defined in the Indenture (e.g., R&R Fund) and other available fund balances established by the District (e.g., Customer Deposits Account). We have assumed that any interest earnings on the Capacity Fee (Impact Fee) accounts or the Construction Fund established from proceeds derived from the issuance of the Series 2001 BANs and future revenue bonds of the System will be retained in the respective fund and not be available for the determination of the Net Revenues of the System. Although these earnings are considered as available for capital project funding, the earnings are not being considered as being available to fund utility operating expenses since such earnings are restricted pursuant to the Indenture.

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In the development of the estimated interest earnings, average interest rates of 4.25% to 5.25% during the forecast period were assumed to be earned on the estimated average fund balances during the forecast period. These interest rates were based on recent earning performance results of other similar utilities and discussions with the District and the Senior Managing Underwriter with respect to earnings on the Debt Service Reserve Account. For the forecast period, the earnings by specific fund or account for the System is summarized below:

	Fiscal Year Ending September 30					
	2003	2004	2005	2006	2007	2008
Operating Account	\$4,177	\$3,896	\$3,408	\$2,831	\$2,063	\$1,083
Renewal and Replacement Fund	49	241	644	1,425	2,680	4,320
Debt Service Reserve Fund	40,931	62,272	62,272	70,246	70,246	70,246
Debt Service Sinking Fund	6,742	6,742	10,546	10,546	14,127	13,468
Customer Deposits [*]	==	==	==	==	==	==
Total	<u>\$51,359</u>	<u>\$73,151</u>	<u>\$76,870</u>	<u>\$85,048</u>	<u>\$89,116</u>	<u>\$89,117</u>

[*] Assumes that any interest earned would be transferred periodically back to customer; therefore, no earnings recognized.

20. Based on discussions with the District management and in order to support the financing plan identified for the System as it relates to the issuance of the Series 2001 BANs and additional revenue bonds in the future (a surety that the bonds will be paid), it will be required that the System have a financial guarantee. Based on discussions with the District, it is anticipated that the financial guarantee will be provided by A.J.G. Financial Services, Inc., a subsidiary of A.J. Gallagher Corporation, a publicly traded insurance brokerage firm (the "Guarantor"), in order to meet the financial commitments and covenants of the System (the "Developer Guarantee"). The Guarantor will post a standby letter of credit as a surety for the payment of system capacity fees which are subsequently pledged for the repayment of the Series 2001 BANs as well as future additional parity bonds. Since the System is in its infancy and does not yet have a stable and predicable revenue stream to meet such commitments (and to recognize utility plant as being used and useful), the use of the Developer Guarantee is required. Specifically, the guarantee is required to: i) fund initial operating reserve (working capital) requirements of the utility; ii) fund a portion of operations for three (3) fiscal years until development occurs which will be met by a working capital line of credit which is assumed to ultimately be a component of the Developer Guarantee requirements; and iii) provide a surety for the payment of debt service for the anticipated utility revenue bonds of the System based on the surety of the payment of capacity fees. Based on discussions with the District and its consultants, it was assumed that all funds received by the District with respect to the Developer Guarantee will be considered: i) as a direct offset to meet direct operating expenses of the System which was assumed to reduce the amount of operating expenses in the determination of Net Revenues; and ii) as an offset to debt service required to be paid from the Net Revenues of the System (direct deposit to the debt service Sinking

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Fund) in terms of satisfying the rate covenants of the Indenture. The following represents a summary of the funds anticipated to be received and corresponding payments with respect to the Developer Guarantee for the forecast period:

Summary of Developer Guarantee							
Fiscal Year Ending September 30							
	2002	2003	2004	2005	2006	2007	2008
Beginning Balance	\$ —	\$202,503	\$317,922	\$394,437	\$422,048	\$451,591	\$483,203
Annual Revenue							
Requirement Funding							
To Fund Working Capital	100,000	—	—	—	—	—	—
To Fund Operations	95,655	97,820	52,426	—	—	—	—
To Fund Debt Service/ Other Revenue Requirements	—	—	—	—	—	—	—
Total Annual Developer Guarantee Recognized	195,655	97,820	52,426	—	—	—	—
Payments from Utility Operations							
Capacity Fees	—	—	—	—	—	—	—
Rate Revenues	—	—	—	—	—	—	—
Operating Revenues	—	—	—	—	—	—	—
Net Ending Balance	195,655	300,323	370,348	394,437	422,048	451,591	483,203
Accrued Interest (7.00%)	6,848	17,599	24,089	27,611	29,543	31,611	33,824
Ending Outstanding Balance Due	\$202,503	\$317,922	\$394,437	\$422,048	\$451,591	\$483,203	\$517,027

As can be seen above, the balance due to the developer after the recognition of accrued interest annually at seven percent (7.0%) of the average balance outstanding was estimated to be approximately \$517,000. This amount can be funded from increased rates or the receipt of capacity fees from future development. It is assumed that the District will have a balance of capacity fees subject to future collection of approximately \$4,836,000 that will be available to meet the liability associated with the Developer Guarantee and to fund the future redemption of issued and outstanding system revenue bonds as shown below:

Total Service Area ERCs [1]	2,857
ERCs Connected or Paid - FY 2008 [2]	2,001
Remaining ERCs Subject to Payment	856
Percent of Total	30.0%
Average Capacity Fee [3]	\$5,650
Remaining Fees Subject to Collection	\$4,836,400

- [1] Reflects ERCs available to be served from System facilities in service, does not represent total development potential of the District.
- [2] Represents ERCs which have paid capacity fees or have connected to System (recognizes exempt customers [schools] in projected revenue estimate) as of end of Fiscal Year 2008.
- [3] Represents estimated capacity fee per System ERC to recover estimated capital costs which allows for the servicing of 2,857 ERCs.

21. In accordance with the provisions of the Second Amended Development Order Project: Birchwood Development of Regional Impact Osceola County (the "DRI Order"), Osceola County (the "County") may elect to be the water and wastewater provider for the District in accordance with the following options:

1. Informing the District in writing prior to May 1, 2000 of its election to provide service and if elected, the County would commit to providing service within fifteen (15) months or by August 1, 2001.
2. The District will plan, design, permit and construct the Phase 1A component of the System and dedicate such facilities upon completion. Under this option, the County would assume all bond/debt obligations allocable to the System.
3. The District will plan, design, permit and construct the Phase 1A component of the System as well as future phases of the System and dedicate such facilities upon completion of such phases. Under this option, the County would assume all bond/debt obligations allocable to the System.

With respect to the first option and based on discussions with the District, the County did not notify the District of its intent to be the water and wastewater provider as of May 1, 2000 and this option is no longer considered by the District as being available to the County. With respect to the second and third options, the County must assume all bond/debt obligations allocable to the System as a condition of the transfer of System ownership. Although the County has expressed an interest in being the water and wastewater provider sometime in the future for the District utility system service area, for the purposes of this forecast, it has been assumed that Osceola County would not assume ownership of the System and the District would be the owner of the System.

Summary of Projected Operating Results

As shown on Table 8 and summarized below, projections have been prepared for the operating results for the Water, Wastewater, and Irrigation Systems. Such projections were prepared in accordance with our understanding of the flow of funds prescribed by the Indenture and the assumptions and considerations used in the projections as described previously.

Project Feasibility Report
Capital Improvement Bonds, Series 2001

Projected Operating Results [1]						
	Fiscal Year Ending September 30					
	2003	2004	2005	2006	2007	2008
Total Operating Revenues	\$85,835	\$195,153	\$344,518	\$670,398	\$1,040,293	\$1,303,605
Less Net Operating Expenses [2]	81,083	168,251	295,476	410,469	548,775	643,419
Net Revenues	4,752	26,902	49,042	259,929	491,518	660,186
Capacity Fees Pledged to Debt Repayment [3]	728,200	982,600	3,096,050	1,670,450	1,810,300	1,972,750
Net Revenues Including Capacity Fees	732,952	1,009,502	3,145,092	1,930,379	2,301,818	2,632,936
Debt Service Amount [4]	\$634,550	\$634,440	\$992,600	\$992,600	\$1,329,600	\$1,267,600
Coverage	1.16	1.59	3.17	1.94	1.73	2.08

[1] Amounts derived from Table 8.

[2] Amounts shown net of use of working capital line of credit utilization which is assumed to be part of the Developer Guarantee.

[3] Amounts shown reflect total estimated receipts of capacity fees which are available to meet current year debt service requirements. Amounts not actually required in current fiscal year were assumed to be used for the redemption of super sinker bonds.

[4] Reflects debt service payments recognizing estimated benefits of super sinker bond redemption.

In addition, included on Table 9 is a summary of the development of the net revenue requirements of the System and the estimate of the assumed rates per ERC necessary to meet such revenue requirements. This forecast of rates was based on the assumptions presented herein and the overall current financial plan of the District.

FINDINGS AND CONCLUSIONS

Based upon the principal considerations and assumptions and the results of our studies and analyses, as summarized in this Report which should be read in its entirety in conjunction with the following, we are of the opinion that:

1. The cost of the planned facilities for the water, wastewater, and irrigation system is reasonable based on the available information to us and comparisons to similar facilities constructed for other Florida utilities.
2. Recognizing the planned capital facilities for the System, the water and wastewater system will have sufficient capacity to meet the projected service area needs through the fiscal year ending September 30, 2008 based on the customer and service area forecast assumed for the purposes of this Report.
3. During the course of the engineering due diligence investigations, nothing has come to the attention of the consulting engineer that lead them to believe that significant funds would be required to finance additional capital requirements of the System over and above what is presented in the Report. Should the investigations conducted subsequent to the issuance of the Series 2001 BANs reveal the need for the funding of additional capital requirements or an

increase in costs required to construct the facility as identified herein, funding can be provided by several options including, but not limited to, the following:

- i) The receipt of commitments from the Developer Guarantee associated with the establishment of the District;
 - ii) The increase of the principal amount of bonds anticipated to be issued in subsequent phases of System facility expansion which will provide for repayment of any short-term financing requirements, including the use of developer commitments, with such funds being pledged from System Capacity Fees (impact fees) from new development within the District; and
 - iii) Use of additional available funds generated from the application of increased monthly rates and charges of the System.
4. It is anticipated that the District Board will formally adopt a rate resolution which will delineate the rates for service, utility connection policies, and general rate application guidelines for the System. Based on the estimate of the average rates per equivalent residential connection (ERC) served (where one ERC is equivalent to capacity requirements an individually metered single-family residence) as contained in this Report, the rates for service appear to be comparable to the rates charged for similar service by other neighboring or similar public utilities.
5. The System revenues projected for the Fiscal Years ending September 30, 2003 through 2008 under the District anticipated rates, plus: i) projected additional annual rate revenue based on System growth; ii) the use of funds on deposit in the Capacity Fee Account created by the Indenture of Trust and funded from projected development within the service area; and iii) projection of deposits made by the developer in association with the guarantee of the payment of the Series 2001 BANs and the Series 2002 Bonds should be sufficient to: i) pay all projected expenses; ii) pay the estimated debt service on the Series 2001 BANs and associated Series 2002 Bonds coming due in such years; iii) make the projected deposits necessary to meet the Renewal and Replacement Fund Requirement which is available for additions, extensions, and improvements to the System; and iv) generally meet the rate covenants of the Indenture of Trust.

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Table 1

Harmony Community Development District

Page 1 of 1

Utility Enterprise System

Summary of Customer and Sales Forecast Assumptions - Water Service

Line No.		Fiscal Year Ending September 30,					
		2003	2004	2005	2006	2007	2008
Water System							
Single Family Residential Service							
1	Average Annual Customers (1)	36	136	284	442	662	966
2	Average Annual ERCs Served (2)	36	136	284	442	662	966
3	Annual Water Sales (000's) (3)	2,218	8,291	17,010	26,057	38,493	55,667
4	Average Monthly Water Use Per ERC (gallons)	5,133	5,080	4,991	4,913	4,846	4,802
Master Metered Residential Units							
5	Average Annual Customers (1)	-	-	-	18	36	36
6	Average Annual ERCs Served (2)	-	-	-	216	432	432
7	Annual Water Sales (000's) (3)	-	-	-	9,526	19,051	19,051
8	Average Monthly Water Use Per ERC (gallons)	-	-	-	3,675	3,675	3,675
Total Residential Service							
9	Average Annual Customers	36	136	284	460	698	1,002
10	Average ERCs Served	36	136	284	658	1,094	1,398
11	Annual Water Sales (000's)	2,218	8,291	17,010	35,582	57,544	74,718
12	Average Monthly Water Use Per ERC (gallons)	5,133	5,080	4,991	4,506	4,383	4,454
Commercial Service							
13	Average Annual Customers (1)	1	5	10	14	18	22
14	Average Annual ERCs Served (2)	2	12	49	82	90	98
15	Annual Water Sales (000's) (3)	227	1,361	5,557	9,299	10,206	11,113
16	Average Monthly Water Use Per ERC (gallons)	9,450	9,450	9,450	9,450	9,450	9,450
Total Water System							
17	Average Annual Customers	37	141	294	474	716	1,024
18	Average ERCs Served	38	148	333	740	1,184	1,496
19	Annual Water Sales (000's)	2,444	9,652	22,567	44,881	67,750	85,831
20	Average Monthly Water Use Per ERC (gallons)	5,361	5,434	5,647	5,054	4,768	4,781
Water Production Requirements							
21	Unaccounted/Unbilled Water (000s)	431	1,703	3,827	7,306	10,574	12,825
22	Percent of Water Production (4)	15.00%	15.00%	14.50%	14.00%	13.50%	13.00%
23	Water Production (000's)	2,876	11,355	26,394	52,187	78,324	98,657
24	Average Daily Flow (MGD) (5)	0.008	0.031	0.072	0.143	0.215	0.270
25	Maximum Daily Flow (MGD) (6)	(Peak day Factor) 2.25	0.018	0.070	0.163	0.322	0.608

- (1) Projections of average annual accounts served based on projections prepared on behalf of the District by Robert Charles Lesser & Co., the District's Real Estate and Marketing Consultants.
- (2) Equivalent Residential Connections were based on utility standards which recognized i) an individually metered residential connection equating to one (1) ERC; all master metered multi-family units equating to 0.50 ERC's per dwelling unit; and iii) commercial customers based on meter equivalent factors used by the Florida Public Service Commission in the regulation of privately-owned utilities in Florida.
- (3) Water use was estimated based on i) the type of dwelling units anticipated for construction in the District service area; ii) the ERC factor expressed on a average gallons per daily use basis assumed for the allocation of capacity to each ERC connection to the System; and iii) an estimated utilization factor of such capacity based on industry comparisons and judgement.
- (4) Although the System will be new and excellent condition, assumed an unbilled loss factor of 15%, which is greater than general industry levels which generally range from 5% to 10% to account for water used during the construction process (e.g., line flushing). It is anticipated that as the System growth occurs with respect to the amount of accounts or ERC's served, the percentage of unbilled water will decrease.
- (5) For the purposes of determining rate revenues and System needs, it was assumed that the accounts served would not utilize the total allocable capacity in the water treatment plant which is generally typical of normal use expressed on a 'system' basis and for conservatism.
- (6) In order to estimate the maximum daily use of the System based on normal conditions, a peak day to average day factor of 2.25 was assumed based on the capacity criteria used to design the water treatment plant facilities by the District's Consulting Engineers.

Table 2

Harmony Community Development District

Page 1 of 1

Utility Enterprise System

Summary of Customer and Sales Forecast Assumptions - Wastewater Service

Line No.		Fiscal Year Ending September 30.					
		2003	2004	2005	2006	2007	2008
Wastewater System							
Single Family Residential Service							
1	Average Annual Customers (1)	36	136	284	442	662	966
2	Average ERCs Served (2)	36	136	284	442	662	966
3	Annual Wastewater Revenue Gallons (000's)	1,859	7,002	14,493	22,311	33,088	47,981
4	Average Monthly Wastewater Billed Per ERC (gallons)	4,303	4,290	4,253	4,206	4,165	4,139
Master Metered Residential Units							
5	Average Annual Customers (1)	-	-	-	18	36	36
6	Average ERCs Served (2)	-	-	-	216	432	432
7	Annual Wastewater Revenue Gallons (000's)	-	-	-	8,709	17,418	17,418
8	Average Monthly Wastewater Billed Per ERC (gallons)	-	-	-	3,360	3,360	3,360
Total Residential Service							
9	Average Annual Customers	36	136	284	460	698	1,002
10	Average ERCs Served	36	136	284	658	1,094	1,398
11	Annual Water Sales (000's)	1,859	7,002	14,493	31,020	50,506	65,399
12	Average Monthly Water Use Per ERC (gallons)	4,303	4,290	4,253	3,929	3,847	3,898
Commercial Service							
13	Average Annual Customers (1)	1	5	10	14	18	22
14	Average ERCs Served (2)	2	12	49	82	90	98
15	Annual Wastewater Revenue Gallons (000's)	171	1,028	4,198	7,026	7,711	8,397
16	Average Monthly Wastewater Billed Per ERC (gallons)	7,140	7,140	7,140	7,140	7,140	7,140
Total Wastewater System							
17	Average Annual Customers	37	141	294	474	716	1,024
18	Average ERCs Served	38	148	333	740	1,184	1,496
19	Annual Wastewater Revenue Gallons (000's)	2,030	8,030	18,691	38,046	58,217	73,796
20	Average Monthly Wastewater Billed Per ERC (gallons)	4,452	4,521	4,678	4,284	4,097	4,111
Wastewater Treatment Requirements							
21	Wastewater Treatment (000's) (4) (Gal. per Day per ERC)	190	2,635	10,264	23,094	51,319	103,748
22	Average Daily Flow (MGD)	0.007	0.028	0.063	0.141	0.225	0.284
23	Maximum Month Daily Flow (MGD) (5) (Max. Month Factor)	1.20	0.009	0.034	0.076	0.270	0.341

- (1) Projections of average annual accounts served based on projections prepared on behalf of the District by Robert Charles Lesser & Co., the District's Real Estate and Marketing Consultants. Based on discussions with the District management, assumes all water customers will receive wastewater service.
- (2) Equivalent Residential Connections were based on utility standards which recognized i) an individually metered residential connection equating to one (1) ERC; all master metered multi-family units equating to 0.50 ERC's per dwelling unit; and iii) commercial customers based on meter equivalent factors used by the Florida Public Service Commission in the regulation of privately-owned utilities in Florida.
- (3) Wastewater gallons billed (use) was estimated based on i) the type of dwelling units anticipated for construction in the District service area; ii) the ERC factor expressed on a average gallons per daily use basis assumed for the allocation of capacity to each ERC connection to the System; and iii) an estimated utilization factor of such capacity based on the amount of water use allocated to the customers (assumes generally all indoor use since a separate and distinct irrigation system will be available), industry comparisons, and judgement.
- (4) For the purposes of determining rate revenues and System needs, it was assumed that the accounts served would not utilize the total allocable capacity in the wastewater treatment plant which is generally typical of normal use expressed on a 'system' basis and for conservatism.
- (5) In order to estimate the maximum monthly use of the System based on normal conditions, a maximum month to average day factor of 1.20 was assumed based on the capacity criteria used to design the wastewater treatment plant facilities by the District's Consulting Engineers.

Table 3

Harmony Community Development District

Page 1 of 1

Utility Enterprise System

Summary of Customer and Sales Forecast Assumptions - Irrigation Service

Line No.		Fiscal Year Ending September 30,					
		2003	2004	2005	2006	2007	2008
	Irrigation Service						
	Single Family Residential Service						
1	Average Annual Customers (1)	36	124	236	346	521	782
2	Average ERCs Served (2)	36	124	236	346	521	782
3	Annual Irrigation Water Sales (000's) (3)	2,646	9,173	17,527	25,521	37,693	55,642
4	Average Monthly Water Use Per ERC (gallons)	6,125	6,165	6,189	6,147	6,029	5,929
	Master Metered Residential Units						
5	Average Annual Customers (1)	-	-	-	18	36	36
6	Average ERCs Served (2)	-	-	-	216	432	432
7	Annual Irrigation Water Sales (000's) (3)	-	-	-	4,082	8,165	8,165
8	Average Monthly Water Use Per ERC (gallons)	-	-	-	1,575	1,575	1,575
	Total Residential Service						
9	Average Annual Customers	36	124	236	364	557	818
10	Average ERCs Served	36	124	236	562	953	1,214
11	Annual Irrigation Water Sales (000's)	2,646	9,173	17,527	29,604	45,858	63,806
12	Average Monthly Water Use Per ERC (gallons)	6,125	6,165	6,189	4,390	4,010	4,380
	Commercial Service						
13	Average Annual Customers (1)	2	7	23	28	33	38
14	Average ERCs Served (2)	17	42	244	292	315	338
15	Annual Irrigation Water Sales (000's) (3)	1,071	2,646	15,372	18,396	19,845	21,294
16	Average Monthly Water Use Per ERC (gallons)	5,250	5,250	5,250	5,250	5,250	5,250
	Total Irrigation System						
17	Average Annual Customers	38	131	259	392	590	856
18	Average ERCs Served	53	166	480	854	1,268	1,552
19	Annual Irrigation Water Sales (000's)	3,717	11,819	32,899	48,000	65,703	85,100
20	Average Monthly Water Use Per ERC (gallons)	5,844	5,933	5,712	4,684	4,318	4,569
	Irrigation Water Supply Requirements						
21	Unaccounted/Unbilled Water (000's)	38	119	332	485	664	860
22	Percent of Irrigation Water Production	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
23	Irrigation Water Supply Requirements (000's)	3,755	11,938	33,231	48,485	66,366	85,960
24	Amount provided by Reclaimed Water (4)	-	-	19,630	43,621	66,366	85,960
25	Amount provided by Nonpotable groundwater	3,755	11,938	13,601	4,863	-	-
26	Average Daily Flow (MGD)	0.010	0.033	0.091	0.133	0.182	0.236
27	Maximum Daily Flow (MGD) (5) (Peak day Factor) 2.25	0.023	0.074	0.205	0.299	0.409	0.530

- (1) Projections of average annual accounts served based on projections prepared on behalf of the District by Robert Charles Lesser & Co., the District's Real Estate and Marketing Consultants. Based on discussions with the District management, assumes all water customers will receive irrigation service except those customers which are considered as multi-family which share a common wall and will be billed as part of a homeowner's association (will be primarily common area irrigation for this class of residential customers).
- (2) Equivalent Residential Connections were based on utility standards which recognized i) an individually metered residential connection equating to one (1) ERC; all master metered multi-family units equating to 0.50 ERC's per dwelling unit; and iii) commercial customers based on meter equivalent factors used by the Florida Public Service Commission in the regulation of privately-owned utilities in Florida.
- (3) Irrigation water use was estimated based on i) the type of dwelling units anticipated for construction in the District service area; ii) the ERC factor expressed on a average gallons per daily use basis assumed for the allocation of capacity to each ERC connection to the System; and iii) an estimated utilization factor of such capacity based on industry comparisons and judgement. The forecast recognizes that irrigation water will be available at all times since the source of supply will consist of treated effluent from the wastewater treatment plant supplemented by groundwater (nonpotable) from irrigation water supply wells.
- (4) Until reclaimed water from the District's wastewater treatment plant is available (once sufficient treatment capability in plant), all effluent will be treated by percolation. Subsequent to reclaimed water availability, assumed that 15% of all treated effluent would continue to be disposed by percolation based on a review of other community development districts which have an area-wide irrigation system and due to wet weather conditions which will preclude the use of reclaimed water.
- (5) In order to estimate the maximum daily use of the System based on normal conditions, a peak day to average day factor of 2.25 was assumed based on the capacity criteria used to design the irrigation water transmission plant facilities by the District's Consulting Engineers.

Table 4

Harmony Community Development District

Utility Enterprise System

Summary of System Operation Expense Projections

Fiscal Year Ending September 30,

Line No.		Escalation									
		2002	2003	Adjustments	2003 (1)	Ref. (2)	2004	2005	2006	2007	2008
1	Operating Expenses										
2	Accounting and Legal	\$ 3,000	\$ 5,000	\$ -	\$ 5,000	CPI	\$ 5,135	\$ 5,263	\$ 5,395	\$ 5,530	\$ 5,668
3	Advertising	250	250	-	250	Marginal	253	256	259	262	265
4	Audit	-	10,000	-	10,000	CPI	10,270	10,527	10,790	11,060	11,337
5	Auto and Truck	500	1,000	-	1,000	CPI	1,027	1,053	1,079	1,106	1,134
6	Bad Debt Expenses (uncollectibles)	1,000%	278	-	278	Calculated	1,101	2,517	5,683	9,235	11,848
7	Bank Charges	1,500	1,500	-	1,500	Marginal	1,515	1,530	1,545	1,560	1,576
8	Chemicals	-	-	1,611	1,611	Treat	6,318	14,463	30,251	46,889	59,155
9	Contractual Services - Administration and Management (3)	5,000	25,000	-	25,000	Manage	25,750	26,523	27,319	28,139	28,983
10	Contractual Services - Operations (4)	48,000	48,000	-	48,000	Contract	49,440	61,800	63,654	79,568	81,955
11	Contractual Services - Accounting and Customer Service (5)	15,000	25,000	-	25,000	Manage	25,750	26,523	27,319	28,139	28,983
12	Contractual Services - Meter Reading and Billing (4)	-	467	-	467	Accounts	1,781	3,714	5,988	9,045	12,936
13	Dues and Subscriptions	-	-	-	-	Marginal	-	-	-	-	-
14	Entertainment Expenses	-	-	-	-	Marginal	-	-	-	-	-
15	Engineering Fees	1,000	15,000	-	15,000	CPI	15,405	15,790	16,185	16,590	17,005
16	Equipment Lease	-	-	-	-	CPI	-	-	-	-	-
17	Insurance	3,000	3,000	3,000	6,000	Insurance	6,240	6,490	6,750	7,020	7,301
18	Office Supplies	500	1,000	-	1,000	CPI	1,027	1,053	1,079	1,106	1,134
19	Postage	250	178	-	178	Accounts	677	1,412	2,276	3,438	4,917
20	Purchased Water	-	-	-	-	Add-1	-	-	-	-	-
21	Rent	3,000	9,000	-	9,000	Constant	9,000	9,000	9,000	9,000	9,000
22	Repairs and Maintenance	1,000	5,000	-	5,000	CPI	5,135	5,263	5,395	5,530	5,668
23	Salaries and Wages (4)	-	-	-	-	Labor	-	-	-	-	-
24	Supplies and Parts	250	1,000	-	1,000	CPI	1,027	1,053	1,079	1,106	1,134
25	Sludge Disposal	-	-	1,133	1,133	Treat	4,445	10,175	21,282	32,987	41,616
26	Telephone	250	500	-	500	CPI	514	527	540	554	568
27	Training	-	-	-	-	Marginal	-	-	-	-	-
28	Travel	1,000	1,000	-	1,000	GDP	1,019	1,038	1,058	1,078	1,098
29	Trustee Fees	5,000	5,000	-	5,000	Trustee	8,000	8,000	8,000	10,000	10,000
30	Uniforms	-	-	-	-	CPI	-	-	-	-	-
31	Utilities	-	-	4,467	4,467	Treat	17,522	40,110	83,893	130,034	164,051
32	Laboratory Expense	2,500	2,500	-	2,500	WProd	9,871	22,945	45,368	68,089	85,765
33	Miscellaneous Expenses	100	500	-	500	ERC	1,947	4,381	9,736	15,578	19,683
34	Contingency Allowance (6)	5.0%	4,555	8,519	8,519	Calculated	10,508	14,070	19,546	26,132	30,639
34	Total Operating Expenses	\$ 95,655	\$ 160,173	\$ 18,730	\$ 178,903		\$ 220,677	\$ 295,476	\$ 410,469	\$ 548,775	\$ 643,419

(1) Amounts shown reflect the Test Year operating expense forecast and was based on i) comparisons of costs of similar utilities; ii) discussions with District management; and iii) the forecast in service area needs as shown on Tables 1 through 3.

(2) Escalation references shown on page 2 of 2 of Table 4; represents factors to escalate operating expenses estimated for the Test Year.

(3) Amounts shown reflect administrative and management costs of District personnel allocable to the utility function; based on estimates as provided the District.

(4) Based on discussions with the District; the daily operations for the system will be done on a contractual basis with a private company; the District does not anticipate the hiring of any utility employees at the present time or during the forecast period.

(5) Amounts shown represent costs for the District manager who will be responsible for the day-to-day management, accounting, and investment activities of the District's System.

(6) An allowance for contingencies was recognized to account for unknown or unplanned expenditures or changes in the receipt of revenues.

Table 4

Harmony Community Development District

Utility Enterprise System

Summary of System Operating Expense Projections - Escalation Factors

Line No.	Escalation Factors	Escalation Reference	Fiscal Year Ending September 30,				
			2004	2005	2006	2007	2008
1	Constant Factor	Constant	1.000	1.000	1.000	1.000	1.000
2	Inflation (CPI)	CPI	1.027	1.025	1.025	1.025	1.025
3	Inflation (GDP)	GDP	1.019	1.019	1.019	1.019	1.019
4	Water Commodity Growth	WProd	3.948	2.324	1.977	1.501	1.260
5	Wastewater Commodity Growth	WWTreat	3.895	2.250	2.222	1.600	1.264
6	ERC Growth	ERC	3.895	2.250	2.222	1.600	1.264
7	Customer Growth (Accounts)	Accounts	3.811	2.085	1.612	1.511	1.430
8	One-half Customer Growth - 50%	1/2-Accts	2.405	1.543	1.306	1.255	1.215
9	Contract Operations	Contract	1.030	1.250	1.030	1.250	1.030
10	Repair and Maintenance	Revenue	1.005	1.010	1.015	1.020	1.025
11	Insurance	Insurance	1.040	1.040	1.040	1.040	1.040
12	Labor Escalator	Labor	1.035	1.035	1.035	1.035	1.035
13	Management Fee Escalator	Manage	1.030	1.030	1.030	1.030	1.030
14	Utilities/Chemical Expenses	Treat	3.923	2.289	2.092	1.550	1.262
15	Marginal	Marginal	1.010	1.010	1.010	1.010	1.010
16	Trustee Fees Escalator	Trustee	1.600	1.000	1.000	1.250	1.000
17	Additional Escalator	Add-1	1.000	1.000	1.000	1.000	1.000

Table 5
Harmony Community Development District

Utility Enterprise System

Development of Other Operating Revenues

Line No.	Fiscal Year Ending September 30,						
	2002	2003	2004	2005	2006	2007	2008
Initiation of Service Fee							
1 Total Annual New Customer Additions (Accounts)	-	74	131	175	187	295	320
2 Initiation of Service Charge	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00	\$ 15.00
3 Service Fee Revenue	\$ -	\$ 1,110	\$ 1,965	\$ 2,625	\$ 2,805	\$ 4,425	\$ 4,800
Meter Installation Charges							
4 Total Annual New Customer Additions (Accounts)	0	74	131	175	187	295	320
5 Initiation of Service Charge	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00	\$ 75.00
6 Meter Installation Fee Revenue	\$ -	\$ 5,550	\$ 9,825	\$ 13,125	\$ 14,025	\$ 22,125	\$ 24,000
Bulk Reclaimed Water Sales							
7 Effluent Disposal Sales (000's of Gals.)to Golf Course	-	-	-	-	-	3,427	2,225
8 Assumed Effluent Disposal Rate (\$/1,000 Gallons)	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25
9 Effluent Disposal Sales to Golf Course	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 857	\$ 556
10 Other Miscellaneous Operating Revenues	-	-	100	150	200	250	300
11 Total Other Operating Revenues	\$ -	\$ 6,660	\$ 11,890	\$ 15,900	\$ 17,030	\$ 27,657	\$ 29,656

Table 6

Harmony Community Development District

Utility Enterprise System

Page 1 of 1

Summary of Seven Year Estimated Capital Improvement Program

Line No.	Funding Source	Initial Construction Period (2)			Fiscal Year Ending September 30,							Total
		Begin of Period	Adjustments	End of Period								
		2000		2001	2002	2003	2004	2005	2006	2007	2008	
Primary Capital Projects (1)												
1	0.576 MGD Water Treatment Plant (Phase 1A)	Bond 1	\$ 2,570,000	\$ (1,450,000)	\$ 1,120,000	\$ 1,450,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,570,000
2	0.130 MGD Wastewater Treatment Plant (Phase 1A)	Bond 1	1,080,000	(620,000)	460,000	620,000	-	-	-	-	-	1,080,000
3	Water Treatment Plant (Phase 1B - Facility Upgrade)	CapFees	-	-	-	-	-	400,000	-	-	-	400,000
4	Water Treatment Plant (Phase 1B - Facility Upgrade)	Bond 2	-	-	-	-	-	1,411,000	-	-	-	1,411,000
5	0.270 MGD Wastewater Treat. Plt. (Phase 1B Expansion)	Bond 2	-	-	-	-	-	1,918,000	-	-	-	1,918,000
6	0.270 MGD Wastewater Treat. Plt. (Phase 1B Expansion)	CapFees	-	-	-	-	-	410,000	-	-	-	410,000
7	0.424 MGD Water Treatment Plant (Phase 2 Expansion)	Bond 3	-	-	-	-	-	-	-	978,000	-	978,000
8	0.424 MGD Water Treatment Plant (Phase 2 Expansion)	CapFees	-	-	-	-	-	-	-	1,000,000	-	1,000,000
9	0.400 MGD Wastewater Treat. Plt. (Phase 2 Expansion)	Bond 3	-	-	-	-	-	-	-	792,000	-	792,000
9	0.400 MGD Wastewater Treat. Plt. (Phase 2 Expansion)	CapFees	-	-	-	-	-	-	-	1,405,000	-	1,405,000
10	Water Transmission Mains (within CDD)	Bond 1	510,000	(300,000)	210,000	300,000	-	-	-	-	-	510,000
11	Wastewater Transmission Mains (within CDD)	Bond 1	1,140,000	(655,000)	485,000	655,000	-	-	-	-	-	1,140,000
12	Reclaimed Water Transmission Mains (within CDD)	Bond 1	250,000	(110,000)	140,000	110,000	-	-	-	-	-	250,000
13	Water Transmission Mains (within CDD)	Bond 2	-	-	-	-	-	217,000	-	-	-	217,000
14	Wastewater Transmission Mains (within CDD)	Bond 2	-	-	-	-	-	376,000	-	-	-	376,000
15	Reclaimed Water Transmission Mains (within CDD)	Bond 2	-	-	-	-	-	116,000	-	-	-	116,000
16	Water Transmission Mains (within CDD)	CapFees	-	-	-	-	-	-	-	225,000	-	225,000
17	Wastewater Transmission Mains (within CDD)	CapFees	-	-	-	-	-	-	-	390,000	-	390,000
18	Reclaimed Water Transmission Mains (within CDD)	CapFees	-	-	-	-	-	-	-	121,000	-	121,000
19	Off-site Effluent Reuse Facilities	Bond 1	1,500,000	(865,000)	635,000	865,000	-	-	-	-	-	1,500,000
20	Off-site Effluent Reuse Facilities	Bond 2	-	-	-	-	-	212,000	-	-	-	212,000
21	Utility Site Land Purchase	Bond 1	-	250,000	250,000	-	-	-	-	-	-	250,000
Other Recognized Capital Expenditures												
22	Miscellaneous Repair Allocation - Water (3)	RR	-	-	-	-	-	-	-	1,000	3,000	9,000
23	Miscellaneous Repair Allocation - Wastewater (3)	RR	-	-	-	-	-	-	-	2,000	4,000	12,000
24	Miscellaneous Repair Allocation - Reclaimed Water (3)	RR	-	-	-	-	-	-	-	1,000	3,000	8,000
25	New Meter Installations (4)	Rates	-	-	-	5,550	9,825	13,125	14,025	22,125	24,000	88,650
26	Water Meter Replacement (5)	RR	-	-	-	-	-	-	-	-	-	-
27	WTP Plant Membrane Replacement (6)	RR	-	-	-	-	-	5,000	7,500	10,000	15,000	37,500
28	Miscellaneous Capital (Vehicles, Equipment, etc.)	RR	-	-	-	-	2,000	3,000	5,000	5,000	7,500	30,000
29	TOTAL SYSTEM CAPITAL COSTS		\$ 7,050,000	(\$3,750,000)	\$3,300,000	\$4,000,000	\$7,550	\$5,072,825	\$23,125	\$4,941,525	\$49,625	\$18,209,150
ANTICIPATED FUNDING SOURCES												
30	Operating Reserves	OR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
31	Renewal and Replacement Fund	RR	-	-	-	-	2,000	3,000	10,000	16,500	27,500	96,500
32	Water and Wastewater Capacity Fees	CapFees	-	-	-	-	-	810,000	-	3,141,000	-	4,704,000
33	Bond Proceeds (Anticipated) - Series 2002	Bond 1	7,050,000	(3,750,000)	3,300,000	4,000,000	-	-	-	-	-	7,300,000
34	Bond Proceeds (Anticipated) - Series 2003	Bond 2	-	-	-	-	-	4,250,000	-	-	-	4,250,000
35	Bond Proceeds (Anticipated) - Series 2005	Bond 3	-	-	-	-	-	-	-	1,770,000	-	1,770,000
36	Contributed Capital - Developer's	CC	-	-	-	-	-	-	-	-	-	-
37	System Operating Revenue	Rates	-	-	-	5,550	9,825	13,125	14,025	22,125	24,000	88,650
38	Property Assessments	Assess	-	-	-	-	-	-	-	-	-	-
39	TOTAL FUNDING SOURCES		\$7,050,000	(\$3,750,000)	\$3,300,000	\$4,000,000	\$7,550	\$5,072,825	\$23,125	\$4,941,525	\$49,625	\$18,209,150

(1) Amounts shown reflect those projects required for the initiation of service within the District and for which debt financing and capacity fee development are based. Such amounts were based on estimates provided by the District's Consulting Engineers. For project expenditures after the initial phase of construction (i.e., after the fiscal year 2002), such project costs were escalated by the projected GDP Price Deflator Index to recognize inflationary effects on the future cost of construction. All plant capacities are stated on the basis of annual average daily flow.

(2) A two fiscal year period is shown for the first construction period since the project initiated in such first year, capital projects delineated are anticipated to be completed by the end of fiscal year 2002.

(3) Amount to recognize miscellaneous expenditures anticipated to occur as a result of normal operation of the System.

(4) Reflects installation of new meters due to anticipated growth of the system. The cost of installation was based on the revenues anticipated to be received which assumes the rate charged for this service will represent the full cost recovery of the cost of installation.

(5) It was assumed that a ten year replacement cycle for installed meters will be adopted by the District. Therefore, the funding of this capital cost is beyond the forecast period reflected in this Report.

(6) The water treatment process is anticipated by the District to consist of membrane softening technology. Amounts shown represent the establishment of an accrual of funds to periodically replace the membranes in the treatment process (approximately every 7 to 15 years is typically required).

Table 7

Harmony Community Development District

Utility Enterprise System

Summary of Utility Revenue Parity Bonds Debt Service Requirements from System Operations

		Fiscal Year Ending September 30,								
Description		2001	2002	2003	2004	2005	2006	2007	2008	
First Phase of Bonds - Series 2001 BANs and Series 2002 Bonds (1)										
1	Principal (paid 10/1)	\$ -	\$ -	\$ 9,065,000	\$ -	\$ -	\$ -	\$ -	\$ -	
2	Interest (paid 10/1)	-	-	634,550	634,550	634,550	634,550	634,550	625,450	
3	Less Capitalized Interest	-	-	-	-	-	-	-	-	
4	Net Interest Expense	-	-	634,550	634,550	634,550	634,550	634,550	625,450	
5	Total Debt Service	\$ -	\$ -	\$ 634,550	\$ 634,550	\$ 634,550	\$ 634,550	\$ 764,550	\$ 765,450	
Second Phase of Bonds - Series 2003 Bonds (1)										
6	Principal (paid 10/1)	\$ -	\$ -	\$ -	\$ 5,115,000	\$ -	\$ -	\$ -	\$ -	
7	Interest (paid 10/1)	-	-	-	358,050	358,050	358,050	358,050	353,850	
8	Less Capitalized Interest	-	-	-	(358,050)	-	-	-	-	
9	Net Interest Expense	-	-	-	-	358,050	358,050	358,050	353,850	
10	Total Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 358,050	\$ 358,050	\$ 418,050	\$ 418,850	
Third Phase of Bonds - Series 2005 Bonds (1)										
11	Principal (paid 10/1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,170,000	\$ -	\$ -	
12	Interest (paid 10/1)	-	-	-	-	-	151,900	151,900	151,900	
13	Less Capitalized Interest	-	-	-	-	-	(151,900)	-	-	
14	Net Interest Expense	-	-	-	-	-	-	151,900	151,900	
15	Total Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 151,900	\$ 151,900	
Total Debt Service - All Series of Bonds										
16	Principal (paid 10/1)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000	\$ 205,000	
17	Net Interest Expense	-	-	634,550	634,550	992,600	992,600	1,144,500	1,131,200	
18	Total Stated Debt Service before Super Sinker Redemption	\$ -	\$ -	\$ 634,550	\$ 634,550	\$ 992,600	\$ 992,600	\$ 1,334,500	\$ 1,336,200	
19	Less Estimated Reduced Interest Expense due to Super Sinker Redemption	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (4,900)	\$ (68,600)	
20	Total Anticipated Debt Service	\$ -	\$ -	\$ 634,550	\$ 634,550	\$ 992,600	\$ 992,600	\$ 1,329,600	\$ 1,267,600	
21	Total Principal Outstanding - Beginning of Period	-	-	-	9,065,000	14,180,000	14,180,000	16,350,000	16,090,000	
22	Plus Additional Debt Issues	-	-	9,065,000	5,115,000	-	2,170,000	-	-	
23	Less Current Maturities (Payment Date)	-	-	-	-	-	-	190,000	205,000	
24	Less Super Sinker Bond Redemption (2)	-	-	-	-	-	-	70,000	910,000	
25	Net Principal Amount Outstanding - End of Period	\$ -	\$ -	\$ 9,065,000	\$ 14,180,000	\$ 14,180,000	\$ 16,350,000	\$ 16,090,000	\$ 14,975,000	

(1) Estimates of debt service payments shown derived from the District's Senior Managing Underwriter associated with the issuance of the Series 2002 Bonds (Take out of Series 2001 BANs occurs with issuance of Series 2002 Bonds; since all interest expense on BANs capitalized, amounts not shown for purposes of this analysis).

(2) Reflects estimated principal redemption of super sinker bonds from the use of available Capacity Fees which will be collected from new development/growth in accordance with the District's anticipated Rate Tariff.

Table 8

Harmony Community Development District

Utility Enterprise System

Summary of Projected Operating Results and Debt Service Coverage

Line No.	Fiscal Year Ending September 30,					
	2003	2004	2005	2006	2007	2008
Operating Revenues						
1 Revenues from Utility Rates (1)	\$ 27,816	\$ 110,112	\$ 251,748	\$ 568,320	\$ 923,520	\$ 1,184,832
2 Other Operating Revenue (2)	6,660	11,890	15,900	17,030	27,657	29,656
3 Total Operating Revenue	34,476	122,002	267,648	585,350	951,177	1,214,488
4 Interest Income (3)	51,359	73,151	76,870	85,048	89,116	89,117
5 Total Operating Revenues	\$ 85,835	\$ 195,153	\$ 344,518	\$ 670,398	\$ 1,040,293	\$ 1,303,605
6 Operating Expenses (4)	178,903	220,677	295,476	410,469	548,775	643,419
7 Less Developer Contributions - Guarantee (5)	97,820	52,426	-	-	-	-
8 Net Operating Expenses Recognized	81,083	168,251	295,476	410,469	548,775	643,419
9 Net Revenues	\$ 4,752	\$ 26,902	\$ 49,042	\$ 259,929	\$ 491,518	\$ 660,186
10 Capacity Fees Pledged To Debt Repayment (6)	728,200	982,600	3,096,050	1,670,450	1,810,300	1,972,750
11 Net Revenues Including Capacity Fees	\$ 732,952	\$ 1,009,502	\$ 3,145,092	\$ 1,930,379	\$ 2,301,818	\$ 2,632,936
Debt Service Requirements						
12 Total Debt Service Requirements (Principal and Interest) (7)	634,550	634,550	992,600	992,600	1,329,600	1,267,600
Debt Service Coverage						
13 Net Revenues Without Capacity Fees	0.01	0.04	0.05	0.26	0.37	0.52
14 Required Coverage	1.00	1.00	1.00	1.00	1.00	1.00
15 Net Revenues With Capacity Fees	1.16	1.59	3.17	1.94	1.73	2.08
16 Required Coverage	1.20	1.20	1.20	1.20	1.20	1.20
Other Required Payments						
17 Transfers to RR Fund (Minimum Requirement) (8)	4,292	9,758	17,226	33,520	52,015	65,180
18 Debt Service Reserve Fund (9)	-	-	-	-	-	-
19 Net Revenues (Including Capacity Fees) for Other Purposes	\$ 94,110	\$ 365,194	\$ 2,135,266	\$ 904,259	\$ 920,203	\$ 1,300,155

Footnotes on Page 2 of 2.

Harmony Community Development District

Utility Enterprise System

Summary of Projected Operating Results and Debt Service Coverage

- (1) Amounts shown derived from Table 9.
- (2) Amounts include miscellaneous operating revenues such as service initiation fees and penalties and meter installation fees which were assumed to entirely fund the cost of new meter installations associated with System growth.
- (3) Amounts shown reflect unrestricted interest income earnings for the Operating/Reserve Fund, Renewal and Replacement Fund, and debt service Sinking Fund and Reserve Fund. Earnings on the Construction Fund established from the proceeds of the Series 2001 Bond Anticipation Notes (BANs) and the Series 2002 Bonds and the anticipated future bonds and the Capacity Fee Fund were assumed to be restricted to such accounts and not available for debt coverage compliance.
- (4) Depreciation and amortization expenses are a non-cash expense and are not considered as an Operating Expense as defined in the Indenture although such amounts will be considered an operating expense for financial reporting purposes of the District.
- (5) Reflects funds received from the Developer Guarantee to be applied to the payment of operating expenses of the utility due to the start-up nature of the System. The funding of the operating expenses is considered as a contribution to the utility system and an offset to expenses for the determination of Net Revenues.
- (6) Amounts shown reflect estimated capacity fees received from new development which are available to fund debt service payments. For the purposes of this forecast, the estimated amount recognized (see Table 9) reflects only the amount estimated to be necessary to fund current year requirements recognizing a 1.00 times coverage factor (as a result of the availability of the Developer Guarantee which is assumed to be in effect for the period reflected in the financial forecast shown on page 1 of 2 of this table).
- (7) Amounts derived from Table 7; reflects the anticipated reduction in debt service payments due to anticipated use of a portion of collected capacity fees (i.e., that amount not required to meet current year debt service payments) for super sinker bond redemption or bond defeasance.
- (8) Amounts shown reflect 5% of [current] year Gross Revenues which is considered as the Renewal and Replacement Fund Requirement as defined in the Indenture. This deposit is considered as the minimum deposit required to be funded annually from System revenues for the forecast period.
- (9) No deposits are required to be made to the debt service Reserve Fund since such fund is assumed to be fully funded from the proceeds of Series 2002 Bonds and additional parity bonds anticipated to be issued during the forecast period.

Table 9

Harmony Community Development District

Utility Enterprise System

Development of Estimated Revenue Requirements and Associated Rates for Service

Line No.	Fiscal Year Ending September 30,						
	2002	2003	2004	2005	2006	2007	2008
Revenue Requirements							
1 Operating Expenses	\$ 95,655	\$ 178,903	\$ 220,677	\$ 295,476	\$ 410,469	\$ 548,775	\$ 643,419
2 Less Use Of Working Capital Line Of Credit	95,655	97,820	52,426	-	-	-	-
3 Net Operating Expenses to Rates	-	81,083	168,251	295,476	410,469	548,775	643,419
Debt Service Requirements							
4 Principal	-	-	-	-	-	190,000	205,000
5 Interest	-	634,550	634,550	992,600	992,600	1,139,600	1,062,600
6 Total Debt Service Requirements	-	634,550	634,550	992,600	992,600	1,329,600	1,267,600
7 Capital Improvement Funding from Rates	-	5,550	9,825	13,125	14,025	22,125	24,000
Transfers to RR Fund	-	-	-	-	-	-	-
8 Minimum Requirement	-	4,292	9,758	17,226	33,520	52,015	65,180
9 Additional Deposits	-	-	-	5,000	7,500	10,000	15,000
10 Total Transfers to RR Fund	-	4,292	9,758	22,226	41,020	62,015	80,180
11 Payments to Developers (short term loan)	-	-	-	-	-	-	-
12 Transfers to Operating Reserves - Developer Guarantee	100,000	-	-	-	-	-	-
13 Transfers to Operating Reserves - Rates	-	-	-	-	-	-	-
14 Total Gross Revenue Requirements	100,000	725,475	822,384	1,323,427	1,458,114	1,962,515	2,015,200
Less Revenues from Other Sources							
15 Capacity Fees Dedicated to Debt Service Payments	-	639,640	627,231	978,909	787,716	922,222	711,595
16 Other Operating Revenues	-	6,660	11,890	15,900	17,030	27,657	29,656
17 Interest Income	2,125	51,359	73,151	76,870	85,048	89,116	89,117
18 Developer Contributions (Short term Loan)	100,000	-	-	-	-	-	-
19 Transfers from Operating Reserves	-	-	-	-	-	-	-
20 Net Revenue Requirements	(2,125)	27,816	110,112	251,748	568,320	923,520	1,184,832
Rate Revenues							
21 Average ERCs Served	-	38	148	333	740	1,184	1,496
22 Average Required Monthly Rate Per ERC	\$ -	\$ 61.00	\$ 62.00	\$ 63.00	\$ 64.00	\$ 65.00	\$ 66.00
23 Average Monthly Rate Per ERC	\$ 61.00	\$ 61.00	\$ 62.00	\$ 63.00	\$ 64.00	\$ 65.00	\$ 66.00
24 Total Rate Revenues From Initial Rates	\$ -	\$ 27,816	\$ 110,112	\$ 251,748	\$ 568,320	\$ 923,520	\$ 1,184,832
25 Revenues From Prior Year Rate Adjustments	-	-	-	-	-	-	-
26 Adjusted Annual Rate Revenue	\$ -	\$ 27,816	\$ 110,112	\$ 251,748	\$ 568,320	\$ 923,520	\$ 1,184,832
27 Amount of Surplus/(Deficiency)	\$ 2,125	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
28 Percent Surplus/(Deficiency)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
29 Percent Additional Rate Adjustment Recognized	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Table 10.

Harmony Community Development District

Comparison of Typical Monthly Residential Bills for Utility Service (1)

Line No.	Description	Residential 5/8" x 3/4" Meter		
		Irrigation & Water Service (2)	Wastewater Service (3)	Combined
Harmony Community Development District				
1	Anticipated Average Rates per ERC	N/A	N/A	\$61.00
Other Community Development Districts (CDD):				
2	Enterprise CDD (Celebration) (4)	\$17.99	\$44.95	\$62.94
3	Gateway Services District (4)	22.65	16.11	38.76
4	St. Lucie West Services District (4)	36.23	25.10	61.33
Other Florida Utilities:				
5	City of Altamonte Springs (4)	\$20.13	\$14.30	\$34.43
6	City of Casselberry	14.28	17.64	31.92
7	City of Clermont (East)	20.41	17.37	37.78
8	City of Clermont (West)	12.55	17.37	29.92
9	City of Kissimmee	9.51	12.88	22.39
10	City of Lake Mary	14.50	17.42	31.92
11	City of Longwood	14.50	10.50	25.00
12	City of Maitland	10.40	17.62	28.02
13	City of Mount Dora (5)	10.90	20.00	30.90
14	City of Ocoee	12.74	19.69	32.43
15	Orange County	16.47	26.64	43.11
16	City of Orlando	13.11	17.10	30.21
17	City of Oviedo	18.80	21.52	40.32
18	Polk County	22.06	33.90	55.96
19	City of Sanford	17.14	15.71	32.85
20	City of St. Cloud	14.23	21.60	35.83
21	Seminole County	13.10	21.71	34.81
22	Village Center District	12.82	19.45	32.27
23	Volusia County	23.33	22.40	45.73
24	City of Winter Park	11.86	18.51	30.37
25	Other Florida Utilities' Average	\$16.51	\$20.41	\$36.92

- (1) Unless otherwise noted, amounts shown reflect residential rates in effect June 2001 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- (2) Since the District will have a separate irrigation system, this comparison recognizes 4,000 gallons of indoor (water) use and 6,000 gallons of outdoor (irrigation) use. For those utilities that do not have mandatory irrigation service, rates reflect 10,000 gallons of monthly use at the potable water rate.
- (3) Recognizes 4,000 gallons of domestic use for all utilities shown. It should be noted that in most instances for the utilities shown, potable water used for irrigation which is not separately metered will also be charged the wastewater flow charge. However, for the purpose of this comparison, it was assumed that all irrigation water was not billed a wastewater flow charge.
- (4) These utilities have separate irrigation utilities similar to that proposed for Harmony CDD. The water rates for these districts include minimum monthly irrigation charges plus 6,000 gallons of irrigation use in addition to 4,000 gallons of indoor water use.
- (5) Utility currently has a rate study in progress or is planning a rate study within the next year.

Harmony Community Development District

Comparison of Impact Fees for Residential Water and Wastewater Service (1)

Line No.	Description	Residential 5/8" x 3/4" Meter		
		Water Service	Wastewater Service	Combined
<u>Harmony Community Development District</u>				
1	Anticipated Average Rate per ERC (2)	\$2,850	\$2,800	\$5,650
<u>Other Community Development Districts (CDD):</u>				
2	Enterprise CDD (Celebration)	\$1,341	\$2,783	\$4,124
3	Gateway Services District	502	1,247	1,749
4	St. Lucie West Services District	1,350	1,150	2,500
<u>Other Florida Utilities:</u>				
5	City of Altamonte Springs	\$600	\$1,855	\$2,455
6	City of Casselberry	515	2,137	2,652
7	City of Clermont (East)	951	2,711	3,662
8	City of Clermont (West)	430	2,711	3,141
9	City of Kissimmee	969	2,131	3,100
10	City of Lake Mary	1,010	2,535	3,545
11	City of Longwood	1,050	3,450	4,500
12	City of Maitland	900	2,890	3,790
13	City of Mount Dora (3)	980	2,010	2,990
14	City of Ocoee	966	2,865	3,831
15	Orange County	1,095	2,487	3,582
16	City of Orlando	950	2,883	3,833
17	City of Oviedo	1,500	3,240	4,740
18	Polk County	1,055	2,940	3,995
19	City of Sanford	650	1,700	2,350
20	City of St. Cloud	495	2,195	2,690
21	Seminole County	991	2,100	3,091
22	Village Center District	N/A	N/A	1,620
23	Volusia County	1,000	2,200	3,200
24	City of Winter Park	520	2,300	2,820
25	Other Florida Utilities' Average	\$901	\$2,387	\$3,216

- (1) Unless otherwise noted, amounts shown reflect residential rates in effect June 2001 and are exclusive of taxes or franchise fees, if any, and reflect rates charged for inside the city service. All rates are as reported by the respective utility. This comparison is intended to show comparable charges for similar service for comparison purposes only and is not intended to be a complete listing of all rates and charges offered by each listed utility.
- (2) The anticipated water capacity fees for the District include the sum of both the water capacity fee and the irrigation capacity fee.
- (3) Utility currently has a rate study in progress or is planning a rate study within the next year.

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APPENDIX "B"

FORM OF THE INDENTURE

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TO

Dated as of December 1, 2000

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

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APPENDIX A - Form of Requisition

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 (hereinafter 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 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:

"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.

"Accrued 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 Accrued Value of any Bond as of such date shall be the amount determined by compounding the Accrued 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 Accrued 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 created 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.

"**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.

"**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 reputation 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 the payment of which is unconditionally guaranteed by, the United States of America.

"**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 1936, 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 reputation 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.

"**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.

"**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 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.

"**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;

(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, 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

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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.

"**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.

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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.

"**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.

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"**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.

"**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 finance 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

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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.

"**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.

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"**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

"**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 be 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.

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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, 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 herein 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 any other 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

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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 indorsed 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

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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 enforce thereon 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.

The Trustee shall be provided with reference 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 206. 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,

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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 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 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

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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 208. 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 Bonds of such Series and all other Bonds previously authenticated and delivered to pay the Cost of 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

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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 (45th) 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 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.

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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 4150, 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 302. 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.

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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 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, telecopy or other secure means, postage prepaid, to any Owner of \$1,000,000 or more in 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)

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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 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 moneys 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.

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(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.

(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 Bonds 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.

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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.

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

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;
- (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 dispense with the Series Accounts set forth above as shall be deemed advisable by the District in connection with such Series of Bonds.

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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 agrees 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 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

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(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.

(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,

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(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 into 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 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

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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.

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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 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.

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(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.

(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 (hereof) 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.

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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 used for the purpose of such Account.

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

(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

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(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.

(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 therein, the Trustee shall promptly notify the District of the amount of any such deficiency and the

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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 the 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, 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 the foregoing, the District hereby grants to the Trustee a security interest in and to the amounts on

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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 903 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.

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.

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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 fees 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 any time 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

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Section 618. 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 any time 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 Registrar, 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.

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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.

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 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 fully vested with all the estates, property, rights, powers, trusts, 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 Paying 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.

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**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;
- (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 accounts 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.

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 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 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

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 assuring, 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 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 longer 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

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 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 pertaining 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 may be 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 to 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 179 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 Statutes, 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, 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 any Credit Facility Issuer or Liquidity Facility Issuer.

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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 acts and things required to be done or performed by or on behalf of the District under law and this Master 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:

- Any payment of Debt Service on such Series of Bonds is not made when due;
- 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;
- 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

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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 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

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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.

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,

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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, 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

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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 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

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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 suit or 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.

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.

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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 contained in this Section, and not otherwise, the Owners of not less than fifty-one percent (51%) in

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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 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, or 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 proposed Supplemental Indenture to the Owners whose approval is required. Such notice shall be

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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.

Wherever, 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, 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. Issuer 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 Issuer, 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

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applicable Supplemental Indenture; and (iii) following an Event of Default for all other purposes. Notwithstanding the foregoing, neither an Issuer 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 Bonds 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.

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

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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 1201 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 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,

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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.

(c) 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.

(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.

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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 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

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ARTICLE XIII MISCELLANEOUS PROVISIONS

Section 1301. Effect of Covenants. All covenants, stipulations, obligations and agreements of the District contained in this Master Indenture shall be deemed to be covenants, stipulations, 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 officer, 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 a 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 any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal 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 to 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 600
Coral Springs, Florida 33071

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.

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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 any one 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.

Section 1309. Attorney's Fees. Any reference herein to the term "attorney's 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.

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

SEAL

HARMONY COMMUNITY
DEVELOPMENT DISTRICT

ATTEST:

By: [Signature]
Chairman, Board of Supervisors

Secretary

SEAL

FIRST UNION NATIONAL BANK, as
Trustee

By: [Signature]
Authorized Signatory

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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 "Supplemental Indenture" and 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

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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.

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, (iii) 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.

Consulting Engineer

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SECOND SUPPLEMENTAL TRUST INDENTURE

**HARMONY
COMMUNITY DEVELOPMENT DISTRICT**

TO

**FIRST UNION NATIONAL BANK,
AS TRUSTEE**

Dated as of October 1, 2001

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SECOND SUPPLEMENTAL TRUST INDENTURE

THIS SECOND SUPPLEMENTAL TRUST INDENTURE (the "Second Supplemental Indenture") dated as of October 1, 2001, from HARMONY COMMUNITY DEVELOPMENT DISTRICT (the "District") to First Union National Bank, as Trustee (the "Trustee"), a national banking association existing under and by virtue of the laws of the United States and authorized to accept and execute trusts of the character herein set out, 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 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 Capital Improvement Revenue Bonds (Utility Revenue) (the "Bonds"), issuable in one or more series from time to time; and

WHEREAS, pursuant to Resolution 2000-14, adopted by the Governing Body on March 24, 2000 (as 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 "Utility Revenue Bonds"), to be issued as 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; and

WHEREAS, the District is authorized by the Act, particularly by Section 190.012(1)(b) of the Act, to own and operate water supply, sewer and waste water management facilities, or any combination thereof, and to construct and operate connecting intercepting and outlet sewers and sewer mains and pipes and water mains and conduits or pipelines, in and along and under any street, alley, highway or other public place or ways, and to dispose of any effluent, residue or other byproduct of such system or sewer system; and

WHEREAS, the District is authorized by the Act, particularly by Section 190.011(10) of the Act, to raise by user charges or fees authorized by resolution of the Board of Supervisors of the District, amounts of money which are necessary for the conduct of the District activities and services and to enforce their receipt and collection in the manner prescribed by resolution;

WHEREAS, the District is authorized by the Act, particularly by Section 190.016(8) of the Act, to issue revenue bonds, from time to time without limitation as to amount, secured by, or payable from, the gross or net pledge of the revenues to be derived from any project or combination of

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projects, from the rates, fees, or other charges to be collected from the users of any project or projects, from any revenue-producing undertaking or activity of the district or from any other source or pledged security; provided, however, that, pursuant to the Act, such bonds shall not constitute an indebtedness of the District, and the approval of the qualified electors shall not be required unless such bonds are additionally secured by the full faith and credit and taxing power of the district;

WHEREAS, the District has determined to acquire, construct, equip and install a water production, transmission, treatment and distribution facility and sewage collection, treatment, transmission, disposal and irrigation facility (the "Utility System"), which Utility System includes any and all improvements, extensions and additions thereto hereafter constructed or acquired, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith; and

WHEREAS, in order to pay the cost of acquiring, constructing, equipping and installing the System, prior to the issuance of the Utility Revenue Bonds, the Governing Body adopted Resolution 2001-14, on September 28, 2001 (the "BAN Resolution"), pursuant to which it has authorized the issuance, sale and delivery of its \$8,080,000 Harmony Community Development District Bond Anticipation Notes Series 2001 (the "Notes") under and pursuant to the Master Indenture and this Second Supplemental Indenture and to secure the Notes and set forth the terms of the Notes as hereinafter provided; and

WHEREAS, the District will apply the proceeds of the Notes to: (i) finance the Cost of acquisition, construction, installation and equipping of a portion of the Utility System as further described in Exhibit A hereto (hereinafter, the "2001 Project"); (ii) fund capitalized interest on the Notes; and (iii) pay the costs and expenses of issuing the Notes; and

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

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS SECOND SUPPLEMENTAL TRUST 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 Notes 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 Notes 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 (as defined in the Master Indenture), and to further secure the observance

and performance by the District of all the covenants, expressed or implied in the Master Indenture, in this Second Supplemental Indenture and in the Notes: (a) has executed and delivered this Second 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 proceeds of the Utility Revenue Bonds, when, as and if, issued (the "2001 Pledged Revenues") and the Funds and Accounts (except for the Rebate Fund and the Note Purchase Fund, except to the extent provided in Section 406 hereof) established hereby (the "2001 Pledged Funds and Accounts") which shall comprise a part of the Trust Estate securing the Notes (the "2001 Trust Estate");

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, except as in each such case may otherwise be provided in the Master Indenture, 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 Notes issued or to be issued under and secured by this Second Supplemental Indenture, without preference, priority or distinction as to lien or otherwise, of any one Note over any other Note by reason of priority in their issue, sale or execution;

PROVIDED 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 Notes or any Note of a particular maturity issued, secured and Outstanding under this Second Supplemental Indenture and the interest due or to become due thereon, at the times and in the manner mentioned in the Notes and this Second 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 Second 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 Second Supplemental Indenture, then upon such final payments, this Supplemental Indenture and the rights hereby granted shall cease and terminate, with respect to all Notes or any Note of a particular maturity, otherwise this Second Supplemental Indenture shall remain in full force and effect;

THIS SECOND SUPPLEMENTAL INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all Notes 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 Second Supplemental Indenture), including this Second Supplemental Indenture, expressed,

account of a grant or contribution, not repayable by the District, for or with respect to (1) the construction, acquisition or other development of an addition, extension or improvement to any part of the Utility System or any costs of any such construction, acquisition or development, or (2) the financing of any such construction, acquisition, development or costs; provided, however, Government Grant shall not include any grants or contributions received by the District for purposes of funding Operating Expenses.

"Gross Revenues" shall mean all income and moneys received by the District from the rates, fees, rentals, charges and other income to be made and collected by the District for the use of the products, services and facilities to be provided by the Utility System, or otherwise received by the District or accruing to the District in the ownership, management and operation of the Utility System, calculated in accordance with generally accepted accounting principles applicable to public utility systems similar to the Utility System, including, without limiting the generality of the foregoing, (1) proceeds from use and occupancy insurance on the Utility System, (2) fees collected by the District for the physical hook-up of customers of the Utility System, (3) Investment Earnings and (4) Capacity Fees. "Gross Revenues" shall not include (a) Government Grants, to the extent prohibited or restricted as to its use by the terms of the Government Grant or (b) proceeds of Bonds or other District debt. "Gross Revenues" also does not include any revenues or moneys derived by the District from property or facilities it owns, operates or manages other than the Utility System.

"Interest Payment Date" shall mean each May 1 and November 1, commencing November 1, 2001.

"Investment Earnings" shall mean all income and earnings derived from the investment of moneys in the Funds and Accounts established under the Indenture for the benefit of the Utility Revenue Bonds, other than the Accounts in the Acquisition and Construction Fund and the Rebate Fund.

"Mandatory Tender Date" shall mean: (i) the fifth (5th) Business Day preceding the Maturity Date of the Notes if the District has not on the eleventh (11th) Business Day prior to the Maturity Date deposited with the Trustee sufficient cash or Government Obligations to pay the Outstanding Notes together with accrued but unpaid interest thereon to the Maturity Date; or (ii) the tenth (10th) Business Day following the delivery to Birchwood of written notice from the Trustee or the Owners of more than fifty percent (50%) of the Outstanding Notes of the occurrence and continuance of an Event of Default hereunder or by Birchwood under the Note Purchase Agreement.

"Maturity Date" shall mean the Maturity Date as set forth on the face of the Notes.

"Net Revenues" shall mean Gross Revenues less Operating Expenses.

"Notes" shall mean \$8,080,000 Harmony Community Development District Bond Anticipation Notes Series 2001, which are issued hereunder.

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 Notes, as follows:

ARTICLE I DEFINITIONS

Section 101. 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:

"AFPI" shall mean "allowance for funds prudently invested," calculated in accordance with generally accepted governmental accounting practices applied to utility systems such as the Utility System.

"Birchwood" shall mean Birchwood Acres Limited Partnership, LLLP, a Florida limited liability limited partnership, its successors and assigns.

"Bonds" means the Capital Improvement Revenue Bonds (Utility Revenue) of the District to be issued under and pursuant to the Master Indenture and the Bond Resolution, the proceeds of which are to be used for, and are pledged hereunder by the District as a portion of the security for, and the source of payment of, the principal and premium of, and interest on, the Notes.

"Bond Depository" shall mean the securities depository from time to time under Section 201 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.

"Bond Resolution" shall mean Resolution No. 2000-14, adopted by the Board of Supervisors of the District on March 24, 2000, authorizing the issuance of the Bonds, as amended and supplemented by Resolution 2001-14.

"Capacity Fees" shall mean the Water Capacity Fees and the Wastewater Capacity Fees.

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

"Government Grant," when used with respect to the Utility System, shall mean any sum of money heretofore or hereafter received by the District from the United States of America or any agency thereof or from the State of Florida or any agency or political subdivision thereof as or on

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

"Note Purchase Agreement" shall mean that certain Note Purchase Agreement, dated as of October 1, 2001, by and between Birchwood and the Trustee, relating to the Notes.

"Operating Expenses" shall mean the District's expenses for operation, maintenance, management, development, repairs and replacements with respect to the Utility System and shall include, without limiting the generality of the foregoing, administration expenses; payments for the purchase of materials essential to or used in the operation of the Utility System including bulk purchases of water or wastewater services; unsubordinated fees for the management of the Utility System or any portion thereof; accounting, legal and engineering expenses; ordinary and current rentals of equipment or other property; refunds of moneys lawfully due to others; payments to others for disposal of wastewater or other wastes; payments to pension, retirement, health and hospitalization funds; any costs of litigation or a legal judgment against the District; costs of permitting or other governmental regulatory matters; payments in lieu of taxes and facility impact fees; and any other expenses required to be paid for or with respect to proper operation or maintenance of the Utility System, including appropriate reserves therefor, all to the extent properly attributable to the Utility System in accordance with generally accepted accounting principles applicable to public utility systems similar to the Utility System; and disbursements for the expenses, liabilities and compensation of any Paying Agent or Trustee under the Indenture, but does not include any costs or expenses in respect of original acquisition, construction or improvement other than expenditures necessary to prevent an interruption or continuance of an interruption of service or of Gross Revenues or minor capital expenditures necessary for the proper and economical operation or maintenance of the Utility System, or any provision for interest, depreciation, amortization or similar charges.

"Purchase Price" shall mean the principal amount of the Notes Outstanding on any Mandatory Tender Date, plus accrued interest thereon to said Purchase Date.

"2001 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:

(a) bonds, treasury notes and other evidences of indebtedness which are direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America;

(b) commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies, rated by Moody's within its rating or prime 1 and by S&P within its rating of A-1 or by their corporate successors;

(c) interest-bearing time deposits and certificates of deposit of any federally or State chartered commercial bank, including the Trustee, within the State of Florida having a combined capital,

surplus and undivided profits of not less than \$50,000,000 and a rating of Aa or better by Moody's and AA or better by S&P; provided, that, such funds are fully secured as to principal and interest by the Federal Deposit Insurance Corporation; and provided further, that no deposits made under this subsection shall be made for a period in excess of five years or the maximum period permitted under applicable State Law;

(d) savings accounts, interest-bearing time deposits and certificates of deposit of any savings and loan associations which are under supervision of the State of Florida or any federal associations located in the State of Florida and organized under the laws of the United States of America and under federal supervision having a combined capital, surplus and undivided profits of not less than \$50,000,000 and a rating of Aa or better by Moody's and AA or better by S&P; provided that such funds are fully secured as to principal and interest by the Federal Deposit Insurance Corporation; and provided further, that no deposits made under this subsection shall be made for a period in excess of five years or the maximum period permitted under applicable State law;

(e) short term money market funds rated in the highest rating category by a nationally recognized credit agency;

(f) repurchase agreements, which will be collateralized at the onset of the repurchase agreement of at least 103% marked to market daily with Collateral, as hereinafter defined, with a domestic or foreign bank or Corporation (other than life or property casualty insurance company) the long-term debt of which, or, in the case of a mono-line financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's provided that the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3," respectively, the provider shall immediately notify the Trustee and the provider shall at its option, within ten days of receipt of publication of such downgrade, either (A) maintain Collateral at levels, sufficient to maintain an "AA" rated investment from S&P and an "Aa" rated investment from Moody's, or (B) repurchase all Collateral and terminate the repurchase agreement. Further, if the provider's rating by either S&P or Moody's falls below "A" or "A3," respectively, the provider must at the direction of the District to the Trustee, within ten (10) calendar days, either (1) maintain Collateral at levels sufficient to maintain an "AA" rated investment from S&P and an "Aa" rated investment from Moody's, or (2) repurchase all Collateral and terminate the repurchase agreement without penalty. In the event the repurchase agreement provider has not satisfied the above conditions within ten (10) days of the date such conditions apply, then the repurchase agreement shall provide that the Trustee shall be entitled to, and in such event, the Trustee shall withdraw the entire amount invested plus accrued interest within two (2) Business Days. For the purposes herein, "Collateral" shall mean obligations of the United States of America (the "U.S."), agencies of the U.S., the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. Obligations of such entities can be in the form of collateralized mortgage obligations ("CMOs"). Any repurchase agreement entered into pursuant to this Supplemental Indenture shall contain the following additional provisions:

(i) Failure to maintain the requisite Collateral percentage will require the District of the Trustee to liquidate the Collateral as provided above;

(ii) The Holder of the Collateral, as hereinafter defined, shall have possession of the Collateral or the Collateral shall have been transferred to the Holder of the Collateral, in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(iii) The repurchase agreement shall state and an Opinion of Counsel in form and in substance satisfactory to the Trustee shall be rendered that the Holder of the Collateral has a perfected first priority security interest in the Collateral, any substituted Collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(iv) The repurchase agreement shall be a "repurchase agreement" as defined in the United States Bankruptcy Code and, if the provider is a domestic bank, a "qualified financial contract" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and such bank is subject to FIRREA;

(v) The repurchase transaction shall be in the form of a written agreement, and such agreement shall require the provider to give written notice to the Trustee of any change in its long-term debt rating;

(vi) The District or its designee shall represent that it has no knowledge of any fraud involved in the repurchase transaction;

(vii) The District and the Trustee shall receive the Opinion of counsel (which opinion shall be addressed to the District and the Trustee and shall be in form and substance satisfactory to the Trustee) that such repurchase agreement complies with the terms of this section and is legal, valid, binding and enforceable upon the provider in accordance with its terms;

(viii) The term of the repurchase agreement shall be no longer than one year, or, if payable upon demand, five years;

(ix) The interest with respect to the repurchase transaction shall be payable no less frequently than semi-annually;

(x) The repurchase agreement shall provide that the Trustee may withdraw funds without penalty at any time, or from time to time, for any purpose permitted or required under this Supplemental Indenture;

(xi) Any repurchase agreement shall provide that a perfected security interest in such investments is created for the benefit of the Beneficial Owners under the Uniform Commercial Code of Florida, or book-entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* are created for the benefit of the Beneficial Owners; and

(xii) The Collateral delivered or transferred to the District, the Trustee, or a third-party acceptable to, and acting solely as agent for, the Trustee (the "Holder of the Collateral") shall be delivered and transferred in compliance with applicable state and federal laws (other than by means

of entries on provider's books) free and clear of any third-party liens or claims pursuant to a custodial agreement subject to the prior written approval of the Majority Holders and the Trustee. The custodial agreement shall provide that the Trustee must have disposition control over the Collateral of the repurchase agreement, irrespective of an event of default by the provider of such repurchase agreement.

If such investments are held by a third-party, they shall be held as agent for the benefit of the Trustee as fiduciary for the Beneficial Owners and not as agent for the bank serving as Trustee in its commercial capacity or any other party and shall be segregated from securities owned generally by such third party or bank.

"2001 Pledged Revenues" shall mean the proceeds of the Bonds, if, as and when issued and amounts derived under the Note Purchase Agreement.

"Utility System" shall mean any and all water production, effluent reuse, transmission, treatment and distribution facilities and any and all wastewater collection, transmission, treatment and disposal facilities owned by the District. Such Utility System shall also include any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from any other sources, together with all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, including all contractual rights, rights to capacity and obligations or undertakings associated therewith. "Utility System" shall also include any stormwater utility or any other utility facilities if and to the extent the District determines by Supplemental Indenture to include such utility or facilities within the Utility System as described herein.

"Wastewater Capacity Fees" shall mean the fees and charges, if any, imposed by the District to acquire, construct, equip or expand the capacity of the wastewater facilities of the Utility System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the wastewater facilities of the Utility System or expansion thereof in order to serve new users of the wastewater facilities of the Utility System and new development within the service area of the Utility System, to the extent the same are lawfully levied, collected and pledged. Such Wastewater Capacity Fees may include interest carrying costs associated with the wastewater facilities of the Utility System.

"Water Capacity Fees" shall mean the fees and charges, if any, imposed by the District to acquire, construct, equip or expand the capacity of the water facilities of the Utility System for the purpose of paying or reimbursing the equitable share of the capital cost relating to such acquisition, construction, expansion or equipping of capacity of the water facilities of the Utility System or expansion thereof in order to serve new users of the water facilities of the Utility System and new development within the service area of the Utility System, to the extent the same are lawfully levied, collected and pledged. Such Water Capacity Fees may include interest carrying costs associated with the water facilities of the Utility System.

ARTICLE II AUTHORIZATION, ISSUANCE AND PROVISIONS OF NOTES

Section 201. Authorization of Notes; Book-Entry Only Form. The Notes are hereby authorized to be issued in the aggregate principal amount of \$8,080,000 for the purposes enumerated in the recitals hereto to be designated "Harmony Community Development District Bond Anticipation Notes Series 2001." The Notes shall be substantially in the form set forth as Exhibit B to this Second Supplemental Indenture. Each Note shall bear the designation "2001BAN" and shall be numbered consecutively from 2001BAN-1 upwards.

The Notes shall be initially issued in the form of a separate single certificated fully registered Note for each maturity thereof. Upon initial issuance, the ownership of each such Note 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 201, all of the Outstanding Notes 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 Notes 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 Notes, (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 Notes, 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 Notes. The District, the Trustee, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Note is registered in the registration books kept by the Bond Registrar as the absolute owner of such Note for the purpose of payment of principal, premium and interest with respect to such Note, for the purpose of giving notices of redemption and other matters with respect to such Note, for the purpose of registering transfers with respect to such Note, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Notes 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 Notes 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 Note 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 Second 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 to the effect that a continuation of the requirement that all of the Outstanding Notes 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 the Notes 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 Notes 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 Notes shall designate, in accordance with the provisions hereof.

Section 202. Terms of Notes; Mandatory Tender; Deemed Tender. The Notes shall bear interest at the fixed interest rate per annum and shall mature in the amount and on the date set forth below:

Principal Amount	Interest Rate	Maturity (May 1)
\$8,080,000	6.75%	2003

The Notes shall be subject to mandatory tender for purchase by the Owners thereof on a Mandatory Tender Date upon five days' notice thereof to DTC as provided for herein and in the Note Purchase Agreement. Notes tendered for purchase shall be surrendered to the Trustee against payment therefor accompanied by an assignment duly executed by the Owner or its attorney or legal representative, as required by the Note and the Indenture, transferring and assigning all of the Owner's interest in the Note as provided in the Note Purchase Agreement. Upon the Owner's surrender of the Note to the Trustee for registration of transfer as aforesaid and upon said registration of transfer of the Note by the Trustee, the Trustee shall immediately deliver the Note as provided in the Note Purchase Agreement. The foregoing surrenders and transfers may be undertaken on the books of DTC if the Notes are then in book-entry only form.

The District hereby authorizes and directs the Trustee to enter into the Note Purchase Agreement and to perform the obligations of the Trustee thereunder, in each case for and on behalf of the Owners, from time to time, of the Notes.

NOTES WHICH ARE NOT TENDERED FOR PURCHASE ON A MANDATORY PURCHASE DATE AND FOR WHICH THE PURCHASE PRICE IS HELD BY THE TRUSTEE SHALL BE DEEMED TENDERED FOR PURCHASE, MAY BE REISSUED IN THE NAME OF BIRCHWOOD WITHOUT FURTHER ACTION ON THE PART OF THE OWNERS THEREOF, AND THEREAFTER, PAYMENT OF THE PURCHASE PRICE

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SHALL BE SECURED ONLY BY MONEYS HELD THEREFOR BY THE TRUSTEE IN THE PURCHASE FUND ESTABLISHED HEREUNDER.

Section 203. Dating; Interest Accrual. Each Note shall be dated the date of its issuance and delivery to the initial purchasers thereof. Each Note also shall bear its date of authentication. Each Note shall bear interest from its date, which shall be payable on the maturity date thereof, and shall be computed on the basis of a 360-day year of twelve 30-day months.

Section 204. Denominations. The Notes shall be issued in Authorized Denominations; provided, however, that upon initial issuance, the Notes shall be sold to an initial purchaser only in aggregate principal amounts of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

Section 205. Paying Agent. The District appoints the Trustee as Paying Agent for the Notes.

Section 206. Bond Registrar. The District appoints the Trustee as Bond Registrar for the Notes.

Section 207. Conditions Precedent to Issuance of Notes. In addition to complying with the requirements set forth in the Master Indenture in connection with the issuance of the Notes, all the Notes 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) Executed copies of the Master Indenture, this Second Supplemental Indenture, the Ban Resolution and the Bond Resolution;

(b) A Bond Counsel opinion 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 Second Supplemental Indenture, and the Master Indenture and this Second 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 Second Supplemental Indenture, creates the valid pledge which it purports to create of the 2001 Trust Estate in the manner and to the extent provided in the Master Indenture and this Second Supplemental Indenture; and (iii) the Notes are valid, binding, special obligations of the District, enforceable in accordance with their terms and the terms of the Master Indenture and this Second 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 Notes have been duly and validly authorized and issued in accordance with law and the Master Indenture and this Second Supplemental Indenture;

(c) An opinion of Counsel to the District to the effect that the District has good right and lawful authority under the Act to undertake the 2001 Project being financed with the proceeds of the Notes, subject to obtaining such licenses, orders or other authorizations as are, at the date of such opinion,

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required to be obtained from any agency or regulatory body having lawful jurisdiction in order to undertake the 2001 Project;

(d) A certificate of an Authorized Officer to the effect that, upon the authentication and delivery of the Notes, the District will not be in default in the performance of the terms and provisions of the Master Indenture or this Second Supplemental Indenture; and

(e) An Engineers' Certificate or Engineers' Certificates which set forth the estimated Cost of the 2001 Project.

(f) The Note Purchase Agreement, together with an opinion of counsel to Birchwood acceptable to the Trustee and Bond Counsel as to the enforceability of the Note Purchase Agreement against Birchwood.

ARTICLE III REDEMPTION OF NOTES

Section 301. Notes Subject to Redemption. The Notes are subject to redemption prior to maturity as provided in the form thereof set forth as Exhibit B to this Second Supplemental Indenture.

ARTICLE IV DEPOSIT OF NOTE PROCEEDS AND APPLICATION THEREOF; ESTABLISHMENT OF FUNDS AND ACCOUNTS AND OPERATION THEREOF

Section 401. Establishment of Funds and Accounts. (a) There are hereby established within the Acquisition and Construction Fund held by the Trustee the following accounts:

- (i) a 2001 Acquisition and Construction Account;
- (ii) a 2001 Costs of Issuance Account.

(b) There are hereby established within the Debt Service Fund held by the Trustee: (i) a 2001 Debt Service Account and therein a 2001 Interest Account; and (ii) a 2001 Redemption Account;

(c) There is hereby established with the Trustee a Note Purchase Fund; and

(d) There is hereby established within the Rebate Fund held by the Trustee a 2001 Rebate Account.

Section 402. Use of Note Proceeds. The net proceeds of sale of the Notes, \$7,970,920.00, shall as soon as practicable upon the delivery thereof to the Trustee by the District pursuant to Section 207 of the Master Indenture, be applied as follows:

- (a) \$204,538.57, representing the costs of issuance relating to the Notes shall be deposited to the credit of the 2001 Costs of Issuance Account;
- (b) \$569,502.90, representing capitalized interest on the Notes, plus \$12,120.00, representing accrued interest on the Notes, shall be deposited into the Interest Account; and
- (c) the balance of the proceeds of the Notes remaining after the deposits above, \$7,184,758.53, shall be deposited to the credit of the 2001 Acquisition and Construction Account.

Section 403. 2001 Acquisition and Construction Account. (a) Amounts on deposit in the 2001 Acquisition and Construction Account shall be applied to pay the Costs of the 2001 Project upon compliance with the requisition provisions set forth in Section 503(b) of the Master Indenture.

(b) Any balance remaining after the Date of Completion and after retaining the amount, if any, of all remaining unpaid Costs of the 2001 Project set forth in the Engineers' Certificate establishing such Date of Completion, shall be transferred to and deposited in the 2001 Redemption Account and applied to the Extraordinary Mandatory Redemption of the Notes and in the manner prescribed in the form of Note set forth as Exhibit B hereto.

Section 404. Costs of Issuance Account. The amount deposited in the 2001 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 Notes. At the written direction of an Authorized Officer, any amounts deposited in the 2001 Costs of Issuance Account which are not needed to pay such costs shall be transferred over and deposited into the 2001 Acquisition and Construction Account and used for the purposes permitted therefor.

Section 405. Tax Covenants and Rebate Account. The District shall comply with the Tax Regulatory Instructions set forth as Exhibit C to this Second Supplemental Indenture, as amended and supplemented from time to time in accordance with their terms.

Section 406. Note Purchase Fund; Application of Revenues and Investment Earnings. (a) The Trustee shall deposit all moneys derived under the Note Purchase Agreement into the Note Purchase Fund and shall apply such moneys to the purchase of Notes on and after a Note Purchase Date. Moneys held in the Note Purchase Fund shall be held solely as a source of payment and security for the purchase of Notes tendered in accordance with the provisions hereof and of the Notes, but shall not be held as security for or source of payment of Notes which are actually or beneficially owned by Birchwood.

(b) The Trustee shall deposit net proceeds of the Utility Revenue Bonds, when, as and if issued, into the 2001 Redemption Account and 2001 Interest Account in amounts sufficient to pay and redeem all of the then Outstanding Notes, together with interest accrued, but unpaid thereon.

(d) On or before the earlier of the date of redemption, maturity date or Mandatory Tender Date of the Notes, the Trustee shall withdraw from the Interest Account, and pay, the amount of interest coming due on the Notes on such date. On a Mandatory Tender Date, the Trustee shall withdraw from the Interest Account and deposit into the Note Purchase Fund the interest portion of the Purchase Price to be paid on such Mandatory Tender Date.

(e) On the Maturity Date, the Trustee shall withdraw from the 2001 Redemption Account, and pay, the amount of principal coming due on the Notes on such Maturity Date.

(f) On any date required by the Tax Regulatory Instructions, the District shall give the Trustee written direction, and the Trustee shall, transfer first, from the 2001 Acquisition and Construction Account, then from the 2001 Interest Account and thereafter from the 2001 Redemption Account to the Rebate Account established for the Notes 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 Regulatory Instructions.

(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 Notes shall be invested only in 2001 Investment Obligations, and further, earnings on investments in the Funds and Accounts established hereunder shall be retained, in such respective Fund or Account.

ARTICLE V CONCERNING THE TRUSTEE

Section 501. Acceptance by Trustee. The Trustee accepts the trusts declared and provided in this Second Supplemental Indenture and agrees to perform such trusts upon the terms and conditions set forth in the Master Indenture.

Section 502. Limitation of Trustee's Responsibility. The Trustee shall not be responsible in any manner for the due execution of this Second Supplemental Indenture by the District or for the covenants contained herein, all of which are made solely by the District.

Section 503. Trustee's Duties. Except as otherwise expressly stated in this Second 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.

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[Remainder of page intentionally left blank]

ARTICLE VI LIMITATION ON PARITY OBLIGATIONS

Section 601. Limitation on Parity Obligations. The District covenants and agrees that so long as there are any Notes Outstanding, it shall not cause or permit to be caused any lien, charge or claim against the 2001 Trust Estate other than a lien, charge or claim in favor of the Bonds or any lien arising in favor of the Trustee in connection with its fees and expenses under the Indenture, but only if the proceeds of such Bonds are at least sufficient to pay and redeem, or to defease, all of the Outstanding Notes; provided, however, that the District reserves the right to issue bonds, notes or other obligations payable from or secured by the 2001 Trust Estate pledged to the Notes, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2001 Trust Estate equal or prior to the lien of this Supplemental Indenture securing the Notes. Each bond, note or other obligation issued pursuant to the authority of the preceding sentence shall conspicuously state on the face thereof 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 Second Supplemental Indenture on such 2001 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 Notes to payment and the control of remedies and acceleration granted hereunder and under the Master Indenture.

ARTICLE VII MISCELLANEOUS

Section 701. Confirmation of Master Indenture. As supplemented by this Second Supplemental Indenture, the Master Indenture is in all respects ratified and confirmed, and this Second 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 Second Supplemental Indenture and for the benefit and security of the Notes issued hereunder.

Section 702. Covenant Against Sale or Transfer of Utility System. The District covenants and agrees that so long as the Notes are Outstanding, it will not sell or transfer all or any portion of the Utility System.

Section 703. Rate Covenant and Covenant to Issue Utility Revenue Bonds. The District represents and warrants to the Owners, from time to time of the Notes, that it will proceed diligently to complete the 2001 Project and to cause to be issued the Utility Revenue Bonds on or prior to the maturity date of the Notes. In furtherance of such covenant, the District covenants and agrees to establish rates, fees and charges for the use of the Utility System which will produce Net Revenues available for Debt Service sufficient to enable the sale and delivery of the Utility Revenue Bonds.

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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:

Secretary

By: _____
Chairman, Board of Supervisors

SEAL

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Authorized Signatory

EXHIBIT A

Description of 2001 Project

EXHIBIT B
FORM OF NOTE[FORM OF NOTES]
[TEXT OF NOTE FACE]

No. 2001BAN-

\$8,080,000.00

United States of America
State of FloridaHARMONY COMMUNITY DEVELOPMENT DISTRICT
BOND ANTICIPATION NOTE SERIES 2001

Interest Rate	Maturity Date	Dated Date	CUSIP
6.75%	May 1, 2003	October 1, 2001	

Registered Owner:

CEDE & CO.

Principal Amount: ***EIGHT MILLION EIGHTY THOUSAND AND NO/100 DOLLARS***

HARMONY COMMUNITY DEVELOPMENT DISTRICT, a community development district duly created, 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 Note 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 shown above and to pay (but only out of the sources hereinafter mentioned) interest on the outstanding principal amount hereof 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 November 1, 2001, 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

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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 Note Registrar as the registered Owner of this Note. Any payment of principal, Maturity Amount or Redemption Price shall be made only upon presentation hereof at the designated corporate trust office of First Union National Bank, located in Miami, Florida, 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 interest 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 2001 Notes, as defined below). Interest on this Note will be computed on the basis of a 360-day year of twelve 30-day months. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture hereinafter referred to.

THIS NOTE IS SUBJECT TO MANDATORY TENDER FOR PURCHASE BY BIRCHWOOD LIMITED PARTNERSHIP ON A MANDATORY PURCHASE DATE AS DEFINED IN THE INDENTURE, AT THE PURCHASE PRICE OF PAR PLUS INTEREST ACCRUED TO THE MANDATORY PURCHASE DATE. THE OWNER OF THIS NOTE HAS CERTAIN RIGHTS UNDER THE INDENTURE TO CAUSE THE OCCURRENCE OF A MANDATORY TENDER DATE, TO WHICH INDENTURE REFERENCE IS HEREBY MADE FOR A DESCRIPTION OF SUCH CIRCUMSTANCES. NOTES WHICH ARE NOT TENDERED FOR PURCHASE ON A MANDATORY PURCHASE DATE AND FOR WHICH THE PURCHASE PRICE IS HELD BY THE TRUSTEE SHALL BE DEEMED TENDERED FOR PURCHASE, MAY BE REISSUED IN THE NAME OF BIRCHWOOD OR ITS DESIGNEE WITHOUT FURTHER ACTION ON THE PART OF THE OWNERS THEREOF, AND THEREAFTER, THE OWNER SHALL BE ENTITLED ONLY TO THE PAYMENT OF THE PURCHASE PRICE WITHOUT INTEREST THEREON, WHICH PURCHASE PRICE SHALL BE SECURED ONLY BY MONEYS HELD THEREFOR BY THE TRUSTEE IN THE PURCHASE FUND ESTABLISHED UNDER THE INDENTURE. EFFECTIVE TENDER OF THIS NOTE SHALL OCCUR UPON SURRENDER HEREOF BY THE OWNER AGAINST PAYMENT THEREFOR TO THE TRUSTEE TOGETHER WITH AN ASSIGNMENT DULY EXECUTED BY THE OWNER OR ITS ATTORNEY OR LEGAL REPRESENTATIVE, AS REQUIRED HEREBY AND BY THE INDENTURE, TRANSFERRING AND ASSIGNING ALL OF THE OWNER'S INTEREST HEREIN. IN THE EVENT THAT THE NOTES ARE IN BOOK-ENTRY ONLY FORM, THE ABOVE-REFERENCED SURRENDER AND TRANSFER MAY BE ACCOMPLISHED THROUGH THE FACILITIES OF DTC IN ACCORDANCE WITH THE PROCEDURES ESTABLISHED BY DTC AS ALTERNATIVES TO SURRENDER AND TRANSFER.

This Note is one of a duly authorized issue of notes of the District designated "Bond Anticipation Notes Series 2001" (the "Notes"), under a Master Trust Indenture, dated as of December

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1, 2000 (the "Master Indenture"), between the District and First Union National Bank, Miami, Florida, as trustee (the "Trustee"), as amended and supplemented by a Second Supplemental Indenture, dated as of October 1, 2001 (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 Notes are issued in an aggregate principal amount of \$8,080,000, for the purpose of: (i) financing the Cost of acquiring, constructing and equipping assessable improvements (the "2001 Project"); (ii) funding capitalized interest on the Notes; and (iii) paying certain costs associated with the issuance of the Notes. The Notes are issued in anticipation of the issuance, sale and delivery of at least \$8,080,000 Harmony Community Development District Capital Improvement Revenue Bonds (Utility Revenue) which have been authorized by resolution of the Board of Supervisors of the District (the "Utility Revenue Bonds"). This Note and the issue of which it forms a part is payable from and secured by the proceeds of the Utility Revenue Bonds, when, as and if issued and by the 2001 Pledged Funds.

NEITHER THIS NOTE 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 NOTE 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 NOTES. NO OWNER OR ANY OTHER PERSON SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER PUBLIC AUTHORITY OR GOVERNMENTAL BODY TO PAY DEBT SERVICE OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE MASTER INDENTURE, THE SUPPLEMENTAL INDENTURE, OR THE NOTES. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE MASTER INDENTURE, THE SUPPLEMENTAL INDENTURE, OR THE NOTES, SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2001 PLEDGED REVENUES AND THE 2001 PLEDGED FUNDS PLEDGED TO THE NOTES, 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 Note and the execution of the Indenture, have happened, exist and have been performed as so required. This Note 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.

THE TERMS AND PROVISIONS OF THIS NOTE ARE CONTINUED ON THE REVERSE HEREOF AND SUCH CONTINUED TERMS AND PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

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IN WITNESS WHEREOF, Harmony Community Development District has caused this Note 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
By:

Secretary, Board of Supervisors Chairman, Board of Supervisors

[Official Seal]

[FORM OF CERTIFICATE OF AUTHENTICATION FOR NOTES]

This Note is one of the Notes of the Series designated herein, described in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK
as Trustee

Date of Authentication:

By: _____
Authorized Signatory

[TEXT OF NOTE]

This Note is issued under and pursuant to the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes (2001), particularly Section 190.014, Florida Statutes (2001) 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 Notes issued under the Indenture, the collection and disposition of revenues and the funds charged with and pledged to the payment of the principal, Maturity Amount and Redemption Price of, and the interest on, the Notes, 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 Notes 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

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registered Owners of the Notes, and, by the acceptance of this Note, the registered Owner hereof assents to all of the provisions of the Indenture. The Notes are equally and ratably secured by the 2001 Trust Estate, without preference or priority of one Note over another. The Supplemental Indenture does not authorize the issuance of any additional Notes ranking on a parity with the Notes.

The Notes are issuable only as registered notes without coupons in current interest form in denominations of \$5,000 or any integral multiple thereof; provided, however, that upon initial issuance the Notes shall be sold to initial purchasers only in an aggregate principal amount in excess of \$100,000 and integral multiples of \$5,000 in excess thereof (an "Authorized Denomination"). This Note 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 Note, 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 Note or Notes, in the same aggregate principal amount as the Note or Notes 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 Indenture and without cost, except for any tax or other governmental charge, Notes may be exchanged for an equal aggregate principal amount of Notes of the same maturity, of Authorized Denominations and bearing interest at the same rate or rates.

The Notes may, at the option of the District be called for redemption, on or after May 1, 2002, as a whole or in part, at any time, at the redemption price of par plus interest accrued to the date of redemption.

If less than all of the Notes shall be called for redemption, the particular Notes or portions of Notes to be redeemed shall be selected by lot by the Registrar as provided in the Indenture.

Notice of each redemption of Notes 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 Notes to be redeemed at the address of such registered Owner recorded on the bond register maintained by the Bond Registrar. On the date designated for redemption, notice having been given and money for the payment of the Redemption Price being held by the Paying Agent, all as provided in the Indenture, the Notes 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 Notes or such portions thereof on such date, interest on such Notes or such portions thereof so called for redemption shall cease to accrue, such Notes 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 Notes 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

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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 Note shall have no right to enforce the provisions of the 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 Notes then Outstanding under the Indenture may become and may be declared due and payable before the stated maturities thereof, with the 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 Indenture.

Any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any Note which remain unclaimed for six (6) years after the date when such Note 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 six (6) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such Note 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 funds or Federal Securities (as defined in the Indenture) sufficient to pay the principal or redemption price of any Notes becoming due at maturity or by call for redemption in the manner set forth in the Indenture, together with the interest accrued to the due date, the lien of the Notes as to the 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 Note 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.

This Note is issued with the intent that the laws of the State of Florida shall govern its construction.

[FORM OF BOND COUNSEL OPINION]

[FORM OF ABBREVIATIONS FOR NOTES]

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The following abbreviations, when used in the inscription on the face of the within Note, 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 with the right of survivorship and not as tenants in common
JT TEN as joint tenants with the right of survivorship and not as tenants in common

UNIFORM GIFT MIN ACT - _____ Custodian _____ under Uniform Gifts to Minors Act _____
(Cust) (Minor) (State)

Additional abbreviations may also be used though not in the above list.

[FORM OF ASSIGNMENT FOR NOTES]

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Note and all rights thereunder, and hereby irrevocably constitutes and appoints _____, attorney to transfer the said Note on the books of the District, with full power of substitution in the premises.

Dated:

Social Security Number or Employer
Identification Number of Transferee:

Signature guaranteed:

By: _____
Authorized Signatory

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Note in every particular without alteration or any change whatever.

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THIRD SUPPLEMENTAL TRUST INDENTURE

**HARMONY
COMMUNITY DEVELOPMENT DISTRICT**

TO

**FIRST UNION NATIONAL BANK,
AS TRUSTEE**

Dated as of October 1, 2001

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THIRD SUPPLEMENTAL TRUST INDENTURE

THIS THIRD SUPPLEMENTAL TRUST INDENTURE (the "Third Supplemental Indenture") dated as of October 1, 2001, from HARMONY COMMUNITY DEVELOPMENT DISTRICT (the "District") to First Union National Bank, as Trustee (the "Trustee"), a national banking association existing under and by virtue of the laws of the United States 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 One First Union Financial Center, 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 Capital Improvement 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 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; and

WHEREAS, the Governing Body of the District duly adopted Resolution No. 2000-12, on March 24, 2000, providing for the acquisition and construction of assessable capital improvements (the "Capital Improvement Program"), providing estimated Costs of the Capital Improvement Program, defining assessable property to be benefited by the Capital Improvement Program, defining the portion of the Costs of the Capital Improvement 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, and, stating the intent of the District to issue bonds of the District secured by such Assessments to finance the costs of the acquisition and construction of the Capital Improvement Program (the "Preliminary Assessment Resolution") and the Governing Body of the District duly adopted Resolution No. 2000-17, on April 27, 2000, following a public hearing conducted in accordance with the Act, to fix and establish the Assessments and the benefited property (collectively, the "Assessment Resolution"); and

WHEREAS, pursuant to Resolution No 2001-13, adopted by the Governing Body of the District on September 27, 2001 (the "Award Resolution"), the District has authorized the issuance,

sale and delivery of \$17,700,000 of its Harmony Community Development District Capital Improvement Revenue Bonds, Series 2001 (Special Assessments) (the "2001 Special Assessment Bonds") as an issue of Bonds under the Master Indenture, and has authorized the execution and delivery of the Master Indenture and this Third Supplemental Indenture to secure the issuance of the 2001 Special Assessment Bonds and to set forth the terms of the 2001 Special Assessment Bonds; and

WHEREAS, the District will apply the proceeds of the 2001 Special Assessment Bonds to: (i) refund and redeem certain bond anticipation notes heretofore issued by the District to fund a portion of the Capital Improvement Program (herein defined) of the District, (ii) finance the Cost of acquiring, constructing and equipping assessable improvements comprising a part of the Capital Improvement Program (as more particularly described in Exhibit A hereto, the "2001 Special Assessment Project"); (iii) pay certain costs associated with the issuance of the 2001 Special Assessment Bonds; (iv) making a deposit into 2001 Special Assessment Reserve Account for the benefit of all of the 2001 Special Assessment Bonds; and (v) pay a portion of the interest to become due on the 2001 Special Assessment Bonds; and

WHEREAS, the 2001 Special Assessment Bonds will be payable from and secured by Assessments imposed, levied and collected by the District with respect to property specially benefited by the 2001 Special Assessment Project (the "2001 Assessments"), which, together with the other 2001 Special Assessment Pledged Revenues and the 2001 Special Assessment Pledged Funds will comprise the 2001 Special Assessment Trust Estate, which shall constitute a "Series Trust Estate" as defined in the Master Indenture; and

WHEREAS, the execution and delivery of the 2001 Special Assessment Bonds and of this Third Supplemental Indenture have been duly authorized by the Governing Body of the District and all things necessary to make the 2001 Special Assessment Bonds, when executed by the District and authenticated by the Trustee, valid and binding legal obligations of the District and to make this Third Supplemental Indenture a valid and binding agreement and, together with the Master Indenture, a valid and binding lien on the 2001 Special Assessment Trust Estate have been done;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS THIRD SUPPLEMENTAL TRUST 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 2001 Special Assessment 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 2001 Special Assessment 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 (as defined in the Master Indenture), and to further secure the observance and performance by the District of all the covenants, expressed or implied in the Master Indenture, in this Third Supplemental Indenture and in the 2001 Special Assessment Bonds: (a) has executed and delivered this Third 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 2001 Assessments (the "2001 Special Assessment Pledged Revenues") and the Funds and Accounts (except for the 2001 Special Assessment Rebate Account) established hereby (the "2001 Special Assessment Pledged Funds and Accounts") which shall comprise a part of the Trust Estate securing the 2001 Special Assessment Bonds (the "2001 Special Assessment Trust Estate");

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 2001 Special Assessment Bonds issued or to be issued under and secured by this Third Supplemental Indenture, without preference, priority or distinction as to lien or otherwise, of any one 2001 Special Assessment Bond over any other 2001 Special Assessment 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 2001 Special Assessment Bonds or any 2001 Special Assessment Bond of a particular maturity issued, secured and Outstanding under this Third Supplemental Indenture and the interest due or to become due thereon, at the times and in the manner mentioned in the 2001 Special Assessment Bonds and this Third 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 Third 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 Third Supplemental Indenture, then upon such final payments, this Third Supplemental Indenture and the rights hereby granted shall cease and terminate, with respect to all 2001 Special Assessment Bonds or any 2001 Special Assessment Bond of a particular maturity, otherwise this Third Supplemental Indenture shall remain in full force and effect;

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"Capital Improvement Program" shall mean the program of assessable capital improvements established by the District in the Assessment Proceedings, a portion of which is comprised of the 2001 Special Assessment Project.

"Consulting Engineer" means Miller Einhouse Rymer & Associates, Inc., Maitland, Florida, or any other engineering firm or corporation having a favorable reputation for skill and experience employed by the District as consulting engineer for the 2001 Special Assessment Project.

"Delinquent Assessment Interest" shall mean 2001 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 2001 Assessment Principal deposited by the District with the Trustee on or after May 1 of the year in which such 2001 Assessment Principal has, or would have, become delinquent under State law applicable thereto.

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

"First Supplemental Indenture" shall mean the First Supplemental Indenture, dated as of December 1, 2000, from the District to the Trustee, supplementing the Master Indenture, pursuant to which the Bonds were issued.

"Interest Payment Date" shall mean each May 1 and November 1, commencing May 1, 2002.

"Majority Owners" shall mean the Beneficial Owners of more than 50% of the Outstanding principal amount of the 2001 Special Assessment 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.

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

"Prepayments," notwithstanding the provisions of the Master Indenture, shall mean any Assessments, or portions thereof, which shall be paid to the District prior to the time such amounts become due, including Delinquent Assessments the repayment of which has been accelerated. Prepayments shall not include any interest paid on such Assessments and shall not include amounts included in the tax bill for the current year.

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THIS THIRD SUPPLEMENTAL INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2001 Special Assessment 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 Third Supplemental Indenture), including this Third 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 2001 Special Assessment Bonds, as follows:

ARTICLE I DEFINITIONS

Section 101. 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:

"AJG" shall mean Arthur J. Gallagher & Co., Inc., a Delaware Corporation.

"Bans" shall mean \$5,000,000 Harmony Community Development District Bond Anticipation Notes Series 2000, dated December 1, 2000, issued by the District pursuant to the First Master Indenture, as supplemented by the First Supplemental Indenture, dated as of December 1, 2000, from the District to the Trustee.

"Beneficial Owners" shall mean the persons entitled to the receipt of the principal of and interest on the 2001 Assessment Bonds for whom the Bond Depository holds such 2001 Special Assessment Bonds as nominee through the Bond Participants.

"Birchwood" shall mean Birchwood Acres Limited Partnership, L.L.P., a Florida limited liability limited partnership.

"Bond Depository" shall mean the securities depository from time to time under Section 201 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.

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"Reserve Account Letter of Credit" shall initially mean the letter of credit issued by Harris Trust and Savings Bank, Chicago, Illinois, and thereafter shall mean any irrevocable standby letter of credit or any substitute or renewal thereof satisfying the requirements of Section 409 hereof.

"Reserve Fund Deficiency Agreement" shall mean the Debt Service Reserve Fund Deficiency Agreement, dated as of October 1, 2001 by and between AJG and Birchwood, severally as their respective obligations appear, as Guarantors, and the Trustee in its capacity as Trustee under the Indenture.

"2001 Assessment Interest" shall mean the interest on the 2001 Assessments which is pledged to the 2001 Special Assessment Bonds.

"2001 Assessment Principal" shall mean the principal amount of 2001 Assessments received by the District which represent a proportionate amount of the principal of and Amortization Installments of the 2001 Special Assessment Bonds, other than applicable Delinquent Assessment Principal and 2001 Prepayment Principal.

"2001 Assessment Proceedings" shall mean the Preliminary Assessment Resolution and the Final Assessment Resolution, as amended and supplemented.

"2001 Assessment Revenues" shall mean all revenues derived by the District from the 2001 Assessments.

"2001 Special Assessment Bonds" shall mean \$17,700,000 Harmony Community Development District Capital Improvement Revenue Bonds, Series 2001 (Special Assessments).

"2001 Prepayment Principal" shall mean the excess amount of 2001 Assessment Principal received by the District over the 2001 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 2001 Prepayment Principal shall not mean the proceeds of any Refunding Bonds or other borrowing of the District.

"2001 Special Assessment Reserve Account Requirement" shall mean the lesser of (i) the Maximum Annual Debt Service Requirement for all Outstanding 2001 Special Assessment Bonds, (ii) 125% of the average annual debt service for all Outstanding 2001 Special Assessment Bonds, or (iii) 10% of the proceeds of the 2001 Special Assessment Bonds, in each case, calculated as of the date of original issuance of the 2001 Special Assessment Bonds.

"2001 Special Assessment 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:

(a) bonds, treasury notes and other evidences of indebtedness which are direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America;

(b) commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies, rated by Moody's within its rating or prime 1 and by S&P within its rating of A-1 or by their corporate successors;

(c) interest-bearing time deposits and certificates of deposit of any federally or State chartered commercial bank, including the Trustee, within the State of Florida having a combined capital, surplus and undivided profits of not less than \$50,000,000 and a rating of Aa or better by Moody's and AA or better by S&P; provided, that, such funds are fully secured as to principal and interest by the Federal Deposit Insurance Corporation; and provided further, that no deposits made under this subsection shall be made for a period in excess of five years or the maximum period permitted under applicable State Law;

(d) savings accounts, interest-bearing time deposits and certificates of deposit of any savings and loan associations which are under supervision of the State of Florida or any federal associations located in the State of Florida and organized under the laws of the United States of America and under federal supervision having a combined capital, surplus and undivided profits of not less than \$50,000,000 and a rating of Aa or better by Moody's and AA or better by S&P; provided that such funds are fully secured as to principal and interest by the Federal Deposit Insurance Corporation; and provided further, that no deposits made under this subsection shall be made for a period in excess of five years or the maximum period permitted under applicable State law;

(e) short term money market funds rated in the highest rating category by a nationally recognized credit agency;

(f) repurchase agreements, which will be collateralized at the onset of the repurchase agreement of at least 103% marked to market daily with Collateral, as hereinafter defined, with a domestic or foreign bank or Corporation (other than life or property casualty insurance company) the long-term debt of which, or, in the case of a mono-line financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's provided that the repurchase agreement shall provide that if during its term the provider's rating by either S&P or Moody's falls below "Aa" or "Aa3," respectively, the provider shall immediately notify the Trustee and the provider shall at its option, within ten days of receipt of publication of such downgrade, either (A) maintain Collateral at levels, sufficient to maintain an "AA" rated investment from S&P and an "Aa" rated investment from Moody's, or (B) repurchase all Collateral and terminate the repurchase agreement. Further, if the provider's rating by either S&P or Moody's falls below "A"

or "A3," respectively, the provider must at the direction of the District to the Trustee, within ten (10) calendar days, either (1) maintain Collateral at levels sufficient to maintain an "AA" rated investment from S&P and an "Aa" rated investment from Moody's, or (2) repurchase all Collateral and terminate the repurchase agreement without penalty. In the event the repurchase agreement provider has not satisfied the above conditions within ten (10) days of the date such conditions apply, then the repurchase agreement shall provide that the Trustee shall be entitled to, and in such event, the Trustee shall withdraw the entire amount invested plus accrued interest within two (2) Business Days. For the purposes herein, "Collateral" shall mean obligations of the United States of America (the "U.S."), agencies of the U.S., the Federal National Mortgage Association, or the Federal Home Loan Mortgage Corporation. Obligations of such entities can be in the form of collateralized mortgage obligations ("CMOs"). Any repurchase agreement entered into pursuant to this Supplemental Indenture shall contain the following additional provisions:

(i) Failure to maintain the requisite Collateral percentage will require the District of the Trustee to liquidate the Collateral as provided above;

(ii) The Holder of the Collateral, as hereinafter defined, shall have possession of the Collateral or the Collateral shall have been transferred to the Holder of the Collateral, in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(iii) The repurchase agreement shall state and an Opinion of Counsel in form and in substance satisfactory to the Trustee shall be rendered that the Holder of the Collateral has a perfected first priority security interest in the Collateral, any substituted Collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(iv) The repurchase agreement shall be a "repurchase agreement" as defined in the United States Bankruptcy Code and, if the provider is a domestic bank, a "qualified financial contract" as defined in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") and such bank is subject to FIRREA;

(v) The repurchase transaction shall be in the form of a written agreement, and such agreement shall require the provider to give written notice to the Trustee of any change in its long-term debt rating;

(vi) The District or its designee shall represent that it has no knowledge of any fraud involved in the repurchase transaction;

(vii) The District and the Trustee shall receive the Opinion of counsel (which opinion shall be addressed to the District and the Trustee and shall be in form and substance satisfactory to the Trustee) that such repurchase agreement complies with the terms of this section and is legal, valid, binding and enforceable upon the provider in accordance with its terms;

(viii) The term of the repurchase agreement shall be no longer than one year, or, if payable upon demand, five years;

(ix) The interest with respect to the repurchase transaction shall be payable no less frequently than semi-annually;

(x) The repurchase agreement shall provide that the Trustee may withdraw funds without penalty at any time, or from time to time, for any purpose permitted or required under this Supplemental Indenture;

(xi) Any repurchase agreement shall provide that a perfected security interest in such investments is created for the benefit of the Beneficial Owners under the Uniform Commercial Code of Florida, or book-entry procedures prescribed at 31 C.F.R. 306.1 *et seq.* or 31 C.F.R. 350.0 *et seq.* are created for the benefit of the Beneficial Owners; and

(xii) The Collateral delivered or transferred to the District, the Trustee, or a third-party acceptable to, and acting solely as agent for, the Trustee (the "Holder of the Collateral") shall be delivered and transferred in compliance with applicable state and federal laws (other than by means of entries on provider's books) free and clear of any third-party liens or claims pursuant to a custodial agreement subject to the prior written approval of the Majority Holders and the Trustee. The custodial agreement shall provide that the Trustee must have disposition control over the Collateral of the repurchase agreement, irrespective of an event of default by the provider of such repurchase agreement.

If such investments are held by a third-party, they shall be held as agent for the benefit of the Trustee as fiduciary for the Beneficial Owners and not as agent for the bank serving as Trustee in its commercial capacity or any other party and shall be segregated from securities owned generally by such third party or bank.

"2001 Special Assessment Pledged Revenues" shall mean the 2001 Assessments.

ARTICLE II AUTHORIZATION, ISSUANCE AND PROVISIONS OF 2001 SPECIAL ASSESSMENT BONDS

Section 201. Authorization of 2001 Special Assessment Bonds; Book-Entry Only Form. The 2001 Special Assessment Bonds are hereby authorized to be issued in one Series in the aggregate principal amount of \$17,700,000 for the purposes enumerated in the recitals hereto to be designated "Harmony Community Development District Capital Improvement Revenue Bonds,

Series 2001 (Special Assessments)" in the initial principal amount of \$17,700,000. The 2001 Special Assessment Bonds shall be substantially in the form set forth as Exhibit B to this Third Supplemental Indenture. Each 2001 Special Assessment Bond shall bear the designation "2001R" and shall be numbered consecutively from 1 upwards.

The 2001 Special Assessment Bonds shall be initially issued in the form of a separate single certificated fully registered 2001 Special Assessment Bond for each maturity thereof. Upon initial issuance, the ownership of each such 2001 Special Assessment 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 201, all of the Outstanding 2001 Special Assessment 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 2001 Special Assessment 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 2001 Special Assessment 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 2001 Special Assessment 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 2001 Special Assessment Bonds. The District, the Trustee, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2001 Special Assessment Bond is registered in the registration books kept by the Bond Registrar as the absolute owner of such 2001 Special Assessment Bond for the purpose of payment of principal, premium and interest with respect to such 2001 Special Assessment Bond, for the purpose of giving notices of redemption and other matters with respect to such 2001 Special Assessment Bond, for the purpose of registering transfers with respect to such 2001 Special Assessment Bond, and for all other purposes whatsoever, except to the extent certain rights are granted to the Majority Owners hereunder. The Paying Agent shall pay all principal of, premium, if any, and interest on the 2001 Special Assessment 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 2001 Special Assessment 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 2001 Special Assessment 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 Third 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 to the effect that a continuation of the requirement that all of the Outstanding 2001 Special Assessment 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 the 2001 Special Assessment 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 2001 Special Assessment 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 2001 Special Assessment Bonds shall designate, in accordance with the provisions hereof.

Section 202. Terms of 2001 Special Assessment Bonds. The 2001 Special Assessment Bonds shall be Term Bonds, shall be issued in one series, shall bear interest at the fixed interest rates per annum and shall mature in the amounts and on the dates set forth below:

Series	Principal Amount	Interest Rate	Maturity (May 1)
2001	\$17,700,000	7.25%	2032

Section 203. Dating; Interest Accrual. Each 2001 Special Assessment Bond shall be dated October 1, 2001. Each 2001 Special Assessment Bond also shall bear its date of authentication. Each 2001 Special Assessment Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date of its authentication, unless the date of its authentication: (i) is an Interest Payment Date to which interest on such 2001 Special Assessment Bond has been paid, in which event such 2001 Special Assessment Bond shall bear interest from its date of authentication; or (ii) is prior to the first Interest Payment Date for the 2001 Special Assessment Bonds; in which event, such 2001 Special Assessment Bond shall bear interest from its date. Interest on the 2001 Special Assessment Bonds shall be due and payable on each May 1 and November 1, commencing May 1, 2002, and shall be computed on the basis of a 360-day year of twelve 30-day months.

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ARTICLE III REDEMPTION OF 2001 SPECIAL ASSESSMENT BONDS

Section 301. 2001 Special Assessment Bonds Subject to Redemption. The 2001 Special Assessment Bonds are subject to redemption prior to maturity as provided in the form thereof set forth as Exhibit B to this Third Supplemental Indenture.

Section 302. Excess Acquisition and Construction Account Proceeds. Excess moneys on deposit in the 2001 Special Assessment Acquisition and Construction Fund which are to be deposited into a 2001 Special Assessment Prepayment Subaccount in the 2001 Special Assessment Redemption Account in accordance with Section 403(b) hereof shall be applied by the Trustee pursuant to written instructions from an Authorized Officer to the Trustee accompanied by a certificate of such Authorized Officer: (i) setting forth the amounts and maturities of the 2001 Special Assessment Bonds which are to be redeemed from the amount to be deposited into the 2001 Special Assessment Prepayment Account; and (ii) containing cash flows which demonstrate that, after giving effect to such redemption of 2001 Special Assessment Bonds in the amounts and maturities set forth in clause (i) above, the 2001 Assessments 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 an interest on all 2001 Special Assessment Bonds, when due. The Trustee shall be entitled to conclusively rely on such Authorized Officer certificate.

ARTICLE IV DEPOSIT OF 2001 SPECIAL ASSESSMENT BOND PROCEEDS AND APPLICATION THEREOF; ESTABLISHMENT OF ACCOUNTS AND OPERATION THEREOF

Section 401. Establishment of Accounts. (a) There are hereby established, the following Funds and Accounts.

(a) There are hereby established within the Acquisition and Construction Fund held by the Trustee the following accounts:

- (i) a 2001 Special Assessment Acquisition and Construction Account;
- (ii) a 2001 Special Assessment Costs of Issuance Account.

(b) There are hereby established within the Debt Service Fund held by the Trustee: (i) a 2001 Special Assessment Debt Service Account and therein a 2001 Special Assessment Sinking Fund Account and a 2001 Special Assessment Interest Account; and (ii) a 2001 Special Assessment

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Section 204. Denominations. The 2001 Special Assessment Bonds shall be issued in Authorized Denominations; provided, however, that the 2001 Special Assessment Bonds shall be delivered to the initial purchasers thereof only in aggregate principal amounts of \$100,000 or integral multiples of Authorized Denominations in excess of \$100,000.

Section 205. Paying Agent. The District appoints the Trustee as Paying Agent for the 2001 Special Assessment Bonds.

Section 206. Bond Registrar. The District appoints the Trustee as Bond Registrar for the 2001 Special Assessment Bonds.

Section 207. Conditions Precedent to Issuance of 2001 Special Assessment Bonds. In addition to complying with the requirements set forth in the Master Indenture in connection with the issuance of the 2001 Special Assessment Bonds, all the 2001 Special Assessment 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 and this Third Supplemental Indenture;
- (c) The Bond Counsel opinion required by the Master Indenture;
- (d) The District Counsel opinion required by the Master Indenture;
- (e) A certificate of an Authorized Officer to the effect that, upon the authentication and delivery of the 2001 Special Assessment Bonds, the District will not be in default in the performance of the terms and provisions of the Master Indenture or this Third Supplemental Indenture;
- (f) An Engineers' Certificate or Engineers' Certificates which set forth the estimated Cost of the 2001 Special Assessment Project;
- (g) A certified copy of the final judgment of validation in respect of the Bonds together with a certificate of no appeal.
- (h) An executed copy of the Debt Service Reserve Fund Deficiency Agreement and any collateral documents, including the Mortgage, as defined therein.
- (i) The original Reserve Account Letter of Credit.

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Redemption Account, and, therein a 2001 Special Assessment Prepayment Subaccount and an Optional Redemption Subaccount;

(c) There is hereby established within the Reserve Fund held by the Trustee a 2001 Special Assessment Reserve Account, which shall be jointly held for the benefit of all of the 2001 Special Assessment Bonds, without privilege or priority of one 2001 Special Assessment Bond over another;

(d) There is hereby established within the Revenue Fund held by the Trustee a 2001 Special Assessment Revenue Account; and

(e) There is hereby established within the Rebate Fund held by the Trustee a 2001 Special Assessment Rebate Account.

(f) There is hereby established a 2001 Special Assessment Letter of Credit Account which shall be held and administered by the Trustee in accordance with Section 409 hereof.

Section 402. Use of 2001 Special Assessment Bond Proceeds. The net proceeds of sale of the 2001 Special Assessment Bonds, \$17,020,516.67, plus unexpended proceeds of the Bans in the amount of \$284,970.09, shall as soon as practicable upon the delivery thereof to the Trustee by the District pursuant to Section 207 of the Master Indenture, be applied as follows:

- (a) \$28,516.67, representing accrued interest and \$1,301,702.92, representing Capitalized Interest shall be deposited to the credit of the 2001 Special Assessment Interest Account;
- (b) \$1,465,200.00, representing the 2001 Special Assessment Reserve Account Requirement shall be deposited to the credit of the 2001 Special Assessment Reserve Account;
- (c) \$356,055.59, representing the costs of issuance relating to the 2001 Special Assessment Bonds shall be deposited to the credit of the 2001 Special Assessment Costs of Issuance Account; and
- (d) \$5,221,018.00, will be deposited into the 2000 Redemption Account established under the First Supplemental Indenture and applied to the redemption of the Bans; and
- (e) the balance of the proceeds of the 2001 Special Assessment Bonds remaining after the deposits above, \$8,932,993.44, shall be deposited to the credit of the 2001 Special Assessment Acquisition and Construction Account.

Section 403. 2001 Special Assessment Acquisition and Construction Account. (a) Amounts on deposit in the 2001 Special Assessment Acquisition and Construction Account shall be applied to pay the Costs of the 2001 Special Assessment Project upon compliance with the requisition provisions set forth in Section 503(b) of the Master Indenture. Notwithstanding the foregoing and any provision of the Master Indenture, all requisitions, other than requisitions for costs of issuance, shall be addressed and certified to the Majority Owners, and approved by the Governing Body. At least seven (7) Business Days prior to the scheduled approval of any requisition by the Governing Body, the District Manager shall cause to be provided to the Majority Owners a duplicate counterpart of such requisition certified by the Consulting Engineer to the Majority Owners and the Governing Body, together with all supporting materials. The Consulting Engineer shall state in such certified requisition whether, in its opinion, sufficient funds remain in the 2001 Special Assessment Acquisition and Construction Account to complete the 2001 Special Assessment Project in accordance with the approved plans and specifications. The Majority Owners shall be entitled to provide written or oral objections thereto to the Governing Body with respect to conformity to the plans and specifications of the 2001 Special Assessment Project, with the requirements of this Section and Section 503(b) of the Master Indenture; the sufficiency of the funds remaining in the 2001 Special Assessment Acquisition and Construction Account to complete such work, or the degree of completion of such work. The Governing Body shall consider any such objections and enter specific findings in respect thereto prior to approving or disapproving such requisition. The Trustee shall, however, be protected in relying upon any requisition approved by the Governing Body as evidenced by the certification of such on the face of the requisition.

(b) Any balance remaining after the Date of Completion and after retaining the amount, if any, of all remaining unpaid Costs of the 2001 Special Assessment Project set forth in the Engineers' Certificate establishing such Date of Completion, shall be transferred to and deposited in the 2001 Special Assessment Redemption Account and applied to the Extraordinary Mandatory Redemption of the 2001 Special Assessment Bonds in the order of priority set forth in Section 302 hereof and in the manner prescribed in the form of 2001 Special Assessment Bond set forth as Exhibit B hereto.

Section 404. Costs of Issuance Account. The amount on deposit in the 2001 Special Assessment 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 2001 Special Assessment Bonds. At the written direction of an Authorized Officer, any amounts deposited in the 2001 Special Assessment Costs of Issuance Account which are not needed to pay such costs shall be transferred over and deposited into the 2001 Special Assessment Acquisition and Construction Account and used for the purposes permitted therefor.

Section 405. 2001 Special Assessment Reserve Account. Subject to the provisions of Section 409 hereof, amounts on deposit in the 2001 Special Assessment Reserve Account shall be used only for the purpose of making payments into the 2001 Special Assessment Interest Account

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408 or by any other provision of the Master Indenture or this Supplemental Indenture, and any other amounts or payments specifically designated by the District pursuant to a written direction or by a Supplemental Indenture for said purpose. The 2001 Special Assessment 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 2001 Assessment Revenues with the Trustee immediately upon receipt together with a written accounting setting forth the amounts of such 2001 Assessment Revenues in the following categories which shall be deposited by the Trustee into the Funds and Accounts established hereunder as follows:

(i) 2001 Assessment Principal, which shall be deposited into the 2001 Special Assessment Sinking Fund Account;

(ii) 2001 Prepayment Principal, which shall be deposited into the 2001 Special Assessment Prepayment Subaccount in the 2001 Special Assessment Redemption Account;

(iii) Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the 2001 Special Assessment Reserve Account to fund a deficiency in the 2001 Special Assessment Sinking Fund Account and then to reimburse the issuer of the Reserve Account Letter of Credit for any unreimbursed draw thereunder which was used to fund any deficiency in the 2001 Special Assessment Sinking Fund Account, and, the balance, if any, shall be deposited into the 2001 Special Assessment Sinking Fund Account;

(iv) Delinquent Assessment Interest, which shall first be applied to restore the amount of any withdrawal from the 2001 Special Assessment Reserve Account to fund a deficiency in the 2001 Special Assessment Interest Account and then to reimburse the issuer of the Reserve Account Letter of Credit for any unreimbursed draw thereunder which was used to fund any deficiency in the 2001 Special Assessment Interest Account, and, the balance, if any, shall be deposited into the 2001 Special Assessment Interest Account; and

(v) all other 2001 Assessment Revenues, which shall be deposited into the 2001 Special Assessment Revenue Account.

Moneys other than 2001 Assessment Revenues, shall, at the written direction of the District be deposited into the Optional Redemption Subaccount of the 2001 Special Assessment Redemption Account and used to pay the principal of and premium, if any, on 2001 Special Assessment 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 2001 Special Assessment Bonds as set forth in the form of 2001 Special Assessment Bonds attached hereto.

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and the 2001 Special Assessment Sinking Fund Account to pay Debt Service on the 2001 Special Assessment Bonds, when due, whether scheduled, by acceleration or otherwise, but only to the extent that moneys are not available therefor under the Reserve Account Letter of Credit, under the Deficiency Agreement or on deposit in the 2001 Special Assessment Letter of Credit Account, without privilege or priority of one 2001 Special Assessment Bond over another, to the extent the moneys on deposit in such Accounts therein and available therefor are insufficient and for no other purpose. Such Accounts shall consist only of cash and 2001 Special Assessment Investment Obligations.

Notwithstanding the foregoing, on the earliest date on which there is on deposit in the 2001 Special Assessment Reserve Account, sufficient monies, taking into account other monies available therefor, to pay and redeem all of the Outstanding 2001 Special Assessment Bonds, together with accrued interest and redemption premium, if any, on such 2001 Special Assessment Bonds to the earliest date of redemption permitted therein and herein, and provided that there are no unreimbursed draws under the Reserve Account Letter of Credit, then the Trustee shall transfer the amount on deposit in the 2001 Special Assessment Reserve Account into the 2001 Special Assessment Prepayment Subaccount in the 2001 Special Assessment Redemption Account to pay and redeem all of the Outstanding 2001 Special Assessment Bonds on the earliest date permitted for redemption therein and herein.

Section 406. Amortization Installments; Order of Redemption. (a) The Amortization Installments are established for the 2001 Special Assessment Bonds shall be as set forth in the forms of Bonds attached hereto.

(b) Upon any redemption of 2001 Special Assessment Bonds (other than 2001 Special Assessment Bonds redeemed in accordance with scheduled Amortization Installments and other than 2001 Special Assessment Bonds redeemed at the direction of the District accompanied by a cash flow certificate as required by Section 506(b) of the Master Indenture), the District shall cause to be recalculated and delivered to the Trustee revised Amortization Installments recalculated so as to amortize the Outstanding 2001 Special Assessment Bonds (after giving effect to such redemption) in substantially equal annual installments of principal and interest (subject to rounding to Authorized Denominations of principal) over the remaining term of the 2001 Special Assessment Bonds.

Section 407. Tax Covenants and Rebate Accounts. The District shall comply with the Tax Regulatory Covenants set forth as Exhibit C to this Third Supplemental Indenture, as amended and supplemented from time to time in accordance with their terms.

Section 408. Establishment of 2001 Special Assessment 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 2001 Special Assessment Revenue Account into which the Trustee shall deposit any and all amounts required to be deposited therein by this Section

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(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 2001 Special Assessment Prepayment Subaccount of the 2001 Special Assessment Redemption Account, and, if the balance therein is greater than zero, shall transfer from the 2001 Special Assessment Revenue Account for deposit into such 2001 Special Assessment 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 2001 Special Assessment Bonds on the next succeeding Interest Payment Date in the maximum aggregate principal amount for which moneys are then on deposit in such 2001 Special Assessment Prepayment Subaccount in accordance with the provisions for extraordinary redemption of such 2001 Special Assessment Bonds set forth in the respective form of 2001 Special Assessment Bond attached hereto, Section 301 hereof, and Article III of the Master Indenture.

(d) On each May 1 and November 1 (or if such May 1 or November 1 is not a Business Day, on the Business Day preceding such May 1 or November 1), the Trustee shall transfer from amounts on deposit in the 2001 Special Assessment Revenue Account to the Funds and Accounts designated below, the following amounts in the following order of priority:

FIRST, to the 2001 Special Assessment Interest Account of the Debt Service Fund, an amount equal to the amount of interest payable on all 2001 Special Assessment Bonds then Outstanding on such May 1 or November 1, less any amount already on deposit in the 2001 Special Assessment Interest Account not previously credited;

SECOND, to the 2001 Special Assessment Sinking Fund Account, the amount, if any, equal to the difference between the Amortization Installments of all 2001 Special Assessment Bonds subject to mandatory sinking fund redemption on such May 1, and the amount already on deposit in the 2001 Special Assessment Sinking Fund Account not previously credited;

THIRD, to the 2001 Special Assessment Reserve Account, the amount, if any, which is necessary to make the amount on deposit therein equal to the 2001 Special Assessment Reserve Account Requirement with respect to the 2001 Special Assessment Bonds;

FOURTH, to reimburse the issuer of the Reserve Account Letter of Credit for any unreimbursed draws thereunder; and

FIFTH, the balance shall be retained in the 2001 Special Assessment Revenue Account.

(e) On any date required by the Tax Regulatory Covenants, the District shall give the Trustee written direction; and the Trustee shall, transfer over in from the 2001 Special Assessment Revenue Account to the Rebate Account established for the 2001 Special Assessment 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 Regulatory Covenants.

(f) On or after each November 2, the District may provide written instructions to the Trustee to transfer the balance on deposit in the 2001 Special Assessment Revenue Account on such November 2 to be used for any purpose or purposes authorized by law for the application of 2001 Assessment Revenues; provided, however, that on the date of such proposed transfer the amount on deposit in the 2001 Special Assessment Reserve Account shall be equal to the 2001 Special Assessment Reserve Account Requirement and there shall be no unreimbursed draws under the Reserve Account Letter of Credit (as evidenced by a certificate to that effect from the issuer of the Reserve Account Letter of Credit), and, provided further, that the Trustee shall not have actual knowledge of an Event of Default under the Master Indenture or hereunder relating to any of the 2001 Special Assessment Bonds, including the payment of Trustee's fees and expenses due.

(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 2001 Special Assessment Bonds shall be invested only in 2001 Special Assessment Investment Obligations, and further, earnings on the 2001 Special Assessment 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 2001 Special Assessment Sinking Fund Accounts and the 2001 Special Assessment Redemption Account shall be deposited, as realized, to the credit of the 2001 Special Assessment Revenue Account and used for the purpose of such Account.

Earnings on investments in each 2001 Special Assessment Reserve Account shall be disposed of as follows:

(i) If there was no deficiency (as defined in Section 509 of the Master Indenture) in the 2001 Special Assessment Reserve Account as of the most recent date on which amounts on deposit in such Reserve Account were valued by the Trustee, and if no withdrawals have been made from such Reserve Account since such date which have created a deficiency and if there are no unreimbursed amounts due to the issuer of the Reserve Account Letter of Credit, then earnings on investments in such Reserve Account shall be deposited, as provided in (iii) below;

(ii) If as of the last date on which amounts on deposit in the 2001 Special Assessment Reserve Account were valued by the Trustee there was a deficiency (as defined in Section 509 of the Master Indenture) in such Reserve Account, or if after such date withdrawals have been made from a 2001 Special Assessment Reserve Account and have created such a deficiency,

then earnings on investments in the 2001 Special Assessment Reserve Account shall be deposited to the credit of the 2001 Special Assessment Reserve Account until the amount on deposit therein equals the 2001 Special Assessment Reserve Account Requirement and thereafter shall be deposited as provided in (iii) below; and

(iii) except as provided in (i) and (ii) above earnings on the 2001 Special Assessment Reserve Account shall first be applied to reimburse the issuer of the Reserve Account Letter of Credit for any unreimbursed draws thereunder, and, thereafter shall be allocated to and deposited into the 2001 Special Assessment Revenue Account.

Section 409. Reserve Account Letter of Credit. The District shall cause to be deposited with the Trustee the Reserve Account Letter of Credit, which shall be an irrevocable standby letter of credit issued by a banking institution the long-term credit rating of which is in at least the top two ratings categories (without regard to gradations in ratings) of Moody's or S&P, upon which the Trustee may unconditionally draw on the Business Day preceding any Interest Payment Date to pay principal of and interest on the 2001 Special Assessment Bonds due on such Interest Payment Date, whether scheduled, by acceleration or otherwise, when amounts on deposit in the 2001 Special Assessment Sinking Fund Account or 2001 Special Assessment Interest Account are insufficient therefor and for no other purpose as further provided in this Section 409. The Reserve Account Letter of Credit shall also entitle the Trustee to draw up to the amount available thereunder on or after the tenth (10th) Business Day preceding the expiration date and on or before such expiration date in the event that the Reserve Account Letter of Credit has not been renewed or a substitute satisfying the requirements of this Section 409 delivered to the Trustee on or before such tenth (10th) Business Day preceding such expiration date. In the event that the Reserve Account Letter of Credit has not been renewed or a substitute meeting the requirements of this Section 409 has not been obtained on or before 10:00 A.M. Orlando, Florida time on the tenth (10th) Business Day preceding the expiration date, the Trustee shall draw on the Reserve Account Letter of Credit in an amount equal to the Amount Available under and as defined therein and deposit the proceeds of such drawing in the 2001 Special Assessment Letter of Credit Account. There shall also be deposited into the 2001 Special Assessment Letter of Credit Account any amounts in addition to proceeds of draws under the Reserve Account Letter of Credit which are required to be deposited therein in accordance with the Reserve Fund Deficiency Agreement. If there exists amounts in the 2001 Special Assessment Letter of Credit Account in lieu of, or in addition to, a Reserve Account Letter of Credit, then any direction to draw upon the Reserve Account Letter of Credit shall instead be deemed a direction to withdraw first, from the Amount Available under the Reserve Account Letter of Credit, and, if there is no Amount Available or the Amount Available is insufficient to fund the draw, then to withdraw cash in such amount from the 2001 Special Assessment Letter of Credit Account and any reimbursement obligation of any party under the Reserve Fund Deficiency Agreement shall also be deemed to require a deposit into the 2001 Special Assessment Letter of Credit Account. The Trustee shall first deposit amounts required to be applied to the reimbursement of draws under the Reserve Account Letter of Credit pursuant to Section 408(b)(iii) or (b)(iv) into the 2001 Special

Assessment Letter of Credit Account such that the sum of the amount on deposit in the 2001 Special Assessment Letter of Credit Account, plus any Amount Available under any Reserve Account Letter of Credit equals Five Million Dollars (\$5,000,000), and only then to the payment of any reimbursement obligation to any issuer of a Reserve Account Letter of Credit. Amounts on deposit in the 2001 Special Assessment Letter of Credit Account shall be invested in Government Obligations having a maturity no longer than six (6) months. At any time, the District may substitute a Reserve Account Letter of Credit for all or a portion of the cash on deposit in the 2001 Special Assessment Letter of Credit Account. If there shall exist both a Reserve Account Letter of Credit and cash on deposit in the 2001 Special Assessment Letter of Credit Account, the Trustee shall first withdraw cash from the 2001 Special Assessment Letter of Credit Account prior to making a draw under the Reserve Account Letter of Credit.

Notwithstanding the foregoing, the obligation to maintain a Reserve Account Letter of Credit shall terminate as provided in Section 5(d) of the Reserve Account Deficiency Agreement as evidenced by the delivery to the Trustee of the certificate in the form of Exhibit A attached thereto on which the Trustee shall be entitled to conclusively rely.

The Reserve Account Letter of Credit shall have an initial Stated Amount of Five Million Dollars (\$5,000,000); provided, however, that any substitute or renewal letter of credit shall have a stated amount of Five Million Dollars (\$5,000,000) less the amount of any unreimbursed draws thereunder; provided, further, however, that the amount available under such substitute or renewal letter of credit shall automatically increase by the amount of reimbursed draws up to a stated amount of Five Million Dollars (\$5,000,000).

On or prior to 2:00 P.M. (Miami, Florida time) on the Business Day preceding any Interest Payment Date, if the amount on deposit in the 2001 Special Assessment Sinking Fund Account or 2001 Special Assessment Interest Account are insufficient to pay the principal of or interest due and payable on the 2001 Special Assessment Bonds on such Interest Payment Date, whether scheduled, by acceleration or otherwise, the Trustee shall, prior to making any withdrawal from the 2001 Special Assessment Reserve Account, draw upon the Reserve Account Letter of Credit and deposit the proceeds of such drawing in the 2001 Special Assessment Sinking Fund Account or 2001 Special Assessment Interest Account, as applicable, to the extent of the insufficiency therein.

Any reimbursement obligation of the District shall contain the following language in bold and capitalized letters:

"NEITHER THIS REIMBURSEMENT OBLIGATION 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 REIMBURSEMENT OBLIGATION 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 2001 SPECIAL ASSESSMENT BONDS IN RESPECT OF WHICH SUCH REIMBURSEMENT OBLIGATIONS ARISE. 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 AMOUNTS REQUIRED TO BE PAID PURSUANT TO THIS REIMBURSEMENT AGREEMENT OR ANY OTHER REIMBURSEMENT OBLIGATIONS. RATHER, ANY REIMBURSEMENT OBLIGATIONS, SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2001 SPECIAL ASSESSMENT PLEDGED REVENUES AND THE 2001 SPECIAL ASSESSMENT PLEDGED FUNDS PLEDGED TO THE 2001 SPECIAL ASSESSMENT BONDS AS TO WHICH SUCH REIMBURSEMENT OBLIGATIONS ARE SUBROGATED, ALL AS PROVIDED IN THE MASTER INDENTURE AND IN THE SUPPLEMENTAL INDENTURE."

Section 410. Reserve Fund Deficiency Agreement. In the event that there is no Amount Available to be drawn under the Reserve Account Letter of Credit and no amounts remain on deposit in the 2001 Special Assessment Letter of Credit Account as provided in Section 409 hereof, pursuant to Section 5(d) of the Reserve Fund Deficiency Agreement, on or prior to 2:00 P.M. (Miami, Florida time) on any Interest Payment Date that there has been a withdrawal from the 2001 Special Assessment Reserve Account or from the 2001 Special Assessment Letter of Credit Account to fund a deficiency in the 2001 Special Assessment Sinking Fund Account or 2001 Special Assessment Interest Account, whether scheduled, by acceleration or otherwise, the Trustee shall notify Birchwood of such withdrawal and Birchwood shall replenish the amount of such withdrawal in accordance with the Section 7(a) of the Reserve Fund Deficiency Agreement and the Trustee shall deposit such sums into the 2001 Special Assessment Reserve Account or the 2001 Special Assessment Letter of Credit Account, as the case may be.

Section 411. Reimbursement of Reserve Account Letter of Credit Issuer and Other Amounts Paid Under Reserve Fund Deficiency Agreement. Notwithstanding any provision of the Master Indenture to the contrary, the Reserve Account Letter of Credit shall not be a Credit Facility under the Master Indenture and the issuer thereof shall not be entitled to the rights granted to the issuer of a Credit Facility thereunder. Birchwood, to the extent of any deposits into the 2001 Special Assessment Reserve Account in accordance with the Reserve Fund Deficiency Agreement, or AJG to the extent of any reimbursement to the issuer of the Reserve Account Letter of Credit of draws thereon, shall be entitled only to repayment from any Delinquent Assessments required to be paid

to reimburse the issuer of the Reserve Account Letter of Credit in accordance with Section 408(b)(iii) or (iv) above, when, as and if available.

ARTICLE V CONCERNING THE TRUSTEE

Section 501. Acceptance by Trustee. The Trustee accepts the trusts declared and provided in this Third Supplemental Indenture and agrees to perform such trusts upon the terms and conditions set forth in the Master Indenture.

Section 502. Limitation of Trustee's Responsibility. The Trustee shall not be responsible in any manner for the due execution of this Third Supplemental Indenture by the District or for the recitals contained herein, all of which are made solely by the District.

Section 503. Trustee's Duties. Except as otherwise expressly stated in this Third 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.

Section 504. Enforcement of Remedies. Anything in the Master Indenture to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default, the Trustee shall not be obligated to act without, and shall act at the direction of the Majority Owners, provided that adequate indemnity has been provided as required in Section 912 of the Master Indenture.

ARTICLE VI ADDITIONAL BONDS

Section 601. No Parity Bonds. The District covenants and agrees that so long as there are any 2001 Special Assessment Bonds Outstanding, it shall not cause or permit to be caused any lien, charge or claim against the 2001 Special Assessment Trust Estate; provided, however, that the District reserves the right to issue bonds, notes or other obligations payable from or secured by the 2001 Special Assessment Trust Estate pledged to the 2001 Special Assessment Bonds, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2001 Special Assessment Trust Estate equal or prior to the lien of this Supplemental Indenture securing the 2001 Special Assessment Bonds. Each bond, note or other obligation issued pursuant to the authority of the preceding sentence shall conspicuously state on the face thereof 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 Third Supplemental Indenture on such 2001 Special Assessment Trust Estate and the rights and remedies of the holders of such subordinate debt to

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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 2001 Special Assessment Bonds to payment and the control of remedies and acceleration granted hereunder and under the Master Indenture.

ARTICLE VII MISCELLANEOUS

Section 701. Confirmation of Master Indenture. As supplemented by this Third Supplemental Indenture, the Master Indenture is in all respects ratified and confirmed, and this Third 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 Third Supplemental Indenture and to the 2001 Special Assessment Bonds issued hereunder.

Section 702. 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 703. Acceleration of 2001 Special Assessment Bonds. Anything herein or in the Master Indenture to the contrary notwithstanding, the Majority Owners may direct the District to accelerate the payment of the principal of and interest on the 2001 Delinquent Assessments and to commence proceedings to foreclose the lien thereof in the manner of foreclosing a real estate mortgage as provided in Section 173, Florida Statutes. In addition to the right of acceleration provided under Section 903 of the Master Indenture, the 2001 Special Assessment Bonds may be accelerated at the direction of the Owners of not less than 50% of the Outstanding principal amount of the 2001 Special Assessment Bonds in an amount equal to any 2001 Delinquent Assessments which have been accelerated pursuant to the terms of the Master Indenture or this Third Supplemental Indenture. The 2001 Special Assessment Bonds may be accelerated and shall be immediately due and payable pursuant to the provisions of Section 903 of the Master Indenture or the provisions of the foregoing sentence, but only in the event and to the extent that the Majority Owners have directed the District to accelerate the payment of the principal of and interest on the 2001 Delinquent Assessments and commenced to commence proceedings to foreclose the lien thereof in the manner of foreclosing a real estate mortgage as provided in Section 173, Florida Statutes.

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Section 704. Reimposition of 2001 Assessments. The District covenants and agrees that it will not impose Assessments with respect to the 2001 Special Assessment Project to replace, directly or indirectly, 2001 Assessments which have constituted Prepayments hereunder and the proceeds of which Prepayments have been applied to the extraordinary mandatory redemption of 2001 Special Assessment Bonds.

Section 705. Deposit of Bonds. Notwithstanding the provisions of Section 1002 of the Master Indenture, no deposit of Bonds shall be required so long as the 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 Bonds are not so held, no deposit of 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.

Section 706. Restatement of Section 811 of the Master Indenture for Purposes of Third Supplemental Indenture. For purposes of this Third Supplemental Indenture, Section 811 of the Master Indenture is amended and restated as follows:

Except as hereinafter provided, the District shall use its best efforts to collect and enforce 2001 Special Assessments which are pledged to the payment of the 2001 Special Assessment Bonds utilizing the Uniform Method set forth in Section 197.3632, Florida Statutes (2000) and shall furnish the information at the times, and in the manner, required by Section 197.3632, Florida Statutes (2000), in order that such 2001 Special Assessments may be included in the combined notice for ad valorem taxes and non ad valorem assessment provided for in Section 197.3633, Florida Statutes (2000). The District may collect any Maintenance Special Assessments directly or using the Uniform Method.

Notwithstanding the foregoing, unless directed in writing by the Owners of not less than 50% of the Outstanding principal amount of the 2001 Special Assessment Bonds, the District shall not be required to cause the Tax Collector to collect any 2001 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 to benefited land prior to being planned for its ultimate use."

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

Attest:

Secretary

HARMONY COMMUNITY DEVELOPMENT
DISTRICT

By: _____
Chairman, Board of Supervisors

FIRST UNION NATIONAL BANK,
as Trustee

By: _____
Vice President

EXHIBIT A

Description of 2001 Special Assessment Project

EXHIBIT B
FORM OF 2001 SPECIAL ASSESSMENT BOND

(TEXT OF 2001 BOND FACE)

No. 2001RA-

\$17,700,000.00

United States of America
State of FloridaHARMONY COMMUNITY DEVELOPMENT DISTRICT
CAPITAL IMPROVEMENT REVENUE BOND, SERIES 2001
(SPECIAL ASSESSMENTS)

Interest Rate	Maturity Date	Dated Date	CUSIP
7.25%	May 1, 2032	October 1, 2001	

Registered Owner: CEDE & CO.

Principal Amount:

HARMONY COMMUNITY DEVELOPMENT DISTRICT, a community development district duly created 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 shown above and to pay (but only out of the sources hereinafter mentioned) interest on the outstanding principal amount hereof 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, 2002, 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

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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, Maturity Amount or Redemption Price shall be made only upon presentation hereof at the designated corporate trust office of First Union National Bank, located in Miami, Florida, 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 interest 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 2001 Special Assessment Bonds, as defined below). Interest on this 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 2001 (Special Assessments)" in the aggregate principal amount of \$17,700,000 (the "2001 Special Assessment Bonds") (the "2001 Special Assessment 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 First Union National Bank, located in Miami, Florida, as trustee (the "Trustee"), as amended and supplemented by a Third Supplemental Indenture, dated as of October 1, 2001 (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 2001 Special Assessment Bonds are issued in an aggregate principal amount of \$17,700,000 to: (i) refund and redeem certain bond anticipation notes heretofore issued by the District to fund a portion of the Capital Improvement Program (as defined in the Supplemental Indenture) of the District; (ii) finance the Cost of acquiring, constructing and equipping assessable improvements comprising a portion of the Capital Improvement Program (the "2001 Special Assessment Project"); (iii) pay certain costs associated with the issuance of the 2001 Special Assessment Bonds; (iv) making a deposit into 2001 Special Assessment Reserve Account for the benefit of all of the 2001 Special Assessment Bonds; and (v) pay a portion of the interest to become due on the 2001 Special Assessment Bonds.

NEITHER THIS 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 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 2001 SPECIAL ASSESSMENT 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 2001 SPECIAL ASSESSMENT BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE MASTER INDENTURE, THE SUPPLEMENTAL INDENTURE, OR THE 2001 SPECIAL ASSESSMENT BONDS, SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2001 SPECIAL ASSESSMENT PLEDGED REVENUES AND THE 2001 SPECIAL ASSESSMENT PLEDGED FUNDS PLEDGED TO THE 2001 SPECIAL ASSESSMENT 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 Bond and the execution of the Indenture, have happened, exist and have been performed as so required. This 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.

THE TERMS AND PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SUCH CONTINUED TERMS AND PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

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

By:

Secretary, Board of Supervisors

Chairman, Board of Supervisors

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[Official Seal]
[FORM OF CERTIFICATE OF AUTHENTICATION
FOR 2001 SPECIAL ASSESSMENT BONDS]

This Bond is one of the Bonds of the Series designated herein, described in the within-mentioned Indenture.

FIRST UNION NATIONAL BANK,
as Trustee

Date of Authentication:

By:
Authorized Signatory

[TEXT OF 2001 BOND]

This Bond is issued under and pursuant to the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes (2000), 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, Maturity Amount 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 registered Owners of the Bonds, and, by the acceptance of this Bond, the registered Owner hereof assents to all of the provisions of the Indenture. The 2001 Special Assessment Bonds are equally and ratably secured by the 2001 Special Assessment Trust Estate, without preference or priority of one 2001 Special Assessment Bond over another. The Supplemental Indenture does not authorize the issuance of any additional Bonds ranking on a parity with the 2001 Special Assessment Bonds as to the lien and pledge of the 2001 Special Assessment Trust Estate.

The 2001 Special Assessment 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"). This 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 Bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature reasonably satisfactory to the Bond Registrar, subject

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May 1 of the Year	Amortization Installment	May 1 of the Year	Amortization Installment
2003	\$180,000	2018	\$510,000
2004	195,000	2019	550,000
2005	205,000	2020	590,000
2006	220,000	2021	630,000
2007	235,000	2022	675,000
2008	255,000	2023	725,000
2009	275,000	2024	780,000
2010	295,000	2025	835,000
2011	315,000	2026	895,000
2012	335,000	2027	960,000
2013	360,000	2028	1,030,000
2014	385,000	2029	1,105,000
2015	415,000	2030	1,185,000
2016	445,000	2031	1,270,000
2017	480,000	2032	1,365,000*

* Maturity

As more particularly set forth in the Master Indenture and Supplemental Indenture, any 2001 Special Assessment 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 2001 Special Assessment Bonds. Amortization Installments are also subject to recalculation, as provided in the Supplemental Indenture, as the result of the redemption of 2001 Special Assessment Bonds so as to reamortize the remaining Outstanding principal balance of the 2001 Special Assessment Bonds (after giving effect to such redemption) over the remaining term thereof as set forth in the Supplemental Indenture.

The 2001 Special Assessment Bonds are subject to Extraordinary Mandatory Redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, in the manner determined by the Bond Registrar 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 2001 Special Assessment Project (as such terms are defined in the Indenture), by application of moneys transferred from the 2001 Special Assessment Acquisition and Construction Account in the Acquisition and Construction Fund

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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 Bond or Bonds, in the same aggregate principal amount as the Bond or 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 2001 Special Assessment Bonds maturing on or after May 1, 2015, may, at the option of the District be called for redemption as a whole, at any time, or in part on any Interest Payment Date, on or after May 1, 2014 (less than all 2001 Special Assessment 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 Interest Payment Date to the redemption date:

Redemption Periods (Dates Inclusive)	Redemption Prices
May 1, 2014 through April 30, 2015	103.25%
May 1, 2015 through April 30, 2016	102.25
May 1, 2016 through April 30, 2017	101.25
May 1, 2017 through April 30, 2018	100.25
May 1, 2018 and thereafter	100.00

The 2001 Special Assessment Bonds are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the 2001 Special Assessment Sinking Fund Account established under the Supplemental Indenture in satisfaction of applicable Amortization Installments (as defined in the Master Indenture) 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 below:

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established under the Indenture to the 2001 Special Assessment Prepayment Subaccount of the 2001 Special Assessment Redemption Account in accordance with the terms of the Indenture; or

(b) from Prepayments (as defined in the Indenture) or from excess revenues deposited into the 2001 Special Assessment Prepayment Subaccount of the 2001 Special Assessment Redemption Account; or

(c) on the date on which the amount on deposit in the 2001 Special Assessment Reserve Account, together with other moneys available therefor, are sufficient to pay and redeem all of the 2001 Special Assessment Bonds then Outstanding, including accrued interest thereon.

If less than all of the 2001 Special Assessment Bonds shall be called for redemption, the particular 2001 Special Assessment Bonds or portions of 2001 Special Assessment Bonds of a Series to be redeemed shall be selected as provided in the Indenture.

Notice of each redemption of 2001 Special Assessment 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 2001 Special Assessment Bonds to be redeemed at the address of such registered Owner recorded on the bond register maintained by the Bond Registrar. On the date designated for redemption, notice having been given and money for the payment of the Redemption Price being held by the Paying Agent, all as provided in the Indenture, the 2001 Special Assessment 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 2001 Special Assessment Bonds or such portions thereof on such date, interest on such 2001 Special Assessment Bonds or such portions thereof so called for redemption shall cease to accrue, such 2001 Special Assessment 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 2001 Special Assessment 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 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 2001 Special Assessment Bonds then Outstanding under the

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Indenture may become and may be declared due and payable before the stated maturities thereof, with the 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 Bond which remain unclaimed for six (6) years after the date when such 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 six (6) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such 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 funds or Federal Securities (as defined in the Indenture) sufficient to pay the principal or redemption price of any Bonds becoming due at maturity or by call for redemption in the manner set forth in the Indenture, together with the interest accrued to the due date, the lien of the 2001 Special Assessment Bonds as to the 2001 Special Assessment 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.

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 for Osceola County, Florida, rendered on August 4, 2000.

Chairman

[FORM OF BOND COUNSEL OPINION]

[FORM OF ABBREVIATIONS FOR 2001 BONDS]

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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 GIFT MIN ACT - _____ Custodian _____ under Uniform Gifts to Minors Act
(Cust) (Minor)

(State)

Additional abbreviations may also be used though not in the above list.

[FORM OF ASSIGNMENT FOR 2001 BONDS]

For value received, the undersigned hereby sells, assigns and transfers unto _____ 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 or Employer
Identification Number of Transferee:

Signature guaranteed: _____

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 whatsoever.

By:

Authorized Signatory

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APPENDIX "C"

PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL