

*In the opinion of Bond Counsel, assuming compliance with existing statutes, regulations, rulings and court decisions, interest on the Bonds 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 Bonds. Bond Counsel is further of the opinion that the Bonds 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. See "TAX MATTERS" herein.*

**HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT  
(Manatee County, Florida)  
\$24,000,000 Capital Improvement Revenue Bonds, Series 2007**

Dated: October 1, 2007

Due: May 1, as shown below

Heritage Harbour North Community Development District Capital Improvement Revenue Bonds, Series 2007 (the "Bonds") are being issued by the Heritage Harbour North Community Development District (the "District") only in fully registered form, without coupons, in denominations of \$5,000 and integral multiples thereof; provided, however, that the Bonds 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 Bonds 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 semi-annually on each May 1 and November 1, commencing May 1, 2008. The Bonds, when issued, will be registered in the name of Cede & Co., as Bond Owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry form. Accordingly, principal of and interest on the Bonds will be paid by U.S. Bank National Association, as trustee (the "Trustee") directly to Cede & Co. as the registered owner thereof. Disbursement of such payments to the Direct Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of Direct Participants and the Indirect Participants, as more fully described herein. Any purchaser as a beneficial owner of a Bond must maintain an account with a broker or dealer who is, or acts through, a Direct Participant to receive payment of the principal of and interest on such Bond. See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein.

The Bonds 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. 06-71 of Manatee County. The Bonds are being issued pursuant to the Act and a Master Trust Indenture, dated as of October 1, 2007 (the "Master Indenture") as supplemented by a First Supplemental Trust Indenture dated as of October 1, 2007 (the "Supplemental Indenture", collectively with the Master Indenture, the "Indenture"), by and between the District and the Trustee. The Bonds are equally and ratably secured under the Indenture by a lien upon and pledge of the revenues derived from the non-ad valorem special assessments (the "2007 Assessments") levied upon the lands within the District specially benefited by the infrastructure and related improvements to be acquired, constructed and equipped by the District from the proceeds of the Bonds (the "Project") (as more particularly described under "THE PROJECT" herein and APPENDIX A hereto). Such revenues derived from the 2007 Assessments are referred to as the "2007 Pledged Revenues." The Bonds are additionally secured by amounts on deposit in the Funds and Accounts, other than the 2007 Rebate Account, created for the benefit of the Bonds pursuant to the Supplemental Indenture (the "2007 Pledged Funds and Accounts"). The 2007 Pledged Revenues and the 2007 Pledged Funds and Accounts collectively constitute the "2007 Trust Estate."

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

The Bonds are being issued to: (i) finance the cost of acquiring, constructing and equipping the Project; (ii) pay certain costs associated with the issuance of the Bonds; (iii) make a deposit into the 2007 Reserve Account for the benefit of all of the Bonds; and (iv) pay the interest accruing on the Bonds through November 1, 2008.

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 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 BONDS OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS. RATHER, ALL SUCH AMOUNTS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2007 PLEDGED REVENUES AND THE 2007 PLEDGED FUNDS AND ACCOUNTS, ALL AS PROVIDED IN THE INDENTURE.

THE BONDS INVOLVE A DEGREE OF RISK (SEE "BOND OWNERS' RISKS" HEREIN) AND ARE NOT SUITABLE FOR ALL INVESTORS (SEE "SUITABILITY FOR INVESTMENT" HEREIN). NO APPLICATION HAS BEEN MADE FOR A RATING WITH RESPECT TO THE BONDS. THE UNDERWRITER IS REQUIRED TO LIMIT THIS OFFERING TO ACCREDITED INVESTORS. SUCH LIMITATION REGARDING THE LIMITED OFFERING DOES NOT DENOTE RESTRICTIONS ON TRANSFER IN ANY SECONDARY MARKET FOR THE BONDS. POTENTIAL INVESTORS ARE SOLELY RESPONSIBLE FOR EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE BONDS. SEE "SUITABILITY FOR INVESTMENT", "BOND OWNER'S RISKS" AND "NO RATING OR CREDIT ENHANCEMENT" HEREIN.

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

**MATURITY SCHEDULE**

\$24,000,000 6.375% 2007 Term Bond due May 1, 2038, Price 99.661% , Initial CUSIP No. 42726UAA6<sup>(1)</sup>

The Bonds are offered for delivery when, as and if issued by the District and accepted by the Underwriter, subject to the receipt of the opinion of legality by Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain legal matters will be passed upon for the District by its counsel, Hopping Green & Sams, P.A., Tallahassee, Florida. The Developer is being represented by Williams, Parker, Harrison, Dietz & Getzen, Sarasota, Florida, the Trustee is being represented by Holland & Knight, LLP, Miami, Florida, and the Underwriter is being represented by Akerman Senterfitt, Orlando, Florida. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC, New York, New York on or about October 11, 2007.

**PRAGER, SEALY & CO., LLC**

Dated: October 3, 2007

<sup>(1)</sup> The District is not responsible for the use of CUSIP numbers referenced herein nor is any representation made by the District as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Limited Offering Memorandum.

**HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT**

**BOARD OF SUPERVISORS**

Christopher Kemper, Chairman  
Tony Burdett, Vice-Chairman  
Robert Price, Assistant Secretary  
Charles Danna, Assistant Secretary  
Donald Cenci, Assistant Secretary

**DISTRICT MANAGER**

Wrathell, Hart, Hunt & Associates, LLC  
Coconut Creek, Florida

**DISTRICT COUNSEL**

Hopping Green & Sams, P.A.  
Tallahassee, Florida

**BOND COUNSEL**

Nabors, Giblin & Nickerson, P.A.  
Tampa, Florida

**FINANCIAL CONSULTANT TO THE DISTRICT**

Fishkind & Associates, Inc.  
Orlando, Florida

**DISTRICT ENGINEER**

Banks Engineering, Inc.  
Sarasota, Florida

## **REGARDING USE OF THIS LIMITED OFFERING MEMORANDUM**

No broker, dealer, salesperson, or other person has been authorized by the District, the State of Florida or the Underwriter to give any information or to make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District, the District Engineer, the District Manager, the Developer (as hereinafter defined), the Financial Consultant and other sources that are believed by the Underwriter to be reliable. 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 guaranty the accuracy or completeness of such information. The District, the Developer, the District Engineer and the Financial Consultant will all, at closing, deliver certificates certifying substantially to the effect that the information each supplied for inclusion herein does not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading.

The information set forth herein has also been obtained from public documents, records and other sources, 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 or the Project since the date hereof.

THE UNDERWRITER IS LIMITING THIS OFFERING TO ACCREDITED INVESTORS WITHIN THE MEANING OF THE RULES OF THE FLORIDA DEPARTMENT OF FINANCIAL SERVICES.

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

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS SET FORTH IN SUCH ACTS. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTIONS WHEREIN THESE SECURITIES HAVE BEEN OR WILL BE REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

Statements contained herein that are not purely historical, are forward-looking statements, including statements regarding the District's and the Developer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included herein are based on information available on the date hereof, and the District assumes no obligation to update any such forward-looking statements. Such forward-looking statements are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties. Assumptions' related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District and the Developer. Actual results could differ materially from those discussed in such forward-looking statements and, therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate.

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**HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT  
\$24,000,000 CAPITAL IMPROVEMENT REVENUE BONDS, SERIES 2007**

**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 Heritage Harbour North Community Development District (the "District") of its \$24,000,000 Capital Improvement Revenue Bonds, Series 2007 (the "Bonds"). 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 of Manatee County, Florida (the "County"). Such ordinance became effective on November 13, 2006. The Bonds are being issued pursuant to the Act, a Master Trust Indenture dated as of October 1, 2007 (the "Master Indenture"), as supplemented by a First Supplemental Trust Indenture dated as of October 1, 2007 (the "Supplemental Indenture" collectively with the Master Indenture, the "Indenture") both by and between the District and U.S. Bank National Association, as trustee (the "Trustee"), and resolutions of the District authorizing the issuance of the Bonds. All capitalized terms used in this 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 C hereto).

The Bonds are equally and ratably secured by the revenues derived by the District from the non-ad valorem special assessments (the "2007 Assessments") levied upon land within the District specially benefited by the infrastructure improvements to be acquired, constructed and equipped by the District from the proceeds of the Bonds (the "Project") (as more particularly described under "THE PROJECT" herein). The revenues derived by the District from the 2007 Assessments are referred to as the "2007 Pledged Revenues." The Bonds are additionally secured by amounts on deposit in the Funds and Accounts, other than the 2007 Rebate Account created for the benefit of the Bonds pursuant to the Supplemental Indenture (the "2007 Pledged Funds and Accounts"). The 2007 Pledged Revenues and the 2007 Pledged Funds and Accounts are collectively referred to as the "2007 Trust Estate."

THE BONDS ARE NOT RATED OR CREDIT ENHANCED, AND ARE NOT A SUITABLE INVESTMENT FOR ALL INVESTORS (SEE "SUITABILITY FOR INVESTMENT" AND "BOND OWNERS' RISKS" HEREIN). PROSPECTIVE INVESTORS IN THE BONDS ARE INVITED TO VISIT THE DISTRICT, ASK QUESTIONS OF REPRESENTATIVES OF THE DEVELOPER (AS HEREINAFTER DEFINED) AND TO REQUEST DOCUMENTS, INSTRUMENTS AND INFORMATION WHICH MAY NOT NECESSARILY BE REFERRED TO, SUMMARIZED OR DESCRIBED HEREIN. THEREFORE, PROSPECTIVE INVESTORS SHOULD RELY ON THE INFORMATION APPEARING IN THIS LIMITED OFFERING MEMORANDUM WITHIN THE CONTEXT OF THE 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 for the purpose of delivering services and facilities described in the Act, including but not limited to, water management and control, water and sewer and road improvements. The Act grants to the District the power to issue bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining facilities relating to such services, and other basic infrastructure projects within and without the boundaries of the District, all as provided in the Act and the Ordinance.

Under the Constitution and laws of the State of Florida, including the Act, the District has the power and authority to levy non-ad valorem assessments upon specially benefited lands within the District (sometimes referred to as "District Lands") and to issue the Bonds for the purposes of providing community development services and facilities, including those comprising the Project, described below. Consistent with the requirements of the Act, the Bonds are being issued for the primary purpose of financing the acquisition and construction by the District of certain infrastructure and facilities specially benefiting District Lands and constituting the Project. More specifically, the Project includes, but is not limited to, stormwater management, water, sewer, roads and related improvements, professional fees and permits, more fully described in the Report of District Engineer (the "Engineer's Report") attached hereto as APPENDIX A.

The Bonds are the first debt to be issued by the District.

In addition to funding the Project, proceeds of the Bonds will also be used to capitalize the interest accruing on the Bonds through November 1, 2008, to fund the 2007 Reserve Account, and to pay costs of issuing and delivering the Bonds. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” and “THE PROJECT” herein.

The District encompasses approximately 877 acres. The 2007 Assessments will ultimately be levied against all developable lands within the District. Harbourvest, L.L.C. (the “Developer”) is developing the lands within the District which are planned for an approximately 1,365 unit country club community known as River Strand Golf and Country Club (the “Development”).

In the Indenture, the District covenants and agrees that so long as there are any Bonds Outstanding, it shall not cause or permit to be caused any other lien, charge or claim against the 2007 Trust Estate; provided, the District reserves the right to issue bonds, notes or other obligations payable from or secured by the 2007 Trust Estate, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2007 Trust Estate equal or prior to the lien of the Supplemental Indenture. The District anticipates imposing and levying those certain non-ad valorem special assessments called maintenance assessments which will encumber the same lands encumbered by the 2007 Assessments to fund the maintenance and operation of the District. The District and/or other public entities may also impose other taxes or other assessments on the same properties encumbered by the 2007 Assessments without the consent of the Owners of the Bonds. See “BOND OWNERS’ RISKS” herein.

The District has covenanted in the Indenture to comply with the continuing disclosure requirements contained in Securities and Exchange Commission Rule 15c2-12. See “CONTINUING DISCLOSURE” herein and APPENDIX E hereto.

There follows in this Limited Offering Memorandum a brief description of the District, the Project, the Development and Developer, together with summaries of the terms of the Bonds, the Indenture and certain provisions of the Act. All references herein to the Indenture and the Act are qualified in their entirety by reference to such documents and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. The form of the Indenture appears as APPENDIX C hereto. The information herein under the captions “THE DEVELOPER” and “THE DEVELOPMENT” has been furnished by the Developer and has been included herein without independent investigation by the District, and the District makes no representation or warranty concerning the accuracy or completeness of such information. The Developer makes no representation or warranty as to the accuracy or completeness of information contained herein which has been furnished by any other party to the transactions contemplated hereby.

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

### **SUITABILITY FOR INVESTMENT**

While the Bonds are not subject to registration under the Securities Act of 1933, as amended (the “Securities Act”), the Underwriter will, as required by Chapter 189, Florida Statutes, offer the Bonds only to “accredited investors,” as defined in Chapter 517, Florida Statutes, and the rules promulgated thereunder. The limitation of the initial offering to accredited investors does not denote restrictions on transfer in any secondary market for the Bonds. Prospective investors in the Bonds should have knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Bonds and should have the ability to bear the economic risks of such prospective investment, including a complete loss of such investment.

Investment in the Bonds poses certain economic risks. See “BOND OWNER’S RISKS” herein. 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 the Bonds. Prospective investors are encouraged to request such additional information, visit the District and ask such questions. Such requests should be directed to:



Mr. Brett Sealy  
Prager, Sealy & Co., LLC  
200 South Orange Avenue  
Suite 1900  
Orlando, Florida 32801  
Telephone: (407) 481-9182

## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds are issuable in registered form, without coupons, in the denominations of \$5,000 and integral multiple thereof; provided, however, that the Bonds will be deliverable to the initial purchasers only in aggregate principal amounts of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

The Bonds will be dated and will bear interest at the fixed rate per annum set forth on the cover page hereof from the Interest Payment Date (each May 1 and November 1) to which interest has been paid next preceding their date of authentication, unless any such Bond is authenticated as of an Interest Payment Date, in which case it will bear interest from such Interest Payment Date, or unless a Bond is registered and authenticated prior to delivery to the initial purchaser thereof, in which event such Bond will bear interest from its dated date. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve (12) thirty (30) day months.

The Bonds will mature, subject to the redemption provisions set forth below, on the dates and in the amounts set forth on the cover page hereof.

The Bonds shall be and have all the qualities and incidents of investment securities under the laws of the State of Florida.

The Bonds will be initially issued in the form of a single fully registered certificate for each maturity thereof. Upon initial issuance, the ownership of the Bonds will be registered in the registration books kept by the Trustee in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York, the initial bond depository. All of the Outstanding Bonds 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 BONDS - Book-Entry Only System”).

The Indenture provides that with respect to 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 will have no responsibility or obligation to any Bond Participant (as defined in the Indenture) or to any indirect Bond Participant (as defined in the Indenture). Without limiting the immediately preceding sentence, the District, the Trustee, the Bond 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 Bonds; (ii) the delivery to any Bond Participant or any other person other than a Bondholder, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Bond Participant or any other person, other than a Bondholder, 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 Bonds. The District, the Trustee, the Bond Registrar and the Paying Agent shall treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent will pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the respective Bondholders, as shown in the registration books kept by the Bond 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 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, will receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the provisions of the Indenture.

U.S. Bank National Association is the Trustee, Bond Registrar and Paying Agent for the Bonds.

## Redemption Provisions

### *Optional Redemption*

The Bonds are subject to redemption prior to maturity at the option of the District, in whole or in part at any time on or after May 1, 2017, at the Redemption Price of the principal amount of the Bonds or portions thereof to be redeemed, plus accrued interest to the redemption date.

### *Mandatory Redemption In Part of Bonds*

The Bonds are subject to mandatory redemption in part by the District by lot prior to scheduled maturity from moneys in the 2007 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 as follows:

<u>May 1 of the Year</u>	<u>Amortization Installment</u>	<u>May 1 of the Year</u>	<u>Amortization Installment</u>
2009	\$275,000	2024	\$710,000
2010	290,000	2025	760,000
2011	310,000	2026	810,000
2012	330,000	2027	865,000
2013	355,000	2028	920,000
2014	375,000	2029	980,000
2015	400,000	2030	1,045,000
2016	430,000	2031	1,115,000
2017	455,000	2032	1,185,000
2018	485,000	2033	1,265,000
2019	520,000	2034	1,350,000
2020	550,000	2035	1,435,000
2021	590,000	2036	1,530,000
2022	625,000	2037	1,630,000
2023	670,000	2038*	1,740,000

\*Maturity

As more particularly set forth in the Indenture, any 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 Bonds. Amortization Installments are also subject to recalculation, as provided in the Supplemental Indenture, as a result of the redemption of Bonds other than through scheduled mandatory redemption, so as to reamortize the remaining Outstanding principal balance of the Bonds as set forth in the Supplemental Indenture. See APPENDIX C hereto.

### *Extraordinary Mandatory Redemption of the Bonds*

The 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 November 1, 2008, from amounts transferred to the 2007 Prepayment Subaccount of the 2007 Redemption Account from (1) the Retainage Subaccount in the 2007 Acquisition and Construction Account and (2) the 2007 Reserve Account; or

(b) on or after the later of the Date of Completion of the Project or the Deferred Costs Date of Completion (as such terms are defined in the Indenture) by application of moneys transferred from the General Subaccount of the 2007 Acquisition and Construction Account in the Acquisition and Construction Fund established under the Indenture to the 2007 Prepayment Subaccount of the 2007 Redemption Account in accordance with the terms of the Indenture; or

(c) from Prepayments of 2007 Assessments (as defined in the Indenture) deposited into the 2007 Prepayment Subaccount of the 2007 Redemption Account; or

(d) from amounts transferred to the 2007 Prepayment Subaccount of the 2007 Redemption Account resulting from a reduction in the 2007 Reserve Account Requirement as provided for in the Indenture, and, on the date on which the amount on deposit in the 2007 Reserve Account, together with other moneys available therefor, are sufficient to pay and redeem all of the Bonds then Outstanding, including accrued interest thereon.

### **Notice and Effect of Redemption**

Notice of each redemption of Bonds is required to be mailed by the Bond Registrar, postage prepaid, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date to each registered Owner of Bonds to be redeemed at the address of such registered Owner recorded on the bond register maintained by the bond registrar. Notice of redemption will also 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 notice nor any failure to send or secure such notice will affect the sufficiency of the proceedings for the redemption of Bonds if notice is given to the registered owners as provided in the Indenture. On the date designated for redemption, notice having been given and money for the payment of the Redemption Price being held by the Paying Agent, all as provided in the Indenture, the Bonds or such portions thereof so called for redemption will become and be due and payable at the Redemption Price provided for the redemption of such Bonds or such portions thereof on such date, interest on such Bonds or such portions thereof so called for redemption will cease to accrue, such Bonds or such portions thereof so called for redemption will cease to be entitled to any benefit or security under the Indenture and the Owners thereof will have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payments of the Redemption Price thereof so held by the Paying Agent.

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.

### **Purchase of Bonds**

The District may purchase at any time and from time to time Bonds as provided in the Indenture. For additional information concerning purchase of Bonds see APPENDIX C hereto.

### **Book-Entry Only System**

**The information set forth under this caption concerning DTC and DTC's book-entry system has been obtained from sources the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.**

The Bonds will be issued as fully registered bonds without coupons. DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). Once fully registered, one Bond will be issued for each maturity of the Bonds. Beneficial owners of the Bonds will not receive physical delivery of Bonds.

DTC, the world's largest depository, is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market investments from over one hundred (100) countries that Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, DTC's nominee, the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest to Cede & Co. (or such other

nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds certificates are required to be printed and delivered.

The District may decide, subject to the provisions of any agreement with DTC, to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bonds certificates will be printed and delivered.

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

The District can make no assurances that DTC will distribute payments of principal of, redemption price, if any, or interest on the Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Bonds or redemption notices to the Beneficial Owners of such Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Limited Offering Memorandum. The District is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

## **SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS**

### **General**

The Bonds are payable from and secured solely by the 2007 Pledged Revenues, and the 2007 Pledged Funds and Accounts. The 2007 Pledged Revenues are the revenues derived by the District from the 2007 Assessments (as defined in the Supplemental Indenture). The 2007 Assessments are the assessments imposed, levied and collected by the District with respect to property specially benefited by the Project. The Indenture defines the 2007 Assessments as all assessments levied and collected by or on behalf of the District pursuant to Section 190.022 of the Act as amended from time to time, together with the interest specified by resolution adopted by the Governing Body, with interest specified in Chapter 170 Florida Statutes, as amended, 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 which are pledged to the Bonds.

The 2007 Assessments represent an allocation of the costs of the Project, including bond financing costs, to the lands within the District benefiting from the Project in accordance with the assessment methodology report (the "Assessment Report") prepared for the District by Fishkind & Associates, Inc., Orlando, Florida, which report will be adopted by the District prior to delivery of the Bonds. The Assessment Report is attached as APPENDIX B hereto.

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 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 DEBT SERVICE OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE, OR THE BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE, OR THE BONDS, SHALL BE PAYABLE SOLELY FROM,

AND SHALL BE SECURED SOLELY BY, THE 2007 PLEDGED REVENUES AND THE 2007 PLEDGED FUNDS AND ACCOUNTS PLEDGED TO THE BONDS, ALL AS PROVIDED, IN THE INDENTURE.

### **Parity Bonds**

Pursuant to the Indenture, the District has covenanted that so long as there are any Bonds Outstanding, it shall not cause or permit to be caused any other lien, charge or claim against the 2007 Trust Estate; provided, however, that the District has reserved the right to issue bonds, notes or other obligations payable from or secured by the 2007 Trust Estate pledged to the Bonds, but only so long as such bonds, notes or other obligations are not entitled to a lien upon or charge against the 2007 Trust Estate equal or prior to the lien of the Supplemental Indenture. HOWEVER, MANATEE COUNTY, THE SCHOOL BOARD OF MANATEE COUNTY, FLORIDA OR OTHER POLITICAL SUBDIVISIONS MAY IN THE FUTURE IMPOSE, LEVY AND COLLECT ASSESSMENTS AND TAXES, THE LIENS OF WHICH WILL BE CO-EQUAL WITH THE LIEN OF THE 2007 ASSESSMENTS. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Special Assessment Collection Procedures" herein. See also "BOND OWNERS' RISKS" herein regarding taxes and other obligations payable on a parity with the 2007 Assessments.

### **Reserve Fund**

The Indenture establishes a 2007 Reserve Account within the Reserve Fund for the benefit of all Bonds without distinction to any Bonds and without privilege or priority of one Bond over another.

The 2007 Reserve Account will, at the time of delivery of the Bonds, be funded from proceeds of the Bonds in an amount equal to the 2007 Reserve Account Requirement. The 2007 Reserve Account Requirement is defined as (A) on the date of initial issuance of the Bonds, the lesser of: (i) Maximum Annual Debt Service Requirement for all Outstanding Bonds, (ii) 125% of the average annual debt service for all Outstanding Bonds, or (iii) 10% of the proceeds of the Bonds calculated as of the date of original issuance thereof and, thereafter, (B) the 2007 Reserve Account Percentage times the Deemed Outstanding principal amount of the Bonds, as of the time of any such calculation.

2007 Reserve Account Percentage means (i) initially 7.4896% and (ii) subsequent to the first date on which either the Bonds have received an Investment Grade Rating or the 2007 Assessments have been Substantially Absorbed, in each case as evidenced by a certificate to such effect delivered to the Trustee from an Authorized Officer on which the Trustee may conclusively rely, the 2007 Reserve Account Percentage shall mean the lesser of (X) the result of dividing 50% of the Maximum Annual Debt Service Requirement on the Outstanding principal amount of the Bonds by the then Outstanding principal amount of the Bonds or (Y) the amount determined in clause (i) above.

"Deemed Outstanding" means the aggregate Outstanding principal amount of Bonds, reduced by the result of dividing (x) the amount on deposit in the 2007 Prepayment Subaccount in the 2007 Redemption Subaccount by (y) 1 - the 2007 Reserve Account Percentage.

"Investment Grade Rating" means either a rating on the Bonds of "BBB-" or higher by S&P or a rating of "Baa3" or higher by Moody's or a rating of "BBB-" or higher by Fitch Ratings, Inc.

"Substantially Absorbed" means the date on which a principal amount of the 2007 Assessments equaling at least seventy-five percent (75%) of the then-Outstanding principal amount of the Bonds are levied on lands within the District with respect to which a certificate of occupancy has been issued for a structure thereon.

Except as otherwise provided in the Supplemental Indenture, amounts on deposit in the 2007 Reserve Account shall be used only for the purpose of making payments into the 2007 Interest Account and the 2007 Sinking Fund Account to pay Debt Service on the Bonds, when due, without distinction as to Bonds and without privilege or priority of one Bond over another, to the extent the moneys on deposit in such Accounts therein and available therefor are insufficient. Such Accounts shall consist only of cash and 2007 Investment Obligations.

Anything in the Indenture to the contrary notwithstanding, on the forty-fifth (45th) day preceding each Redemption Date (or, if such forty-fifth (45th) day is not a Business Day, on the first Business day preceding such

forty-fifth (45th) day), the Trustee is to recalculate the 2007 Reserve Account Requirement and to transfer (1) any excess on deposit in the 2007 Reserve Account resulting from the Prepayment of Bonds into the 2007 Prepayment Subaccount of the 2007 Redemption Account and applied to the extraordinary mandatory redemption of the Bonds and (2) any excess on deposit in the 2007 Reserve Account resulting from anything other than as described in (1) above and earnings on account in the 2007 Reserve Account, prior to the Deferred Costs Date of Completion to the extent that there are accrued but unpaid Deferred Costs, into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account, and after the Deferred Costs Date of Completion, any excess shall be deposited into the 2007 Prepayment Subaccount of the 2007 Redemption Account and applied to the extraordinary mandatory redemption of the Bonds.

On the earliest date on which there is on deposit in the 2007 Reserve Account, sufficient monies, after taking into account any Deferred Costs and after taking into account other monies available therefor, to pay and redeem all of the Outstanding Bonds, together with accrued interest and redemption premium, if any, on such Bonds to the earliest date of permitted redemption, then the Trustee is to transfer the amount on deposit in the 2007 Reserve Account into the 2007 Prepayment Subaccount in the 2007 Redemption Account to pay and redeem all of the Outstanding Bonds on the earliest permitted date of redemption.

Deferred Costs are defined as the Costs of the Capital Improvement Program which have not been paid from the General Subaccount in the 2007 Acquisition and Construction Account and which are identified by the District to the Trustee in writing as having been advanced under the Acquisition Agreement or any other contract or agreement pursuant to which the District may become obligated to pay for Costs of the Capital Improvement Program from the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account.

#### **Deposit and Application of 2007 Pledged Revenues**

(a) Pursuant to the Indenture, the District shall deposit 2007 Assessment Revenues with the Trustee immediately upon receipt together with a written accounting setting forth the amounts of such 2007 Assessment Revenues in the following categories which shall be deposited by the Trustee into the Funds and Accounts as follows:

(i) 2007 Assessment Principal, which shall be deposited into the 2007 Sinking Fund Account;

(ii) 2007 Prepayment Principal, which shall be deposited into the 2007 Prepayment Subaccount in the Redemption Account;

(iii) 2007 Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the 2007 Reserve Account to pay the principal of Bonds, and, the balance, if any, shall be deposited into the 2007 Sinking Fund Account;

(iv) Delinquent Assessment Interest, which shall first be applied to restore the amount of any withdrawal from the 2007 Reserve Account to pay the interest on Bonds, and, the balance, if any, deposited into the 2007 Revenue Account; and

(v) all other 2007 Assessment Revenues, which shall be deposited into the 2007 Revenue Account.

(b) On the forty-fifth (45th) day preceding each Redemption Date (or if such forty-fifth (45th) day is not a Business Day, on the Business Day next preceding such forty-fifth (45th) day), the Trustee shall determine the amount on deposit in the 2007 Prepayment Subaccount of the 2007 Redemption Account, and if the balance therein is greater than zero, shall transfer from the 2007 Revenue Account for deposit into such 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 Bonds on the next succeeding Redemption Date in the maximum aggregate principal amount for which moneys are then on deposit in such Prepayment Subaccount.

(c) On 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 first transfer from the 2007 Capitalized Interest Account to the 2007 Interest Account the lesser of (x) the amount of interest coming due on the Bonds on such May 1 or November 1, less the amount already on deposit therein, or (y) the amount remaining in the 2007 Capitalized Interest Account. Following the foregoing transfers, on such May 1 or 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 then transfer amounts on deposit in the 2007 Revenue Account to the Funds and Accounts designated below in the following amounts and in the following order of priority:

**FIRST**, from the 2007 Revenue Account to the 2007 Interest Account of the Debt Service Fund, an amount equal to the amount of interest payable on all Bonds then Outstanding on such May 1 or November 1, less any amount transferred from the 2007 Capitalized Interest Account and less any other amount already on deposit in the 2007 Interest Account not previously credited;

**SECOND**, to the 2007 Sinking Fund Account, the amount, if any, equal to the difference between the Amortization Installments of all Bonds subject to mandatory sinking fund redemption on such May 1, and the amount already on deposit in the 2007 Sinking Fund Account not previously credited;

**THIRD**, to the 2007 Reserve Account, the amount, if any, which is necessary to make the amount on deposit therein equal to the 2007 Reserve Account Requirement with respect to the Bonds; and

**FOURTH**, the balance shall be retained in the 2007 Revenue Account.

The Supplemental Indenture provides that it shall not, a fortiori, constitute an Event of Default hereunder if the full amount of the foregoing deposits are not made due to an insufficiency of funds therefor.

(d) On any date required by the Tax Regulatory Covenants, the District shall give the Trustee written direction, and the Trustee shall, transfer from the 2007 Revenue Account to the Rebate Account established for the 2007 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.

(e) On or after each November 2, the balance on deposit in the 2007 Revenue Account shall until the Deferred Costs Date of Completion be transferred into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account, and, after the Deferred Costs Date of Completion, shall be paid over to the District at the written direction of an Authorized Officer and used for any lawful purpose of the District; provided, however, that on the date of such proposed transfer the amount on deposit in the 2007 Reserve Account in the Debt Service Reserve Fund shall be equal to the 2007 Reserve Account Requirement, and, provided further, that the Trustee shall not have actual knowledge of an Event of Default under the Indenture, including the payment of Trustee's fees and expenses then due.

## **Investments**

Earnings on investments in all of the Funds and Accounts held as security for the Bonds shall be invested only in 2007 Investment Obligations, and further, earnings on the 2007 Acquisition and Construction Account and the Subaccounts therein, the 2007 Interest Account and the 2007 Capitalized Interest Account shall be retained, as realized, in such Accounts or Subaccounts and used for the purpose of such Account or Subaccount. Earnings on investments in the 2007 Sinking Fund Account and the 2007 Redemption Account and the Subaccounts therein shall be deposited, as realized, to the credit of the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account and used for the purpose of such Account.

Earnings on investments in the 2007 Reserve Account shall be disposed of as follows:

(i) if there was no deficiency in the 2007 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, then earnings on the 2007 Reserve Account shall be deposited into the 2007 Capitalized Interest Account through November 1, 2008, and,



thereafter earnings in the 2007 Reserve Account shall be deposited into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account; and

(ii) if as of the last date on which amounts on deposit in the 2007 Reserve Account were valued by the Trustee there was a deficiency, or if after such date withdrawals have been made from the 2007 Reserve Account and have created such a deficiency, then earnings on investments in the 2007 Reserve Account shall be deposited into the 2007 Reserve Account until the amount on deposit therein is equal to the 2007 Reserve Account Requirement, and then earnings on the 2007 Reserve Account shall be deposited into the 2007 Capitalized Interest Account through November 1, 2008, and, thereafter shall be deposited into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account.

### **Enforcement of Payment of 2007 Assessments**

The District has covenanted in the Indenture to assess, levy, collect or cause to be collected and enforced the payment of 2007 Assessments in the manner prescribed by the Indenture and all resolutions, ordinances or laws thereunto appertaining at the times and in the amounts as shall be necessary to pay, when due, the principal of and interest on the Bonds and to pay or cause to be paid the proceeds of such Assessments in accordance with the provisions of the Indenture.

### **Covenant Regarding Collection of 2007 Assessments**

Pursuant to the Indenture, the District covenants to comply with the terms of the proceedings adopted with respect to the 2007 Assessments, and to levy the 2007 Assessments and any required payments as set forth in the Assessment Report in such manner as will generate funds sufficient to pay the principal of and interest on the Bonds, when due. The Indenture additionally provides that notwithstanding anything contained therein to the contrary, the District shall not be required to employ the Uniform Method to collect the 2007 Assessments with respect to any tax parcel which has not been platted for its intended use and issued a separate tax parcel identification number prior to the date on which a tax roll is required to be certified to the Tax Collector.

### **Prepayment of 2007 Assessments**

Pursuant to the terms of the Act, the owner of property subject to 2007 Assessments may pay the entire balance of such Assessment remaining due, without interest, within thirty (30) days after the Project has been completed and the Board of Supervisors has adopted a resolution accepting the Project as provided by Florida Statutes, Section 170.09. The Developer will waive, in connection with the issuance of the Bonds, this right to prepay the 2007 Assessments on property owned by it at the time the Board of Supervisors accepts the Project as being completed.

Pursuant to the terms of the Assessment Proceedings, the owner of property subject to 2007 Assessments may prepay the entire remaining balance of such Assessment at any time, or a portion of the remaining balance of the Assessment one time if there is also paid, in addition to the prepaid principal balance of the Assessment, an amount equal to the interest that would otherwise be due on such prepaid amount on the next succeeding Interest Payment Date for the Bonds, or, if prepaid during the forty-five (45) day period preceding such Interest Payment Date, to the Interest Payment Date following such next succeeding Interest Payment Date.

The Bonds are subject to extraordinary mandatory redemption from Prepayments as indicated under "DESCRIPTION OF THE BONDS - Redemption Provisions - *Extraordinary Mandatory Redemption*." The prepayment of 2007 Assessments does not entitle the owner of the property to a discount for early payment.

### **Adjustments to 2007 Assessments**

Upon completion of the Project, the 2007 Assessments shall be credited, pro rata, with any excess of the original 2007 Assessments over the actual Cost (which Cost includes, without limitation, costs associated with the issuance of the Bonds, the capitalized interest and the 2007 Reserve Account funded from proceeds of the Bonds) of the Project.

## **Re-Assessment**

Pursuant to the Indenture, if any 2007 Assessments shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or the District shall be satisfied that any such 2007 Assessment is so irregular or defective that it cannot be enforced or collected, or if the District shall have omitted to make such 2007 Assessment when it might have done so, the District shall either: (i) take all necessary steps to cause a new 2007 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 2007 Assessment from legally available moneys. In case any such subsequent 2007 Assessment shall also be annulled, the District shall obtain and make other Assessments until a valid 2007 Assessment shall be made.

## **Special Assessment Collection Procedures**

### *General*

The primary source of payment for the Bonds is the 2007 Assessments imposed on certain lands in the District specially benefited by the Project or portions thereof pursuant to the Assessment Proceedings. See "ASSESSMENT METHODOLOGY" herein and "APPENDIX B - ASSESSMENT METHODOLOGY REPORT."

The determination, order, levy, and collection of the 2007 Assessments must comply with procedural requirements and guidelines provided by State law. Failure by the District to comply with such requirements could result in delay in the collection of, or the complete inability to collect, 2007 Assessments during any year. Such delays in the collection of 2007 Assessments, or complete inability to collect 2007 Assessments, would have a material adverse effect on the ability of the District to make full or punctual payment of the debt service on the Bonds. See "BONDOWNERS' RISKS." To the extent that landowners fail to pay the 2007 Assessments, delay payments, or are unable to pay the same, the successful pursuance of collection procedures available to the District is essential to continued payment of principal of and interest on the Bonds. The Act provides for various methods of collection of delinquent 2007 Assessments by reference to other provisions of the Florida Statutes. The following is a description of certain provisions of State law with respect to assessment payment and collection procedures but is qualified in its entirety by reference to such statutes.

### *Tax Collection Procedures*

The 2007 Assessments will be payable in annual installments and will be certified for collection by the District each year. The determination, order, levy and collection of 2007 Assessments must be done in compliance with procedural requirements and guidelines provided by State law. Failure by the District or the Tax Collector or the Property Appraiser to comply with such requirements could result in delays in the collection of, or the complete inability to collect, 2007 Assessments during any year. Such delays in the collection of, or complete inability to collect, 2007 Assessments could have a material adverse effect on the ability of the District to make full or punctual payment of Debt Service on the Bonds.

As stated herein, the primary prospective source of payment for the Bonds are the 2007 Assessments imposed on each parcel of benefited land within the District pursuant to the Assessment Proceedings. To the extent that landowners fail to pay such 2007 Assessments, delay payments, or are unable to pay the same, the successful pursuance of collection procedures available to the District is essential to continued payment of principal of and interest on the Bonds. The Act provides for various methods of collection of Delinquent Assessments by reference to other provisions of the Florida Statutes. The following is a description of certain statutory provisions of assessment payment and collection procedures appearing in the Florida Statutes, but is qualified in its entirety by reference to such statutes.

The Florida Statutes provide that, subject to certain conditions, assessments such as the 2007 Assessments may be collected in the same manner as ad valorem taxes. The statutes relating to enforcement of ad valorem taxes provide that ad valorem taxes become due and payable on November 1 of the year when assessed and constitute a lien upon the land from January 1 of such year. 2007 Assessments are a lien on the land against which they are assessed from January 1 of the year of assessment until paid or barred by operation of law. The lien of the 2007 Assessments is of equal dignity with the liens for state and ad valorem taxes upon land, and thus is a first lien, superior to all other liens, including mortgages (except for state and county taxes and other taxes which are of equal

dignity). Such taxes and assessments (including the 2007 Assessments, if any, being collected by the Uniform Method) are to be billed, and landowners in the District, subject to next succeeding sentence, are required to pay all such taxes and assessments, without preference in payment of any particular increment of the tax bill, such as the increment owing for the 2007 Assessments. If a landowner initiates legal proceedings contesting the levy or the amount of a particular ad valorem tax or possibly a non ad valorem assessment which could include the 2007 Assessments, under certain circumstances, such landowner may be permitted to pay only that amount of ad valorem taxes and possibly non ad valorem assessments that the landowner, in good faith, admits to be owing. As described below, if a landowner should commence legal proceedings regarding the 2007 Assessments, this could result in the delay of certain remedial actions made available using the Uniform Method. If a significant number of landowners contest the levy or amount of 2007 Assessments, it is possible the District would not have sufficient Pledged Revenues to timely pay debt service on the Bonds. Upon any receipt of moneys by the Tax Collector from the 2007 Assessments, such moneys will be delivered to the District, which will remit such 2007 Assessments to the Trustee for deposit to the applicable Accounts and subaccounts within the Revenue Fund except that any Prepayments of 2007 Assessments shall be deposited to the applicable Account and subaccount within the Bond Redemption Fund created under the Indenture and applied in accordance therewith.

All City, County, school and special district, including the District, ad valorem taxes, non ad valorem special assessments and voter-approved ad valorem taxes levied to pay principal of and interest on bonds, including the 2007 Assessments, are payable at one time. If a taxpayer does not make complete payment of the total amount, he or she cannot designate specific line items on his or her tax bill as deemed paid in full, except that if a taxpayer has commenced legal proceedings contesting the levy or amount of an ad valorem tax and possibly a non ad valorem assessment, a tax collector may accept a partial payment of the ad valorem tax, and possibly, the non ad valorem assessment. In the event the 2007 Assessments are to be collected pursuant to the Uniform Method, any failure to pay any one line item, except as relates to a challenge in connection with the 2007 Assessments, would not affect the collection of 2007 Assessments. However, if a taxpayer disputes all or a portion of the 2007 Assessments, and pays the balance of ad valorem taxes and non ad valorem assessments which the taxpayer in good faith admits to be owing, this could possibly cause a delay in the collection of the 2007 Assessments, which could have a significant adverse effect on the ability of the District to make full or punctual payment of the debt service requirements on the Bonds. Under certain circumstances, the District may opt out of using the Uniform Method and utilize the foreclosure procedures described in the section below captioned "Judicial Proceedings."

If 2007 Assessments are paid during November when due or during the following three months, the taxpayer is granted a variable discount equal to 4% in November and decreasing one percentage point per month to 1% in February. All unpaid taxes become delinquent on April 1 of the year following assessment, and the Tax Collector is required to collect taxes prior to April 1 and after that date to institute statutory procedures upon delinquency to collect assessed taxes. Delay in the mailing of tax notices to taxpayers may result in a delay throughout this process.

### **Sale of Tax Certificates**

The collection of Delinquent Assessments is, in essence, based upon the sale by the Tax Collector of "tax certificates" and remittance of the proceeds of such sale to the District for the payment of the 2007 Assessment due. The demand for such certificates is in turn dependent upon various factors, which include the interest that can be earned by ownership of such certificates and the value of the land that is the subject of such certificates and which may be subject to sale at the demand of the certificate holder. Therefore, the underlying value of the land within the District may affect the demand for such certificates and the successful collection of the 2007 Assessments. See "BOND OWNERS' RISKS" herein.

In the event of a delinquency in the payment of taxes on real property, the Tax Collector is required to attempt to sell tax certificates on such property to the person who pays the delinquent taxes and interest and certain costs and charges relating thereto, and who accepts the lowest interest rate per annum to be borne by the certificates (not to exceed 18%). Delinquent taxes may be paid by a taxpayer prior to the date of sale of a tax certificate by the payment of such taxes, together with interest and all costs and charges relating thereto. Generally, tax certificates are sold by public bid. If there are no bidders at the public sale of tax certificates, the certificate is issued to the County in which the assessed lands are located, at the maximum rate of interest allowed (currently 18%). The Tax Collector does not collect any money if tax certificates are issued to the county. Proceeds from the sale of tax

certificates are required to be used to pay taxes (including 2007 Assessments), interest, costs and charges on the real property described in the certificate.

County-held certificates may be purchased and any tax certificate may be redeemed, in whole or in part, by any person at any time before a tax deed is issued or the property is placed on the list of lands available for sale, at a price equal to the face amount of the certificate or portion thereof together with all interest, costs, charges and omitted taxes due. The proceeds of such a redemption are paid to the Tax Collector who transmits to the holder of the certificate such proceeds less service charges, and the certificate is canceled. Any holder, other than the county, of a tax certificate that has not been redeemed has seven years from the date of issuance of the tax certificate during which to act against the land that is the subject of the tax certificate.

After an initial period ending two years from April 1 of the year of issuance of a certificate, during which period actions against the land are held in abeyance to allow for sales and redemptions of tax certificates and before the expiration of seven years from the date of issuance, the holder of a certificate may apply for a tax deed to the subject land. The applicant is required to pay to the Tax Collector at the time of application all amounts required to redeem or purchase all other outstanding tax certificates covering the land, plus interest, any omitted taxes or delinquent taxes and interest, and current taxes, if due. If the county holds a tax certificate on property valued at \$5,000 or more and has not succeeded in selling it, the county must apply for a tax deed two years after April 1 of the year of issuance. The county pays costs and fees to the Tax Collector but not any amount to redeem any other outstanding certificates covering the land. Thereafter, the property is advertised for public sale.

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

Except for certain governmental liens and certain restrictive covenants and restrictions, no right, interest, restriction or other covenant survives the issuance of a tax deed. Thus, for example, outstanding mortgages on property subject to a tax deed would be extinguished.

If there are no bidders at the public sale, the County may at any time within ninety (90) days from the date of offering for public sale purchase the land without further notice or advertising for a statutorily prescribed opening bid. After ninety (90) days have passed, any person or governmental unit may purchase the land by paying the amount of the opening bid. Three years from the date of offering for public sale, unsold lands escheat to the County in which they are located and all tax certificates and liens against the property are canceled and a deed is executed vesting title in the County Commissioners.

### **Judicial Proceedings**

In addition to the sale of tax certificates as a method of enforcing the payment of 2007 Assessments, Section 170.10, Florida Statutes, provides that upon the failure of any property owner to pay the principal of the 2007 Assessment or the interest thereon, when due, the governing body of the District is authorized to commence legal proceedings for the enforcement of the payment thereof, including commencement of an action in chancery, commencement of a foreclosure proceeding in the same manner as the foreclosure of a real estate mortgage, or commencement of an action under Chapter 173, Florida Statutes, relating to foreclosure of municipal tax and special assessment liens. Any foreclosure proceedings to enforce payment of the 2007 Assessments will in all likelihood proceed under the provisions of Chapter 173, Florida Statutes, which provides that after the expiration of one year from the date any special assessment or installment thereof becomes due, the District may commence a foreclosure

proceeding against the lands upon which the assessments are liens. Such a proceeding is in rem, meaning that it is brought against the land and not against the owner in the Circuit Court where the land is located.

In general, after the District commences the suit, there is a period of notice to, and an opportunity for response by, affected persons. Ultimately a hearing will be held and, if the court decides in favor of the District, a judgment will be rendered in the amount of the Delinquent Assessments and costs of the proceeding. The judgment would also direct sale of the land subject to the Delinquent Assessments by public bid to the highest bidder, with proceeds of the sale being applied to payment of the Delinquent Assessments. If no bidder bids at least the amount of the Delinquent Assessments and applicable costs, the District may obtain title to the land.

Enforcement of the obligation to pay 2007 Assessments and the ability of the Tax Collector to sell tax certificates and ultimately tax deeds, or the ability to foreclose the lien created by the failure to pay 2007 Assessments, may not be readily available or may be limited as such enforcement is dependent upon judicial actions that are often subject to discretion and delay.

For a description of the methodology for the levy of the 2007 Assessments, please refer to “APPENDIX B – ASSESSMENT METHODOLOGY REPORT” herein.

## **BOND OWNERS’ RISKS**

### **Risk Factors**

Investment in the Bonds involves a high degree of investment risk. Certain of these risks are described in the preceding section entitled “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Special Assessment Collection Procedures”; however, certain additional risks are associated with the Bonds offered hereby. This section does not purport to summarize all risks that may be associated with purchasing or owning the Bonds and prospective purchasers are advised to read this Limited Offering Memorandum including all appendices hereto in its entirety to identify investment considerations relating to the Bonds.

1. Until further development takes place on the benefited land within the District and assessable properties are sold to end users, payment of the 2007 Assessments is substantially dependent upon their timely payment by the Developer. See “THE DEVELOPMENT” and “THE DEVELOPER” herein. In the event of the institution of bankruptcy or similar proceedings with respect to the Developer or any subsequent owner of property within the District, delays and impairment could occur in the payment of debt service on the Bonds as such bankruptcy could negatively impact the ability of: (i) Developer and any other land owner being able to pay the 2007 Assessments; (ii) the County to sell tax certificates in relation to such 2007 Assessments, and (iii) the District to foreclose the lien on the 2007 Assessments. In addition, the remedies available to the Owners of the Bonds, the Trustee and the District 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, the remedies specified by federal, state and local law and in the Indenture and the Bonds, including, without limitation, enforcement of the obligation to pay 2007 Assessments and the ability of the District to foreclose the lien of the 2007 Assessments, may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds (including Bond Counsel’s approving opinion) will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. The inability, either partially or fully, to enforce remedies available respecting the Bonds could have a material adverse impact on the interest of the Owners thereof.

2. The principal security for the payment of the principal and interest on the Bonds is the timely collection of the 2007 Assessments. The Developer expects to proceed in the normal course of business to develop property in the District and sell lots to builders who will in turn sell homes to end users. 2007 Assessments do not constitute a personal indebtedness of the owners of the land subject thereto, but are secured by a lien on such land. There is no assurance that the owners will be able to pay the 2007 Assessments or that they will pay such 2007 Assessments even though financially able to do so. Beyond legal delays that could result from bankruptcy, the ability of the County to sell tax certificates (to the extent that any portion of the 2007 Assessments are being collected by the Uniform Method of Collection) will be dependent upon various factors, including the interest rate which can be earned by ownership of such certificates and the value of the land which is the subject of such

certificates and which may be subject to sale at the demand of the certificate holder after two years. The determination of the benefits to be received by the land within the District as a result of implementation and development of the Project is not indicative of the realizable or market value of the land, which value may actually be higher or lower than the assessment of benefits. In other words, the value of the land could potentially be ultimately less than the debt secured by the 2007 Assessments associated with it. To the extent that the realizable or market value of the land is lower than the assessment of benefits, the ability of the County to sell tax certificates relating to such land may be adversely affected (to the extent that any portion of the 2007 Assessments are being collected by the Uniform Method of Collection). Such adverse effect could render the District unable to collect Delinquent Assessments, if any, and could negatively impact the ability of the District to make the full or punctual payment of Debt Service on the Bonds. The payment of the annual 2007 Assessments and the ability of the Tax Collector to sell tax certificates or the District to foreclose the lien of the unpaid taxes, including the 2007 Assessments, may be limited by bankruptcy, insolvency, or other laws generally affecting creditors' rights or by the laws of the State relating to court foreclosure. Bankruptcy of a property owner will most likely also result in a delay by the Tax Collector or the District in prosecuting court foreclosure proceedings. Such delay would increase the likelihood of a delay or default in payment of and interest on the Bonds.

3. The District is required to comply with statutory procedures in levying the 2007 Assessments. Failure of the District to follow these procedures could result in the 2007 Assessments not being levied or potential future challenges to such levy. See "SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS" herein.

4. The development of the Development may be affected by changes in general economic conditions, fluctuations in the real estate market, catastrophic weather, increases in lending rates 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 Development must be in accordance with applicable zoning, land use and environmental regulations for the Development. Although no delays are anticipated, failure to obtain any such approvals in a timely manner could delay or adversely affect the development of the Development, which may negatively impact the Developer's desire or ability to develop 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 Development or from surrounding property, and what effect such may have on the development of the Development.

5. The District has not granted, and may not grant under Florida law, a mortgage or security interest in the Project. Furthermore, the District has not pledged any revenues from the operation of any of the Project as security for, or a source of payment of, the Bonds. Neither has the District covenanted to establish rates, fees and charges for any of the Project at any specified levels. The Bonds are payable solely from, and secured solely by, the 2007 Trust Estate.

6. The willingness and/or ability of an owner of land within the Development to pay the 2007 Assessments could be affected by the existence of other taxes and assessments imposed upon the property by the District, Manatee County, or other governmental entities with jurisdiction over the District. Public entities whose boundaries overlap those of the District, such as Manatee County, the Manatee County School District and other taxing authorities, could, without the consent of the owners of the land within the District, impose additional taxes or assessments on the property within the Development. As referenced herein, the District also intends to impose maintenance assessments which will encumber the property burdened by the 2007 Assessments. If a taxpayer does not make complete payment, he or she cannot designate specific line items on his or her tax bill as deemed paid in full. In such case, the Tax Collector does not accept such partial payment; provided, however, that if a taxpayer has commenced legal proceedings contesting the levy or amount of an ad valorem tax and possibly a non ad valorem assessment, a tax collector may accept a partial payment of the ad valorem tax, and possibly, the non ad valorem assessment. Thus, if a taxpayer disputes all or a portion of the 2007 Assessments, and pays the balance of ad valorem taxes and non ad valorem assessments which the taxpayer in good faith admits to be owing, this could possibly cause a delay in the collection of the 2007 Assessments, which could have a significant adverse effect on the ability of the District to make full or punctual payment of the debt service requirements on the Bonds.

7. The Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Bonds in the event a Beneficial Owner thereof determines to solicit purchasers of

the Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Bonds may be sold. Such price may be lower than that paid by the current Beneficial Owners of the Bonds, depending on the progress of the development of the Development, existing market conditions and other factors.

8. In addition to legal delays that could result from bankruptcy, the ability of the District to enforce collection of Delinquent 2007 Assessments will be dependent upon various factors, including the delay inherent in any judicial proceeding to enforce the lien of the 2007 Assessments and the value of the land which is the subject of such proceedings and which may be subject to sale. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS – Special Assessment Collection Procedures” herein. If the District has difficulty in collecting the 2007 Assessments, the 2007 Reserve Account could be rapidly depleted and the ability of the District to pay debt service could be materially adversely affected.

9. A slowdown of the process of development of the land within the Development could adversely affect land values. There can be no assurance that land development operations within the Development will not be adversely affected by competition, a 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 or global economies.

10. Land development operations, including development of the Development, are subject to comprehensive federal, State and local regulations. Approval for development within the Development is required from various agencies. Failure to obtain any such approval or to satisfy any applicable governmental requirements could adversely affect development within the Development. Approvals that have been obtained for development within the Development are subject to conditions that must be satisfied at various points in time. The failure to satisfy any such approval could adversely affect development within the Development. See “THE DEVELOPMENT” herein.

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

12. The market for the residential and other product planned for the Development is very competitive.

13. Various proposals are mentioned from time to time by members of the Congress of the United States of America and others concerning reform of the internal revenue (tax) laws of the United States. Certain of these proposals, if implemented, could have the effect of diminishing the value of obligations of states and their political subdivisions, such as the Bonds, by eliminating or changing the tax exempt status of interest on certain of such debt. Whether any of such proposals will ultimately become law, and if so, what effect such proposals could have upon the value of debt such as the Bonds cannot be predicted. However, it is possible that any such law could have a material and adverse effect upon the value of the Bonds. The Indenture does not provide for any adjustment to the interest rates borne by the Bonds in the event of a change in the tax exempt status of the Bonds.

14. The District may have incomplete information concerning the Development and the Developer. Except to the extent described in this Limited Offering Memorandum under the captions “THE DEVELOPMENT” and “THE DEVELOPER”, the District has not been provided information regarding the Developer or the Development and has not undertaken to independently verify or confirm any such information.

15. There can be no assurance, in the event the District does not have sufficient moneys on hand to complete the Project, that the District will be able to raise through the issuance of bonds, or otherwise, the moneys necessary to complete the Project. Additionally, there can be no assurance that the Developer will have sufficient resources to do so.

16. Owners should note that several mortgage lenders have, in the past, raised legal challenges to the primacy of the liens similar to those of the 2007 Assessments in relation to the liens of mortgages burdening the

same real property. As a condition to the Underwriter's obligation to purchase the Bonds, all mortgages holding liens on the subject land to the 2007 Assessments are required to execute documents acknowledging the superiority of the 2007 Assessments to their mortgage liens.

17. Some of the risk factors described herein, which, if materialized, would result in a delay in the collection of the 2007 Assessments, may not affect the timely payment of debt service on the Bonds because of the 2007 Reserve Account established by the District for the Bonds. The ability of the 2007 Reserve Account to fund deficiencies caused by delinquent 2007 Assessments is dependent upon the amount, duration and frequency of such deficiencies. Moneys on deposit in the 2007 Reserve Account may be invested in certain obligations permitted under the Indenture. Fluctuations in interest rates and other market factors could affect the amount of moneys available in the 2007 Reserve Account to make up deficiencies.

18. Owners should note that although the Indenture contains a 2007 Reserve Account Requirement for the 2007 Reserve Account, and a corresponding obligation on the part of the District to replenish the 2007 Reserve Account to the 2007 Reserve Account Requirement, if in fact that account is accessed for any purpose, the District does not have a designated revenue source for replenishing that fund. Moreover, the District will not be permitted to re-assess real property then burdened by the 2007 Assessments in order to provide for the replenishment of the 2007 Reserve Account.

19. The interest rate borne by the Bonds is, in general, higher than interest rates borne by other bonds of political subdivisions that do not involve the same degree of risk as investment in the Bonds. This higher interest rate is intended to compensate investors in the Bonds for the risk inherent in a purchase of the Bonds. However, such higher interest rate, in and of themselves, increase the amount of the 2007 Assessments that the District must levy in order to provide for payments of debt service on the Bonds, and, in turn, may increase the burden upon owners of lands within the District, thereby possibly increasing the likelihood of non-payment or delinquency in payment of such 2007 Assessments.

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

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## ESTIMATED SOURCES AND USES OF BOND PROCEEDS

Proceeds of the Bonds are expected to be applied as follows:

### Sources of Funds

Principal Amount of Bonds	\$24,000,000.00
Less Original Issue Discount	(81,360.00)
Plus Accrued Interest	<u>42,500.00</u>
Total Sources	<u>\$23,961,140.00</u>

### Uses of Funds

Deposit to General Subaccount of the 2007 Acquisition and Construction Account	\$9,290,165.89
Deposit to 2007 Retainage Subaccount <sup>(1)</sup>	10,769,144.63
Cost of Issuance (including Underwriter's discount)	570,199.89
Deposit to 2007 Reserve Account	1,797,503.13
Deposit to 2007 Capitalized Interest Account <sup>(2)</sup>	1,491,626.46
Deposit to 2007 Interest Account <sup>(2)</sup>	<u>42,500.00</u>
Total Uses	<u>\$23,961,140.00</u>

<sup>(1)</sup> See "THE DEVELOPMENT – Development Entitlements" herein.

<sup>(2)</sup> Includes accrued and capitalized interest which together with estimated investment earnings will pay interest on the Bonds through November 1, 2008.

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## DEBT SERVICE REQUIREMENTS

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

<b>Period Ending November 1</b>	<b>Principal</b>	<b>Interest</b>	<b>Annual Debt Service</b>
2008	\$ -	\$1,657,500.00*	\$1,657,500.00
2009	275,000.00	1,521,234.38	1,796,234.38
2010	290,000.00	1,503,225.01	1,793,225.01
2011	310,000.00	1,484,100.01	1,794,100.01
2012	330,000.00	1,463,700.01	1,793,700.01
2013	355,000.00	1,441,865.63	1,796,865.63
2014	375,000.00	1,418,596.88	1,793,596.88
2015	400,000.00	1,393,893.76	1,793,893.76
2016	430,000.00	1,367,437.51	1,797,437.51
2017	455,000.00	1,339,228.13	1,794,228.13
2018	485,000.00	1,309,265.63	1,794,265.63
2019	520,000.00	1,277,231.26	1,797,231.26
2020	550,000.00	1,243,125.01	1,793,125.01
2021	590,000.00	1,206,787.51	1,796,787.51
2022	625,000.00	1,168,059.38	1,793,059.38
2023	670,000.00	1,126,781.25	1,796,781.25
2024	710,000.00	1,082,793.75	1,792,793.75
2025	760,000.00	1,035,937.50	1,795,937.50
2026	810,000.00	985,893.75	1,795,893.75
2027	865,000.00	932,503.13	1,797,503.13
2028	920,000.00	875,606.26	1,795,606.26
2029	980,000.00	815,043.76	1,795,043.76
2030	1,045,000.00	750,496.88	1,795,496.88
2031	1,115,000.00	681,646.88	1,796,646.88
2032	1,185,000.00	608,334.38	1,793,334.38
2033	1,265,000.00	530,240.63	1,795,240.63
2034	1,350,000.00	446,887.51	1,796,887.51
2035	1,435,000.00	358,115.63	1,793,115.63
2036	1,530,000.00	263,606.25	1,793,606.25
2037	1,630,000.00	162,881.25	1,792,881.25
2038**	<u>1,740,000.00</u>	<u>55,462.50</u>	<u>1,795,462.50</u>
<b>Total</b>	<b><u>\$24,000,000.00</u></b>	<b><u>\$31,507,481.42</u></b>	<b><u>\$55,507,481.42</u></b>

\* Includes interest accrued and capitalized from Bond proceeds and estimated earnings thereon. Interest on Bonds is capitalized through November 1, 2008.

\*\* Final maturity May 1, 2038.

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## **THE DISTRICT**

### **General**

The District was established by Ordinance No. 06-71 of Manatee County (the “County”) effective on November 13, 2006. The District is located within unincorporated Manatee County and encompasses approximately 877 acres of land.

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.

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 wastewater management reclamation and re-use 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 bonds 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 bonds, including the Bonds.

### **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 a meeting of the landowners held within ninety (90) days of establishment of the District, 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 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. 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, or such earlier time as the Board may decide to exercise its ad valorem taxing power, the Supervisors are elected (as their terms expire) by vote of the qualified electors of the District. A qualified elector is a registered voter in the County in which the District is located, 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 to four-year terms. The other Supervisor will be elected by landowners for a four-year term. Thereafter, as terms expire, all Supervisors must be qualified electors and are elected to serve staggered four-year terms. If there is a vacancy on the Board, the remaining Board members are to fill such vacancy for the unexpired term.

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>
Christopher Kemper	Chairman	November 2010
Tony Burdett	Vice Chairman	November 2008
Robert Price	Assistant Secretary	November 2010
Charles Danna	Assistant Secretary	November 2008
Donald Cenci	Assistant Secretary	November 2008

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 Officer of a Community Development District is the District Manager, who has complete responsibility for overseeing directly and coordinating the planning, financing, purchasing, staffing, reporting and governmental liaison for each District.

The Act provides that the District Manager has charge and supervision of the works of the District and is responsible for preserving and maintaining any improvement or facility constructed or erected pursuant to the provisions of the Act, for maintaining and operating the equipment owned by the District, and for performing such other duties as may be prescribed by the Board of Supervisor’s of the District.

The firm of Wrathell, Hart, Hunt and Associates, LLC (the “District Manager”) serves as the District Manager. The firm specializes in managing Community Development Districts and Special Taxing Districts in the State of Florida. The firm was established in January 2005 by a team of proven professionals with in excess of 70 years of combined Administrative, Operational, Public Financing, and Political/Community Services experience among its partners and senior associates. Wrathell, Hart, Hunt and Associates, LLC also provides municipal level services, to serve the infrastructure and service needs of existing and emerging communities throughout the State of Florida. Services include establishment, management, administration, finance, community services, public financing, community and intergovernmental relations.

Wrathell, Hart, Hunt and Associates, LLC is complimented with a team of professionals in the following disciplines: Accounting, Budget & Finance, District Management, Operations Management, Assessment Methodology Development, Assessment Roll Development and Maintenance, Utility Billing, Records Management, Customer Service and Administration.

Wrathell, Hart, Hunt and Associates, LLC actively manages over forty (40) Community Development District’s in the State of Florida and has recently been awarded contracts for the management of debt obligations for district’s in the State of Alabama, and is actively involved in the formation of district’s serving the growing needs in the State of Louisiana. The districts that Wrathell, Hart, Hunt and Associates, LLC manage have collectively issued in excess of \$265,000,000 of debt obligations. Wrathell, Hart, Hunt and Associates, LLC can be reached at 6131 Lyons Road, Suite 100, Coconut Creek, Florida 33073 – telephone: (954) 426-2105 – toll free: (877) 276-0889 e-mail: corporateoffice@whhassociates.com or on the web at www.whhassociates.com.

The Act further authorizes the Board to hire such employees and agents as it deems necessary. Thus, the District has employed the services of Hopping Green & Sams, P.A., Tallahassee, Florida, as District Counsel; Banks Engineering, as District Engineer; Nabors, Giblin & Nickerson, P.A., Tampa, Florida, as Bond Counsel and Fishkind & Associates, Inc., as financial consultant, to prepare the assessment methodology.

## THE PROJECT

The District Engineer has developed a Capital Improvement Program (the "CIP") to allow the District to finance, acquire and construct certain infrastructure that specially benefits the lands within the District. The estimated cost of the CIP is \$64,642,000 and includes, without limitation, potable water, wastewater collection/transmission, irrigation, storm water management, roadways, earthwork and clearing, landscaping and associated permitting, engineering and design fees. Detailed information concerning the CIP is contained within the District Engineer's Report attached hereto as Appendix A.

Certain proceeds of the 2007 Bonds (see "ESTIMATED SOURCES AND USES OF BOND PROCEEDS") will be used for the acquisition of certain completed portions of the CIP in the approximate amount of \$20 million (the "Project"). It is not anticipated that the District will issue any additional series of Bonds to fund additional portions of the CIP. Rather, that portion of the CIP not funded with proceeds of the 2007 Bonds as well as that portion of the infrastructure for the Development not included within the CIP (such as the golf course, recreational amenities and private roads and landscaping thereon), have been and will continue to be funded by the Developer.

## ASSESSMENT METHODOLOGY

The District's Revised Master Assessment Methodology and Supplemental Assessment Methodology are attached hereto as Appendix B.

As previously stated, the District intends to issue its 2007 Bonds to fund approximately \$20 million of the CIP. The Supplemental Assessment Methodology prescribes that upon issuance of the 2007 Bonds, the 2007 Assessments will initially be levied over all of the benefited lands in the District on an equal acreage basis. As final site plans are approved, the 2007 Assessments will then be levied on a first approved, first assigned basis by product type in the amounts set forth in the Supplemental Assessment Methodology. Please refer to "THE DEVELOPMENT – Development Entitlements" for the status of site plan approval and "THE DEVELOPMENT – Fees and Assessments" for the estimated amounts of the 2007 Assessments expected to be levied in connection with the 2007 Bonds.

**The information under the captions "THE DEVELOPMENT" and "THE DEVELOPER" has been provided by the Developer. Certain of the following information are beyond the direct knowledge of the District, and the District has no way of guaranteeing the accuracy of the following. At the time of issuance of the 2007 Bonds, the Developer will certify substantially to the effect that the information herein under the captions "THE DEVELOPER" and "THE DEVELOPMENT," does not contain any untrue statement of a material fact and does not omit to state any material fact necessary in order to make the statement made herein, in light of the circumstances under which they are made, not misleading.**

## THE DEVELOPMENT

### General

Heritage Harbour is situated within the Heritage Harbour Development of Regional Impact ("Heritage Harbour DRI"), an approved DRI located at the northeast corner of State Road 64 and Interstate 75 interchange in northeast Manatee County. Heritage Harbour encompasses approximately 2,800 acres and is planned to include approximately 5,000 units, forty-five holes of golf, a marina and supporting commercial development. Heritage Harbour is bounded on the west by Interstate 75, on the south by State Road 64, on the north by the Manatee River and on the east by a middle and elementary school, residential development and undeveloped land. Downtown Sarasota and the Sarasota-Bradenton International Airport are approximately fifteen minutes southwest of Heritage Harbour and downtown Bradenton is approximately ten minutes west of Heritage Harbour. In addition, downtown St. Petersburg and Tampa are located within thirty and forty-five minutes, respectively.

Heritage Harbour is centrally located to medical facilities, recreational opportunities, shopping and restaurants. Medical care can be obtained at the LW Blake Memorial Hospital and Manatee Memorial Hospital located within fifteen miles of Heritage Harbour. Adequate commercial support including a Publix Super Market is conveniently located less than five minutes from Heritage Harbour. The Ed Smith Stadium, spring training home of

the Cincinnati Reds, is less than twenty minutes from Heritage Harbour. Prime Outlets at Ellenton, featuring over 135 national designer outlet stores, is located approximately seven miles north of Heritage Harbour.

Upon completion, Heritage Harbour is planned to feature a variety of residential communities that will be complemented by a lifestyle center anticipated to offer dining, shopping and entertainment opportunities. To date, the Developer has developed a significant amount of the lands within Heritage Harbour as more fully described in the paragraphs below. Three community development districts (collectively defined as the “Districts”) known as Heritage Harbour Marketplace Community Development District (the “Marketplace CDD”), Heritage Harbour South Community Development District (the “Heritage Harbour South CDD”) and Heritage Harbour North Community Development District (previously defined as the “District”) have been established for the acquisition, construction and long-term maintenance of certain public infrastructure improvements for the benefit of the lands within Heritage Harbour. It is anticipated that the boundaries of the existing Districts may be extended or one or more additional community development districts may be established for those undeveloped lands within Heritage Harbour not currently included within the Districts.

#### *Heritage Harbour South CDD*

The Heritage Harbour South CDD, located to the east of the Marketplace CDD and south of the District, was established in 2001 and includes two residential communities known as Stoneybrook and Lighthouse Cove. Development activities commenced in the fourth quarter of 2000 in Stoneybrook which includes homesites for approximately 1,000 single-family attached and detached residential units and the Stoneybrook Golf Club consisting of an eighteen hole Arthur Hills-designed golf course with casual and fine dining, banquet/wedding facilities, pro-shop, aqua driving range and putting greens. In addition, Stoneybrook has additional recreational amenities such as a clubhouse with fitness center, Jr. Olympic size pool and courts for volleyball, tennis and basketball. Substantially all of the units in Stoneybrook have been sold at prices ranging from the low \$200,000s to more than \$750,000.

Lighthouse Cove is the second residential community undertaken by the Developer and includes homesites for approximately 500 single-family attached and detached residential units. Substantially all of the units in Lighthouse Cove have been sold at prices ranging from the low \$200,000s to \$350,000. Adjacent to Lighthouse Cove is a 30-acre park known as Central Park that serves all of the residents in Heritage Harbour. Central Park includes fields for soccer, baseball and softball, picnic areas, gazebos and playgrounds and is situated next to a 70-acre lake with surrounding trails for walking, biking, jogging or skating.

#### *Marketplace CDD*

The Marketplace CDD was established in 2003 and encompasses approximately 258 acres of land situated along State Road 64 just west of the Heritage Harbour South CDD and south of the District. The Marketplace CDD is planned to include approximately 967,000 square-feet of mixed-use space consisting of commercial, office and retail uses as well as 300 hotel rooms. Horizontal infrastructure is complete and the Developer has sold substantially all of the lands within Marketplace including approximately eighty-four of the estimated 123 developable acres to an affiliated entity of LNR Property Corporation, an international diversified real estate and finance company. Vertical construction activity is expected to commence in the next twelve months on various shopping, dining and entertainment venues.

#### *The District*

The District is situated north of both the Marketplace CDD and Heritage Harbour South CDD. In addition, the District is bound on the east and west by existing residential developments known as Cypress Creek Estates and Waterlefe and is bound on the north by the Manatee River. The lands within the District are being developed into a residential golf course community known as the River Strand Golf and Country Club (the “Development”) which is planned to include approximately 1,365 single-family attached and detached residential units, condominiums as well as a 27-hole golf course, a clubhouse with adjoining fitness center, pool and tennis facilities (see “Recreational Facilities/Lifestyle Amenities” herein).

*Remaining Development Lands*

In addition to the development activities described in the preceding paragraphs, the Developer sold a twenty-eight acre parcel of land adjacent to the Marketplace CDD to a developer of upscale multi-family housing complexes. Vertical construction of the complex was recently completed.

There are two additional parcels of land located in Heritage Harbour which are currently undeveloped at this time. Such parcels include (i) an approximately 150-acre parcel planned for approximately 700 residential units situated west of River Strand Boulevard and north of Port Harbour Parkway; and (ii) an approximately 288-acre parcel planned for approximately 730 residential units situated east of Heritage Harbour South CDD (the “Moore’s Dairy Parcel”). The Moore’s Dairy Parcel is owned by Heritage Harbour Development, LLC and is under contact with Lennar Homes (hereinafter defined).

**Land Acquisition/Development Financing**

The Developer purchased the property constituting Heritage Harbour (with the exception of the Moore’s Dairy Parcel) in June 2000 from John P. Harlee, III, a trustee for Leesburg Land Trust and River Valley Land Trust (collectively the “Seller”) for an aggregate purchase price of \$25 million. At closing, the Developer paid \$6 million in cash and the Seller took back a purchase money mortgage in the amount of \$19 million. In March 2003, the Developer obtained a revolving line of credit from Wachovia Bank, National Association in the principal amount of \$18 million (“Wachovia Loan”), a portion of which was utilized to retire the Seller’s purchase money mortgage in full. The Wachovia Loan has since been retired.

The Developer has spent approximately \$33.6 million to date on development activities in the District which have been funded with cash generated from land sales, equity from the Developer and proceeds from advances made under a loan agreement dated November 30, 2005 with Fidelity Guaranty and Acceptance Corporation in the amount of \$8,000,000 (the “Fidelity Loan”). The Fidelity Loan has since been repaid in full.

Proceeds of the 2007 Bonds are expected to fund approximately \$20 million of the District’s CIP. That portion of the CIP not be funded by the District or that portion of the infrastructure for the Development not included within the CIP (such as the golf course, recreational amenities and private roads and landscaping thereon), have and will continue to be funded by the Developer.

**District Land Use Plan**

The Developer is developing the lands within the District in two phases. Phase I includes Sub-phases E, F and I and Phase II includes Sub-phase G. The information appearing in the table below illustrates the number of units by phase, sub-phase, and product type that are currently planned for the lands within the District. Such information is subject to change.

<u>Phase/ Sub-phase</u>	<u>SF – 85’</u>	<u>SF – 75’</u>	<u>SF – 65’</u>	<u>SF – 55’</u>	<u>TH/Coach Homes/6-Plex</u>	<u>Condos</u>	<u>Total</u>
<b><u>Phase I</u></b>							
Sub-phase E	0	53	0	104	56	0	<b>213</b>
Sub-phase F	83	70	32	54	96	0	<b>335</b>
Sub-phase I	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>90</u>	<b><u>90</u></b>
	83	123	32	158	152	90	<b>638</b>
<b><u>Phase II</u></b>							
Sub-phase G	11	0	0	0	196	520	<b>727</b>
<b>Total</b>	<b>94</b>	<b>123</b>	<b>32</b>	<b>158</b>	<b>348</b>	<b>610</b>	<b>1,365</b>

## Development Entitlements

The lands within Heritage Harbour, with the exception of the Moore's Dairy Parcel located outside of the District and adjacent to the Heritage Harbour South CDD, are situated within the boundaries of the Heritage Harbour DRI (the "DRI"). The development order governing the DRI (the "DO") was initially approved in March 2000 and modified in July 2003 to accommodate modifications to the development plan and timing. The table below illustrates the phasing schedule and development plan as set forth in the DO, as amended.

<b><u>Category</u></b>	<b><u>Phase I 2000 – 2009</u></b>	<b><u>Phase II 2004 - 2009</u></b>	<b><u>Total</u></b>
<b><u>Commercial</u></b>			
Retail	300,000 SF	497,000 SF	797,000 SF
Office	103,000 SF	67,000 SF	170,000 SF
Hotel	150 Rooms	150 Rooms	300 Rooms
ACLF	0 Beds	600 Beds	600 Beds
<b><u>Residential</u></b>			
SF Detached	1,290 Units	980 Units	2,270 Units
SF Attached	500 Units	640 Units	1,140 Units
Multi-Family	760 Units	830 Units	1,590 Units
<b>Total Residential</b>	2,550 Units	2,450 Units	5,000 Units
<b><u>Marina</u></b>			
	162 Wet Slips	300 Dry Slips	462 Slips
<b><u>Recreational Open Space</u></b>			
Golf Course	36 Holes	9 Holes	45 Holes
Park	41.2 Acres	0 Acres	41.2 Acres
<b><u>Institutional</u></b>			
	7.5 Acres	2.8 Acres	10.3 Acres

The DO sets forth certain guidelines and requirements for Heritage Harbour relating to, among other things, transportation, affordable housing, environmental concerns and education, most of which are typical requirements of any development order. Aside from the typical requirements, Phase I of the DO required that the Developer construct a significant amount of off-site transportation improvements including the widening of State Road 64 to four lanes. All of such off-site transportation improvements have been completed, although certain additional intersection improvements may be required as warranted.

While Heritage Harbour is vested for the entitlements listed above, the DO requires an additional review process governed by Chapter 380, Florida Statutes to implement the entitlements granted for Phase II of the DRI, and more specifically to determine additional impacts on affordable housing, transportation and air quality, as necessary. Therefore, until such approval is obtained, the extent of the vertical construction in the District is limited to the entitlements granted in Phase I and more specifically the 638 residential units located in Sub-phases E, F and I that are either fully or partially developed and eighteen holes of golf (see "Permits/Development Status" herein). In addition, the Certificate Level of Service ("CLOS") for roadways, potable water, waste water service, solid waste service, mass transit, drainage and parks and recreation expired in August 2007. However, the Developer has received final site plan approval for all 638 residential units located in Sub-phases E, F and I prior to the expiration of the CLOS which will allow it to vertically construct all of the Phase I units.

In order to implement the entitlements granted in Phase II of the DO, the Developer filed a notice of proposed change ("NOPC") in May 2004 seeking to amend the DO to: (i) initiate Phase II including extending the CLOS for roadways, potable water, waste water service, solid waste service, mass transit, drainage and parks and recreation to be concurrent with the build-out date of Phase II (2012 which includes the three year extension



authorized pursuant to Paragraph 380.06(19)(c), Florida Statutes); and (ii) add the 288-acre Moore's Dairy Parcel to the boundaries of the DRI without increasing development totals. In conjunction with the NOPC, the Developer is also processing an amendment to the zoning ordinance to make it consistent with the modifications set forth in the NOPC.

In August 2007, after multiple sufficiency responses and amended NOPC submittals, the Tampa Bay Regional Planning Council and the Manatee County Planning Commission each recommended approval of the NOPC. In addition, the Manatee County Planning Commission recommended approval of the accompanying zoning ordinance amendment. The NOPC and zoning ordinance amendment is scheduled to be presented to the Manatee County Board of County Commissioners in October 2007. The NOPC has a forty-five day appeal period during which the Department of Community Affairs could file a petition to have the matter reviewed by the Governor and Cabinet. The forty-five day period runs from the date that a certified copy of the approval and all exhibits are mailed to the Department of Community Affairs which typically takes two weeks to occur following approval. There is also potentially a thirty day window for persons having standing to challenge the NOPC as being inconsistent with the local comprehensive plan, under section 163.3215, Florida Statutes. The time period runs from the date that the order is rendered by the County.

A final draft of the amended and restated DO has been prepared that incorporates certain conditions related to the approvals it provides which were established throughout the NOPC review process. Such conditions include certain intersection and roadway improvements that are in addition to those that were required for Phase I of the DRI. The Developer estimates that such additional intersection and roadway improvements will cost approximately \$8 million. In addition, while the CLOS is being extended for roadways, solid waste service, mass transit, drainage and parks and recreation, a CLOS for potable water and waste water service is required to be obtained with each final site plan approval. The District Engineer has confirmed that the County currently has, and is expected to continue to have, sufficient capacity to serve the remainder of the District consisting of Sub-phase G, the recreational facilities, the remaining nine holes of the twenty-seven hole golf course and ancillary facilities.

The Indenture provides that approximately \$10.7 million of proceeds of the 2007 Bonds will be deposited in the Retainage Subaccount of the 2007 Acquisition and Construction Account and will only be transferred into the General Subaccount of the 2007 Acquisition and Construction Account to pay for a portion of the Project costs upon receipt by the Trustee of written certifications from the District Engineer and the District's assessment methodology consultant as provided in the Supplemental Indenture. This amount represents the principal amount of the 2007 Assessments allocable to the Phase II units less the allocable portion of the 2007 Reserve Account. In the event that by September 15, 2008, the Trustee does not receive such written certifications, the Trustee is required to transfer the amount on deposit in the Retainage Subaccount, together with the applicable reduction in the 2007 Reserve Account Requirement into the 2007 Prepayment Subaccount of the 2007 Redemption Account to be applied for the extraordinary mandatory redemption of Bonds on November 1, 2008. The unpaid interest accrued on any such Bonds shall be transferred from the 2007 Capitalized Interest Account to the 2007 Interest Account. To the extent the District is unable to meet such conditions for the transfer of all of the moneys from the Retainage Subaccount to the General Subaccount of the 2007 Acquisition and Construction Account, the District may not have sufficient moneys to complete the Project which represents a portion of the District's CIP.

### **Permits/Development Status**

A substantial amount of development activity has taken place in the District and accordingly a substantial amount of the permits necessary to develop the Development have been obtained. The Developer has obtained the necessary approvals from the Army Corps of Engineers and the Southwest Florida Water Management District for wetland impacts and construction of the entire surface water management system for the District. In addition, (i) permitting and construction for Sub-phase E is complete and final certification has been obtained; (ii) permitting and construction for Sub-phase F is complete and partial certification has been obtained; (iii) permitting for Sub-phase I is complete, final site plan approval has been received and construction is pending; (iv) permitting and construction of the initial eighteen holes of the golf course is complete; and (v) construction of the remaining nine holes of the golf course is substantially complete with final completion to occur following approval of the NOPC. A final site plan has been submitted to the County and permitting activities with the County for Sub-phase G are expected to commence following the approval of the NOPC.

## Residential Community

The Development is being marketed as a bundled golf course community that is intended to appeal to a wide demographic of buyers. The Development is currently planned to feature various product offerings including Tuscan-styled single-family homes, coach homes, town homes and condominiums featuring either long views of the golf course, lakes, natural preserves or the Manatee River. In addition to the Arthur Hills twenty-seven hole golf course, driving range and pro shop, the Development is planned to contain various recreational facilities including a 20,000 square-foot clubhouse with an adjoining fitness center, pool and tennis facilities. Upon home purchase, all residents will automatically receive a golf and country club membership to the River Strand Golf and Country Club.

It is currently expected that Lennar Homes (defined under the heading “THE DEVELOPER”) will construct all of the residential units within the Development other than eighty-three SF – 85’ product located on the golf course which it has contracted to sell to two other builders (see “Builder Contracts” herein”). The following table reflects the Developer’s current expectations for the mix of unit types to be constructed within the Development and their respective approximate base prices and square footages, all of which are subject to change.

<u>Product-Type</u>	<u>Lot Width</u>	<u>Number of Units</u>	<u>Approximate Square Footage</u>	<u>Average Home/Lot Package Price (000’s)</u>
SF - 55’	55’	158	1,700 – 2,200	\$325 – \$425
SF - 65’	65’	32	2,100 – 2,400	\$375 – \$475
SF - 75’	75’	123	2,350 – 2,900	\$500 – \$650
SF - 85’	85’	94	3,200 – 4,000	\$700 – \$1,000
TH/Coach/6-Plex	N/A	348	1,800 – 2,100	\$325 – \$400
Condos	N/A	<u>610</u>	1,200 – 1,500	\$275 – \$350
<b>Total</b>		<b>1,365</b>		

## Builder Contracts

In April 2007, Lennar Homes (hereinafter defined) entered into approved builder agreements (the “Builder Agreements”) with Todd Johnston Homes, Inc. and John Cannon Homes, Inc. (collectively the “Participating Builders”), two area custom builders. The Builder Agreements, without limitation, establish both Participating Builders as approved builders to construct homes on eighty-three of the ninety-four SF – 85’ lots that are situated on the golf course and also set forth certain terms, conditions and obligations of both Lennar Homes and the Participating Builders as summarized below. Such summary is not a comprehensive description of the Builder Agreements.

- Model Homes – each Participating Builder must acquire a lot at a purchase price of \$215,000 and construct a model home thereon by April 15, 2008. Both Participating Builders each acquired a lot in June 2007 and commenced construction of their respective model homes.
- Marketing, Promotion and Advertising – Lennar Homes shall be responsible for the preparation and implementation of a marketing program for the sale of the lots as well as the overall Development. Retail buyers will enter into lot purchase contracts directly with Lennar Homes and then select and enter into a contract with one of the Participating Builders for the construction of a residence. One and one-half percent of the lots sales prices and homes sales price will be contributed by Lennar Homes and the Participating Builders, respectively to a marketing fund to be used for the promotion of the neighborhood in which the subject lots are located.
- Pricing – Lennar Homes shall provide no less than five lots in 2007 at an introductory price of \$225,000 and thereafter shall provide up to fifteen additional lots at a purchase price from \$225,000 to \$250,000 during 2007. In 2008, or commencing with the twenty-first lot, if such lot shall be acquired during 2007, the purchase price will escalate, at Lennar Homes’ election, by up to two and one-half percent, and thereafter, shall escalate up to two and one-half percent over and above the previous established purchase price commencing with each sixth lot obtained.

- Absorption – the Participating Builders are collectively required to meet an absorption schedule of at least twenty homes per year. Any combination of home contracts amongst the Participating Builders may be used to satisfy the absorption requirement. If the Participating Builders have not met seventy-five percent of the absorption schedule requirements for any applicable period, with the exception of the first year, Lennar Homes may terminate the Builder Agreements for one or both Participating Builders. If the Participating Builders meet greater than seventy-five percent of the absorption requirements, either Participating Builder may elect to purchase shortfall lots from Lennar Homes at prices being consistent with those being offered to retail buyers. If the Participating Builders fail to acquire the shortfall lots, Lennar Homes may select a third Participating Builder at its discretion. The Participating Builders are jointly and severally liable to meet the absorption requirements.

**Marketing**

The Developer expects purchasers within the Development to include first-time homebuyers, many of which are expected to consist of families with young children, move-up buyers and empty nesters and retirees looking to downsize into a maintenance free product. Based upon Lennar Homes’ experience developing communities of this type in Florida, they have devised an extensive marketing and advertising campaign that includes the use of print ads, billboards, television and radio advertisements, direct mail and realtor promotions. In addition, a comprehensive website has been created specifically for Heritage Harbour which can be visited at [www.heritageharbour.com](http://www.heritageharbour.com).

Lennar Homes and the Participating Builders intend to market their product offerings from model homes that are anticipated to be staffed seven days a week with real estate sales professionals. To date, Lennar Homes has constructed two SF- 55’, one SF – 65’ and SF - 75’ model homes. In addition, two coach homes and three condominium model homes are also expected to be constructed by Lennar Homes. Further, each of the Participating Builders is required to construct a SF-85’ model home, both of which are under construction.

**Recreational Facilities/Lifestyle Amenities**

The Development is planned to include extensive country club type amenities. As previously discussed herein, the Development is planned to include a twenty-seven hole Arthur Hills designed golf course with aqua driving range, practice putting greens, chipping area and golf pro shop. Eighteen holes of the course are open for play and the practice putting greens and chipping area are complete. Currently, the golf course is being operated via a temporary pro shop. In addition, the Developer has completed the design of a 20,000 square-foot Tuscan-themed clubhouse, pool complex and adjacent 3,500 square-foot fitness center which it expects to commence construction of in fall of 2007. Further, construction of eight lighted tennis Har-Tru clay courts is complete. A tennis pro shop is also planned.

In addition to the extensive amenities that the Development and Heritage Harbour currently or are planned to offer, prospective residents are expected to purchase homes due to the central location to the many lifestyle amenities the Sarasota/Bradenton area has to offer. Some of these amenities include:

**Shopping**

- Heritage Harbour Marketplace (future)
- Westfield Mall
- St. Armand's Circle

**Beaches and Parks**

- Anna Maria Island
- Longboat Key
- Little Manatee River State Recreation Area

**Entertainment**

- Van Wezel Performing Arts Hall
- Sarasota Opera House
- Ringling Museum
- Busch Gardens

**Sports**

- Raymond James Stadium
- Tropicana Field
- Ice Palace
- McKechnie Field

## **Educational Facilities**

Heritage Harbour is in close proximity to educational facilities that will provide numerous educational opportunities for both children and adults including the following:

### *Pre-School and Day Care*

- Located in nearby Lakewood Ranch is a Kids R' Kids educational and day care facility that offers child care for infants through school age children in a structured educational environment. Kids R' Kids offers full-day care, before and after-school care and school holiday care including summer camp.

### *Elementary and Middle Schools*

- Located within walking distance to Heritage Harbour is Freedom Elementary School and Carlos E. Haile Middle School, both of which scored "A" ratings on the 2007 Florida Comprehensive Assessment Test.

### *High School*

- Located approximately five miles from Heritage Harbour is the Lakewood Ranch High School ("LRHS"), a state-of-the-art facility that opened in 1998. LRHS is Manatee County's first school designed and built specifically as a high school. Situated on a 104-acre campus, the school's next-door neighbor is a regional county park. LRHS scored a "B" rating on the 2007 Florida Comprehensive Assessment Test.

### *Private/Preparatory Schools*

- The Out-of-Door Academy, a prestigious private school existing since 1924, opened its high school in nearby Lakewood Ranch in 1997 and such site now also includes middle school classes. The high school provides a college preparatory curriculum, with a full range of academic courses, including honors and advanced placement classes.

### *Undergraduate/Graduate/Continuing Education*

- Located close by Heritage Harbour are Manatee Community College, University of South Florida/New College and other campuses in Tampa and St. Petersburg.

## **Projected Absorption/Sales Activity**

As discussed in more detail under the heading "THE DEVELOPER", it is currently expected that Lennar Homes will construct all of the residential units in the Development other than eighty-three of the SF – 85' product which it has under contract with the Participating Builders. However, the Developer may elect to sell additional homesites to the Participating Builders or other builders. As of August 31, 2007, Lennar Homes and the Participating Builders had purchased a total of 168 and two homesites from the Developer, respectively.

Homes sales activity commenced in July 2006 and as of August 31, 2007, Lennar Homes had entered into approximately ninety-three sales contracts with retail home purchasers, of which approximately eighty-seven have closed. The Developer projects that all homes within the District will be delivered to retail buyers by the end of 2016, as depicted in the table below.

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<b>Product-Type</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Total</b>
SF - 55'	5	45	45	42	21	0	0	0	0	0	0	<b>158</b>
SF - 65'	0	16	16	0	0	0	0	0	0	0	0	<b>32</b>
SF - 75'	3	15	15	25	25	25	15	0	0	0	0	<b>123</b>
SF - 85'	0	3	20	20	20	20	11	0	0	0	0	<b>94</b>
TH/Coach/6-Plex	0	20	36	52	60	60	60	60	0	0	0	<b>348</b>
Condos	0	0	0	0	90	90	90	90	90	90	70	<b>610</b>
<b>Total</b>	<b>8</b>	<b>99</b>	<b>132</b>	<b>139</b>	<b>216</b>	<b>195</b>	<b>176</b>	<b>150</b>	<b>90</b>	<b>90</b>	<b>70</b>	<b>1,365</b>

The anticipated absorption rates are based upon 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 that such absorptions will occur or be realized in the time frames anticipated.

### **Fees and Assessments**

All landowners within the Development are subject to ad-valorem property taxes, homeowner's association fees and District special assessments and as described in more detail below.

#### *Property Taxes*

The current approximate millage rate for the area of the County where the District is located is approximately 17.3845. Assuming an average home cost of approximately \$500,000 in the Development with a \$25,000 homestead exemption (\$475,000 taxable value), the annual ad-valorem property tax would be approximately \$8,258.

#### *Homeowner's Association Fees*

All landowners within the Development are subject to (i) a annual fee payable quarterly to the River Strand Homeowner's Association (the "RSHOA") for common area maintenance and use of all amenities including the golf course; (ii) an annual fee payable quarterly to the RSHOA, in the case of single-family product, for complete yard care including fertilization, insect control, tree trimming, lawn cutting and weed control; (iii) an annual fee payable quarterly to the Condominium Association, in the case of the TH/coach/condominium product, for condominium operations, lawn care and irrigation inspection, building maintenance, external pest control and building alarms, sprinklers and insurance; (iv) an annual fee payable quarterly to the Heritage Harbour Master Association (the "HHHOA") for common grounds maintenance, cable TV, irrigation, community parks, entry monuments, lighthouse and reserves; (v) an annual fee payable quarterly to RSHOA for the restaurant upon opening of the clubhouse; (vi) a one-time capital contribution for capital improvements; and (vii) an irrigation hook-up fee. The table below details the aforementioned fees for each respective product-type.

<b>Product-Type</b>	<b>Est. Annual RSHOA Fees*</b>	<b>Est. Annual HHHOA Fees</b>	<b>Est. Annual Condo Fees</b>	<b>Est. Annual Restaurant Fees</b>	<b>One-time Capital Contribution</b>	<b>One-time Irrigation Hook-Up Fee</b>
SF - 55'	\$3,440	\$733	\$0	\$500	\$1,500	\$1,000
SF - 65'	\$3,560	\$733	\$0	\$500	\$1,500	\$1,000
SF - 75'	\$3,680	\$733	\$0	\$500	\$1,500	\$1,000
SF - 85'	\$3,740	\$733	\$0	\$500	\$1,500	\$1,000
TH/Coach	\$2,300	\$733	\$5,609	\$500	\$1,745	\$0
Condos	N/A**	\$733	N/A**	\$500	\$1,745	\$0

\*Includes maintenance of District-owned improvements

\*\*To be determined once units are released for sale.

*District Special Assessments*

All landowners in the District are subject to the 2007 Special Assessments levied in connection with the 2007 Bonds. In addition to the 2007 Special Assessments, all landowners within the District will pay an annual fee estimated in the amount of \$100 for the annual administrative costs of the District. The table below illustrates the estimated annual 2007 Special Assessments and the estimated annual administrative fee for the operation of the District for each of the product types.

<u>Product-Type</u>	<u>Est. 2007 Special Assessments</u>	<u>Est. Annual CDD Operation Fee</u>
SF - 55'	\$1,380	\$100
SF - 65'	\$1,630	\$100
SF - 75'	\$1,880	\$100
SF - 85'	\$2,130	\$100
TH/Coach	\$1,355	\$100
Condominium	\$1,250	\$100

**Competition**

There are several golf and country club communities in the area of the Development that the Developer feels may pose competition. Such communities include The Preserves at Tara, Waterlefe, Country Club North at Lakewood Ranch, University Park and Country Club East at Lakewood Ranch ("Country Club East). However, all of such communities, other than Country Club East, are either sold out or are nearing sell-out. Therefore, the Developer only expects competition from re-sales from those communities rather than from new product offerings. Below is a brief description of Country Club East.

Country Club East is located in Lakewood Ranch on Lorraine Road south of State Road 70 approximately ten miles southeast of the Development. Approximately 457 single-family residential units and 477 low-rise condominiums are planned at prices ranging from the low \$400,000s to more than \$1,250,000. Development activities at Country Club East commenced in the early part of 2006. Sales to builders just recently commenced in the third quarter of 2007.

The Developer feels that the price points at the Development will be less than those at Country Club East and accordingly will attract a more value-oriented buyer. In addition, each home purchase in the Development entitles the purchaser to full use of all of the River Strand Golf and Country Club amenities including the twenty-seven holes of golf, unlike Country Club East where an additional initiation fee is required.

The information included herein regarding those communities that are expected to pose competition to the Development does not purport to be an exhaustive list of all sold-out, active or planned communities that may pose competition to the Development.

**THE DEVELOPER**

Harbourvest, L.L.C. (the "Developer") is a Florida limited liability company and the developer of Heritage Harbour. The two equal members of the Developer were previously USHHH, Inc. and HHUS, Inc., both Florida corporations. On June 1, 2006, USHHH, Inc. effectuated the purchase of the membership interest of HHUS, Inc. in an amount equal to HHUS, Inc's. remaining cash investment of \$5 million plus an approximately \$1.5 million premium.

USHHH, Inc. is a wholly owned subsidiary of U.S. Home Corporation ("US Home"). US Home is a wholly-owned subsidiary of Lennar Corporation ("Lennar"). US Home has entered into option contracts for the purchase of those portions of the property within Heritage Harbour on which the Developer has commenced development activities including the Development. However, homes within the Development are expected to be constructed by Lennar Homes, LLC ("Lennar Homes"), a Florida limited liability company for which Lennar holds

a 99% ownership interest. The Developer may also sell undeveloped tracts of land for residential and commercial development to other builders and developers (see "THE DEVELOPMENT - Builder Contracts").

While Lennar owns 100% of the Developer through its subsidiaries, work is underway to roll up the Developer entity into Lennar Homes which will result in the Lennar Homes entity becoming both the landowner and developer of the remainder of the lands within the Development.

Since May 2000, US Home has operated as a wholly-owned subsidiary of Lennar. Founded in 1954, Lennar has homebuilding operations in fifteen states and is one of the nation's leading builders of quality homes for all generations, building affordable, first-time, move-up and retirement homes. Lennar has delivered more than 600,000 homes and for more than two decades has been among the nation's ten largest single family homebuilders.

Lennar stock trades on the New York Stock Exchange under the symbol LEN. Lennar is subject to the informational requirements of the Securities and Exchange Commission Act of 1934, as amended, and in accordance therewith files reports, proxy statements, and other information with the Securities and Exchange Commission (the "SEC"). The file number for Lennar is No-1-11749. Such reports, proxy statements, and other information can be inspected and copied at the Public Reference Section of the SEC, Room 1024, 450 Fifth Street NW, Judiciary Plaza, Washington, DC, and at the SEC's regional offices in Chicago (Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois). Copies of such materials can be obtained by mail from the Public Reference Section of the SEC at prescribed rates. The most recent Annual Report on Form 10-K of Lennar on file with the SEC and any other documents and reports filed with the SEC by Lennar subsequent to the date of such Annual Report (including Form 10-Q and Form 10-K) through and including the end of the "underwriting period" (as defined in SEC Rule 15c2-12) are hereby incorporated herein by reference.

All documents subsequently filed by Lennar pursuant to the requirements of the Securities and Exchange Commission Act of 1934 after the date of this Limited Offering Memorandum will be available for inspection in the same manner as described above.

## **TAX MATTERS**

### **Opinion of Bond Counsel**

In the opinion of Bond Counsel, the form of which is included as APPENDIX D hereto, the interest on the Bonds 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 Bonds 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 subsequent to the issuance of the Bonds with certain requirements of the Code, regarding the use, expenditure and investment of bond proceeds and the timely payment of certain investment earnings to the Treasury of the United States, may cause interest on the Bonds 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 Bonds 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 Bonds, including, among other things, restrictions relating to the use of and investment of the proceeds of the Bonds and the payment of certain arbitrage earnings in excess of the "yield" on the Bonds to the Treasury of the United States. Noncompliance with such provisions may result in interest on the Bonds 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 Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences. For example, ownership of the Bonds may result in collateral tax consequences to various types of corporations relating to (1) denial of interest deduction to purchase or carry such Bonds, (2) the branch profits tax, and (3) the inclusion of interest on the Bonds in passive income for certain Subchapter S corporations. In addition, the interest on the Bonds may be included in gross income by recipients of certain Social Security and Railroad Retirement benefits.

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

### **Florida Taxes**

In the opinion of Bond Counsel, the Bonds 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 Bonds may be subject to state or local income taxation under applicable state or local laws in other jurisdictions. Purchasers of the Bonds should consult their tax advisors as to the income tax status of interest on the Bonds 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 Bonds. In some cases these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may have affected the market value of obligations similar to the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds 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 Bonds.

### **Original Issue Discount**

The initial public offering price of the Bonds is less than the principal amount payable at maturity. The difference between the Issue Price (defined below) and the amount payable at maturity is original issue discount.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds are first sold to the public.

For an investor who purchases a Bond in the initial public offering at the Issue Price and who holds such Bond to its stated maturity, subject to the condition that the District comply with the covenants discussed above, (a) the full amount of original issue discount with respect to such Bond constitutes interest which is not includable in the gross income of the owner thereof for federal income tax purposes except as described above; and (b) such owner will not realize taxable capital gain or market discount upon payment of such Bond at its stated maturity; however, such interest is included as an item of tax preference in computing an adjustment used in determining the alternative minimum tax for corporations under the Code. The accretion of original issue discount in each year may result in an alternative minimum tax liability or certain other collateral federal income tax consequences in each year even though a corresponding cash payment may not be received until a later year.

If a Bond is purchased at any time for a price that is less than the Issue Price plus accreted original issue discount (the "Revised Issue Price"), the purchaser will be treated as having purchased such Bond with market discount subject to the market discount rules of the Code (unless a statutory de minimis rule applies). Such treatment would apply to any purchaser who purchases such Bond for a price that is less than its Revised Issue Price.



Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering but at a price different from the Issue Price, or purchase Bonds subsequent to the initial public offering should consult their own tax advisors. Owners of Bonds should consult their own tax advisors with respect to the state and local tax consequences of original issue discount on such Bonds.

### **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 bonds or other debt obligations that it has issued or guaranteed and that are or have been in default as to principal or interest at any time after December 31, 1975. The Bonds will be the first debt issued or guaranteed by the District.

### **VALIDATION**

On February 28, 2007, the Circuit Court for Manatee County, Florida validated the issuance by the District of not exceeding \$94,000,000 in principal amount of its capital improvement revenue bonds and the existence and legal authority of the District. The appeal period from such final judgment has expired with no appeal being filed. The Bonds are included within the validated amount.

### **LITIGATION**

#### **The District**

There is no litigation of any nature now pending or, to the knowledge of the District threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting (i) the validity of the Bonds or any proceedings of the District taken with respect to the issuance or sale thereof, (ii) the pledge or application of any moneys or security provided for the payment of the Bonds, (iii) the existence or powers of the District.

#### **The Developer**

The Developer represents that there is no litigation of any nature now pending or, to the knowledge of the Developer, threatened, which could reasonably be expected to have a material and adverse effect upon the ability of the Developer to complete the Development as described herein, or materially and adversely affect the ability of the Developer to perform its various obligations described in this Limited Offering Memorandum.

### **CONTINUING DISCLOSURE**

Pursuant to the Securities Exchange Commission Rule 15c2-12(b)(5) (the “Rule”), the District, the Developer, the District Manager and the Trustee will enter into a Continuing Disclosure Agreement to provide updates of certain financial information and operating data relating to the District and the Development, and with respect to the District, audited financial statements, all as provided in the Continuing Disclosure Agreement. See “APPENDIX E –FORM OF CONTINUING DISCLOSURE AGREEMENT” herein for the specific nature of the financial information, operating data and reports to be provided. Failure to comply with the requirement of the Continuing Disclosure Agreement will not result in an Event of Default under the Indenture. The covenants contained in the Indenture with respect to continuing disclosure and in Continuing Disclosure Agreement have been made in order to assist the Underwriter in complying with the Rule.

Neither the District nor The Developer have ever failed to provide continuing disclosure with respect to the aforementioned Rule 15c2-12.

### **UNDERWRITING**

The Underwriter has agreed, pursuant to a contract with the District, subject to certain conditions, to purchase the Bonds from the District in a limited public offering at a purchase price of \$23,601,140.00 (par amount of Bonds less Underwriter’s discount of \$360,000.00 and less original issue discount of \$81,360.00) plus accrued

interest. The Underwriter's obligations are subject to certain conditions precedent and the Underwriter will be obligated to purchase all the Bonds if any are purchased.

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

## **LEGAL MATTERS**

The Bonds are offered for delivery when, as and if issued by the District and accepted by the Underwriter, subject to the receipt of the opinion of Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain legal matters will be passed upon for the District by its counsel Hopping Green & Sams, P.A., Tallahassee, Florida. The Developer is being represented by Williams, Parker, Harrison, Dietz & Getzen, Sarasota, Florida; the Trustee is being represented by Holland & Knight, LLP, Miami, Florida and the Underwriter is being represented by Akerman Senterfitt, Orlando, Florida.

## **AGREEMENT BY THE STATE**

Under the Act, the State of Florida pledges to the holders of any bonds issued thereunder, including the Bonds, that it will not limit or alter the rights of the issuer of such bonds 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 bonds and that it will not in any way impair the rights or remedies of such holders.

## **NO FINANCIAL STATEMENTS**

The activities of the District to the date of this Limited Offering Memorandum have been limited principally to the non-revenue producing activities preliminary to the issuance of the Bonds. No audited financial statements of the District have been prepared. The District has covenanted in the Continuing Disclosure Agreement attached hereto as APPENDIX E to provide its annual audit commencing with the audit for the District fiscal year ended September 30, 2008, to certain information repositories as described therein.

## **EXPERTS AND CONSULTANTS**

The references herein to Banks Engineering, Inc. as the District Engineer have been approved by said firm. The Report of the District Engineer prepared by such firm relating to the Project has been included as APPENDIX A attached hereto in reliance upon such firm as an expert in engineering. References to and excerpts herein from such report do not purport to be adequate summaries of such report or complete in all respects. Such report is an integral part of this Limited Offering Memorandum and should be read in its entirety for complete information with respect to the subjects discussed therein. The District Engineer also serves as the Developer's engineer.

The references herein to Fishkind & Associates, Inc. as Financial Consultant have been approved by said firm. The Assessment Methodology prepared by such firm has been included as APPENDIX B attached hereto in reliance upon such firm as an expert in developing assessment methodologies. References to and excerpts herein from such report do not purport to be adequate summaries of such report or complete in all respects. Such report is an integral part of this Limited Offering Memorandum and should be read in its entirety for complete information with respect to the subjects discussed therein.

## **CONTINGENT AND OTHER FEES**

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

## **NO RATING OR CREDIT ENHANCEMENT**

No application for a rating or credit enhancement on the Bonds has been made.

## **LEGALITY FOR INVESTMENT**

The Act provides that the Bonds 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, 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 for voluntary statutory deposits.

## **FORWARD-LOOKING STATEMENTS**

Statements contained herein that are not purely historical, are forward-looking statements, including statements regarding the District's and the Developer's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included herein are based on information available on the date hereof, and the District assumes no obligation to update any such forward-looking statements. Such forward-looking statements are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the District and the Developer. Actual results could differ materially from those discussed in such forward-looking statements and, therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate.

## **MISCELLANEOUS**

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

The information and expression of opinion herein are subject to change without notice and neither the delivery of this Limited Offering Memorandum nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the District, the Developer, the Project or the Community from the date hereof. However, certain parties to the transaction will, on the closing date of the Bonds, deliver certificates substantially to the effect that nothing has come to their attention that would lead them to believe that applicable portions of the Limited Offering Memorandum contains an untrue statement of a material fact or omits to state a material fact that should be included herein for the purpose for which the Limited Offering Memorandum is intended to be used, or that is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading and to the effect that from the date of the Limited Offering Memorandum to the date of closing of the Bonds that there has been no material adverse change in the information provided.

This Limited Offering Memorandum is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose.

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The appendices hereof are integral parts of this Limited Offering Memorandum and must be read in their entirety together with all foregoing statements.

**HERITAGE HARBOUR NORTH COMMUNITY  
DEVELOPMENT DISTRICT**

By: /s/ Christopher Kemper

Its: Chairman

**APPENDIX A**  
**REPORT OF DISTRICT ENGINEER**

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ENGINEER'S REPORT  
FOR THE  
HERITAGE HARBOUR NORTH  
COMMUNITY DEVELOPMENT DISTRICT

PREPARED FOR:

BOARD OF SUPERVISORS  
HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT

ENGINEERS:

BANKS ENGINEERING  
1144 TALLEVAST ROAD, SUITE 115  
SARASOTA, FLORIDA 34243

FINANCIAL ADVISOR:

FISHKIND AND ASSOCIATES  
12051 CORPORATE BOULEVARD  
ORLANDO, FLORIDA 32817

SEPTEMBER 2007 (V. 3)

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### APPENDIX

EXHIBIT "1"	HERITAGE HARBOUR NORTH PROJECT MAP ILLUSTRATING DISTRICT BOUNDARIES AND PROPERTIES SERVED
EXHIBIT "2-2"	PROJECT SKETCH AND DESCRIPTION
EXHIBIT "4-1"	EXISTING UTILITIES
EXHIBIT "4-2"	DRAINAGE OUTFALL



# HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT

## ENGINEER'S REPORT

### 1. INTRODUCTION

#### 1.1 Description of Heritage Harbour North Community Development District

River Strand (the "Development") served by the Heritage Harbour North Community Development District, (the "District") is located in Manatee County, Florida lying within Sections 23, 25, 26, 35 and 36, Township 34 South, Range 18 East and more precisely north of Port Harbour Parkway, east of Cypress Creek Estates and west of Waterlefe, as shown by Exhibit "1" of the Appendix.

The Development has four access points on Port Harbour Parkway. The District is located within the boundaries of the Heritage Harbour Development of Regional Impact (DRI), which has been approved by Manatee County and the Tampa Bay Regional Planning Council. The DRI currently includes three (3) districts: the District, the Heritage Harbour South CDD, and the Heritage Harbour Marketplace CDD. Upon completion of the Development served by this District, it is anticipated that approximately 1,365 dwelling units will have been constructed. The proposed Development is planned for a mixture of single-family units, multi-family coach homes (consisting of 4 dwelling units per building) and multi-story condominium units as well as a 27-hole golf course, a clubhouse with adjoining fitness center, pool and tennis facilities, a golf course maintenance facility and lake/water management facilities.

The community will be developed in two phases. Construction of Phase One beginning March 2005 is currently substantially complete. The construction of Phase Two is expected to commence after approval of the NOPC required to implement the development entitlements granted in Phase II of the DRI and be complete by May 2009. Phase I consists of Subphase E, Subphase F and Subphase I as well as the initial 18 holes of the proposed Golf Course along with the Clubhouse and Maintenance Building, which are not to be funded by the District. Phase II consists of Subphase G along with the remaining 9 holes of the Golf Course, which is not to be funded by the District. The proposed land uses and corresponding acreages are included in Table 1 below.

**TABLE 1**

<b>TYPE OF USE</b>	<b>ACREAGE +/-</b>	<b>% OF TOTAL</b>
SINGLE FAMILY RESIDENTIAL	91.69	10.4%
MULTI FAMILY RESIDENTIAL	76.12	8.7%
CLUBHOUSE AND MAINTENANCE FACILITY	15.97	1.8%
PRIVATE RIGHT-OF-WAY	46.84	5.3%
PUBLIC RIGHT-OF-WAY	5.79	0.7%
OPEN SPACE	640.82	73.1%
<b>TOTAL</b>	<b>877.23</b>	<b>100%</b>

**1.2 Purpose and Scope of the Report**

The purpose of this report is to provide a description of the District, the capital improvements to be constructed and financed by the District and an apportionment of the costs for the capital improvements. The financing and assessment methodology will be developed by the District's financial advisor.

## **2. DISTRICT BOUNDARIES AND PROPERTIES SERVED**

### **2.1 District Boundaries**

Exhibit “2-2” delineates the proposed boundaries of the District. The District is bounded on the south by Port Harbour Parkway, the west by the Cypress Creek Estates community, the east by the Waterlefe planned community, and the north by the Manatee River.

### **2.2 Description of Properties Served**

The District is located in Sections 23, 25, 26, 35 and 36, Township 34 South, Range 18 East, Manatee County, Florida. The property within the District boundaries is owned by Harbourvest, L.L.C.

The existing land within the Manatee County District consists of wetlands, open space, and pasture. The terrain is flat with elevations ranging from 2 to 13 feet NGVD. Ground-water is generally at or above natural ground to one foot below natural ground during the wet season. The dry season water table may drop up to 5 feet.

The entire property within the District is zoned for residential development as part of the approved DRI and is depicted on Exhibit “2-2”.

### **2.3 Existing Infrastructure**

The District is located within the Manatee County Water-Sewer District which will provide water supply and wastewater disposal services to the community in the immediate future and is expected to provide reclaimed wastewater for supplemental recharge of the irrigation facilities. Capacity for these utilities for Phase I has been reserved by virtue of the approved DRI for Heritage Harbour and the Certificate Level of Service issued by Manatee County. The Manatee County Board of Commissioners Council serves as Ex-Officio Governing Board of the Manatee County Water-Sewer District.

Potable water for the community will be provided by connection to and extension of existing Manatee County Water-Sewer District water mains within the Port Harbour Parkway Right-of-Way. The potable water is provided by the Manatee County Water Plant. The location of these water mains is shown on Exhibit “4-1” of the Appendix.

Wastewater from the community will be collected within the site and pumped via force mains and pumping stations located within the site. The wastewater from the site will be pumped via a manifolded lift station system to a master lift station south of Port Harbour Parkway, located within the district boundaries of the Heritage Harbour South CDD, and ultimately to an existing 16" force main maintained and operated by Manatee County. This existing 16" force main is located within the road rights-of-way of State Road 64 and Lena Road. The location of existing force mains and gravity mains on Port Harbour

Parkway, which will be utilized by the District infrastructure, is shown on Exhibit "4-1" of the Appendix.

Irrigation service is currently being provided to the Heritage Harbour South CDD via designated irrigation lakes and pumping stations which are owned and operated by Aquaterra, Inc. There are existing 12" and 16" irrigation mains installed underneath Port Harbour Parkway for future connection by the District infrastructure. The location of the existing stub-outs is shown on Exhibit "4-1" of the Appendix. It is the intent of the District to own and operate the irrigation distribution mains within the District boundaries.

The District is located within a drainage basin which is served by the Manatee River, which discharges into the Gulf of Mexico. The location of the District relative to these rivers is shown by Exhibit "4-2" of the Appendix.

The District is adjacent to two major arterial roadways, State Road 64 to the South, and I-75 to the West. The District will have access, through the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD, to three connections to State Road 64.

The District is located within the franchise areas of Florida Power and Verizon. Cable service is available from Strategic Technologies, Inc. These utility companies are expected to provide electrical power, telephone and cable television services to the District.

All utilities are available to the property or will be during the development of the infrastructure.

### **3. PROPOSED DISTRICT INFRASTRUCTURE**

#### **3.1 Summary of the Proposed District Infrastructure**

The District infrastructure will generally consist of the following:

- Roadways
- Utilities
- Earthwork
- Water Management
- Landscape and Security
- Wetland Mitigation
- Professional Services
- Miscellaneous Costs

#### **3.2 Roadways**

The roadways within the District will consist of two-lane undivided and four lane divided sections. The roadways will provide access to the various land uses within the District and will connect to roadways which border the District and private, gated roadways within the District boundary. The roadways will be constructed within platted rights-of-ways or access easements. Presently there are 40,000 linear feet of roadway proposed within the District; however, none of these roadways are proposed to be funded, owned or maintained by the District.

The District will, however, share the costs of the construction of existing roadways located within the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD that the District will have beneficial use from. These roadways were funded in part by the Heritage Harbour Marketplace CDD and the Heritage Harbour South CDD; therefore, the District will fund improvements beyond those that were required to provide service to the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD.

The offsite roadway improvements subject to the above cost sharing will include the following:

1. Port Harbour Parkway
2. State Road 64 Turn Lane Improvements and Widening
3. Heritage Greens Way
4. Grand Harbour Parkway
5. River Heritage Boulevard

In addition to these off-site roadways, the District will also fund 100% of additional State Road 64 improvements, which include widening from Lena Road east to Lakewood Ranch Boulevard and widening from Kay Road west to Carlton Arms.

### 3.3 Utilities

The utilities within the District will consist of potable water, wastewater collection/transmission and irrigation systems which will be designed and constructed in accordance with the appropriate Manatee County Water-Sewer District and Florida Department of Environmental Protection Standards. It is anticipated the potable water will be conveyed by the District to the Manatee County Water-Sewer District for ownership, operation and maintenance after completion of construction. It is also anticipated that the wastewater collection/transmission and reclaimed wastewater systems will be owned and maintained by the County Water-Sewer District.

The potable water facilities will consist of distribution mains of varying sizes with all required valves, fire hydrants and water services to individual lots and development tracts. Connections to the existing Manatee County system will be located at each of the three roadway connections to Port Harbour Parkway. There will be approximately 45,200 linear feet of water main constructed.

The wastewater facilities will consist of gravity collection mains with individual lot and development tract services flowing to a number of on-site pumping stations, with forcemains connecting these stations to the proposed Master Lift Station in the Heritage Harbour South CDD. It is estimated that 30,500 linear feet of gravity collection system and 12,850 feet of force main will be constructed.

The irrigation system will consist of irrigation mains of varying sizes which will be connected to the existing 12" and 16" stub-outs in place under Port Harbour Parkway. The irrigation lake serving the District is located within the Heritage Harbour South CDD Boundary and will become a reclaimed water storage facility when Manatee County can provide reclaimed wastewater to the District. This lake as well as the irrigation pumps, shall be owned and operated by Aquaterra, Inc. All distribution mains shall be owned and maintained by the District.

In addition to the above utility infrastructure funding, the District will also share the costs of the construction of existing utilities located within the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD that the District will have beneficial use from. These utilities were funded in part by the Heritage Harbour Marketplace CDD and the Heritage Harbour South CDD; therefore, the District will fund improvements beyond those that were required to provide service to the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD.

These utilities are defined as the following:

1. Heritage Harbour Master Lift Station
2. Potable Water Mains, Sanitary Sewer Mains and Reuse Irrigation Mains located within the Port Harbour Parkway, River Heritage Boulevard, Heritage Greens Way and Grand Harbour Parkway right-of-ways

### **3.4 Earthwork and Clearing**

The Developer will donate to the District the land on which stormwater management lakes will be excavated; however, the Developer will retain the rights to the materials excavated from the lakes. The material excavated from the lakes will be used for fill of roadways, golf course construction and development tracts. The Developer will either sell or donate the excavated materials to the District for fill related to the public infrastructure and utilize the remaining excavated materials for golf course construction and development tracts. It is necessary to fill these components to provide minimum finished elevations for typical storm events and flood protection. Also due to unsuitable material located at the substrata of the community, rock burial zones may be utilized where possible to generate suitable fill for the community.

The lakes will be excavated in accordance with the size and depth requirements of the Manatee County Land Development Code and the Southwest Florida Water Management District. Approximately 2.9 million cubic yards of material will be excavated. All material will remain on-site for construction of proposed infrastructure. The fill material generated by the excavation of the proposed lakes is anticipated to satisfy the needs of the community. Therefore, no fill from off-site sources will need to be imported into the site.

In addition to the above earthwork funding, the District will also share the costs of earthwork activities within the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD that the District will have beneficial use from. These improvements include clearing, excavation and embankment for construction of the offsite roadways listed in the above "Roadways" section as well as excavation and embankment necessary to create stormwater facilities that provide beneficial use to the District.

### **3.5 Storm Water Management**

The District stormwater management system consists of excavated stormwater management lakes, drainage pipes, catch basins, swales, berms, water control structures, roadside curbing, and roadway subgrade, which serves to allow water to percolate and decrease standing water. Stormwater runoff from within the District will be collected and conveyed to the stormwater management lakes for water quality treatment and quantity storage. The treated stormwater will discharge from a number of water control structures to the Manatee River.

The stormwater management will be designed and constructed in accordance with Southwest Florida Water Management District standards for water quality treatment, quantity storage and flood protection.

In addition to the above stormwater funding, the District will also share the costs of the construction of existing stormwater facilities that were funded, in part, by the Heritage Harbour Marketplace CDD and the Heritage Harbour South CDD that the District will have beneficial use from. These improvements include but are not limited to the construction of the East Ditch and the Trunk Ditch which flow towards the Manatee River and are used to divert offsite flows from the internal stormwater management facilities of Heritage Harbour around the stormwater facilities of the District.

### **3.6 Landscaping and Security**

Security for the District will be provided with manned and surveillance camera operated guardhouses and gates at the entrances to neighborhoods within the District, entrance walls and berms located along adjacent public rights-of-way, and fencing along the east and west perimeters of the community. It is anticipated that since the District will not be funding the construction of roadways, that these gates will be owned and maintained by the Homeowner's Association.

The District will share the costs of the construction of landscaping located within the Heritage Harbour South CDD and the Heritage Harbour Marketplace CDD that the District will have beneficial use from. The District will fund up to 30% of the following Landscaping improvements:

1. Landscaping and irrigation within the Port Harbour Parkway, River Heritage Boulevard, Heritage Greens Way and Grand Harbour Parkway right-of-ways.
2. Perimeter fencing and berms along State Road 64 and surrounding the Heritage Harbour Property

### **3.7 Wetland Mitigation**

The wetland mitigation within the District will consist of the construction and planting of aquatic littoral zones in the stormwater management lakes, the construction and planting of aquatic vegetation within mitigation areas, the removal of exotic plant species from the preserve areas and restoration and the enhancement of the wetland hydroperiods within the wetland preserves and wildlife management areas.



### **3.8 Professional Services**

The professional services for design and construction of all components within the District consist of engineering of walls and structures for security, roadways, utilities, soils investigation and testing, landscaping design, environmental consultation, and construction services for inspection of infrastructure during construction.

In addition to the above Professional Services funding, the District will also share the costs of the Professional Services that were performed prior to the establishment of the District that provided the means to develop infrastructure within the District Boundary. These services include, but are not limited to, soil exploration, water management permitting, master utility permitting and design, environmental permitting, etc.

### **3.9 Miscellaneous Costs**

These costs include permitting fees for construction of required District infrastructure bonding for these facilities and construction inspection services.

## **4. OPINION OF PROBABLE CONSTRUCTION COSTS**

An opinion of probable costs in 2007 dollars for the District infrastructure is represented in Table 2. The District will be financing the proposed infrastructure.

The total includes a 10% contingency for the entire costs of District infrastructure.

The costs do not include the legal, administrative, financing, operation or maintenance services necessary to finance, construct and operate the District infrastructure.

It is my professional opinion that these costs are reasonable for the quality of work desired.

**TABLE 2**

Summary of Probable Infrastructure Costs (In thousands of dollars):

PROJECT INFRASTRUCTURE COSTS	\$ 64,642
AMOUNT SPENT TO DATE	\$ 31,000
DISTRICT IMPROVEMENT PHASE I	\$ 36,025
DISTRICT IMPROVEMENTS PHASE II	\$ 28,617

**TABLE 3**

Summary of Opinion of Probable Cost (In Thousands of Dollars) and Estimated Timetable:

	<b>Year 2005/2007</b>	<b>Year 2006/2008</b>
WATER MANAGEMENT (INCLUDES WETLAND MITIGATION)	5,500	2,215
OFF-SITE WATER MANAGEMENT	200	100
EARTHWORK	11,000	1,000
OFF-SITE EARTHWORK	1,600	300
OFF-SITE ROADWAY	2,000	18,000
POTABLE WATER**	1,500	1,200
SANITARY SEWER**	1,500	500
OFFSITE UTILITIES	4,500	500
OFFSITE LANDSCAPE/IRRIGATION	1,200	450

PROFESSIONAL FEES	3,000	1,000
OFFSITE PROFESSIONAL FEES	750	750
SUB-TOTAL	32,750	26,015
10% CONTINGENCY (OF ABOVE)	3,275	2,602
TOTAL	36,025	28,617

\*Estimated costs of construction are for those special powers permitted under 190.012, Florida Statutes (1999 and hereafter) only. Estimates are provided for such powers exercised under section 190.012(2), since the consent to exercise such powers is by the local general purpose government within whose jurisdiction such powers are to be exercised, in this instance, Manatee County. Until such consent is or may be made, upon petition of the Board of Supervisors of the District, no further estimate of such costs will be prepared.

\*\* Water and sewer will be provided by Manatee County.

\*\*\* The probable costs estimated herein do not include anticipated carrying cost, interest, reserves or other anticipated CDD expenditures that may be incurred.


## 5. Permits

Permits for construction are required prior to the commencement of infrastructure improvements. These permits include the following:

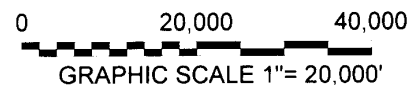
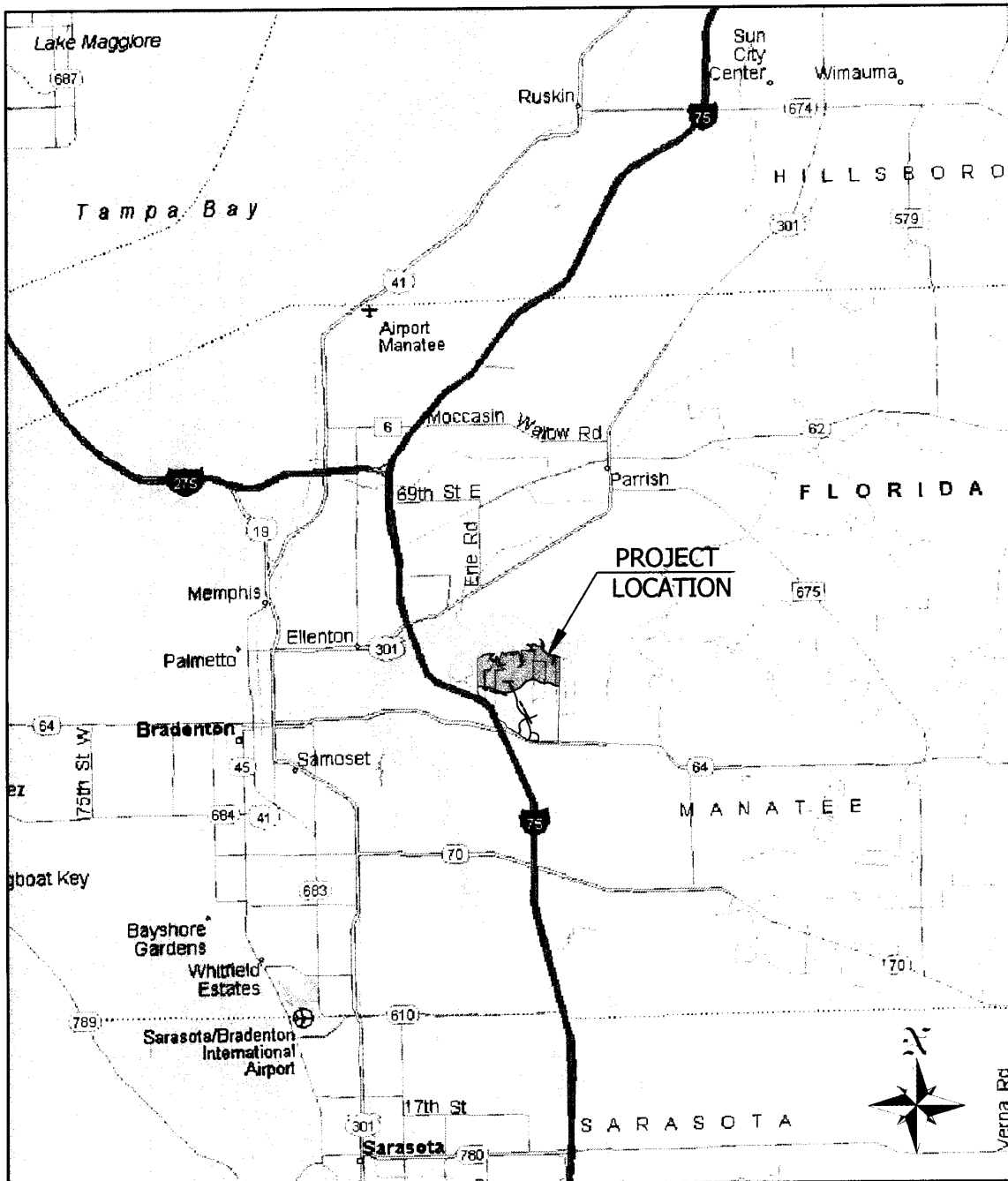
- Local zoning approval.
- Army Corps of Engineers Dredge and Fill Permit.
- Southwest Florida Water Management District Environmental Resource Permit (ERP) and Water Use Permit (WUP).
- Environmental Protection Agency NPDES permit.
- Site plan, subdivision plat and construction plan approvals by Manatee County.
- Florida Department of Environmental Protection Water and Wastewater Construction Permits.

Local zoning approvals have been obtained through the Tampa Bay Regional Planning Council and Manatee County by virtue of the Heritage Sound DRI, approved initially in 1998. An NOPC is currently pending to obtain zoning approval for portions of the development of Phase II of the District, and approval is expected by the end of 2007. The Developer has obtained the necessary approvals from the Army Corps of Engineers and the Southwest Florida Water Management District for wetland impacts and construction of the entire surface water management system for the District. In addition, (i) permitting and construction for Sub-phase E is complete and final certification has been obtained; (ii) permitting and construction for Sub-phase F is complete and partial certification has been obtained; (iii) permitting activities for Sub-phase I are complete and construction is pending; (iv) permitting and construction of the initial eighteen holes of the golf course is complete; and (v) construction of the remaining nine holes of the golf course is substantially complete with final completion to occur following approval of the NOPC. Permitting activities with the County for Sub-phase G are expected to commence following the approval of the NOPC.

It is our opinion that there are no technical reasons existing at this time which would prohibit the implementation of the plans for the District as presented herein and that all permits/approvals not heretofore issued and which are necessary to effect the improvements described herein will be obtained during the ordinary course of development.

 10.4.07  
\_\_\_\_\_  
Kevin L. Atchley                      Date  
FL License No. 53119  
District Engineer

## **APPENDIX**



**Banks Engineering, Inc.**

Professional Engineers, Planners, & Land Surveyors  
SARASOTA ♦ FORT MYERS ♦ NAPLES

1144 CALLEVASI ROAD, SUITE 115  
SARASOTA, FLORIDA 34243  
PHONE: (941) 360-1618 FAX: (941) 360-6918  
ENGINEERING LICENSE EB-0006469  
SURVEY LICENSE LS-0006690

LOCATION MAP

**NORTH C.D.D. - EXHIBIT 1**  
HERITAGE HARBOUR - MANATEE COUNTY, FLORIDA

DATE	PROJECT	DRAWING	DESIGN	DRAWN	CHECKED	SCALE	SHEET	OF	FILE NO. (S-T-R)
2/3/05	8040-001	LOC_MAP		SPM		1"=20,000'	1	1	







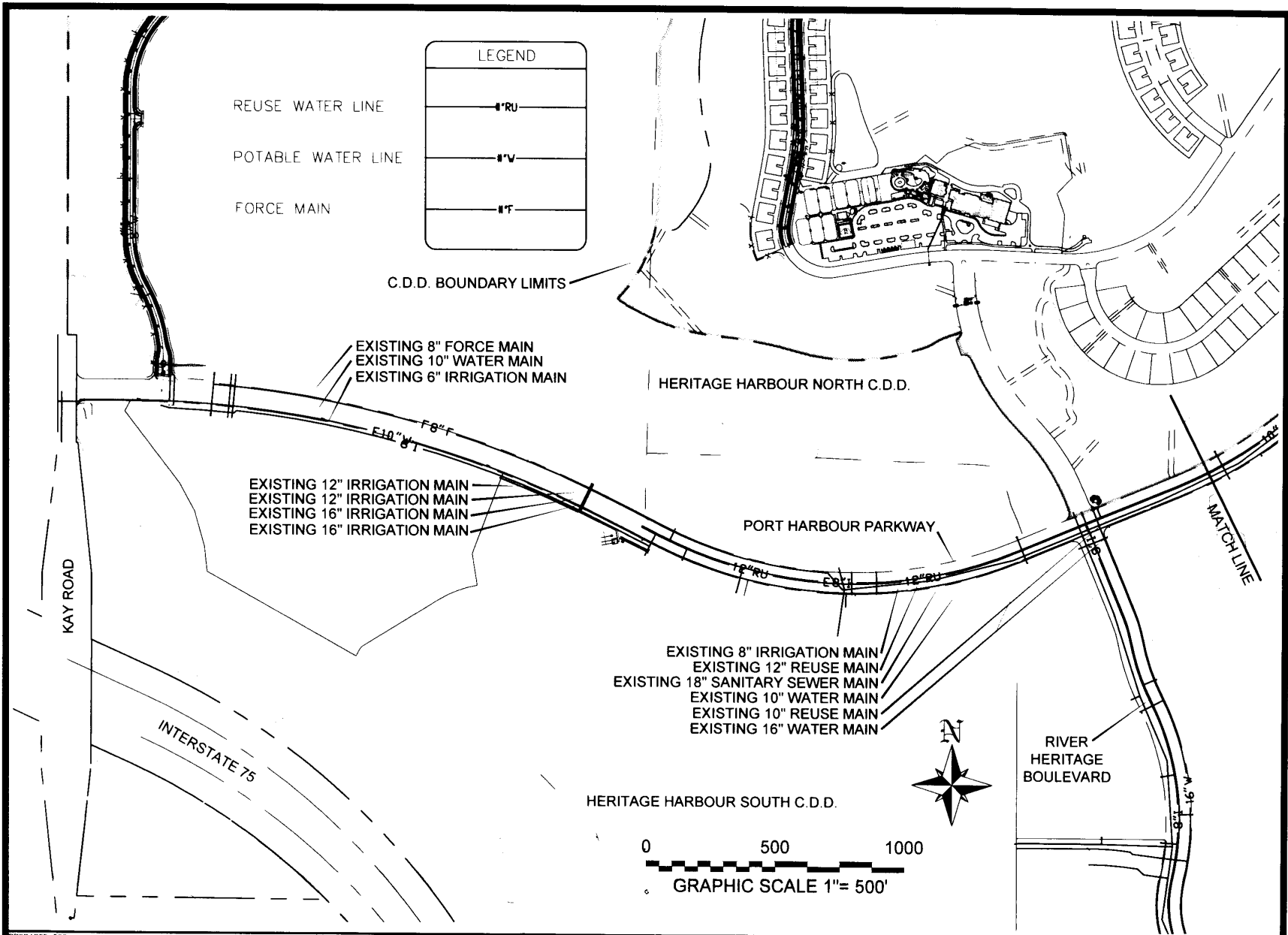










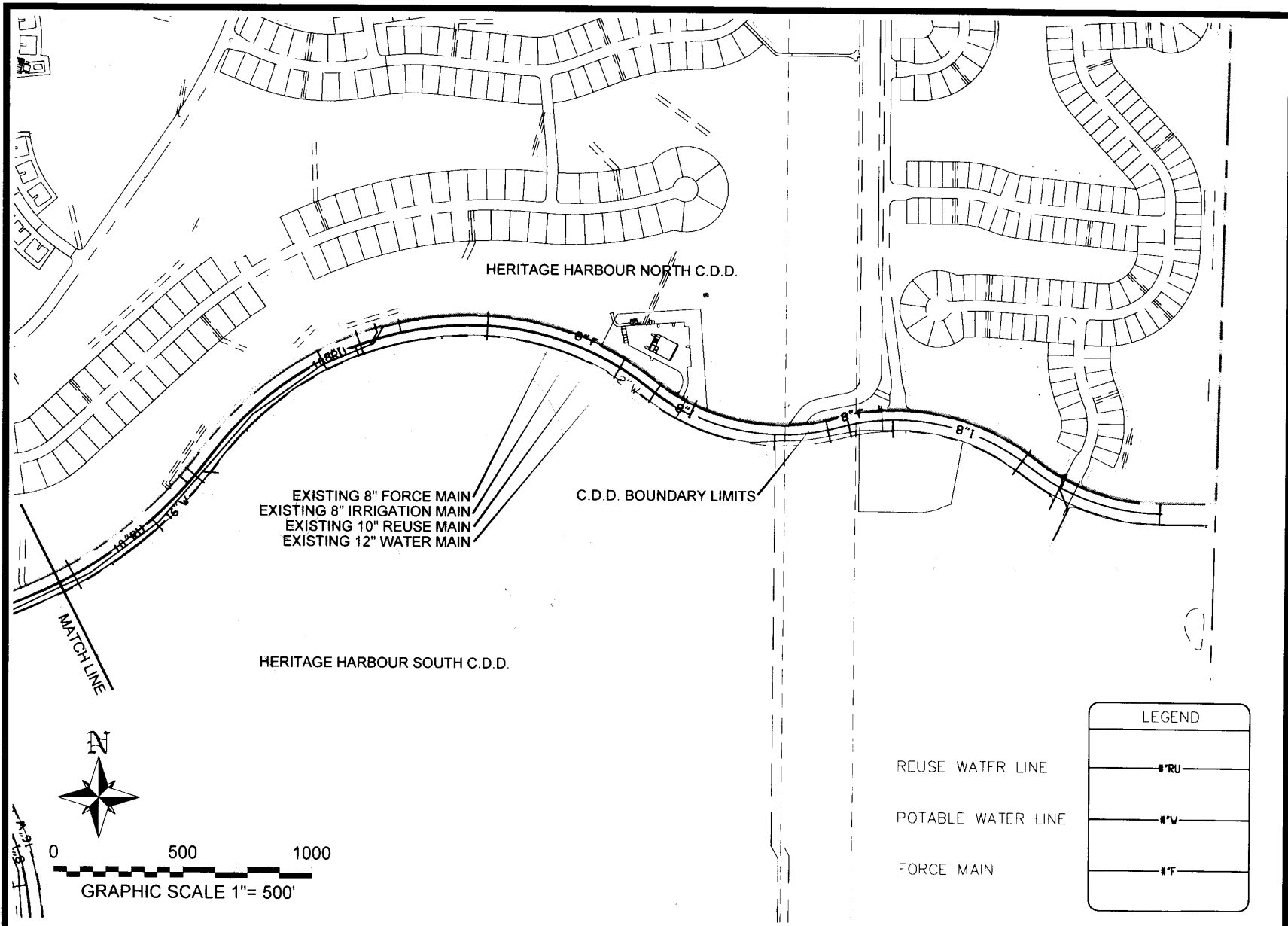


PREPARED FOR  
**HARBOURVEST, L.L.C.**  
 325 INTERSTATE BLVD.  
 SARASOTA, FLORIDA 34240  
 BUS. (941) 377-1222  
 FAX (941) 377-4984

**Banks Engineering, Inc.**  
 Professional Engineers, Planners, & Land Surveyors  
 SARASOTA • FORT MYERS • NAPLES  
 1144 TALLEYVAST ROAD, SUITE 115  
 SARASOTA, FLORIDA 34243  
 PHONE: (941) 360-1518 FAX: (941) 360-6918  
 ENGINEERING LICENSE EB-0006469  
 SURVEY LICENSE LS-0006690

EXISTING UTILITIES MAP  
**NORTH C.D.D. - EXHIBIT 4-1**  
 HERITAGE HARBOUR - MANATEE COUNTY, FLORIDA

DATE	PROJECT	DRAWING	DESIGN	DRAWN	CHECKED	SCALE	SHEET	OF	FILE NO. (S-T-R)
2/3/05	8040-001	EX UT. MAP		SPM		1"=500'	1	2	



PREPARED FOR

**HARBOURVEST, L.L.C.**

325 INTERSTATE BLVD.  
 SARASOTA, FLORIDA 34240  
 BUS. (941) 377-1222  
 FAX (941) 377-4984

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Professional Engineers, Planners, & Land Surveyors

SARASOTA ♦ FORT MYERS ♦ NAPLES

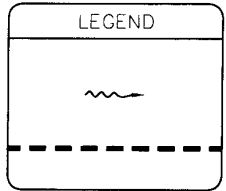
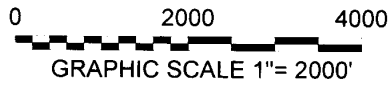
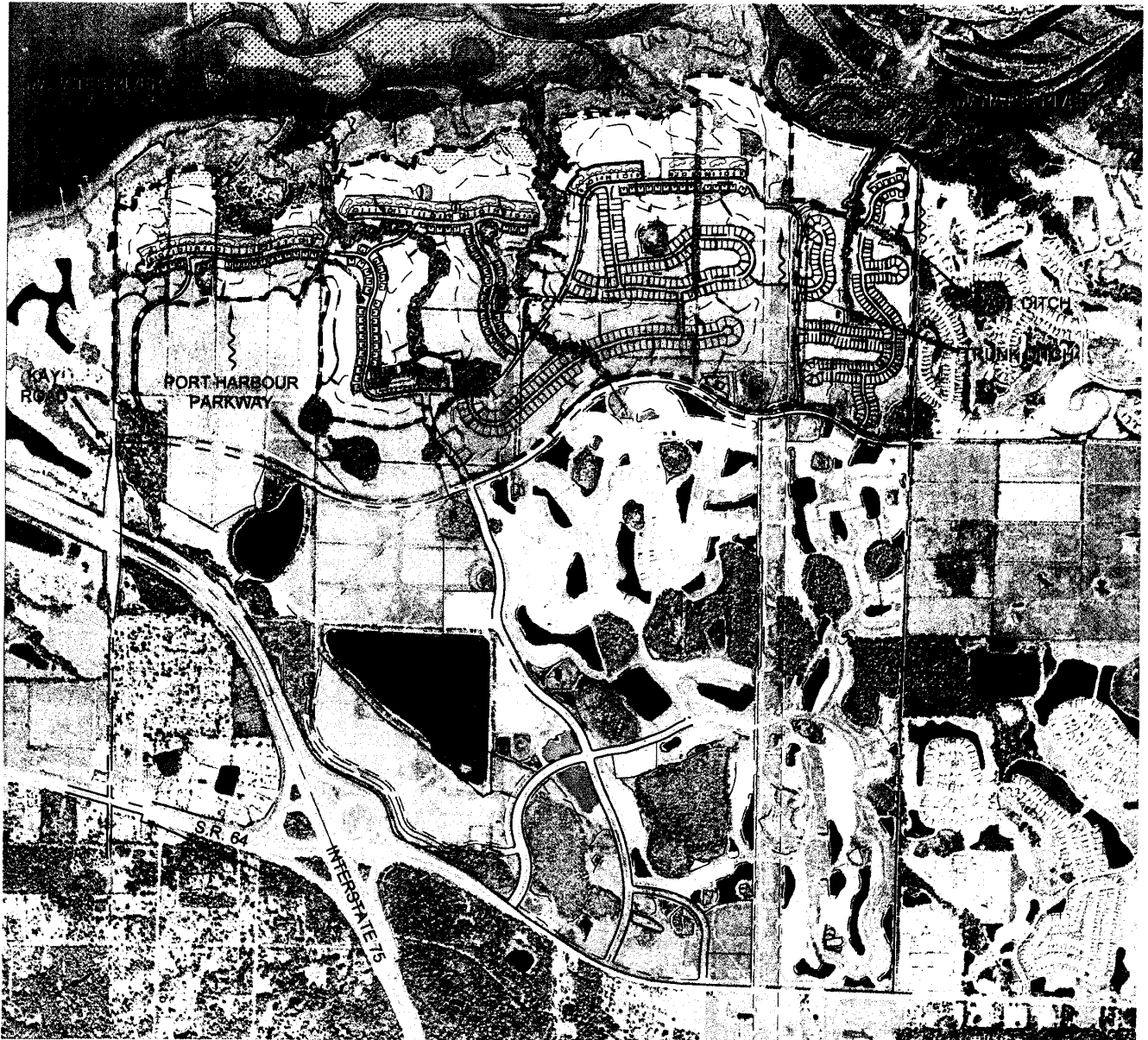
1144 TALLEYVAST ROAD, SUITE 115  
 SARASOTA, FLORIDA 34243  
 PHONE: (941) 360-1818 FAX: (941) 360-6918  
 ENGINEERING LICENSE EB-0006469  
 SURVEY LICENSE LB-0006690

EXISTING UTILITIES MAP

**NORTH C.D.D. - EXHIBIT 4-1**

HERITAGE HARBOUR - MANATEE COUNTY, FLORIDA

DATE	PROJECT	DRAWING	DESIGN	DRAWN	CHECKED	SCALE	SHEET	OF	FILE NO. (S-T-R)
2/3/05	8040-001	EX.UI_MAP		SPM		1"=500'	2	2	



STORMWATER DISCHARGE  
CDD BOUNDARY

**Banks Engineering, Inc.**  
Professional Engineers, Planners, & Land Surveyors  
SARASOTA • FORT MYERS • NAPLES

1144 TALLEYVAST ROAD, SUITE 115  
SARASOTA, FLORIDA 34243  
PHONE: (941)360-1618 FAX: (941)360-6918  
ENGINEERING LICENSE EB-0006469  
SURVEY LICENSE SB-0006690

OUTFALL MAP  
**NORTH C.D.D. - EXHIBIT 4-2**  
HERITAGE HARBOUR - MANATEE COUNTY, FLORIDA

DATE	PROJECT	DRAWING	DESIGN	DRAWN	CHECKED	SCALE	SHEET	OF	FILE NO (S-T-R)
2/3/05	8040-001	OUT_FALL_MAP		SPM		1"=2000'	1	1	



**APPENDIX B**  
**ASSESSMENT METHODOLOGY REPORT**

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**REVISED  
MASTER  
ASSESSMENT  
METHODOLOGY  
HERITAGE HARBOUR  
NORTH COMMUNITY  
DEVELOPMENT DISTRICT**

**January 22, 2007**

**Prepared for the**

**Board of Supervisors of the  
Heritage Harbour North  
Community Development District**

**Prepared by**

**Fishkind & Associates, Inc.  
12051 Corporate Boulevard  
Orlando, Florida 32817  
407-382-3256**

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**REVISED MASTER ASSESSMENT METHODOLOGY  
HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT**

**January 22, 2007**

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**1.0 Introduction**

**1.1 Purpose**

This Assessment Methodology (the “Methodology”) applies the principles and allocations outlined herein to the financing details of the Heritage Harbour North Community Development District’s (the “District”) public infrastructure capital improvement program (the “CIP”). This CIP will allow for the development of property within the District and will be partially or fully funded through District bond debt issuances. This debt will be repaid from the proceeds of assessments levied by the District’s Board of Supervisors on properties within the District that benefit from the implementation of the CIP. The levy will take the form of non-ad valorem special assessments that will be liens against properties within the boundary of the District that receive special benefits from the CIP.

The Methodology described herein has two goals: (1) determining the special and peculiar benefits that flow to the properties in the District as a logical connection from the infrastructure systems and facilities constituting enhanced use and increased enjoyment of the property; and (2) apportion the special benefits on a basis that is fair and reasonable. The District has adopted a Capital Improvements Program (the “CIP”) that will allow for the development of property within the District. The District plans to fund the CIP through a combination of debt financing with the proceeds of bonds payable from special assessments, bonds payable from revenues of various systems comprising a portion of the CIP and contributions of components of the CIP by the developer(s) and other parties, or combinations of the foregoing. Any debt repaid from the proceeds of non-ad valorem special assessments are intended to satisfy the statutory and Constitutional tests necessary and the two case law tests in order for such non-ad valorem special assessments to constitute liens co-equal with the liens of State, County, municipal and school board taxes, against properties within the boundary of the District that receive special benefits from the CIP.

The Methodology herein is intended to set forth a framework to apportion the special and peculiar benefits from the portions of the CIP financed with the proceeds bonds payable from and secured by non-ad valorem special assessments (the “Assessments”), imposed and levied on the properties.

The report is designed to conform to the requirements of the Constitution, Chapters 170, 190 and 197, F.S. and Chapter 2004-461, Laws of Florida with respect Assessments and is consistent with our understanding of the case law on this subject.

## 1.2 Background

Heritage Harbour North development encompasses approximately 877.23 acres located to the north of Port Harbour Parkway, east of Cypress Creek Estates and west of Waterlefe in Manatee County, Florida. The Manatee County Board of Commissioners approved the establishment of the District. The District’s land development plan envisions the ultimate of the master-planned community that include approximately 1,365 single-family and multifamily residential units on nearly 167.81 developable acres. In addition, the development includes a golf course, clubhouse, maintenance facility along with the infrastructure necessary to support such land uses. This land use plan is subject to change based on market conditions and other factors. A breakdown of the land uses planned for the lands within the District can be found in Table 1.

**Table 1: Land Use Plan For The Heritage Harbour North Community Development District**

<b>Category</b>	<b>Acres</b>	<b>Residential Units</b>
Single-family Residential	91.69	
Single-family 55ft		158
Single-family 65ft		32
Single-family 75ft		123
Single-family 85ft		94
Multifamily Residential	76.12	
Town/Coach		348
Multifamily		610
	=====	=====
Residential Subtotal	167.81	1,365
Clubhouse/Maintenance	15.97	
Private Right-of-Way	46.84	
Public Right-of-Way	5.79	
Open Space	640.82	
	=====	=====
<b>Totals</b>	<b>877.23</b>	<b>1,365</b>

Source: Banks Engineering Report, January 2007

### **1.3 Requirements of a Valid Assessment Methodology**

Valid special assessments under Florida law have two requirements. First, the properties assessed must receive a special and peculiar benefit as a logical connection from the systems and services constituting improvements. The courts recognize the special benefits which flow as a logical connection peculiar to the property as enhanced enjoyment and increased use of the property which in turn may result in decreased insurance premiums, increased value and marketability. Second, the assessments must be fairly and reasonably apportioned in relation to the benefit received by the various properties being assessed.

If these two tests for lienability are determined in a manner that is informed and non-arbitrary by the Board of Supervisors of the District, as a legislative determination, then the special assessments may be levied, imposed and collected as first liens on the property. Florida courts have found that it is not necessary to calculate benefit with mathematical precision at the time of imposition and levy so long as the levying and imposition process is not arbitrary, capricious, or unfair.

### **1.4 Special Benefits and General Benefits**

The CIP of the District enables properties within its boundaries to be developed. Without the District's CIP there would be no infrastructure to support development of land in the District. Furthermore, the development approval for the District requires many of these improvements.

Infrastructure improvements undertaken by the District create both special benefits and general benefits. However, the general benefits to the public at large are incidental in nature and are readily distinguishable from the special and peculiar benefits which flow as a logical connection from the systems, facilities and services to property within the District in order to develop such property and use it for residential, commercial, educational and other purposes. Absent the District's CIP, there would be no infrastructure to support development of land within the District and such development would be prohibited by law.

While the public and property owners outside the District will benefit from the provision of District infrastructure, these benefits are incidental to the benefits derived from property within the District's CIP which is dependent upon the District's Improvement Program to obtain, or to maintain, development entitlements. This fact alone clearly distinguishes the special and peculiar benefits which District properties receive compared to those properties lying outside of the District's boundaries and establishes that the CIP has a nexus to the value and the use and enjoyment of the lands within the District.

## 2.0 Finance Plan

### 2.1 Master Development Program

Banks Engineering (the “District Engineer”) has identified certain public infrastructure and services that may be provided by the District and has provided a cost estimate for these improvements. Details of the District’s CIP can be found in the Engineer’s Report for the Heritage Harbour North Community Development District, dated December 2006 (“Engineer’s Report”).

The CIP cost estimates for the District’s public infrastructure improvements can be found in Table 2. It is estimated that the District’s CIP will cost approximately \$70,142,000 over the course of two phases without taking into consideration the various costs of financing the improvements. These two construction phases are expected to be completed in 2009.

**Table 2: District Engineer’s Estimated Phased Costs for The District’s Capital Improvement Program**

<b>District Infrastructure</b>	<b>Phase I Cost Estimate</b>	<b>Phase II Cost Estimate</b>	<b>Total CIP Cost Estimate</b>
Water Management	\$2,500,000	\$500,000	\$3,000,000
Off-site Water Management	\$200,000	\$100,000	\$300,000
Earthwork	\$11,000,000	\$1,000,000	\$12,000,000
Off-site Earthwork	\$1,600,000	\$300,000	\$1,900,000
On-site Roadway	\$3,000,000	\$1,715,000	\$4,715,000
Off-site Roadway	\$2,000,000	\$18,000,000	\$20,000,000
Potable Water	\$1,000,000	\$700,000	\$1,700,000
Sanitary Sewer	\$1,500,000	\$500,000	\$2,000,000
Off-site Utilities	\$4,500,000	\$500,000	\$5,000,000
Landscape/Irrigation	\$3,000,000	\$2,000,000	\$5,000,000
Off-site Landscape/Irrigation	\$1,200,000	\$450,000	\$1,650,000
Lighting	\$500,000	\$500,000	\$1,000,000
Professional Fees	\$3,000,000	\$1,000,000	\$4,000,000
Off-site Professional Fees	\$750,000	\$750,000	\$1,500,000
Contingency	\$3,575,000	\$2,802,000	\$6,377,000
	=====	=====	=====
<b>Total</b>	<b>\$39,325,000</b>	<b>\$30,817,000</b>	<b>\$70,142,000</b>

Source : Banks Engineering Report, January 2007

The total estimated CIP cost include planned infrastructure consisting of a system of roadways, utilities, earthwork, water and wastewater facilities, landscaping and security, and wetland mitigation capital infrastructure. Details of the revised CIP can be found in the District’s Engineer’s Report dated December 2006. Portions of the CIP will be implemented in the later years of the Development Program. The Financial Advisor (“FA”) has added an inflation factor to the costs that occur in the later years to account for the potential of increased costs in the future.

## 2.2 Bond Requirements

The District intends to finance some or all of its CIP through the issuance of tax-exempt bonds. As shown in Table 3, it is estimated that the District may issue a total of \$83,260,000 in bonds to fund the implementation of the CIP. A number of items comprise the estimated bond size required to fund the \$70,142,000 in funds necessary to complete the District’s CIP. These items may include, but are not limited to, a period of capitalized interest, a debt service reserve, an underwriter’s discount, issuance costs, and rounding. The bonds funding the District’s CIP requirements will take the form of two or more series as described in more detail below. Table 3 outlines the total estimated amount of par bond debt required to fund the District’s CIP.

As the finance plan is implemented a supplemental report detailing the particulars of each specific bond issue will detail the terms, interest rates, and costs associated with a specific series of bonds, the level of funding for the construction/acquisition account, the capitalized interest account, the debt service reserve fund account, as well as the underwriter’s discount, and issuance costs.

**Table 3: The Heritage Harbour North Community Development District Bond Financing Program**

<b>Bond Component</b>	<b>Funds</b>
Construction Fund	\$70,142,000
Debt Service Reserve	\$3,413,513
Capitalized Interest	\$8,005,176
Cost of Issuance	\$450,000
Underwriter's Discount	\$1,248,900
Rounding	\$412
	=====
<b>Total Par Debt</b>	<b>\$83,260,000</b>

Source: Prager, Sealy & Company



Table 4 breaks down the total estimated construction costs of each type of infrastructure in the CIP including the allocable amount of a contingency estimate, soft costs, and the expenses associated with financing the CIP.

**Table 4: Projected Capital Improvement Program Including the Costs Associated with Bond Financing**

<b>District Infrastructure</b>	<b>Total CIP Cost Estimate</b>	<b>Total Cost Financed Estimate</b>
Water Management	\$3,000,000	\$3,561,062
Off-site Water Management	\$300,000	\$356,106
Earthwork	\$12,000,000	\$14,244,247
Off-site Earthwork	\$1,900,000	\$2,255,339
On-site Roadway	\$4,715,000	\$5,596,802
Off-site Roadway	\$20,000,000	\$23,740,412
Potable Water	\$1,700,000	\$2,017,935
Sanitary Sewer	\$2,000,000	\$2,374,041
Off-site Utilities	\$5,000,000	\$5,935,103
Landscape/Irrigation	\$5,000,000	\$5,935,103
Off-site Landscape/Irrigation	\$1,650,000	\$1,958,584
Lighting	\$1,000,000	\$1,187,021
Professional Fees	\$4,000,000	\$4,748,082
Off-site Professional Fees	\$1,500,000	\$1,780,531
Contingency	\$6,377,000	\$7,569,630
	=====	=====
<b>Total</b>	<b>\$70,142,000</b>	<b>\$83,260,000</b>

The costs shown in Table 4 reflect the total estimated construction costs for the District Infrastructure improvements. This Infrastructure is actually designed and will operate as a consistent system serving all of the developable property in Heritage Harbour. For example, the roadway system, regardless of when a specific section of roadway is constructed, will benefit all of the developable property in the District. This pattern is also true for all of the other major infrastructure systems comprising the master portion of the CIP.

### 3.0 Assessment Allocation

#### 3.1 Structure

Special and peculiar benefits flow as a logical connection to the property from the systems, facilities and services provided as a consequence to the

property within the boundary of the District. These special benefits are peculiar to the acreage and later down to the actual platted units or parcel. The special benefits that justify imposing the assessment on the acreage include enhanced enjoyment and increased use, which may result in such positive consequences as increased value and marketability and decreased insurance premiums when levied on the various platted units or parcels of property.

First, the District Engineer identifies the CIP costs then second the Assessment Methodology Consultant allocates those costs and debt per acre (and later in the process per parcel) for the provision of the systems and facilities, which constitute the CIP. The best determination involves whether there is a special benefit peculiar to such property, different in kind and degree than any general benefit, so long as the special benefit flows peculiar to the property as a logical connection from the components of the CIP. Then a dollar amount of a proposed assessment is identified using various formulas. Then there is a determination of whether that dollar amount itself can be a first lien later to be levied on the platted units. Then there is an apportionment of the benefits so that no dollar amount as assessment exceeds any determination of special and peculiar benefit to the property and that the amount levied on different property owners is fair and reasonable.

The District Engineer determines the costs for the CIP and the Financial Advisor calculates an estimate of the bond amount required to finance the CIP. The Assessment Methodology associated with the CIP is a two-step process. First, the special and peculiar benefits of the CIP will be determined and imposed upon the undeveloped land within the District. Second, the per acre Assessments previously imposed will be levied on to developed and platted parcels within assessment areas for the applicable phased units in accordance with the more specific uses and special benefits peculiar to each platted parcel in the supplemental assessment methodology reports.

### **3.2 Initial Apportionment of Benefits from Systems, Facilities and Services Constituting the Heritage Harbour CIP As A System of Improvements To Land That Is Currently In An Undeveloped State**

Initially, the District is comprised of a bundle of undeveloped acres with the potential for development. The District's CIP identifies the master Infrastructure Improvements needed for the Development, which will transform the undeveloped but developable acres into developed platted parcels. Therefore, initially, there is a system of interlinked improvements necessary in order to develop each developable acre within the District, and, because the specific development cannot be initially determined on any one acre of land, each developable acre of land is benefited equally.

This “proportionate per developable acre” special benefit from the systems and facilities constituting the components of the CIP is illustrated by the fact that if all of the land were sold in its undeveloped state, its value to a willing buyer would be as a whole and would include the value of the land with development rights, adjusted for the cost of development (of which the CIP would be a significant component) and further adjusted for parcel-specific development costs.

Thus, each developable acre would be valued equally since, until development is located, development could presumably occur on any one acre as on any other. These special benefits are peculiar to the developable acres of property within the District, are assessed and imposed equally and are real even though there is no platted parcel. As development occurs and development rights are absorbed by some acres and other acres are put to other uses, including public uses, the value of the remaining acres and acres put to other uses is adjusted to reflect the development rights (and corresponding infrastructure benefits) which have been used and the effect that those uses have on the remaining undeveloped acres. As supplemental reports are issued, as described above, such reports will take into account the relative benefits derived from the use and enjoyment of the property which is given to the developed and platted property and that which is retained in the yet to be developed property.

The systems, facilities and services constituting the CIP result in special benefits peculiar to the property, whether the property is in acreage or in platted parcels. Such special and peculiar benefits include enhanced enjoyment and increased use, which may result in such positive consequences as increased value and marketability and decreased insurance premiums. The dollar amount of these special and peculiar benefits is not known but is capable of being computed with mathematical certainty in the future.

### **3.3 Assignment of Assessments**

It is useful to consider three broad states or conditions of development within the District. The initial condition is the “unplatted state”. At this point infrastructure may or may not be installed but in general, home sites or other development units have not been defined and all of the developable land within the District is considered unplatted acreage (“Unplatted Acres”). In the unplatted state, all of the lands within the District receive benefit from the components of the financed CIP and assessments would be imposed upon all of the land within the District on an equal acre basis to repay the bonds.

The second condition is the interim or “approved state”. At this point, a

developer would have received approval for a site development plan from the County. By virtue of the County granting an approval for its site development plan for a neighborhood or non-residential land, certain development rights are committed to and peculiar to that Neighborhood or non-residential land, thereby changing the character and value of the land by enhancing the capacity of the Unplatted Acres within a neighborhood or the non-residential land with the special and peculiar benefits flowing from components of the District's CIP and establishing the requisite logical connection for the flow of the special benefits peculiar to the property, while also incurring at the same time a corresponding increase in the responsibility for the payment of the levied assessment to amortize its portion of the debt associated with those improvements. Therefore, if the District has issued bonds to fund a portion of the CIP at the time a neighborhood or non-residential land receives site development plan approval, in the event that District issues bonds which have or will benefit the lands within such area, the District will designate such area, or in combination with other such areas, as an assessment area, and, pursuant to a supplemental assessment methodology report, allocate a portion of this debt to such assessment area in the "approved state". In all cases, appropriate credit shall be given for infrastructure comprising a portion of the CIP that is donated or contributed in lieu of assessments.

This apportionment of benefit in such methodology report is based on accepted practices for the fair and equitable apportionment of special and peculiar benefits in accordance with applicable laws and the procedure for the imposition, levy and collection of non ad valorem special assessments as set forth in the District Act and in conformity with State laws applicable to such assessments.

Development enters its third and "platted state", as property is platted. Land becomes platted property (the "Platted Property") when single-family units are platted or multifamily and non-residential land uses receive a building permit and a separate tax parcel identification number is issued for such parcel. At this point, and only at this point, is the use and enjoyment of the property fixed and determinable and it is only at this point that the ultimate special and peculiar benefit can be determined flowing from the components of the CIP peculiar to such platted parcel. At this point, a specific apportionment of assessment will be fixed and determinable from the supplemental assessment report.

When the development program contains a mix of residential land uses, an accepted method of allocating the costs of public infrastructure improvements to benefiting properties is through the establishment of a system that "equates" the benefit received by each property to the benefit received by a single-family unit to other unit types. To implement this technique for CIP cost allocation purposes, a base unit type must be set.

For roadways, the majority of the daily trip generation figures estimated to be produced by the land uses within the District was derived from the Institute of Transportation Engineers Trip Generation book, 7<sup>th</sup> Edition (“ITE”). Table 5 displays the fully financed cost of the District’s roadway improvements is allocated proportionately according to the estimated daily trips generated by each benefiting land use.

**Table 5: Allocation of the Roadway Costs**

<b>Unit Type</b>	<b>Units</b>	<b>Total Trips Generated</b>	<b>Total Trips Generated</b>	<b>% Total Trips Generated</b>	<b>Total Par Debt</b>
Single-family 55ft	158	9.57	1,512	14.66%	\$4,301,085
Single-family 65ft	32	9.57	306	2.97%	\$871,106
Single-family 75ft	123	9.57	1,177	11.41%	\$3,348,313
Single-family 85ft	94	9.57	900	8.72%	\$2,558,873
Town/Coach	348	6.70	2,332	22.61%	\$6,632,283
Multifamily	610	6.70	4,087	39.63%	\$11,625,554
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>10,314</b>	<b>100.00%</b>	<b>\$29,337,215</b>

Source: Fishkind & Associates

Water management and utility systems that provide potable water and sanitary sewer services are sized based on the volumes expected to be generated by each type of development. A property’s usage of reclaimed water was also considered when assigning a weighted run-off value based of front footage. Table 6 illustrates the allocation of the par debt for the water management and utility improvements to each benefactor unit type.

**Table 6: Allocation of the Water And Utility System Costs**

<b>Unit Type</b>	<b>Units</b>	<b>Run Off</b>	<b>Weighted Acres</b>	<b>% Weighted Acres</b>	<b>Total Par Debt</b>
Single-family 55ft	158	50%	3.50	18.98%	\$2,703,993
Single-family 65ft	32	55%	0.69	3.73%	\$531,141
Single-family 75ft	123	60%	2.55	13.83%	\$1,970,052
Single-family 85ft	94	70%	2.10	11.39%	\$1,622,396
Town/Coach	348	40%	3.60	19.53%	\$2,781,250
Multifamily	610	40%	6.00	32.54%	\$4,635,416
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>18.44</b>	<b>100.00%</b>	<b>\$14,244,247</b>

Source: Fishkind & Associates

For earthwork, landscape/irrigation, lighting, and all other probable costs the base unit will be assigned an Equivalent Residential Unit Factor (“ERU Factor”) of “1” beginning with the base single-family residential unit. This represents a certain amount of relative benefit that is received by the base unit on account of the implementation of the District’s CIP. The ERU Factor for unit types other than the base unit will be determined based on the benefit each unit type receives from the District’s CIP relative to the base unit. The use of ERU Factors to estimate the benefit derived from public infrastructure improvements is recognized as a fair and reasonable method for apportioning benefit. The allocation of the District’s CIP costs according to these ERU values is found in Table 7 for earthwork and lighting financed costs.

**Table 7: Allocation of the Earthwork and Electric/Lighting Costs**

Unit Type	Units	ERUs/Unit	Total ERUs	% ERUs	Total Par Debt
Single-family 55ft	158	1.00	158.00	11.18%	\$1,976,611
Single-family 65ft	32	1.18	37.80	2.67%	\$472,849
Single-family 75ft	123	1.36	167.57	11.85%	\$2,096,274
Single-family 85ft	94	1.54	145.09	10.26%	\$1,815,066
Town/Coach	348	0.91	315.22	22.30%	\$3,943,431
Multifamily	610	0.97	590.11	41.74%	\$7,382,376
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>1,413.78</b>	<b>100.00%</b>	<b>\$17,686,607</b>

Source: Fishkind & Associates and Developer

For Table 8 the landscaping and irrigation estimates include the landscape, streetscape, landscape, and common area improvement costs including the irrigation systems required to support such enhancements.

**Table 8: Allocation of the Landscaping, Irrigation, and Other Costs**

Unit Type	Units	ERUs/Unit	Total ERUs	% ERUs	Total Par Debt
Single-family 55ft	158	1.00	158.00	11.16%	\$2,453,940
Single-family 65ft	32	1.25	40.00	2.82%	\$621,251
Single-family 75ft	123	1.36	167.57	11.83%	\$2,602,499
Single-family 85ft	94	1.54	145.09	10.25%	\$2,253,384
Town/Coach	348	0.91	315.22	22.26%	\$4,895,724
Multifamily	610	0.97	590.11	41.67%	\$9,165,133
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>1,415.98</b>	<b>100.00%</b>	<b>\$21,991,931</b>

Source: Fishkind & Associates and Developer

In all ERU derivations the single-family unit was selected here as the base unit and has been assigned an ERU value of "1". The multifamily units are expected to be smaller in area and developed in higher densities than the single-family units, and have been assigned ERU values accordingly.

The District will contain a golf course, clubhouse space, and a maintenance facility that will be owned, operated, and funded by the homeowner's association/property owner's association ("HOA/POA") serving the lands within the District. As such, the golf course and related facilities will be funded by HOA/POA fees paid exclusively by the residents within the District. Assessing the golf course and related facilities for a portion of the cost of the District's CIP would thus create a "double tax" on other assessable properties in the District, who would be required to fund any assessments levied on property owned by the HOA/POA. Consistent with this sentiment and Florida Statutes governing the issue, the golf course and related clubhouse space and maintenance facilities will not be assessed.

Each unit annual par debt per unit outlined in Table 9 represents the resulting allocation of the total cost of financing the District's CIP based upon the trips generation, weighted run-off and ERU values described above. The CIP cost allocations found in Table 9 will be assigned on a rolling basis as properties within the District are contained in a plat. Each unit's "Par Debt per Unit" allocation may be satisfied by an assessment of long-term par bond debt (typically with a 30-year term), short-term par bond debt (typically having a term of 5 to 10 years), a contribution of components of the District's CIP or related interests in land, or any combination of the above. Total par debt assessments for sold units will be adjusted in the supplemental methodology analysis.

**Table 9: Total Allocation of Debt for Heritage Harbor North CIP**

<b>Unit Type</b>	<b>Units</b>	<b>Total Par Debt</b>	<b>Total Par Debt/Unit</b>	<b>Annual Par Debt/Unit</b>
Single-family 55ft	158	\$11,435,628	\$72,377	\$5,258.14
Single-family 65ft	32	\$2,496,347	\$78,011	\$5,667.40
Single-family 75ft	123	\$10,017,138	\$81,440	\$5,916.54
Single-family 85ft	94	\$8,249,719	\$87,763	\$6,375.88
Town/Coach	348	\$18,252,688	\$52,450	\$3,810.45
Multifamily	610	\$32,808,479	\$53,784	\$3,907.38
	=====	=====	=====	=====
<b>Total</b>	1,365	\$83,260,000		

### 3.4 Assignment of Long Term Assessments

Each unit within the District has been assigned an annual long-term assessment as outlined on Table 10. Again, regarding long-term debt the District intends to finance some the CIP through the issuance of tax-exempt bonds. Therefore, it is estimated that the District may issue a total of \$83,260,000 in long-term bonds to fund the implementation of the CIP.

**Table 10: The Heritage Harbour North Community Development District Long Term Bond Financing Programs**

<b>Series 2007 A</b>		<b>Series 2007 B</b>	
<b>Bond Components</b>	<b>Funds</b>	<b>Bond Component</b>	<b>Funds</b>
Construction Fund	\$20,331,067	Construction Fund	\$49,810,933
Debt Service Reserve	\$1,819,200	Debt Service Reserve	\$1,594,313
Capitalized Interest	\$2,530,458	Capitalized Interest	\$5,474,717
Cost of Issuance	\$225,000	Cost of Issuance	\$225,000
Underwriter's Discount	\$379,275	Underwriter's Discount	\$869,625
Rounding	\$0	Rounding	\$412
	=====		=====
<b>Total Par Debt</b>	<b>\$25,285,000</b>	<b>Total Par Debt</b>	<b>\$57,975,000</b>

Source: Prager, Sealy & Company

Source: Prager, Sealy & Company

As outlined in Table 11 all residential units receive varying long-term annual assessment levels. Each unit has assigned net or administrative costs adjusted annual long-term assessment will finance a portion of the \$25,285,000 par debt of the Series 2007A Bonds.

**Table 11: The Heritage Harbour North Community Development District 2007 Series A Bond Financing Programs**

<b>Unit Type</b>	<b>Units</b>	<b>Annual Assessment Per Unit</b>	<b>Net Annual Assessment Per Unit*</b>	<b>Par Debt Assessment Per Unit</b>	<b>Total Amortized Debt Per Unit</b>
Single-family 55ft	158	\$1,380	\$1,297	\$18,027	\$2,848,232
Single-family 65ft	32	\$1,630	\$1,532	\$21,293	\$681,360
Single-family 75ft	123	\$1,880	\$1,767	\$24,558	\$3,020,663
Single-family 85ft	94	\$2,130	\$2,002	\$27,824	\$2,615,452
Town/Coach	348	\$1,355	\$1,274	\$17,700	\$6,159,675
Multifamily	610	\$1,250	\$1,175	\$16,329	\$9,959,618
	=====				
<b>Total</b>	<b>1,365</b>				<b>\$25,285,000</b>

\*Adjusted 6% for administrative charges



The portion of the total par debt allocation per unit not satisfied by an assessment of Series 2007A Bond par debt will be satisfied by an assessment of short-term Series 2007B Bond par debt as shown in Table 12. For example, as outlined in Table 12, all single-family 55' units have been allocated \$72,377 of the total cost of the District's CIP. Table 11 outlines that single-family 50' will be assigned \$18,027 in Series 2007A Bond par debt. Thus, the resulting Series 2007B Bond par debt assessment is \$54,350 for each of the single-family 50' units. This Series 2007B Bond par debt assessment will satisfy the remainder of each unit's allocation of the total cost of the District's CIP (\$81,585 in total CIP cost allocation for Single Family 100' units) after the Series 2007A Bond par debt assessment assigned to that unit is deducted. Table 12 contains the par assessment information indicating how each unit's allocation of the total cost of the District's CIP will be satisfied. The Developer anticipates contributing capital in lieu of 2007B Bond debt assessments on previously sold units.

**Table 12: The Heritage Harbour North Community Development District Long Term Bond Financing Programs**

<b>Unit Type</b>	<b>Units</b>	<b>Total Par Assessment/Unit</b>	<b>Par Assessment Available for A Bond</b>	<b>Par Assessment Available for B Bond</b>	<b>Par Assessment B Bond Debt Per Unit</b>
Single-family 55ft	158	\$72,377	\$18,027	\$54,351	\$11,435,628
Single-family 65ft	32	\$78,011	\$21,293	\$56,718	\$2,496,347
Single-family 75ft	123	\$81,440	\$24,558	\$56,882	\$10,017,138
Single-family 85ft	94	\$87,763	\$27,824	\$59,939	\$8,249,719
Town/Coach	348	\$52,450	\$17,700	\$34,750	\$18,252,688
Multifamily	610	\$53,784	\$16,329	\$37,456	\$32,808,479
	=====				=====
<b>Total</b>	1,365				\$83,260,000

#### 4.0 Assessment Determination

#### 4.1 Special and Peculiar Benefit to the Property

Construction, installation and/or acquisition by the District of its proposed CIP constituting systems, facilities and services which are provided in differing amounts and are dependent on the type of land use receiving the special benefits peculiar to those properties which flow from the logical relationship to the properties.

One example of this differentiation is the concept that various land uses will generate differing demands on the District's proposed roadway infrastructure. Another example is that it can be demonstrated that each land use will receive a different level of surface water benefit that relates to that land use's density and intensity of development.

These determinations are reviewed in the light of the special and peculiar benefits peculiar to the property which flow to the properties as a result of their logical connection from the improvements in fact actually provided.

The special and peculiar benefits within an assessment area of a phased unit shall be determined relative to each parcel of land and identified for each improvement in accordance with a supplemental methodology report.

#### **4.2 Reasonable and Fair Apportionment of the Duty to Pay**

The special and peculiar benefits from the component systems and facilities of the District's CIP have been determined and apportioned to the developable land on an equal acre basis. As land receives certain development approvals as described in this Report, the benefits will be apportioned as provided in supplemental methodology reports

The duty to pay the non-ad valorem special assessments during the initial period as set forth above is fairly and reasonably apportioned because the special and peculiar benefits to the property flowing from the acquisition and/or construction of the District's CIP (and the concomitant responsibility for the payment of the resultant and allocated debt) have been apportioned to the property according to the reasonable estimates of the special and peculiar benefits including enhanced enjoyment and increased use, which may result in such positive consequences as increased value and marketability and decreased insurance premiums and conferred on the land as provided by the District's CIP for the reasons set forth above.

Accordingly, no acre of property within the District will be assessed for the payment of any non-ad valorem special assessment pursuant to this Methodology in an amount greater than the determined special benefit peculiar to that property and having a nexus to the value of the property or the use and enjoyment thereof.

#### **5.0 True-Up Mechanism**

Table 1 above follows the Engineer's Report outlines that the developable acres within the District total approximately 167.81 of the 877.23 gross acres located within the District. These 167.81 acres are planned to contain the residential tracts, clubhouse tracts, and golf course, among

other development, will be termed “Developable Acreage”. In order to assure that the District’s unassigned bond debt will not build up on unplatted Developable Acreage, the District shall apply the following test.

The test is that the debt per developable acre remaining on the unplatted land is never allowed to increase above a ceiling debt per Developable Acre level. Initially, the ceiling level of debt per Developable Acre is calculated as the total amount of par bond debt divided by the number of Developable Acres within the District. It is estimated that the District will issue a total of \$88,235,000 in par bond debt. If \$88,235,000 in debt is issued as anticipated, the debt ceiling level would be calculated as \$88,235,000 divided by the approximately 167.81 Developable Acres in the District, equaling \$480,112 per Developable Acre. Thus, every time the test is applied, the debt on the land remaining on the unplatted Developable Acreage must remain less than or equal to \$480,112 per acre. If not, the District would require a density reduction payment in an amount sufficient to reduce the remaining debt per developable acre to the ceiling amount. The ceiling level of debt will be recalculated at the time of issuance for each series of bonds.

This test shall first be applied at the earlier of the completion of the platting of 25% of the Developable Acreage within the District. The second and third tests shall be applied platting of 50%, 75% and 90% of the developable acreage within the District, respectively. The final test shall be applied at the earlier of the platting of 100% of the residential units within the District or the platting of 100% of the developable acreage within the District.

If at the time the 25%, 50%, 75%, or 90% tests are given it is determined that the ceiling debt is breached, the District may suspend the true up payment if the landowners can show that there is sufficient development potential in the remaining acreage to build the densities required to amortize the bonds. A determination of the suspension of a required true up payment will be made at the sole discretion of the District.

## **6.0 Clarifications and Amplifications**

All assessments levied run with the land. It is the responsibility of the landowner of record to make or cause to be made any required true up payments due. The District will not release any liens on property for which true up payments are due until provision for such payment has been satisfactorily made.

The owner of record at the time the annual assessment roll is developed will have the responsibility to make the annual assessment payments, but in all cases true up payments must be made to enable the District to meet its debt service obligations.

A determination of a true up payment will be at the sole discretion of the District.

## 7.0 Preliminary Assessment Roll

As described above, the debt associated with the District’s CIP will be initially distributed on a Developable Acre basis across the Developable Acreage within the District. As plats are approved, lots will be assessed in the manner described herein. Table 13 provides the preliminary assessment roll based on Manatee County Property Appraiser assigned tax parcel identification numbers for the lands within the District.

**Table 13: Preliminary Assessment Roll**

Heritage Harbour North CDD	Total Developable Acreage	Total Par Debt Amount	Total Annual Payment	Total Administrative Charges	Total Annual Payment
See Legal	167.81	\$83,260,000	\$5,728,737	\$498,151	\$6,226,888

The appendix attached to this report (the “Appendix”) illustrates the District’s preliminary non-ad valorem assessment roll and allocates the portion of the District’s debt funding of the financed CIP to each of the assessable lots within the District. The appendix contains the par assessment information indicating how each unit’s allocation of the total cost of the District’s CIP will be satisfied. The Developer anticipates contributing capital in lieu of 2007B Bond debt assessments on previously sold units.

[The Appendix is found on the following page]

**APPENDIX**

**Heritage Harbour North Community Development District  
Preliminary Assessment Roll**

No.	Parcel ID	Acres	Series A Par Debt Assessment	Series B Par Debt Assessment	Total Par Debt Assessment	Net Annual Debt Assessment	Annual Par Debt Assessment
1	1102060709	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
2	1102060759	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
3	1102060809	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
4	1102060859	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
5	1102060909	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
6	1102061009	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
7	1102061059	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
8	1102061109	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
9	1102061159	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
10	1102061209	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
11	1102061259	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
12	1102061309	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
13	1102061359*	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
14	1102061409	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
15	1102061459	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
16	1102061559	0.21	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
17	1102061609	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
18	1102061659	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
19	1102061709*	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
20	1102061759	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
21	1102061809	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
22	1102061859	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
23	1102061959*	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
24	1102062009	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
25	1102062059	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
26	1102062109	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
27	1102062209	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
28	1102062259	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
29	1102062359	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
30	1102062409	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
31	1102062459	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
32	1102062509	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
33	1102062559	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380

34	1102062609	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
35	1102062659	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
36	1102062709	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
37	1102062759	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
38	1102062809	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
39	1102062859	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
40	1102062909	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
41	1102062959	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
42	1102063009	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
43	1102063059	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
44	1102063109	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
45	1102063159	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
46	1102063209	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
47	1102063259	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
48	1102063309	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
49	1102063359	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
50	1102063409	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
51	1102063459	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
52	1102063509	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
53	1102063559	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
54	1102063609	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
55	1102063659	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
56	1102063709	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
57	1102063759	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
58	1102063809	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
59	1102063859	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
60	1102063909	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
61	1102063959	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
62	1102064009	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
63	1102064059	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
64	1102064109	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
65	1102064159	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
66	1102064209	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
67	1102064259	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
68	1102064309	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
69	1102064359	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
70	1102064409	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
71	1102064459	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
72	1102064509	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
73	1102064559	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380

74	1102064609	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
75	1102064659	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
76	1102064709	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
77	1102064759	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
78	1102064809	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
79	1102064859	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
80	1102064909	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
81	1102064959	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
82	1102065009	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
83	1102065059	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
84	1102065109	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
85	1102065159	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
86	1102065209	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
87	1102065259	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
88	1102065309	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
89	1102065359	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
90	1102065459*	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
91	1102065659	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
92	1102065709	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
93	1102065759	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
94	1102065859	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
95	1102078709	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
96	1102078759	0.19	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
97	1102078809	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
98	1102078859	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
99	1102078909	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
100	1102078959	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
101	1102079009	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
102	1102079059	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
103	1102079109	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
104	1102079159	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
105	1102079209	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
106	1102079259	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
107	1102079309	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
108	1102079359	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
109	1102079409	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
110	1102079459	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
111	1102079509	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
112	1102079559	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
113	1102079609	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380

114	1102079659	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
115	1102079709	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
116	1102079759	0.24	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
117	1102079809	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
118	1102079859	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
119	1102079909	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
120	1102079959	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
121	1102080009	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
122	1102080059	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
123	1102080109	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
124	1102080159	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
125	1102080209	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
126	1102080259	0.23	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
127	1102080309	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
128	1102080359	0.18	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
129	1102080409	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
130	1102080459	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
131	1102080509	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
132	1102080559	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
133	1102080609	0.22	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
134	1102080659	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
135	1102080709	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
136	1102080759	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
137	1102080809	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
138	1102080859	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
139	1102080909	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
140	1102080959	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
141	1102081009	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
142	1102081059	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
143	1102081109	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
144	1102081159	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
145	1102081209	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
146	1102081259	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
147	1102081309	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
148	1102081359	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
149	1102060959*	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
150	1102061509*	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
151	1102061909*	0.16	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
152	1102062159*	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
153	1102062309*	0.15	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380



154	1102065409*	0.20	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
155	1102065509*	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
156	1102065559*	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
157	1102065609*	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
158	1102065809*	0.17	\$18,027	\$54,351	\$72,378	\$1,297	\$1,380
159	1102081409	0.17	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
160	1102081459	0.27	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
161	1102081509	0.31	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
162	1102081559	0.22	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
163	1102081609	0.19	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
164	1102081659	0.19	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
165	1102081709	0.19	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
166	1102081759	0.19	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
167	1102081809	0.20	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
168	1102081859	0.33	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
169	1102081909	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
170	1102081959	0.27	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
171	1102082009	0.28	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
172	1102082059	0.27	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
173	1102082109	0.27	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
174	1102082159	0.20	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
175	1102082209	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
176	1102082259	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
177	1102082309	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
178	1102082359	0.19	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
179	1102082409	0.20	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
180	1102082459	0.20	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
181	1102082509	0.20	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
182	1102082559	0.18	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
183	1102082609	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
184	1102082659	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
185	1102082709	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
186	1102082759	0.22	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
187	1102082809	0.22	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
188	1102082859	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
189	1102082909	0.21	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
190	1102082959	0.17	\$21,293	\$56,718	\$78,011	\$1,532	\$1,630
191	1102058109	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
192	1102058159	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
193	1102058209	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880

194	1102058259	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
195	1102058309	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
196	1102058359	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
197	1102058409	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
198	1102058459	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
199	1102058509	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
200	1102058559	0.28	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
201	1102058609	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
202	1102058659	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
203	1102058709	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
204	1102058759	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
205	1102058809	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
206	1102058859*	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
207	1102058909*	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
208	1102058959	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
209	1102059059	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
210	1102059109	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
211	1102059159	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
212	1102059259	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
213	1102059309	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
214	1102059359	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
215	1102059409	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
216	1102059459	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
217	1102059509	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
218	1102059559	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
219	1102059609	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
220	1102059659	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
221	1102059709	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
222	1102059759	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
223	1102059809	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
224	1102059859	0.27	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
225	1102059909	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
226	1102059959	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
227	1102060009	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
228	1102060059	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
229	1102060109	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
230	1102060159	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
231	1102060209	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
232	1102060259	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
233	1102060309	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880

234	1102060359	0.29	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
235	1102060409	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
236	1102060459	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
237	1102060509	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
238	1102060559	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
239	1102060609	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
240	1102060659	0.19	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
241	1102075209	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
242	1102075259	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
243	1102075309	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
244	1102075359	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
245	1102075409	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
246	1102075459	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
247	1102075509	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
248	1102075559	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
249	1102075609	0.30	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
250	1102075659	0.29	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
251	1102075709	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
252	1102075759	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
253	1102075809	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
254	1102075859	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
255	1102075909	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
256	1102075959	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
257	1102076009	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
258	1102076059	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
259	1102076109	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
260	1102076159	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
261	1102076209	0.27	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
262	1102076259	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
263	1102076309	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
264	1102076359	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
265	1102076409	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
266	1102076459	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
267	1102076509	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
268	1102076559	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
269	1102076609	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
270	1102076659	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
271	1102076709	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
272	1102076759	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
273	1102076809	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880

274	1102076859	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
275	1102076909	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
276	1102076959	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
277	1102077009	0.25	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
278	1102077059	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
279	1102077109	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
280	1102077159	0.30	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
281	1102077209	0.27	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
282	1102077259	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
283	1102077309	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
284	1102077359	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
285	1102077409	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
286	1102077459	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
287	1102077509	0.28	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
288	1102077559	0.31	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
289	1102077609	0.31	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
290	1102077659	0.35	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
291	1102077709	0.33	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
292	1102077759	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
293	1102077809	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
294	1102077859	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
295	1102077909	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
296	1102077959	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
297	1102078009	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
298	1102078059	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
299	1102078109	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
300	1102078159	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
301	1102078209	0.26	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
302	1102078259	0.24	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
303	1102078309	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
304	1102078359	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
305	1102078409	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
306	1102078459	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
307	1102078509	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
308	1102078559	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
309	1102078609	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
310	1102078659	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
311	1102058059	0.21	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
312	1102059009*	0.22	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880
313	1102059209*	0.23	\$24,558	\$56,882	\$81,440	\$1,767	\$1,880

314	1102071059	0.37	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
315	1102071109	0.37	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
316	1102071159	0.37	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
317	1102071209	0.37	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
318	1102071259	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
319	1102071309	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
320	1102071359	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
321	1102071409	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
322	1102071459	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
323	1102071509	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
324	1102071559	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
325	1102071609	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
326	1102071659	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
327	1102071709	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
328	1102071759	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
329	1102071809	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
330	1102071859	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
331	1102071909	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
332	1102071959	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
333	1102072009	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
334	1102072059	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
335	1102072109	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
336	1102072159	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
337	1102072209	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
338	1102072259	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
339	1102072309	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
340	1102072359	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
341	1102072409	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
342	1102072459	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
343	1102072509	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
344	1102072559	0.33	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
345	1102072609	0.33	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
346	1102072659	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
347	1102072709	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
348	1102072759	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
349	1102072809	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
350	1102072859	0.42	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
351	1102072909	0.47	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
352	1102072959	0.47	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
353	1102073009	0.47	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130

354	1102073059	0.37	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
355	1102073109	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
356	1102073159	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
357	1102073209	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
358	1102073259	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
359	1102073309	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
360	1102073359	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
361	1102073409	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
362	1102073459	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
363	1102073509	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
364	1102073559	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
365	1102073609	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
366	1102073659	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
367	1102073709	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
368	1102073759	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
369	1102073809	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
370	1102073859	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
371	1102073909	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
372	1102073959	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
373	1102074009	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
374	1102074059	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
375	1102074109	0.28	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
376	1102074159	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
377	1102074209	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
378	1102074259	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
379	1102074309	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
380	1102074359	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
381	1102074409	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
382	1102074459	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
383	1102074509	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
384	1102074559	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
385	1102074609	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
386	1102074659	0.27	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
387	1102074709	0.30	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
388	1102074759	0.31	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
389	1102074809	0.31	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
390	1102074859	0.31	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
391	1102074909	0.31	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
392	1102074959	0.31	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
393	1102075009	0.32	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130

394	1102075059	0.32	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
395	1102075109	0.31	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
396	1102075159	0.29	\$27,824	\$59,939	\$87,763	\$2,002	\$2,130
397	1101800059**	79.85	\$16,425,332	\$35,601,143	\$52,026,475	\$1,199,471	\$1,318,431
	<b>Total</b>	167.81	\$25,285,000	\$57,975,000	\$83,260,000	\$1,836,928	\$1,996,661

\*Represents assessments for previously sold units having Series B debt accruing to the District.

\*\*The land located within 1101800059 represents assessable units within the District either owned by the Developer or is not recorded by the Property Appraiser and assessed as such.

**SUPPLEMENTAL  
ASSESSMENT  
METHODOLOGY  
HERITAGE HARBOUR NORTH  
COMMUNITY DEVELOPMENT  
DISTRICT**

**October 10, 2007**

**Prepared for the**

**Board of Supervisors of the  
Heritage Harbour North  
Community Development District**

**Prepared by**

**Fishkind & Associates, Inc.  
12051 Corporate Boulevard  
Orlando, Florida 32817  
407-382-3256**



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**SUPPLEMENTAL ASSESSMENT METHODOLOGY  
HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT  
October 10, 2007**

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**1.0 Introduction**

**1.1 Purpose**

This report (“Report”) provides a supplemental assessment methodology for allocating the debt incurred by the Heritage Harbour North District Community Development District (the “District”) to provide capital infrastructure improvements to all benefiting properties within the District. This Report applies the principles and allocations contained within the Board of Supervisors approved Revised Master Assessment Methodology Heritage Harbour North Community Development District dated January 22, 2007 (“Master Report”) to allocate debt associated with funding the capital improvement plan (“CIP”). Furthermore, the Ceiling Level of debt set in the Master Report is revised in this Report with the adoption of the updated Engineer’s Report for the Heritage Harbour North Community Development District, dated September 2007 (“Engineer’s Report”) presented by Banks Engineering (the “District Engineer”).

The District has issued its Capital Improvement Bonds Series 2007 (the “Series 2007 Bonds”) as part of its financing plan for its infrastructure requirements. The District’s debt-funded capital infrastructure improvements are necessary to enable development of property within the District. By making development of property within the District possible, the District creates benefits to these properties. The supplemental methodology described herein allocates the District’s debt to properties based upon the special benefits each receives from the planned infrastructure program. In this case, the properties receiving benefit include 100% of the developable land that lies within the District.

The methodology herein is intended to set forth a framework to apportion the special and peculiar benefits from the portions of the CIP financed with the proceeds of the District’s Series 2007 Bonds payable from and secured by non-ad valorem special assessments (the “Assessments”) imposed and levied on the properties. The report is designed to conform to the requirements of Chapters 170 and 197, F.S. and Florida laws with respect to benefit assessments and is consistent with our understanding of the case law regarding this subject.

**1.2 Background**

The District, which was approved by the Manatee County Board of County Commissioners, encompasses approximately 877.23 acres located to the north

of Port Harbour Parkway, east of Cypress Creek Estates and west of Waterlefe in Manatee County, Florida. The lands within the District are being developed into a residential golf course community known as River Strand Golf and Country Club (the “Development”) which is planned to include 1,365 single-family, town/coach and multifamily residential units on nearly 167.81 developable acres. In addition, the Development is planned to include a 27-hole golf course, clubhouse, maintenance facility along with the infrastructure necessary to support the land uses included within the District. A breakdown of the land uses planned for the lands within the District presented in the updated Engineer’s Report categorized by phased periods is provided in Table 1.

**Table 1: Heritage Harbour North CDD Land Use Development Plan**

Phase/Sub-phase	Single-family 85ft	Single-family 75ft	Single-family 65ft	Single-family 55ft	Town/Coach	Multifamily	Total
<b>Phase I</b>							
Sub-phase E	0	53	0	104	56	0	213
Sub-phase F	83	70	32	54	96	0	335
Sub-phase I	0	0	0	0	0	90	90
	83	123	32	158	152	90	638
<b>Phase II</b>							
Sub-phase G	11	0	0	0	196	520	727
<b>Total</b>	94	123	32	158	348	610	1,365

Source: Banks Engineering, September 2007

The Developer anticipates development of the lands to occur over two phases. Phase I includes Sub-phases E, F and I while Phase II includes Sub-phase G. The information appearing in the Table 1 illustrates the number of planned units by phase, sub-phase, and detailed product type documented in the Engineer’s Report. The District’s adopted land plan is subject to change based on market conditions and other factors.

### 1.3 Proposed District Capital Infrastructure Plan

Based upon the land use plan provided by the Developer (detailed in Table 1), the District Engineer has revised the adopted CIP for the construction planned for the District. The updated CIP costs remain phased over two periods and are summarized in Table 2. The District Engineer’s new estimated cost of the CIP is \$64,642,000 and represents an integrated system of capital infrastructure improvements benefiting all property within the District consisting of earthwork, water management, offsite utilities, other related onsite/offsite capital improvements, and associated professional/contingency fees.

**Table 2: District Engineer’s Estimated Phased Costs for The District’s Capital Improvement Program**

<b>District Infrastructure</b>	<b>Phase I Cost Estimate</b>	<b>Phase II Cost Estimate</b>	<b>Total CIP Cost Estimate</b>
Water Management	\$5,500,000	\$2,215,000	\$7,715,000
Off-site Water Management	\$200,000	\$100,000	\$300,000
Earthwork	\$11,000,000	\$1,000,000	\$12,000,000
Off-site Earthwork	\$1,600,000	\$300,000	\$1,900,000
Off-site Roadway	\$2,000,000	\$18,000,000	\$20,000,000
Potable Water	\$1,500,000	\$1,200,000	\$2,700,000
Sanitary Sewer	\$1,500,000	\$500,000	\$2,000,000
Off-site Utilities	\$4,500,000	\$500,000	\$5,000,000
Off-site Landscape/Irrigation	\$1,200,000	\$450,000	\$1,650,000
Professional Fees	\$3,000,000	\$1,000,000	\$4,000,000
Off-site Professional Fees	\$750,000	\$750,000	\$1,500,000
Contingency	\$3,275,000	\$2,602,000	\$5,877,000
	=====	=====	=====
<b>Total</b>	<b>\$36,025,000</b>	<b>\$28,617,000</b>	<b>\$64,642,000</b>

Source : Banks Engineering Report, September 2007

The District issued total par debt amount of \$24,000,000 to implement a portion of the District’s approved CIP with repayment to be allocated proportionately across all benefiting properties within the boundary of the District based on valid assessments. This Report provides the supplemental assessment methodology for ascertaining and determining the special benefit conferred by the improvements to the District’s capital infrastructure upon all assessable properties (“Property”) within the Heritage Harbour North development.

#### **1.4 Requirements of a Valid Assessment Methodology**

Valid special assessments under Florida law require two things. First, the properties assessed must receive a special benefit from the improvements paid for via the assessments. Second, the assessments must be fairly and reasonably allocated to the properties being assessed.

If these two characteristics of valid special assessments are adhered to, Florida law provides wide latitude to legislative bodies, such as the District’s Board of Supervisors, in approving special assessments. Indeed, Florida courts have found that mathematical perfection is probably impossible. Only if the Board was to act in an arbitrary, capricious or grossly unfair fashion would its assessment methodology be overturned.

## **1.5 Special Benefits and General Benefits**

Improvements undertaken by the District create both: (1) special benefits to properties within its borders and (2) general benefits to properties outside the District. However, as discussed below, these general benefits are incidental in nature and are readily distinguishable from the special benefits which accrue to property within Heritage Harbour North. The capital infrastructure program of the District enables properties within its boundaries to be developed. Without the District's CIP, a portion of the capital infrastructure required to support development of land in the District would not be available. Without these planned capital improvements, development of property within the District as contemplated would be prohibited by law.

## **1.6 Special Benefits Exceed the Costs Allocated to Pay for Them**

In the case of Heritage Harbour North, the value of the special benefits provided by the District's improvement program is far greater than the costs associated with providing these same benefits. While the public and property owners outside the District will benefit from the provision of District infrastructure, these benefits are incidental to the special benefits derived from property within the District's CIP. This fact distinguishes the special benefits which District properties receive compared to those properties lying outside of the District's boundaries and establishes that the Board's approved CIP has a nexus to the value, use and enjoyment of the lands within the District that far exceeds the costs of providing these special benefits.

## **2.0 Assessment Methodology**

### **2.1 Overview**

As noted above, the supplemental assessment methodology is a process by which the District will allocate the costs associated with its improvement program to properties within the District benefiting from the improvements. The allocation is based upon the benefits that each property receives. At the outset, the District has based its improvement program on the land uses the Developer plans for the Development. Given all planned developable properties are known, therefore the District will impose assessments on a per unit basis across all developable properties within the boundaries of the District. Subsequently, the District will assign assessments to all properties using the assessment methodology described below.

### **2.2 The District's Revised Capital Improvement Plan and the District Engineer's Updated Estimate of Cost**

The District has financed a portion or all of its CIP through the issuance of tax-exempt bonds. As shown in Table 3, it is estimated that the District may issue

approximately \$77,545,000 in bonds to fund the implementation of the revised CIP. A number of items comprise the estimated bond size required to fund the \$64,642,000 in construction funds necessary to complete the District’s CIP. These items may include, but are not limited to, a period of capitalized interest, a debt service reserve, an underwriter’s discount, issuance costs, and rounding. The bonds funding the District’s CIP requirements will take the form of two or more series as described in more detail below. Table 3 outlines the total estimated amount of par bond debt required to fund the District’s CIP.

As the financing plan is implemented in this supplemental assessment report detailing the particulars of each specific bond issue will detail the terms, interest rates, and costs associated with a specific series of bonds, the level of funding for the construction/acquisition account, the capitalized interest account, the debt service reserve fund account, as well as the underwriter’s discount, and issuance costs.

**Table 3: The Heritage Harbour North Community Development District Bond Financing Program**

<b>Bond Component</b>	<b>Funds</b>
Construction Fund	\$64,642,000
Debt Service Reserve	\$6,031,662
Capitalized Interest	\$5,530,119
Cost of Issuance	\$175,000
Underwriter's Discount	\$1,163,175
Rounding	\$3,044
	=====
<b>Total Par Debt</b>	<b>\$77,545,000</b>

Source: Prager, Sealy & Company

The construction costs shown above in Table 2 reflect the total estimated construction costs for the District Infrastructure improvements. This capital infrastructure is actually designed and will operate as a consistent system serving all of the developable property in Heritage Harbour North. For example, the offsite roadway system, regardless of when a specific section of roadway is constructed, will benefit all of the developable property in the District. This pattern is also true for all of the other major infrastructure systems comprising the master portion of the CIP.

When the development program contains a mix of residential land uses, an accepted method of allocating the costs of public infrastructure improvements to benefiting properties is through the establishment of a system that “equates” the benefit received by each property to the benefit received by a single-family unit to other unit types. To implement this technique for the revised CIP cost allocation purposes, a base unit type must be set. For the offsite roadways, the

majority of the daily trip generation figures estimated to be produced by the land uses within the District was derived from the Institute of Transportation Engineers Trip Generation book, 7<sup>th</sup> Edition (“ITE”). Table 4 displays the fully financed cost of the District’s roadway improvements is allocated proportionately according to the estimated daily trips generated by each benefiting land use.

**Table 4: Allocation of the Offsite Roadway Costs**

Unit Type	Units	Total Trips Generated	Total Trips Generated	% Total Trips Generated	Total Par Debt
Single-family 55ft	158	9.57	1,512	14.66%	\$3,517,452
Single-family 65ft	32	9.57	306	2.97%	\$712,395
Single-family 75ft	123	9.57	1,177	11.41%	\$2,738,270
Single-family 85ft	94	9.57	900	8.72%	\$2,092,661
Town/Coach	348	6.70	2,332	22.61%	\$5,423,919
Multifamily	610	6.70	4,087	39.63%	\$9,507,444
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>10,314</b>	<b>100.00%</b>	<b>\$23,992,141</b>

Source: Fishkind & Associates

Water management systems that provide potable water and sanitary sewer services are sized based on the volumes expected to be generated by each type of development. A property’s usage of reclaimed water was also considered when assigning a weighted run-off value based of front footage. Table 5 illustrates the allocation of the par debt for the water management and offsite utilities improvements to each benefactor unit type.

**Table 5: Allocation of the Water Management and Offsite Utilities Costs**

Unit Type	Units	Run Off	Weighted Acres	% Weighted Acres	Total Par Debt
Single-family 55ft	158	50%	3.50	18.98%	\$4,034,096
Single-family 65ft	32	55%	0.69	3.73%	\$792,412
Single-family 75ft	123	60%	2.55	13.83%	\$2,939,127
Single-family 85ft	94	70%	2.10	11.39%	\$2,420,457
Town/Coach	348	40%	3.60	19.53%	\$4,149,355
Multifamily	610	40%	6.00	32.54%	\$6,915,592
	=====		=====	=====	=====
<b>Total</b>	<b>158</b>		<b>18.44</b>	<b>100.00%</b>	<b>\$21,251,039</b>

Source: Fishkind & Associates

For earthwork, offsite landscape/irrigation/utilities and all other probable costs the base unit will be assigned an Equivalent Residential Unit factor (“ERU”) of “1” beginning with the base single-family residential unit. This represents a certain amount of relative benefit that is received by the base unit on account of the implementation of the District’s CIP. The ERU factor for unit types other than the base unit will be determined based on the benefit each unit type receives from the District’s CIP relative to the base unit. The use of ERU factors to estimate the benefit derived from public infrastructure improvements is recognized as a fair and reasonable method for apportioning benefit. The allocation of the District’s CIP costs according to these derived ERU values are found in Table 6 for the earthwork financed costs.

**Table 6: Allocation of the Earthwork Costs**

<b>Unit Type</b>	<b>Units</b>	<b>ERUs/Unit</b>	<b>Total ERUs</b>	<b>% ERUs</b>	<b>Total Par Debt</b>
Single-family 55ft	158	1.00	158.00	11.18%	\$1,863,505
Single-family 65ft	32	1.18	37.80	2.67%	\$445,792
Single-family 75ft	123	1.36	167.57	11.85%	\$1,976,320
Single-family 85ft	94	1.54	145.09	10.26%	\$1,711,204
Town/Coach	348	0.91	315.22	22.30%	\$3,717,779
Multifamily	610	0.97	590.11	41.74%	\$6,959,939
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>1,413.78</b>	<b>100.00%</b>	<b>\$16,674,538</b>

Source: Fishkind & Associates and Developer

For Table 7, the offsite landscaping/irrigation costs include the offsite landscape improvement costs including the irrigation systems required to support such enhancements and all contingency, onsite and offsite professional fees.

**Table 7: Allocation of Offsite Landscaping/Irrigation and Other Costs**

<b>Unit Type</b>	<b>Units</b>	<b>ERUs/Unit</b>	<b>Total ERUs</b>	<b>% ERUs</b>	<b>Total Par Debt</b>
Single-family 55ft	158	1.00	158.00	11.16%	\$1,743,749
Single-family 65ft	32	1.25	40.00	2.82%	\$441,455
Single-family 75ft	123	1.36	167.57	11.83%	\$1,849,314
Single-family 85ft	94	1.54	145.09	10.25%	\$1,601,236
Town/Coach	348	0.91	315.22	22.26%	\$3,478,860
Multifamily	610	0.97	590.11	41.67%	\$6,512,667
	=====		=====	=====	=====
<b>Total</b>	<b>1,365</b>		<b>1,415.98</b>	<b>100.00%</b>	<b>\$15,627,281</b>

Source: Fishkind & Associates and Developer

In all ERU derivations the single-family unit was selected here as the base unit and has been assigned an ERU value of "1". The multifamily units are expected to be smaller in area and developed in higher densities than the single-family units, and have been assigned ERU values accordingly.

The development will contain a golf course, clubhouse space, and a maintenance facility that will be owned, operated, and funded by the homeowner’s association/property owner’s association (“HOA/POA”) serving the lands within the District. As such, the golf course and related facilities will be funded by HOA/POA fees paid exclusively by the residents within the District. Assessing the golf course and related facilities for a portion of the cost of the District’s CIP would thus create a “double tax” on other assessable properties in the District, who would be required to fund any assessments levied on property owned by the HOA/POA. Consistent with this sentiment and Florida Statutes governing the issue, the golf course and related clubhouse space and maintenance facilities are not assessed.

Each unit annual par debt per unit outlined in Table 8 represents the resulting allocation of the total cost of financing the District’s CIP based upon the trips generation, weighted run-off and ERU values described above. The CIP cost allocations found in Table 8 will be assigned on a rolling basis as properties within the District are contained in a plat. Each unit’s “Par Debt per Unit” allocation may be satisfied by an assessment of long-term par bond debt (typically with a 30-year term), short-term par bond debt (typically having a term of 5 to 10 years), a contribution of components of the District’s CIP or related interests in land, or any combination of the above.

**Table 8: Total Allocation of Debt for Heritage Harbor North CIP**

<b>Unit Type</b>	<b>Units</b>	<b>Total Par Debt</b>	<b>Total Par Debt/Unit</b>	<b>Annual Par Debt/Unit</b>
Single-family 55ft	158	\$11,158,801	\$70,625	\$5,549
Single-family 65ft	32	\$2,392,054	\$74,752	\$5,873
Single-family 75ft	123	\$9,503,031	\$77,260	\$6,071
Single-family 85ft	94	\$7,825,558	\$83,251	\$6,541
Town/Coach	348	\$16,769,914	\$48,189	\$3,786
Multifamily	610	\$29,895,642	\$49,009	\$3,851
	=====	=====		
<b>Total</b>	1,365	\$77,545,000		

**2.2 The District’s Series 2007 Financed Capital Improvement Plan**

Based upon the land use plan for Heritage Harbour North created by the Developer, the District Engineer has generated an estimated CIP cost structure for the implementation of capital infrastructure improvements within the District.



Based on the District’s CIP requirements, the Financial Advisor has designed a financing program to provide an estimate of the approximate construction funding needed to implement a portion of the District’s CIP. Table 9 provides a summary of the estimated amount of bond debt needed to fund a portion of the CIP plan designated by the District Engineer. As shown in Table 9, the District issued Series 2007 Bonds in the principal par amount of \$24,000,000 to fund a portion of the CIP as documented in detail in this Report.

**Table 9: The Heritage Harbour North Community Development District Series 2007 Bond Financing Program**

<b>Series 2007 Bond Components</b>	<b>Funds</b>
Construction Fund	\$20,059,311
Debt Service Reserve	\$1,797,503
Capitalized Interest	\$1,491,626
Underwriter's Discount	\$360,000
Cost of Issuance	\$208,000
Issuance Discount	\$81,360
Rounding	\$2,200
	=====
<b>Total Par Amount</b>	<b>\$24,000,000</b>

Prager, Sealy & Co.

The financing components include debt service reserve, a period of capitalized interest, an underwriter’s discount, and issuance costs. The debt service reserve account is set initially at the lesser maximum annual debt service; close to 7.5% of the proceeds of the bonds or approximately 100% of average annual debt service. The bond sizing includes capitalized interest to pay interest coming due on the Series 2007 Bonds through November 1, 2008. This provides sufficient time for the District to complete the initial phase of the CIP. The underwriter’s discount is 1.5% of the total par amount of the Series 2007 Bonds. This allowance compensates the underwriter for taking the risks involved in purchasing the District’s bonds. The cost of issuance pays for the Trustee, Financial Advisor, District Counsel, District Engineer, Bond Counsel, and other costs associated with issuing the District's Series 2007 Bonds.

**2.3 Allocation and Apportionment to Benefiting Properties**

The discussion offered below illustrates the process by which the District will allocate debt incurred to support the portion of the CIP it will provide. Given that the specific uses of land within the District are determined, the District’s debt will be allocated on a per unit basis across all benefiting properties in the District consistent with this supplemental assessment report.

As noted in this Report, as long as two basic principles are adhered to, Florida law allows the District’s Board great latitude in determining the appropriate assessment methodology to allocate the costs of its planned CIP to benefiting

properties within the District. The two principals are: (1) the properties being assessed must receive a special benefit from the District’s financed portion of the CIP and (2) the assessments allocated to each property must be fairly and reasonably apportioned among benefiting properties. In apportioning special assessment costs to benefiting property Florida governments have initiated a variety of methods including, but not limited to front footage, equivalent residential units, area, dwelling units, acreage, and value.

## 2.4 Debt Allocation for Infrastructure Costs

The District has financed a portion of the CIP through the issuance of its Series 2007 Bonds. Previously shown in Table 9, it is estimated that the District intends to issue its Series 2007 Bonds in the principal par amount of \$24,000,000 to fund a portion of the CIP. Each unit net annual debt service per unit outlined in Table 10 represents the resulting debt allocation of the total annual cost of financing the District’s proposed CIP based upon the method described in the Master Report. The par debt allocations found in Table 10 will be assigned on all assessable properties within the District. Each unit’s “Total Par Debt/Unit” allocation is satisfied either by an assessment of long-term par bond debt (typically with a 30-year term), capital contribution of components of the District’s CIP or related interests in land, or any combination of the above. Administrative costs are estimated to include a 4% discount for early payment and an estimated 3% collection fee levied by Manatee County government.

**Table 10: Allocation of Series 2007 Bonds for Heritage Harbour North Community Development District**

Category	Units	Total Par Debt	Total Par Debt/Unit	Net Annual Debt Service/Unit	Estimated Administrative Charges	Total Annual Debt Service
Single-Family 55'	158	\$2,703,394	\$17,110	\$1,283	\$97	\$1,380
Single-Family 65'	32	\$646,712	\$20,210	\$1,516	\$114	\$1,630
Single-Family 75'	123	\$2,867,056	\$23,309	\$1,748	\$132	\$1,880
Single-Family 85'	94	\$2,482,451	\$26,409	\$1,981	\$149	\$2,130
TH/Coach	348	\$5,846,443	\$16,800	\$1,260	\$95	\$1,355
Condo	610	\$9,453,944	\$15,498	\$1,163	\$88	\$1,250
	=====	=====				
<b>Total</b>	1,365	\$24,000,000				

Source: Prager, Sealy & Co., and Fishkind & Associates

Each unit net annual debt service per unit outlined in Table 10 represents the resulting debt allocation of the total annual cost of financing the District’s proposed CIP based upon the revised Debt Ceiling derived in this Report. Therefore, a plat containing a single-family 55ft unit would be allocated principal debt of \$17,110 and a total annual debt of \$1,380 to pay for its apportioned

share of the Series 2007 Bonds. Table 11 contains the total par assessment information incorporating the Series 2007 Bonds and indicating how each unit's allocation of the total cost of the District's financed CIP will be satisfied.

**Table 11: The Heritage Harbour North Community Development District Bond Financing Programs**

<b>Unit Type</b>	<b>Units</b>	<b>Total Par Assessment/Unit</b>	<b>Par Assessment Available for Series 2007 Bonds</b>	<b>Par Assessment Available for Future Bonds</b>	<b>Par Assessment Total Bond Debt Per Unit Type</b>
Single-family 55ft	158	\$70,625	\$17,110	\$53,515	\$11,158,801
Single-family 65ft	32	\$74,752	\$20,210	\$54,542	\$2,392,054
Single-family 75ft	123	\$77,260	\$23,309	\$53,951	\$9,503,031
Single-family 85ft	94	\$83,251	\$26,409	\$56,842	\$7,825,558
Town/Coach	348	\$48,189	\$16,800	\$31,389	\$16,769,914
Multifamily	610	\$49,009	\$15,498	\$33,511	\$29,895,642
	=====				=====
<b>Total</b>	1,365				\$77,545,000

**2.5 Procedures for Retainage Subaccount**

A portion of the proceeds of the Series 2007 Bonds will be deposited in a retainage subaccount of the 2007 acquisition and construction account and will only be transferred into the general subaccount of the 2007 acquisition and construction account to pay for a portion of the project costs upon receipt of written certification from the District Engineer. This amount represents the principal amount of the 2007 assessments allocable to the Phase II units less the allocable portion of the 2007 reserve account.

**3.0 Supplemental Assessment Determination**

**3.1 Special and Peculiar Benefit to the Property**

Construction, installation and/or acquisition by the District of its proposed CIP constituting systems, facilities and services which are provided in differing amounts and are dependent on the type of land use receiving the special benefits peculiar to those properties which flow from the logical relationship to the properties.

One example of this differentiation is the concept that various land uses will generate differing demands on the District's proposed roadway infrastructure. Another example is that it can be demonstrated that each land use will receive a different level of surface water benefit that relates to that land use's density and intensity of development.

These determinations are reviewed in the light of the special and peculiar benefits peculiar to the property which flow to the properties as a result of their logical connection from the improvements in fact actually provided.

The special and peculiar benefits within an assessment area of a phased unit shall be determined relative to each parcel of land and identified for each improvement in accordance with this supplemental methodology report.

### **3.2 Reasonable and Fair Apportionment of the Duty to Pay**

The special and peculiar benefits from the component systems and facilities of the District's CIP have been determined and apportioned to the developable land on an equal acre basis. As land receives certain development approvals as described in this Report, the benefits will be apportioned as provided in this supplemental methodology report.

The duty to pay the non-ad valorem special assessments during the initial period as set forth above is fairly and reasonably apportioned because the special and peculiar benefits to the property flowing from the acquisition and/or construction of the District's CIP (and the concomitant responsibility for the payment of the resultant and allocated debt) have been apportioned to the property according to the reasonable estimates of the special and peculiar benefits including enhanced enjoyment and increased use, which may result in such positive consequences as increased value and marketability and decreased insurance premiums and conferred on the land as provided by the District's CIP for the reasons set forth above.

Accordingly, no property within the District will be assessed for the payment of any non-ad valorem special assessment pursuant to this Report in an amount greater than the determined special benefit peculiar to that property and having a nexus to the value of the property or the use and enjoyment thereof.

### **4.0 True-Up Mechanism**

The Engineer's Report outlines that the developable acres within the District total approximately 167.81 of the 877.23 gross acres located within the District. These 167.81 acres will be termed "Developable Acreage" and to assure that the District's unassigned bond debt will not build up on unplatted Developable Acreage, the District shall apply the following test.

The test is that the debt per developable acre remaining on the unplatted land is never allowed to increase above a ceiling debt per Developable Acre level. Initially, the ceiling level of debt per Developable Acre is calculated as the total amount of par bond debt divided by the number of Developable Acres within the District. For example, with \$24,000,000 in total par debt issued, the debt ceiling level is calculated as \$24,000,000 divided by the approximately 167.81

Developable Acres in the District, equaling an estimated \$143,019 per Developable Acre. Thus, every time the test is applied, the debt on the land remaining on the unplatted Developable Acreage must remain less than or equal to \$143,019 per acre. If not, the District would require a density reduction payment in an amount sufficient to reduce the remaining debt per developable acre to the ceiling amount. The ceiling level of debt will be recalculated at the time of issuance for each series of bonds.

This test shall first be applied at the earlier of the completion of the platting of 25% of the Developable Acres or residential units within the District. The second and third tests shall be applied platting of 50%, 75% and 90% of the developable units within the District, respectively. The final test shall be applied at the earlier of the platting of 100% of the residential units within the District.

If at the time the 25%, 50%, 75%, or 90% tests are given it is determined that the ceiling debt is breached, the District may suspend the true up payment if the landowners can show that there is sufficient development potential in the remaining acreage to build the densities required to amortize the bonds. A determination of the suspension of a required true up payment will be made at the sole discretion of the District.

## **5.0 Clarifications and Amplifications**

All assessments levied run with the land. It is the responsibility of the landowner of record to make or cause to be made any required true up payments due. The District will not release any liens on property for which true up payments are due until provision for such payment has been satisfactorily made.

The owner of record at the time the annual assessment roll is developed will have the responsibility to make the annual assessment payments, but in all cases true up payments must be made to enable the District to meet its debt service obligations.

A determination of a true up payment will be at the sole discretion of the District.

## **6.0 Annual Assessment Roll**

As described above, the debt associated with financing the Series 2007 Bonds will be distributed on a parcel basis across the platted units within the District; individual units will be assessed in the manner described herein. Table 12 provides the final annual assessment summary for all assessable units within the District.

**Table 12: Annual Assessment Roll Heritage Harbour North Community Development District**

Heritage Harbour North CDD	Total Assessable Units	Total Par Debt Amount	Total Annual Payment	Total Administrative Charges	Total Annual Payment
Residential	1,365	\$24,000,000	\$1,800,201	\$135,499	\$1,935,700

Based on based on Manatee County Property Appraiser’s assigned tax parcel identification numbers for all assessable units within the District, the appendix attached to this report (the “Appendix”) illustrates the District’s non-ad valorem assessment roll and allocates the portion of the District’s debt funding of the financed CIP to each of the assessable lots within the District. The appendix contains the par assessment information indicating how each unit’s allocation of the total cost of the Series 2007 Bonds will be satisfied.

[The Appendix is found on the following page]

**APPENDIX**

**Heritage Harbour North Community Development District  
Series 2007 Bonds Assessment Roll**

No.	Parcel ID	Series 2007 Par Debt Assessment	Net Annual Debt Assessment	Annual Par Debt Assessment	No.	Parcel ID	Series 2007 Par Debt Assessment	Net Annual Debt Assessment	Annual Par Debt Assessment
1	1102060709	\$17,110	\$1,283	\$1,380	199	1102058559	\$23,309	\$1,748	\$1,880
1	1102060759	\$17,110	\$1,283	\$1,380	200	1102058609	\$23,309	\$1,748	\$1,880
2	1102060809	\$17,110	\$1,283	\$1,380	201	1102058659	\$23,309	\$1,748	\$1,880
3	1102060859	\$17,110	\$1,283	\$1,380	202	1102058709	\$23,309	\$1,748	\$1,880
4	1102060909	\$17,110	\$1,283	\$1,380	203	1102058759	\$23,309	\$1,748	\$1,880
5	1102061009	\$17,110	\$1,283	\$1,380	204	1102058809	\$23,309	\$1,748	\$1,880
6	1102061059	\$17,110	\$1,283	\$1,380	205	1102058859*	\$23,309	\$1,748	\$1,880
7	1102061109	\$17,110	\$1,283	\$1,380	206	1102058909*	\$23,309	\$1,748	\$1,880
8	1102061159	\$17,110	\$1,283	\$1,380	207	1102058959	\$23,309	\$1,748	\$1,880
9	1102061209	\$17,110	\$1,283	\$1,380	208	1102059059	\$23,309	\$1,748	\$1,880
10	1102061259	\$17,110	\$1,283	\$1,380	209	1102059109	\$23,309	\$1,748	\$1,880
11	1102061309	\$17,110	\$1,283	\$1,380	210	1102059159	\$23,309	\$1,748	\$1,880
12	1102061359*	\$17,110	\$1,283	\$1,380	211	1102059259	\$23,309	\$1,748	\$1,880
13	1102061409	\$17,110	\$1,283	\$1,380	212	1102059309	\$23,309	\$1,748	\$1,880
14	1102061459	\$17,110	\$1,283	\$1,380	213	1102059359	\$23,309	\$1,748	\$1,880
15	1102061559	\$17,110	\$1,283	\$1,380	214	1102059409	\$23,309	\$1,748	\$1,880
16	1102061609	\$17,110	\$1,283	\$1,380	215	1102059459	\$23,309	\$1,748	\$1,880
17	1102061659	\$17,110	\$1,283	\$1,380	216	1102059509	\$23,309	\$1,748	\$1,880
18	1102061709*	\$17,110	\$1,283	\$1,380	217	1102059559	\$23,309	\$1,748	\$1,880
19	1102061759	\$17,110	\$1,283	\$1,380	218	1102059609	\$23,309	\$1,748	\$1,880
20	1102061809	\$17,110	\$1,283	\$1,380	219	1102059659	\$23,309	\$1,748	\$1,880
21	1102061859	\$17,110	\$1,283	\$1,380	220	1102059709	\$23,309	\$1,748	\$1,880
22	1102061959*	\$17,110	\$1,283	\$1,380	221	1102059759	\$23,309	\$1,748	\$1,880
23	1102062009	\$17,110	\$1,283	\$1,380	222	1102059809	\$23,309	\$1,748	\$1,880
24	1102062059	\$17,110	\$1,283	\$1,380	223	1102059859	\$23,309	\$1,748	\$1,880
25	1102062109	\$17,110	\$1,283	\$1,380	224	1102059909	\$23,309	\$1,748	\$1,880
26	1102062209	\$17,110	\$1,283	\$1,380	225	1102059959	\$23,309	\$1,748	\$1,880
27	1102062259	\$17,110	\$1,283	\$1,380	226	1102060009	\$23,309	\$1,748	\$1,880
28	1102062359	\$17,110	\$1,283	\$1,380	227	1102060059	\$23,309	\$1,748	\$1,880
29	1102062409	\$17,110	\$1,283	\$1,380	228	1102060109	\$23,309	\$1,748	\$1,880
30	1102062459	\$17,110	\$1,283	\$1,380	229	1102060159	\$23,309	\$1,748	\$1,880
31	1102062509	\$17,110	\$1,283	\$1,380	230	1102060209	\$23,309	\$1,748	\$1,880
32	1102062559	\$17,110	\$1,283	\$1,380	231	1102060259	\$23,309	\$1,748	\$1,880
33	1102062609	\$17,110	\$1,283	\$1,380	232	1102060309	\$23,309	\$1,748	\$1,880
34	1102062659	\$17,110	\$1,283	\$1,380	233	1102060359	\$23,309	\$1,748	\$1,880
35	1102062709	\$17,110	\$1,283	\$1,380	234	1102060409	\$23,309	\$1,748	\$1,880
36	1102062759	\$17,110	\$1,283	\$1,380	235	1102060459	\$23,309	\$1,748	\$1,880

Supplemental Assessment Methodology for the Heritage Harbour North Community Development District

37	1102062809	\$17,110	\$1,283	\$1,380	236	1102060509	\$23,309	\$1,748	\$1,880
38	1102062859	\$17,110	\$1,283	\$1,380	237	1102060559	\$23,309	\$1,748	\$1,880
39	1102062909	\$17,110	\$1,283	\$1,380	238	1102060609	\$23,309	\$1,748	\$1,880
40	1102062959	\$17,110	\$1,283	\$1,380	239	1102060659	\$23,309	\$1,748	\$1,880
41	1102063009	\$17,110	\$1,283	\$1,380	240	1102075209	\$23,309	\$1,748	\$1,880
42	1102063059	\$17,110	\$1,283	\$1,380	241	1102075259	\$23,309	\$1,748	\$1,880
43	1102063109	\$17,110	\$1,283	\$1,380	242	1102075309	\$23,309	\$1,748	\$1,880
44	1102063159	\$17,110	\$1,283	\$1,380	243	1102075359	\$23,309	\$1,748	\$1,880
45	1102063209	\$17,110	\$1,283	\$1,380	244	1102075409	\$23,309	\$1,748	\$1,880
46	1102063259	\$17,110	\$1,283	\$1,380	245	1102075459	\$23,309	\$1,748	\$1,880
47	1102063309	\$17,110	\$1,283	\$1,380	246	1102075509	\$23,309	\$1,748	\$1,880
48	1102063359	\$17,110	\$1,283	\$1,380	247	1102075559	\$23,309	\$1,748	\$1,880
49	1102063409	\$17,110	\$1,283	\$1,380	248	1102075609	\$23,309	\$1,748	\$1,880
50	1102063459	\$17,110	\$1,283	\$1,380	249	1102075659	\$23,309	\$1,748	\$1,880
51	1102063509	\$17,110	\$1,283	\$1,380	250	1102075709	\$23,309	\$1,748	\$1,880
52	1102063559	\$17,110	\$1,283	\$1,380	251	1102075759	\$23,309	\$1,748	\$1,880
53	1102063609	\$17,110	\$1,283	\$1,380	252	1102075809	\$23,309	\$1,748	\$1,880
54	1102063659	\$17,110	\$1,283	\$1,380	253	1102075859	\$23,309	\$1,748	\$1,880
55	1102063709	\$17,110	\$1,283	\$1,380	254	1102075909	\$23,309	\$1,748	\$1,880
56	1102063759	\$17,110	\$1,283	\$1,380	255	1102075959	\$23,309	\$1,748	\$1,880
57	1102063809	\$17,110	\$1,283	\$1,380	256	1102076009	\$23,309	\$1,748	\$1,880
58	1102063859	\$17,110	\$1,283	\$1,380	257	1102076059	\$23,309	\$1,748	\$1,880
59	1102063909	\$17,110	\$1,283	\$1,380	258	1102076109	\$23,309	\$1,748	\$1,880
60	1102063959	\$17,110	\$1,283	\$1,380	259	1102076159	\$23,309	\$1,748	\$1,880
61	1102064009	\$17,110	\$1,283	\$1,380	260	1102076209	\$23,309	\$1,748	\$1,880
62	1102064059	\$17,110	\$1,283	\$1,380	261	1102076259	\$23,309	\$1,748	\$1,880
63	1102064109	\$17,110	\$1,283	\$1,380	262	1102076309	\$23,309	\$1,748	\$1,880
64	1102064159	\$17,110	\$1,283	\$1,380	263	1102076359	\$23,309	\$1,748	\$1,880
65	1102064209	\$17,110	\$1,283	\$1,380	264	1102076409	\$23,309	\$1,748	\$1,880
66	1102064259	\$17,110	\$1,283	\$1,380	265	1102076459	\$23,309	\$1,748	\$1,880
67	1102064309	\$17,110	\$1,283	\$1,380	266	1102076509	\$23,309	\$1,748	\$1,880
68	1102064359	\$17,110	\$1,283	\$1,380	267	1102076559	\$23,309	\$1,748	\$1,880
69	1102064409	\$17,110	\$1,283	\$1,380	268	1102076609	\$23,309	\$1,748	\$1,880
70	1102064459	\$17,110	\$1,283	\$1,380	269	1102076659	\$23,309	\$1,748	\$1,880
71	1102064509	\$17,110	\$1,283	\$1,380	270	1102076709	\$23,309	\$1,748	\$1,880
72	1102064559	\$17,110	\$1,283	\$1,380	271	1102076759	\$23,309	\$1,748	\$1,880
73	1102064609	\$17,110	\$1,283	\$1,380	272	1102076809	\$23,309	\$1,748	\$1,880
74	1102064659	\$17,110	\$1,283	\$1,380	273	1102076859	\$23,309	\$1,748	\$1,880
75	1102064709	\$17,110	\$1,283	\$1,380	274	1102076909	\$23,309	\$1,748	\$1,880
76	1102064759	\$17,110	\$1,283	\$1,380	275	1102076959	\$23,309	\$1,748	\$1,880
77	1102064809	\$17,110	\$1,283	\$1,380	276	1102077009	\$23,309	\$1,748	\$1,880
78	1102064859	\$17,110	\$1,283	\$1,380	277	1102077059	\$23,309	\$1,748	\$1,880
79	1102064909	\$17,110	\$1,283	\$1,380	278	1102077109	\$23,309	\$1,748	\$1,880
80	1102064959	\$17,110	\$1,283	\$1,380	279	1102077159	\$23,309	\$1,748	\$1,880



Supplemental Assessment Methodology for the Heritage Harbour North Community Development District

81	1102065009	\$17,110	\$1,283	\$1,380	280	1102077209	\$23,309	\$1,748	\$1,880
82	1102065059	\$17,110	\$1,283	\$1,380	281	1102077259	\$23,309	\$1,748	\$1,880
83	1102065109	\$17,110	\$1,283	\$1,380	282	1102077309	\$23,309	\$1,748	\$1,880
84	1102065159	\$17,110	\$1,283	\$1,380	283	1102077359	\$23,309	\$1,748	\$1,880
85	1102065209	\$17,110	\$1,283	\$1,380	284	1102077409	\$23,309	\$1,748	\$1,880
86	1102065259	\$17,110	\$1,283	\$1,380	285	1102077459	\$23,309	\$1,748	\$1,880
87	1102065309	\$17,110	\$1,283	\$1,380	286	1102077509	\$23,309	\$1,748	\$1,880
88	1102065359	\$17,110	\$1,283	\$1,380	287	1102077559	\$23,309	\$1,748	\$1,880
89	1102065459*	\$17,110	\$1,283	\$1,380	288	1102077609	\$23,309	\$1,748	\$1,880
90	1102065659	\$17,110	\$1,283	\$1,380	289	1102077659	\$23,309	\$1,748	\$1,880
91	1102065709	\$17,110	\$1,283	\$1,380	290	1102077709	\$23,309	\$1,748	\$1,880
92	1102065759	\$17,110	\$1,283	\$1,380	291	1102077759	\$23,309	\$1,748	\$1,880
93	1102065859	\$17,110	\$1,283	\$1,380	292	1102077809	\$23,309	\$1,748	\$1,880
94	1102078709	\$17,110	\$1,283	\$1,380	293	1102077859	\$23,309	\$1,748	\$1,880
95	1102078759	\$17,110	\$1,283	\$1,380	294	1102077909	\$23,309	\$1,748	\$1,880
96	1102078809	\$17,110	\$1,283	\$1,380	295	1102077959	\$23,309	\$1,748	\$1,880
97	1102078859	\$17,110	\$1,283	\$1,380	296	1102078009	\$23,309	\$1,748	\$1,880
98	1102078909	\$17,110	\$1,283	\$1,380	297	1102078059	\$23,309	\$1,748	\$1,880
99	1102078959	\$17,110	\$1,283	\$1,380	298	1102078109	\$23,309	\$1,748	\$1,880
100	1102079009	\$17,110	\$1,283	\$1,380	299	1102078159	\$23,309	\$1,748	\$1,880
101	1102079059	\$17,110	\$1,283	\$1,380	300	1102078209	\$23,309	\$1,748	\$1,880
102	1102079109	\$17,110	\$1,283	\$1,380	301	1102078259	\$23,309	\$1,748	\$1,880
103	1102079159	\$17,110	\$1,283	\$1,380	302	1102078309	\$23,309	\$1,748	\$1,880
104	1102079209	\$17,110	\$1,283	\$1,380	303	1102078359	\$23,309	\$1,748	\$1,880
105	1102079259	\$17,110	\$1,283	\$1,380	304	1102078409	\$23,309	\$1,748	\$1,880
106	1102079309	\$17,110	\$1,283	\$1,380	305	1102078459	\$23,309	\$1,748	\$1,880
107	1102079359	\$17,110	\$1,283	\$1,380	306	1102078509	\$23,309	\$1,748	\$1,880
108	1102079409	\$17,110	\$1,283	\$1,380	307	1102078559	\$23,309	\$1,748	\$1,880
109	1102079459	\$17,110	\$1,283	\$1,380	308	1102078609	\$23,309	\$1,748	\$1,880
110	1102079509	\$17,110	\$1,283	\$1,380	309	1102078659	\$23,309	\$1,748	\$1,880
111	1102079559	\$17,110	\$1,283	\$1,380	310	1102058059	\$23,309	\$1,748	\$1,880
112	1102079609	\$17,110	\$1,283	\$1,380	311	1102059009*	\$23,309	\$1,748	\$1,880
113	1102079659	\$17,110	\$1,283	\$1,380	312	1102059209*	\$23,309	\$1,748	\$1,880
114	1102079709	\$17,110	\$1,283	\$1,380	313	1102071059	\$26,409	\$1,981	\$2,130
115	1102079759	\$17,110	\$1,283	\$1,380	314	1102071109	\$26,409	\$1,981	\$2,130
116	1102079809	\$17,110	\$1,283	\$1,380	315	1102071159	\$26,409	\$1,981	\$2,130
117	1102079859	\$17,110	\$1,283	\$1,380	316	1102071209	\$26,409	\$1,981	\$2,130
118	1102079909	\$17,110	\$1,283	\$1,380	317	1102071259	\$26,409	\$1,981	\$2,130
119	1102079959	\$17,110	\$1,283	\$1,380	318	1102071309	\$26,409	\$1,981	\$2,130
120	1102080009	\$17,110	\$1,283	\$1,380	319	1102071359	\$26,409	\$1,981	\$2,130
121	1102080059	\$17,110	\$1,283	\$1,380	320	1102071409	\$26,409	\$1,981	\$2,130
122	1102080109	\$17,110	\$1,283	\$1,380	321	1102071459	\$26,409	\$1,981	\$2,130
123	1102080159	\$17,110	\$1,283	\$1,380	322	1102071509	\$26,409	\$1,981	\$2,130
124	1102080209	\$17,110	\$1,283	\$1,380	323	1102071559	\$26,409	\$1,981	\$2,130

Supplemental Assessment Methodology for the Heritage Harbour North Community Development District

125	1102080259	\$17,110	\$1,283	\$1,380	324	1102071609	\$26,409	\$1,981	\$2,130
126	1102080309	\$17,110	\$1,283	\$1,380	325	1102071659	\$26,409	\$1,981	\$2,130
127	1102080359	\$17,110	\$1,283	\$1,380	326	1102071709	\$26,409	\$1,981	\$2,130
128	1102080409	\$17,110	\$1,283	\$1,380	327	1102071759	\$26,409	\$1,981	\$2,130
129	1102080459	\$17,110	\$1,283	\$1,380	328	1102071809	\$26,409	\$1,981	\$2,130
130	1102080509	\$17,110	\$1,283	\$1,380	329	1102071859	\$26,409	\$1,981	\$2,130
131	1102080559	\$17,110	\$1,283	\$1,380	330	1102071909	\$26,409	\$1,981	\$2,130
132	1102080609	\$17,110	\$1,283	\$1,380	331	1102071959	\$26,409	\$1,981	\$2,130
133	1102080659	\$17,110	\$1,283	\$1,380	332	1102072009	\$26,409	\$1,981	\$2,130
134	1102080709	\$17,110	\$1,283	\$1,380	333	1102072059	\$26,409	\$1,981	\$2,130
135	1102080759	\$17,110	\$1,283	\$1,380	334	1102072109	\$26,409	\$1,981	\$2,130
136	1102080809	\$17,110	\$1,283	\$1,380	335	1102072159	\$26,409	\$1,981	\$2,130
137	1102080859	\$17,110	\$1,283	\$1,380	336	1102072209	\$26,409	\$1,981	\$2,130
138	1102080909	\$17,110	\$1,283	\$1,380	337	1102072259	\$26,409	\$1,981	\$2,130
139	1102080959	\$17,110	\$1,283	\$1,380	338	1102072309	\$26,409	\$1,981	\$2,130
140	1102081009	\$17,110	\$1,283	\$1,380	339	1102072359	\$26,409	\$1,981	\$2,130
141	1102081059	\$17,110	\$1,283	\$1,380	340	1102072409	\$26,409	\$1,981	\$2,130
142	1102081109	\$17,110	\$1,283	\$1,380	341	1102072459	\$26,409	\$1,981	\$2,130
143	1102081159	\$17,110	\$1,283	\$1,380	342	1102072509	\$26,409	\$1,981	\$2,130
144	1102081209	\$17,110	\$1,283	\$1,380	343	1102072559	\$26,409	\$1,981	\$2,130
145	1102081259	\$17,110	\$1,283	\$1,380	344	1102072609	\$26,409	\$1,981	\$2,130
146	1102081309	\$17,110	\$1,283	\$1,380	345	1102072659	\$26,409	\$1,981	\$2,130
147	1102081359	\$17,110	\$1,283	\$1,380	346	1102072709	\$26,409	\$1,981	\$2,130
148	1102060959*	\$17,110	\$1,283	\$1,380	347	1102072759	\$26,409	\$1,981	\$2,130
149	1102061509*	\$17,110	\$1,283	\$1,380	348	1102072809	\$26,409	\$1,981	\$2,130
150	1102061909*	\$17,110	\$1,283	\$1,380	349	1102072859	\$26,409	\$1,981	\$2,130
151	1102062159*	\$17,110	\$1,283	\$1,380	350	1102072909	\$26,409	\$1,981	\$2,130
152	1102062309*	\$17,110	\$1,283	\$1,380	351	1102072959	\$26,409	\$1,981	\$2,130
153	1102065409*	\$17,110	\$1,283	\$1,380	352	1102073009	\$26,409	\$1,981	\$2,130
154	1102065509*	\$17,110	\$1,283	\$1,380	353	1102073059	\$26,409	\$1,981	\$2,130
155	1102065559*	\$17,110	\$1,283	\$1,380	354	1102073109	\$26,409	\$1,981	\$2,130
156	1102065609*	\$17,110	\$1,283	\$1,380	355	1102073159	\$26,409	\$1,981	\$2,130
157	1102065809*	\$17,110	\$1,283	\$1,380	356	1102073209	\$26,409	\$1,981	\$2,130
158	1102081409	\$20,210	\$1,516	\$1,630	357	1102073259	\$26,409	\$1,981	\$2,130
159	1102081459	\$20,210	\$1,516	\$1,630	358	1102073309	\$26,409	\$1,981	\$2,130
160	1102081509	\$20,210	\$1,516	\$1,630	359	1102073359	\$26,409	\$1,981	\$2,130
161	1102081559	\$20,210	\$1,516	\$1,630	360	1102073409	\$26,409	\$1,981	\$2,130
162	1102081609	\$20,210	\$1,516	\$1,630	361	1102073459	\$26,409	\$1,981	\$2,130
163	1102081659	\$20,210	\$1,516	\$1,630	362	1102073509	\$26,409	\$1,981	\$2,130
164	1102081709	\$20,210	\$1,516	\$1,630	363	1102073559	\$26,409	\$1,981	\$2,130
165	1102081759	\$20,210	\$1,516	\$1,630	364	1102073609	\$26,409	\$1,981	\$2,130
166	1102081809	\$20,210	\$1,516	\$1,630	365	1102073659	\$26,409	\$1,981	\$2,130
167	1102081859	\$20,210	\$1,516	\$1,630	366	1102073709	\$26,409	\$1,981	\$2,130
168	1102081909	\$20,210	\$1,516	\$1,630	367	1102073759	\$26,409	\$1,981	\$2,130

169	1102081959	\$20,210	\$1,516	\$1,630	368	1102073809	\$26,409	\$1,981	\$2,130
170	1102082009	\$20,210	\$1,516	\$1,630	369	1102073859	\$26,409	\$1,981	\$2,130
171	1102082059	\$20,210	\$1,516	\$1,630	370	1102073909	\$26,409	\$1,981	\$2,130
172	1102082109	\$20,210	\$1,516	\$1,630	371	1102073959	\$26,409	\$1,981	\$2,130
173	1102082159	\$20,210	\$1,516	\$1,630	372	1102074009	\$26,409	\$1,981	\$2,130
174	1102082209	\$20,210	\$1,516	\$1,630	373	1102074059	\$26,409	\$1,981	\$2,130
175	1102082259	\$20,210	\$1,516	\$1,630	374	1102074109	\$26,409	\$1,981	\$2,130
176	1102082309	\$20,210	\$1,516	\$1,630	375	1102074159	\$26,409	\$1,981	\$2,130
177	1102082359	\$20,210	\$1,516	\$1,630	376	1102074209	\$26,409	\$1,981	\$2,130
178	1102082409	\$20,210	\$1,516	\$1,630	377	1102074259	\$26,409	\$1,981	\$2,130
179	1102082459	\$20,210	\$1,516	\$1,630	378	1102074309	\$26,409	\$1,981	\$2,130
180	1102082509	\$20,210	\$1,516	\$1,630	379	1102074359	\$26,409	\$1,981	\$2,130
181	1102082559	\$20,210	\$1,516	\$1,630	380	1102074409	\$26,409	\$1,981	\$2,130
182	1102082609	\$20,210	\$1,516	\$1,630	381	1102074459	\$26,409	\$1,981	\$2,130
183	1102082659	\$20,210	\$1,516	\$1,630	382	1102074509	\$26,409	\$1,981	\$2,130
184	1102082709	\$20,210	\$1,516	\$1,630	383	1102074559	\$26,409	\$1,981	\$2,130
185	1102082759	\$20,210	\$1,516	\$1,630	384	1102074609	\$26,409	\$1,981	\$2,130
186	1102082809	\$20,210	\$1,516	\$1,630	385	1102074659	\$26,409	\$1,981	\$2,130
187	1102082859	\$20,210	\$1,516	\$1,630	386	1102074709	\$26,409	\$1,981	\$2,130
188	1102082909	\$20,210	\$1,516	\$1,630	387	1102074759	\$26,409	\$1,981	\$2,130
189	1102082959	\$20,210	\$1,516	\$1,630	388	1102074809	\$26,409	\$1,981	\$2,130
190	1102058109	\$23,309	\$1,748	\$1,880	389	1102074859	\$26,409	\$1,981	\$2,130
191	1102058159	\$23,309	\$1,748	\$1,880	390	1102074909	\$26,409	\$1,981	\$2,130
192	1102058209	\$23,309	\$1,748	\$1,880	391	1102074959	\$26,409	\$1,981	\$2,130
193	1102058259	\$23,309	\$1,748	\$1,880	392	1102075009	\$26,409	\$1,981	\$2,130
194	1102058309	\$23,309	\$1,748	\$1,880	393	1102075059	\$26,409	\$1,981	\$2,130
195	1102058359	\$23,309	\$1,748	\$1,880	394	1102075109	\$26,409	\$1,981	\$2,130
196	1102058409	\$23,309	\$1,748	\$1,880	395	1102075159	\$26,409	\$1,981	\$2,130
197	1102058459	\$23,309	\$1,748	\$1,880	396	1101800059**	\$15,590,887	\$1,169,447	\$1,257,470
198	1102058509	\$23,309	\$1,748	\$1,880	397	<b>Total</b>	\$24,000,000	\$1,800,201	\$1,935,700

\*Represents assessments for previously sold units having Series B debt accruing to the District based on analysis presented in the Master Report.

\*\*The land located within 1101800059 represents assessable units within the District either owned by the Developer or is not recorded by the Manatee County Property Appraiser and assessed as such.

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**APPENDIX C**  
**FORM OF THE INDENTURE**

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**MASTER TRUST INDENTURE**

**HERITAGE HARBOUR NORTH**  
**COMMUNITY DEVELOPMENT DISTRICT**

**TO**

**U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE**

**Dated as of October 1, 2007**

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EXHIBIT A

FORM OF REQUISITION

MASTER TRUST INDENTURE

**THIS IS A MASTER TRUST INDENTURE**, dated as of October 1, 2007, by and between **HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT**, a local unit of special-purpose government organized and existing under the laws of the State of Florida (the "District"), and **U.S. BANK NATIONAL ASSOCIATION**, as trustee (the "Trustee"), a national banking association and having the authority to exercise corporate trust powers, with its designated corporate trust office located at 500 West Cypress Creek Road, Suite 560, Fort Lauderdale, Florida 33309, Attention: Corporate Trust Department.

**WHEREAS**, the District is a community development district duly organized 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, installation, maintenance, and operation of the major infrastructure within and without 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 and by virtue of Section 190.021 of the Act to levy and collect Benefit Special Assessments (hereinafter defined); and

**WHEREAS**, the District has found and determined and does hereby find and determine, that acquisition and construction of the Series Projects (hereafter defined) is and will be necessary and desirable in serving the District's goal of properly managing the acquisition, construction, installation and operation of portions of the infrastructure within and without the boundaries of the District; and

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

**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, 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 except as otherwise provided herein or in a Supplemental Indenture 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 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.

**"Accreted Value"** shall mean, as of the date of computation with respect to any Capital Appreciation Bonds, an amount (truncated to three (3) decimal places) equal to the original principal amount of such Capital Appreciation Bonds at the date of issuance plus the interest accrued on such Bonds from the date of original issuance of such Capital Appreciation Bonds to the date of computation, such interest to accrue at the rate of interest per annum of the Capital Appreciation Bonds (or in accordance with a table of compound accreted values set forth in such Capital Appreciation Bonds), compounded semi-annually on each Interest Payment Date; provided, however, that if the date with respect to which any such computation is made is not an Interest Payment Date, the Accreted Value of any Bond as of such date shall be the amount determined by compounding the Accreted Value of such Bond as of the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance) at the rate of interest per annum of the Capital Appreciation Bonds for the partial semi-annual compounding period determined by dividing (x) the

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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 benefit special assessments levied and collected in accordance with Section 190.021(2), Florida Statutes, 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.

**"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.

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number of days elapsed (determined on the basis of a three hundred sixty (360) day year comprised of twelve (12) thirty (30) day months) from the immediately preceding Interest Payment Date (or the date of original issuance if the date of computation is prior to the first Interest Payment Date succeeding the date of original issuance), by (y) one hundred eighty (180). A table of Accreted Values for the Capital Appreciation Bonds shall be incorporated in a Supplemental Indenture executed by the District upon issuance of any Capital Appreciation Bonds.

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

**"Act"** shall mean Chapter 190, Florida Statutes, as amended from time to time.

**"Additional Bonds"** shall mean Bonds of a Series 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 Subordinate Debt.

**"Amortization Installments"** shall mean the moneys required to be deposited in a 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 assessments levied and collected by or on behalf of the District pursuant to Section 190.022 of the Act as amended from time to time, together with the interest specified by resolution adopted by the Governing Body, the interest specified in Chapter 170 Florida Statutes, as amended, 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

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

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

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

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

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

**"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.

**"Connection Fees"** shall mean all fees and charges assessed by the District to users for the actual costs of connecting to a utility system of the District.

**"Consulting Engineers"** shall mean the independent engineer or engineering firm or corporation employed by the District in connection with any Series Project to perform and carry out the duties of the Consulting Engineer under this Master Indenture or any Supplemental Indenture.

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**"Cost"** as applied to a Series Project or Additional Series Project, shall include the cost of acquisition and construction thereof 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 installed Project shall mean: (i) the date upon which such 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 in consultation with the Consulting Engineer, that it cannot complete such 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 Project which has theretofore been incurred, but which on the Date of Completion is or will be unpaid or unreimbursed.

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

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

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

**"Depository"** shall mean any bank or trust company duly authorized by law to engage in the banking business and designated by

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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 include, except as otherwise provided in the Supplemental Indenture providing of the authorization of Notes or Bonds, 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) Government Obligations;

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

(iii) Direct and general obligations of any state of the United States, to the payment of the principal of and interest on which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in either of the two highest rating categories

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the District as a depository of moneys subject to the provisions of this Master Indenture.

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

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

**"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.

**"Indenture"** shall mean this Master Indenture, as amended and supplemented from time to time by a Supplemental Indenture or

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without regard to gradations within any such categories by either S&P or Moody's;

(iv) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation (including the FDIC's Savings Association Insurance Fund), which securities, to the extent that the principal thereof exceeds the maximum amount insurable by the Federal Deposit Insurance Corporation and, therefore, are not so insured, shall be fully secured to the extent permitted by law as to principal and interest by the securities listed in subsection (i), (ii) or (iii) above; provided, however, that with respect to securities used to secure securities hereunder, in addition to direct and general obligations of any political subdivision or instrumentality of any such state, to the payment of the principal of and interest on which the full faith and credit of such subdivision or instrumentality is pledged if such obligations are initially rated in one of the three highest rating categories without regard to gradations within any such categories by either S&P or Moody's;

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

(vi) A promissory note of a bank holding company rated in either of the two highest rating categories without regard to gradations within any such categories by either S&P or Moody's;

(vii) Any short term government fund or any money market fund whose assets consist of (i), (ii) and (iii) above;

(viii) Commercial paper which at the time of purchase is rated in the highest rating category without regard to gradations with such category by either S&P or Moody's;

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(ix) (A) Certificates evidencing a direct ownership interest in non-callable Government Obligations or in future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Trustee, and (B) obligations of any state of the United States of America or any political subdivision, public instrumentality or public authority of any such state which are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and which are fully secured by and payable solely from non-callable Government Obligations held pursuant to an escrow agreement; and

(x) the Local Government Surplus Funds Trust Fund as described in Florida Statutes, Section 218.405 or the corresponding provisions of subsequent laws.

**"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.

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

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

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

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

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**"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 Benefit Special 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 Manatee County, Florida, or the person succeeding to such officer's 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.

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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 canceled by the Trustee or delivered to the Trustee for cancellation;

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

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

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

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

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**"Rebate Analyst"** shall mean the person or firm selected by the District to calculate the Rebate Amount, which person or firm shall have recognized expertise in the calculation of the Rebate Amount.

**"Rebate Fund"** shall mean the fund so designated in, and created pursuant to, Section 502 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 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 Standard & Poor's Rating Group, a division of McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, 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 or any Assistant 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.

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**"Series"** shall mean all of the Bonds authenticated and delivered on original issuance of a stipulated aggregate principal amount in a simultaneous transaction under and pursuant to the same Supplemental Indenture and any Bonds thereafter authenticated and delivered in lieu of or in substitution therefor pursuant to this Master Indenture and such Supplemental Indenture regardless of variations in maturity, interest rate or other provisions; provided, however, two or more Series of Bonds may be issued simultaneously under the same Supplemental Indenture if designated as separate Series of Bonds by the District upon original issuance.

**"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, a 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, Benefit Special Assessments, Connection Fees or other user fees or other revenues or combinations thereof imposed or levied 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

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**"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.

**"Subordinate 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 supplementary hereto entered into for the purpose of amending the terms and provisions hereof with respect to all Bonds in accordance with Article XI hereof.

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

**"Tax Collector"** shall mean the Tax Collector of Manatee County, Florida, appointed by the chief financial officer of the County of Manatee, Florida, or the person succeeding to such officer's 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

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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.

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

**"Series Reserve Account"** shall mean the Reserve Account for the Series of Bonds established in the Reserve Fund by Supplemental Indenture 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 such Variable Rate Bonds on such date of calculation; provided, in no event shall the Series Reserve Account Requirement as adjusted on such date of calculation exceed the lesser of the amounts specified in the immediately preceding sentence. In computing the Series Reserve Account Requirement in accordance with clause (C) of this definition in respect of any Capital Appreciation Bonds, the principal amount of such Bonds shall be the original principal amount thereof, not the Accreted Value.

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Installments or are subject to extraordinary mandatory or mandatory redemption upon receipt of unscheduled Pledged Revenues.

**"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 which is a member of the Federal Savings and Loan Insurance Corporation or its successors and which 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 U.S. Bank National Association with its designated office in Fort Lauderdale, Florida, and any successor trustee appointed or serving pursuant to Article VI hereof.

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

**Section 102. Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Owner," "person," "Paying Agent," and "Bond Registrar" shall include the plural as well as the singular number and the word "person" shall mean any individual, corporation partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof. All references to Florida Statutes or other provisions of Florida law shall be deemed to include any and all amendments thereto.

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**ARTICLE II  
FORM, EXECUTION, DELIVERY AND DESIGNATION OF  
BONDS**

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

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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 hereinabove 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 Interest Payment Date next succeeding the Record Date of such Bond, during the period between the Record Date for the mailing of a notice of redemption and the date of such mailing, nor after such Bond has been selected for redemption. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive Owner, in accepting any of the Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Florida.

**Section 205. Ownership of Bonds.** The person in whose name any Bond shall be registered shall be deemed the absolute owner thereof for all purposes, and payment of Debt Service shall be made only to or upon the order of the registered owner thereof or his attorney or legal representative as herein provided. 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.

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paid to the registered Owner of Bonds at the close of business on the Record Date for such interest; provided, however, that on or after the occurrence and continuance of an Event of Default under clause (a) of Section 902 hereof, the payment of interest and principal or Redemption Price or Amortization Installments pursuant hereto shall be made by the Paying Agent to such person, who, on a special record date which is fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such proposed payment, appears on the registration books of the Bond Registrar as the registered Owner of a Bond. Any payment of principal, Maturity Amount or Redemption Price shall be made only upon presentation of the Bond at the designated corporate trust office of the Paying Agent in Fort Lauderdale, Florida. Payment of interest shall be made by check or draft (or by wire transfer to the registered Owner if such Owner requests such method of payment by delivery of written notice to the Paying Agent 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, or, if less than such amount, all of the Outstanding Bonds of a Series, in aggregate principal amount of the Bonds). Unless otherwise provided in the Supplemental Indenture authorizing a Series of Bonds, interest on a Series of Bonds will be computed on the basis of a 360-day year of twelve 30-day months.

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

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**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 Series Pledged Revenues and the Series 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 Project or 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:

- (i) an executed and attested original or certified copy of this Master Indenture;
- (ii) 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 which, and the amounts in which,

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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, awarding the Series of Bonds, specifying the interest rates or the method for calculating such interest rates with respect to such Series of Bonds, specifying the redemption provisions and prices thereupon, 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;

(iii). an opinion of counsel for the District substantially to the effect 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 in accordance with the terms hereof and of the Act, and have been duly approved and adopted, that the issuance of such Series of Bonds has been duly authorized, and that this Master Indenture and the Supplemental Indenture constitute binding obligations of the District, enforceable against the District in accordance with their terms except as enforcement thereof may be affected by bankruptcy and other similar laws relating to creditor's rights generally;

(iv). an opinion of Bond Counsel for the District substantially to the effect 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 reliance letters with respect to the opinions required in paragraphs (iii) and (iv) above. When the documents mentioned in subsections (i) through (iv) 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.

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in lieu of and in substitution for such Bond destroyed or lost, and 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 upon 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 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 Series 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 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 authorizing such Bond Anticipation Notes may provide for

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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 follows:

(i) the amount received as accrued interest on the Bonds shall be deposited to the credit of the Series Interest Account and Capitalized Interest, if any, shall be deposited to the credit of the Series Interest Account;

(ii) an amount equal to the Series Reserve Account Requirement or the initial cost of satisfying the Series Reserve Account Requirement if not satisfied by the deposit of cash, shall be deposited to the credit of the Series Reserve Account; and

(iii) the balance shall be deposited and applied as provided for in the Supplemental Indenture authorizing the issuance of such Series of Bonds.

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

**Section 209. Mutilated, Destroyed or Lost Bonds.** If any Bonds become mutilated or destroyed or lost, the District may cause to be executed, and the District may cause to be delivered, a new Bond in substitution therefor upon the cancellation of such mutilated Bond or

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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 authorizing the issuance of Bond Anticipation Notes, the District will promptly furnish to the Trustee a copy of such resolution, certified by an Authorized Officer, together with such information with respect to such Bond Anticipation Notes as the Trustee may reasonably request, including, without limitation, information as to the paying agent or agents for such Bond Anticipation Notes. 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 unless the Trustee accepts in writing such duties and obligations.

**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

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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.

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

**Section 302. Notice of Redemption; Procedure for Selection.** The District shall establish each redemption date, other than in the case of a mandatory redemption, in which case the Trustee shall establish the redemption date, and the District or the Trustee, as the case may be, shall notify the Bond Registrar in writing of such redemption date on or before the forty-fifth (45th) day next preceding the date fixed for redemption, which notice shall set forth the terms of the redemption and the aggregate principal amount of Bonds so to be redeemed. Except as provided below, notice of redemption shall be given by the Bond Registrar not less than thirty (30) nor more than

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and Exchange Commission, when possible, at least thirty (30) days prior to the redemption date; provided that neither failure to send or receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

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

**Section 303. Effect of Calling for Redemption.** On the date designated for redemption of any Bonds, notice having been filed and mailed in the manner provided above, the Bonds called for redemption shall be due and payable at the redemption price provided for the redemption of such Bonds on such date and, moneys for payment of the redemption price being held in a separate account by the Paying Agent in trust for the Owners of the Bonds to be redeemed, interest on the Bonds called for redemption shall cease to 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 canceled upon the surrender thereof.

#### ARTICLE IV ACQUISITION AND CONSTRUCTION FUND

**Section 401. Acquisition and Construction Fund.** There is created and established by Section 502 hereof a fund designated as the "Acquisition and Construction Fund" which shall be held 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.** Payments of the Cost of constructing and acquiring a Series Project shall be made from the Acquisition and Construction Fund as herein provided. All such payments shall be

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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 the 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; and (viii) the notice date, redemption date, and redemption price. 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 or redemption also shall be sent by registered mail, overnight delivery service, teletype or other secure means, postage prepaid, to any Owner of \$1,000,000 or more in aggregate principal amount of Bonds to be redeemed, to certain municipal registered securities depositories in accordance with the then-current guidelines of the Securities and Exchange Commission 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 that disseminate securities redemption notices in accordance with the then-current guidelines of the Securities

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

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

(i). **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 and costs, rating agency fees, fees of financial advisors, engineer's fees and costs, 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.

(ii). **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 Interest Account or 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 or 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 or Interest Account, provided that such direction includes a certification that such amount represents earnings on amounts on deposit in the related Series Acquisition and Construction Account and that, after

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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.

(iii). **Acquisition Expenses.** The costs of acquiring, by purchase or condemnation, all of the land, structures, improvements, rights-of-law, franchises, easements, plans and specifications and similar items 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, install and construct the Project and payments, contributions, dedications, taxes, assessments or permit fees or costs and any other exactions required as a condition to receive any government approval or permit necessary to accomplish any District purpose.

(iv). **Construction Expense.** All costs incurred including interest charges, for labor and materials, including equipment, machinery and fixtures, by contractors, builders, and materialmen in connection with the acquisition, installation and construction of the Project, and including without limitation costs incident to the award of contracts.

(v). **Other Professional Fees and Miscellaneous Expenses.** All legal, architectural, engineering survey, 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.

(vi). Expenses of determining the feasibility or practicality of acquisition, construction, installation, or reconstruction.

(vii). Costs of surveys, estimates, plans and specifications.

(viii). Costs of improvements.

(ix). Financing charges.

(x). Creation of initial reserve and debt service funds.

(xi). Working capital.

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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 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.

**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 issued hereunder;

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

(i) a Series Interest Account,

(ii) a Series Principal Account,

(iii) a Series Sinking Fund Account,

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(xii). Amounts to repay temporary or bond anticipation notes or loans made to finance any costs permitted under the Act.

(xiii). Costs incurred to enforce remedies against contractors, subcontractors, any provider of labor, material, services or any other person for a default or breach under the corresponding contract, or in connection with any dispute.

(xiv). Premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same.

(xv). Expenses of Project management and supervision.

(xvi). Costs of effecting compliance with any and all governmental permits relating to the Project.

(xvii). Any other "cost" or expense as provided by the Act.

(xviii). **Refinancing Costs.** All costs described in (i) through (xvii) above or otherwise permitted by the Act associated with refinancing or repaying any loan or other debt obligation, of the District.

**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

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

(v) a Capitalized Interest Account

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.

#### **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:

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

(2) subject to Section 806 hereof, payments made to the District from the sale, lease or other disposition of the Series Project or any portion thereof;

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

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

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Amounts in such Acquisition and Construction Account shall be applied to the Cost of the Series Project; provided, however, that if any amounts remain in the 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 of Exhibit A hereto, signed by an Authorized Officer.

Upon receipt of each such requisition and accompanying 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 certificates received by the Trustee pursuant to this Article shall be retained in the possession of the Trustee, subject at all reasonable times to the inspection of the District, the Consulting Engineer, the Owner of any Bonds of the related Series, and the agents and representatives thereof.

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

**Section 504. Revenue Fund and Series Revenue Accounts.** The District hereby covenants and 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 of all such Pledged Revenues (except Prepayments), when received, into the related Series Revenue Account and to immediately

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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 (i) 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 (ii) any amounts remain in the Series Revenue Account, then, such amounts 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 to reimburse the District for such payment upon written request of an Authorized Officer. If, after such amounts have been withdrawn, paid and provided for as provided above, 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

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deposit all Prepayments, when received, into 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 Account.**

(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 Sinking Fund 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;

(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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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, 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, as the case may be.

(e) **Series Redemption Account.** Moneys representing Prepayments on deposit in a Series 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 other than from Prepayments shall be held and applied in a Series Redemption Account as provided in Section 506(a) hereof.

(f) **Payment to the 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, and after all amounts due and owing to the Trustee have been paid in full, 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

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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 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 a Series Redemption Account such amount of Authorized Denominations 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.

(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

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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 flow 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.

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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 an interest on all Bonds of such Series. The Trustee may pay the principal portion of the purchase price of any Term Bonds from the related Series Principal Account, but only Term Bonds of a maturity having Amortization Installments in the current Bond Year and in the principal amount no greater than the Amortization Installment related to such Series of Bonds coming due in the current Bond Year (calculated after giving effect to any other purchases of Term Bonds during such Bond Year). The Trustee may pay the principal portion of the purchase price of Term Bonds having maturities different from or in amounts greater than set forth in the

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#### **Section 507. Rebate Fund and Series Rebate Accounts.**

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

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

(d) **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.

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

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

(c) **Investment Obligations as a Part of Funds and Accounts.** Investment Obligations purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account, and the interest accruing thereon and profit realized from such investment shall be credited as provided in Section 510 hereof. Any loss resulting from such investment shall be charged to such Fund or Account. The foregoing notwithstanding, for purposes of investment and to the extent permitted by law, amounts on deposit in any Fund or Account may be commingled for purposes of investment, provided adequate care is taken to account for such amounts in accordance with the prior sentence. The Trustee may, upon the written 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 without written direction from an Authorized Officer.

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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 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.

**Section 510. Investment Income.** Unless provided otherwise in a Supplemental Indenture, earnings on Investments in a Series Acquisition and Construction Account, 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 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 unless otherwise therein provided in a Supplemental Indenture 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

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(d) **Valuation.** In computing the value of the assets of any Fund or Account, investments and earnings thereon shall be deemed a part thereof. The Trustee shall value the assets in each of the Funds and Accounts established hereunder as of September 30 of each Fiscal Year, and as soon as practicable after each such valuation date (but no later than ten (10) days after each such valuation date) shall provide the District a report of the status of each Fund and Account as of the valuation date. For the purpose of determining the amount on deposit to the credit of any Fund or Account established hereunder, with the exception of a Series Reserve Account, obligations in which money in such Fund or Account shall have been invested shall be valued at the market value or the amortized cost thereof, whichever is lower, or at the redemption price thereof, to the extent that any such obligation is then redeemable at the option of the holder. For the purpose of determining the amount on deposit to the credit of a Series Reserve Account, obligations in which money in such Account shall have been invested shall be valued at par, if purchased at par, or at amortized cost, if purchased at other than par, plus, in each case, accrued interest. Amortized cost, 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 days remaining to maturity on such obligation at the date of such purchase and by multiplying the amount thus calculated by the number of days having passed since such purchase; and (1) in the case of an obligation purchased at a premium by deducting the product thus obtained from the purchase price, and (2) in the case of an obligation purchased at a discount by adding the product thus obtained to the purchase price.

**Section 509. Deficiencies and Surpluses in Funds.** For purposes of this Section: (a) 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 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 (b) a "surplus" shall mean in the case of a Series Reserve Account, that the amount on deposit therein is in excess of the applicable Series Reserve Account Requirement.

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

## ARTICLE VI CONCERNING THE TRUSTEE

**Section 601. Acceptance of Trust.** The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article, to all of which the parties hereto and the Owners agree. The Trustee shall have only those duties expressly set forth herein, and no duties shall be implied against the Trustee.

**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

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

**Section 604. Compensation and Indemnity.** The District shall pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, including the reasonable fees and expenses of Trustee's counsel, and to the extent permitted under Florida law shall indemnify the Trustee and hold the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder except with respect to its own negligence or 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 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 of deposit in all Series Funds and Accounts (other than the Rebate Fund) thereby, in effect, granting the Trustee a first charge against these moneys following an Event of Default for its fees and expenses (including legal counsel and default administration costs and expenses), subordinate and inferior to the security interest granted to the Owners of the Bonds from time to time secured thereby, but nevertheless payable in the order of priority as set forth in Section 905(a) upon the occurrence of an Event of Default.

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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.

**Section 610. Construction of Ambiguous Provision.** 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 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, upon application of the District; provided,

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**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 the Trustee 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 Default.** 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

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however, that if an Event of Default has occurred hereunder and is continuing with respect to a Series of Bonds, then the Trustee hereunder may be removed only 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 Outstanding of the Series as to which Event of Default exists and filed with the Trustee and the District.

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; provided that no Event of Default has occurred hereunder and is continuing, or upon the application of 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, including the name and address of the applicable corporate trust office of the successor Trustee, by first-class mail to each Owner as its name and address appears on the Bond Register, and to the Paying Agent, Bond Registrar, any Credit Facility issuer and any Liquidity Facility issuer; provided, however, that the District shall not appoint a successor Trustee unless no Event of Default has occurred and is continuing and 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. If an Event of Default has occurred hereunder and is continuing and 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 a successor may be appointed by any court of competent jurisdiction upon the application of the Owners of not less than twenty percent (20%) in aggregate principal amount of the Bonds then Outstanding and such successor Trustee shall mail notice of its

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appointment, including the name and address of the applicable corporate trust office of the successor Trustee, by first-class mail to each Owner as its name and address appears on the Bond Registrar, and to the Paying Agent, Bond Registrar, any Credit Facility issuer and any Liquidity Facility issuer.

**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.

**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. After withholding from the funds on hand any amounts owed to itself hereunder, the Trustee ceasing to act hereunder shall pay over to the successor Trustee all moneys held by it hereunder; 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 granted under Section 604 hereof. The successor Trustee shall mail notice of its appointment, including the name and address of the applicable corporate trust office of the successor Trustee, by first-class mail to each Owner as its name and address appears on the Bond Registrar, and to the Paying Agent, Bond Registrar, any Credit Facility issuer and any Liquidity Facility issuer.

**Section 616. Merger of Trustee.** Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated or into which all or substantially all of its corporate trust assets shall be sold or its operations conveyed, 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

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

**Section 621. Acceptance of Duties by Successor Paying Agent or Bond Registrar.** Any successor Paying Agent or Bond Registrar appointed hereunder shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent or Bond Registrar, without any further act, deed or conveyance, shall become duly vested with all the estates property, rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named Paying Agent or Bond Registrar herein. Upon request of such Paying Agent or Bond Registrar, such predecessor Paying Agent or Bond Registrar and the District shall execute and deliver an instrument transferring to such successor Paying Agent or Bond Registrar all the estates, property, rights and powers hereunder of such predecessor Paying Agent or Bond Registrar and such predecessor Paying Agent or Bond 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 into which substantially all of its corporate trust assets shall be sold or otherwise conveyed, or any corporation resulting from

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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 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 thirty (30) days (or such 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 and ipso facto exist in the

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any merger or consolidation to which any Paying Agent or Bond Registrar hereunder shall be a party, shall be the successor Paying Agent or Bond Registrar under this Master Indenture without the execution or filing of any paper or any further act on the part of the parties hereto, anything in this Master Indenture to the contrary notwithstanding.

## ARTICLE VII FUNDS CONSTITUTE TRUST FUNDS

**Section 701. Trust Funds.** Subject to the provisions of Section 604 and Section 905(a) hereof, all amounts on deposit in Series Funds or 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(a) hereof upon the occurrence of an Event of Default; and

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

#### ARTICLE VIII COVENANTS AND AGREEMENTS OF THE DISTRICT

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

**Section 802. Extension of Payment of Bonds.** Except as provided in Section 901 hereof, the District shall not directly or indirectly extend the time for payment of the interest on any Bonds. 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.

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any such sale shall be disposed of as hereinabove provided for the proceeds of the sale or disposal of movable property. The proceeds of any lease as described above shall be deposited to the credit of the related Series Principal Account or 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 any unit of local government, or to the State or any agency or instrumentality of either of the foregoing or the United States Government; 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 thirty days of receipt and approval by the District, so long as any Bonds are Outstanding, deliver to each Requesting Owner (hereinafter defined) and file with the Trustee, solely as a repository of such information, and otherwise as provided by law, a copy of its annual audit for such year, accompanied by an Accountant's Certificate, including: (a) 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 (b) statements of all receipts and disbursements of the Pledged Revenues of each Series of Bonds (unless the Pledged Revenues of such

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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 Owners hereunder against all claims and demands of all other persons whomsoever.

**Section 805. Power to Undertake Series Projects and to Collect Pledged Revenue.** 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: (i) 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 (ii) to fix, levy and collect or cause to be collected 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 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 Principal 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

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Series are remitted directly to the Trustee). The Trustee shall, within ninety (90) days after the close of each Fiscal Year so long as any Bonds are Outstanding, file with the District a summary with respect to each Fund and Account of the deposits thereto and disbursements therefrom during such Fiscal Year and the amounts held therein at the end of such Fiscal Year, or at the option of the Trustee, such summary can be made on a monthly basis. For purposes of the foregoing, the term "Requesting Owner" shall mean the Owner (or beneficial owner in the case of book-entry Bonds) of more than \$1,000,000 aggregate principal amount of any Series of Bonds who requests such information in writing to the District.

(b) **No Default Certificate.** The District shall file with the Trustee, so long as any Bonds are Outstanding, a certificate of an Authorized Officer upon the occurrence of an Event of Default as described in Section 902(g) hereof, such certificate to contain a description of the nature of such default and actions taken or to be taken to remedy with 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, 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. The District may contract with a service provider selected by the District to ensure such compliance.

**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

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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 from funds held in the Rebate Account, remit to the United States that 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 Assessment.** The District will assess, levy, collect or cause to be collected and enforce the payment of Assessments, Benefit Special Assessments, and/or any other sources 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 thereunto appertaining at times and in amounts as shall be necessary in order to pay, when due, the principal of and interest on the Series of Bonds to which such Pledged Revenues are pledged; and to pay or cause to be paid the proceeds of such Assessments as received to the Trustee in accordance with the provisions hereof.

**Section 811. Method of Collection of Assessments and Benefit Special Assessments.** The District shall levy and collect Assessments and Benefit Special Assessment in accordance with applicable Florida law.

**Section 812. Delinquent Assessment.** If the owner of any lot or parcel of land shall be delinquent in the payment of any Assessment or Benefit Special Assessment, pledged to a Series of Bonds, then such Assessment or Benefit Special Assessments, shall be enforced in accordance with the provisions of Chapters 170 and/or 197, Florida Statutes, including but not limited to the sale of tax certificates and tax deed as regards such Delinquent Assessment. In the event the provisions of Chapter 197, Florida Statutes, are inapplicable or unavailable, then upon the delinquency of any Assessment or Benefit Special Assessments, the District either on its own behalf, or through the actions of the Trustee, may, but is not obligated to, and shall at the written direction of the Beneficial Owners of at least fifty (50%) of the Outstanding Bonds of the Series, declare the entire unpaid balance of such Assessment or Benefit 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,

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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 such representatives. 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 or Benefit Special Assessments.** The District will not issue or incur any obligations payable from the proceeds of Assessments or Benefit Special Assessments securing a Series of Bonds nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge upon such Assessments or Benefit Special Assessments other than the lien of any Subordinate Debt except for fees, commissions, costs, and other charges payable to the Property Appraiser or to the Tax Collector pursuant to Florida law.

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

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and Sections 190.026 and/or 170.10, Florida Statutes, or otherwise as provided by law. The District further covenants to furnish, at its expense, to 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 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.

**Section 813. Deposit of Proceeds from Sale of Tax Certificates.** If any tax certificates relating to Delinquent 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, 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), 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 five (5) Business Days following receipt of such proceeds by the District and shall be deposited by the Trustee to the credit of the related Series Revenue Account.

**Section 814. Sale of Tax Deed or Foreclosure of Assessment or Benefit Special Assessment Lien.** If any property shall be offered for sale for the nonpayment of any 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 Assessments or Benefit Special Assessments (principal, interest, penalties and costs, plus attorneys' fees, if any), the property may then be purchased by the District for an amount equal to the balance due on the Assessments or Benefit Special Assessments (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 or Benefit 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 Account. 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 any designated agents of the Owners of the related Series of

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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.

**Section 818. Secondary Market Disclosure.** The District covenants and agrees with the Owners, from time to time, of the Bonds issued hereunder to make best efforts to provide, or cause to be provided, on a timely basis, all appropriate information repositories such information and documents as shall be required by applicable law to enable Owners to purchase and resell the Bonds issued, from time to time, hereunder. For purposes of complying with the above-described provision, the District may rely on an opinion of counsel which is familiar with disclosure of information relating to municipal securities. Nothing herein shall, however, require the District to provide disclosure in order to enable the purchaser of a security in a "private placement transaction" within the meaning of applicable securities laws, to offer or re-sell such security in other than a "private placement transaction. All financial statements provided to a repository shall be in accordance with generally accepted governmental accounting principles and shall be provided to such repository as soon as practicable after the same becomes available. The financial statements shall contain such information as shall be customary for local governments, such as the District. Nothing in this Section 818 is intended to impose upon the District, and this Section 818 shall not be construed as imposing upon the District, any disclosure obligations beyond those imposed by applicable law.

## 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,

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

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

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

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

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

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

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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 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 shall deem most effectual to protect and enforce such rights.

The Owners of not less than a majority in aggregate principal amount of the Bonds of such Series Outstanding shall, subject to the requirements of Section 607, have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such directions shall not be in conflict with any rule of law of this Master Indenture and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unduly prejudicial to the rights of the Owners of such Series of Bonds not parties to such direction or would subject the Trustee to personal liability or expense. Notwithstanding

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(g) The District shall default in the due and punctual performance of any of the material 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 percent (10%) in aggregate principal amount of the Bonds of such Series then Outstanding and affected by such default.

**Section 903. Acceleration of Maturities of Bonds of a Series Under Certain Circumstances.** Upon the happening and continuance of any Event of Default specified in clauses (a) through (g) 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 (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 no such declaration of acceleration shall occur as the result of an Event of Default specified in clause (a) of Section 902 in the case of Bonds of a Series secured by Assessments, except to the extent that the Assessments have been accelerated and are currently due and payable in accordance with applicable law; and provided further, however, that if at any time after the aggregate principal amount of the Bonds of any Series then Outstanding shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Master Indenture or the related Supplemental Indenture, moneys shall have accumulated in the related Series Revenue Account sufficient to pay the principal of all matured Bonds of such Series and all arrears of interest, if any, upon all Bonds of such Series then

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the foregoing, the Trustee shall have the right to select and retain legal counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under this second paragraph of this Section 904.

No Owner of such Series of Bonds shall have any right to pursue any other remedy under this Master Indenture or such Series of Bonds unless: (1) an Event of Default shall have occurred and is continuing; (2) the Owners of not less than a majority in aggregate principal amount of the Bonds of such Series Outstanding have requested the Trustee, in writing, to exercise the powers granted in this first paragraph of this Section 904 or to pursue such remedy in its or their name or names; (3) the Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred; (4) the Trustee has declined to comply with such request, or has failed to do so, within sixty (60) days after its receipt of such written request and offer of indemnity; and (5) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Owners of not less than a majority in aggregate principal amount of the Bonds of such Series Outstanding. The provisions of this immediately preceding sentence of this Section 904 are conditions precedent to the exercise by any Owner of such Series of Bonds of any remedy hereunder. The exercise of such rights is further subject to the provisions of Section 909, and the second paragraph of this Section 904. No one or more Owner of such Series of Bonds shall have any right in any manner whatever to enforce any right under this Master Indenture, except in the manner herein provided.

**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:

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

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

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

(b) If the aggregate principal amount of all the Bonds of a Series shall have become due and payable in accordance with their terms or shall have been declared due and payable pursuant to the provisions of Section 903 of this Article, all such moneys shall be applied first to the payment of any fees and expenses of the Trustee, including reasonable counsel fees and expenses, to the extent not otherwise paid, and, then 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, 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

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**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 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

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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 of the Bonds of such Series shall later become due or be declared due and payable pursuant to the provisions of Section 903 of this Article, the moneys remaining in and thereafter accruing to the related Series Revenue Fund shall be applied in accordance with subsection (b) above.

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

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

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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. Notwithstanding the foregoing, the indemnification provided by this Section 912 shall not be applicable in cases of the Trustee's gross negligence or willful misconduct.

**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
- (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; or
- (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; or
- (f) to make such changes as may be necessary in order to reflect amendments to Chapters 170, 190, 197 and 298, or other Florida Statutes, so long as, in the opinion of counsel to the District, such changes either: (a) do not have a material adverse effect on the Owners of each Series of Bonds to which such changes relate; or (b) 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

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construed as permitting, without the consent of all Owners of Bonds of such Series then Outstanding and affected by such amendment,

- (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, at the expense of the District, notice of the proposed approval to the Owners whose approval is required. Such notice shall be prepared by the District and shall briefly set forth the nature of the proposed Supplemental Indenture or indenture supplemental to a 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 or indenture supplemental to a Supplemental Indenture when consented to and approved as provided in this Section.

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

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the written opinion of Bond Counsel, materially adversely affect the interests of the Owners of the Bonds Outstanding, upon which opinion the Trustee may conclusively rely.

**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 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 and affected by such supplement or amendment,

- (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 any 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 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 such Supplemental Indenture or of any indenture supplemental thereto; provided, however, that nothing herein contained shall permit, or be

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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 or indenture supplemental to a Supplemental Indenture, no such 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 indenture is permitted pursuant to this Master Indenture and that such 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, upon which opinion the Trustee may conclusively rely. In addition, if such indenture relates to a Series of Tax Exempt Bonds, such opinion shall also state that such 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, except as otherwise provided therein, form a part of this Master Indenture. Except as applicable only to Bonds of a Series, all of the terms and conditions contained in any such supplemental indenture amendatory of this Master indenture shall be part of the terms and conditions hereof.

**Section 1105. Insurer or Issuer of a Credit or Liquidity Facility as Owner of Bonds.** As long as a Credit or Liquidity Facility securing all or a portion of the Bonds of a Series Outstanding is in effect and the issuer thereof is not in default of any of its obligations under such Credit or Liquidity Facility, as the case may be, the issuer of the Credit or Liquidity Facility or the Insurer, to the extent so authorized in the applicable Supplemental Indenture, will be deemed to be the Owner of the Bonds of such Series secured by the Credit or Liquidity Facility: (i) at all times for the purpose of the execution and delivery of a supplemental indenture or of any amendment, change or modification of the Master 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

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approval or consent of or can be initiated by the Owners of at least a majority in principal amount of the Bonds of the Series at the time Outstanding; (ii) at all times for the purpose of the mailing of any notice to Owners under the Master Indenture or the applicable Supplemental Indenture; and (iii) following an Event of Default for all other purposes. Notwithstanding the foregoing, neither an Insurer nor the issuer of a Credit or Liquidity Facility with respect to a Series of Bonds will 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 DEFESANCE

### 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, without limitation the fees and expenses of the Trustee, including reasonable counsel fees and expenses), 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

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

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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 or Redemption Price, if applicable, on Bonds not theretofore surrendered for such payment or redemption or for payment of obligations under any Letter of Credit Agreement and any Liquidity Agreement. If the District pays or causes to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds or of a particular maturity, of a particular Series or of any part of a particular maturity or Series the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Master Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Master Indenture, and all covenants, agreements and obligations of the District to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Anything to the contrary in this Section 1201 notwithstanding, this Master Indenture shall not be discharged nor shall any Bonds with respect to which moneys or Federal Securities have been deposited in accordance with the provisions of this Section 1201 cease to be entitled to the lien, benefit or security under this Master Indenture, except to the extent that the lien, benefit and security of this Master Indenture and the obligations of the District hereunder shall be limited solely to and such Bonds shall be secured solely by and be payable solely from the moneys or Federal Securities so deposited.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit pursuant to this Master Indenture of funds for such payment or redemption or otherwise) at the maturity or redemption date thereof shall be deemed to have been paid within the meaning and with the effect expressed in this Section. All Outstanding Bonds of any particular maturity or Series shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 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

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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 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

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pursuant to this subsection (d), the options originally exercisable by the Owner of an Option Bond are no longer exercisable, such Bond shall not be considered an Option Bond for purposes of this subsection (d). If any portion of the moneys deposited for the payment of the principal of and redemption price, if any, and interest on Option Bonds is not required for such purpose and is not needed to reimburse an Insurer or an issuer of any Credit Facility or Liquidity Facility, for obligations under any Letter of Credit Agreement or any Liquidity Agreement, the District may use the amount of such excess free and clear of any trust, lien, security interest, pledge or assignment securing such Option Bonds or otherwise existing under this Master Indenture or any Letter of Credit Agreement or Liquidity Agreement.

(e) Anything in this Master Indenture to the contrary notwithstanding, any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) 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 two (2) 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

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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 or the Trustee 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  
Heritage Harbour North Community Development District  
Wrathell, Hart, Hunt and Associates, LLC  
1200 NW 17th Avenue, Suite 13  
Delray Beach, Florida 33445

To the Trustee, addressed to:  
U.S. Bank National Association  
500 West Cypress Creek Road, Suite 560  
Fort Lauderdale, Florida 33309  
Attention: Corporate Trust Department

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

All documents received by the District and the Trustee under this Master Indenture shall be retained in their possession, subject at all reasonable times 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.

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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.

#### ARTICLE XIII MISCELLANEOUS PROVISIONS

**Section 1301. Effect of Covenant.** 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

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**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; Counterparts.** 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.

This Master Indenture and any Supplemental Indenture may be executed in duplicate counterparts each of which shall constitute one and the same agreement.

**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

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Indenture is adopted with the intent that the laws of the State of Florida shall govern their construction.

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

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

(SEAL) **HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT**

By: \_\_\_\_\_  
Chairman

ATTEST:

By: \_\_\_\_\_  
Secretary

**U.S. BANK NATIONAL ASSOCIATION, as Trustee**

By: \_\_\_\_\_  
Vice President

**EXHIBIT A  
FORM OF REQUISITION**

The undersigned, an Authorized Officer of Heritage Harbour North 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 U.S. Bank National Association, Fort Lauderdale, Florida, as trustee (the "Trustee"), dated as of October 1, 2007 (the "Master Indenture"), as amended and supplemented by the [ ] Supplemental Indenture from the District to the Trustee, dated as of [ ] (the Master Indenture as amended and supplemented is hereinafter referred to as the "Indenture") (all capitalized terms used herein shall have the meaning ascribed to such term in the Indenture):

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

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

The undersigned hereby further certifies that there has not been filed with or served upon the District notice of any lien, right to lien, or

attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to the Payee set forth above, which has not been released or will not be released simultaneously with the payment hereof.

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

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 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.

**HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT**

By: \_\_\_\_\_  
Authorized Officer

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

If this requisition is for a disbursement from other than Capitalized Interest or Costs of Issuance, the undersigned Consulting Engineer hereby certifies that this disbursement is for a Cost of the [ ] Project and is consistent with: (i) the applicable acquisition or construction contract; (ii) the plans and specifications for the portion of

the [ ] Project with respect to which such disbursement is being made; and, (ii) the report of the Consulting Engineer attached as an Exhibit to the [ ] Supplemental Indenture, as such report shall have been amended or modified on the date hereof.

Consulting Engineer

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**FIRST SUPPLEMENTAL TRUST INDENTURE**

**HERITAGE HARBOUR NORTH  
COMMUNITY DEVELOPMENT DISTRICT**

**TO  
U.S. BANK NATIONAL ASSOCIATION, AS TRUSTEE**

**Dated as of October 1, 2007**

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

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**FIRST SUPPLEMENTAL  
TRUST INDENTURE**

**THIS FIRST SUPPLEMENTAL TRUST INDENTURE** (the "First Supplemental Indenture") dated as of October 1, 2007, from **HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT** (the "District") to **U.S. BANK NATIONAL ASSOCIATION**, as Trustee (the "Trustee"), a national banking association authorized to accept and execute trusts of the character herein set out, with its designated corporate trust office and post office address located at 500 West Cypress Creek Road, Suite 560, Fort Lauderdale, Florida 33309, Attention: Corporate Trust Department.

**WHEREAS**, the District has entered into a Master Trust Indenture, dated as of October 1, 2007 (the "Master Indenture") with the Trustee to secure the issuance of its Heritage Harbour North Community Development District Capital Improvement Revenue Bonds (the "Bonds"), issuable in one or more series from time to time; and

**WHEREAS**, pursuant to Resolution 2007-16, adopted by the Governing Body on December 14, 2006 (as amended and supplemented by the Award Resolution hereinafter defined, the "Bond Resolution"), the District authorized the issuance, sale and delivery of not to exceed \$94,000,000 of its Heritage Harbour North 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 Manatee County, Florida on February 28, 2007; and

**WHEREAS**, the Governing Body of the District duly adopted Resolution No. 2007-14 on December 14, 2006, providing for the acquisition and construction of a capital improvement program contained in the report of the consulting engineer (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 cost 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 assessments to finance the costs of

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- Exhibit A - Description of 2007 Project
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the acquisition and construction of the Capital Improvement Program (the "Preliminary Assessment Resolution") and the Governing Body of the District duly adopted Resolution No. 2007-19, on January 22, 2007, 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**, the District has determined that it is necessary and desirable at this time to proceed with the acquisition, construction, installation and equipping of components of the Capital Improvement Program more specifically identified on Exhibit A hereto (the "2007 Project"); and

**WHEREAS**, pursuant to Resolution No 2007-24, adopted by the Governing Body of the District on September 6, 2007 (the "Award Resolution"), the District has authorized the issuance, sale and delivery of not to exceed \$25,000,000 of its Heritage Harbour North Community Development District Capital Improvement Revenue Bonds, Series 2007" (the "2007 Bonds") as an issue of Bonds under the Master Indenture, and has authorized the execution and delivery of the Master Indenture and this First Supplemental Indenture to secure the issuance of the 2007 Bonds and to set forth the terms of the 2007 Bonds; and

**WHEREAS**, the District will apply the proceeds of the 2007 Bonds to: (i) finance the Cost of acquiring, constructing and equipping assessable improvements comprising the 2007 Project; (ii) pay certain costs associated with the issuance of the 2007 Bonds; (iii) pay a portion of the interest first coming due on the 2007 Bonds; and (iv) make a deposit into the related Series Reserve Account for the benefit of all of the 2007 Bonds; and

**WHEREAS**, the 2007 Bonds will be payable from and secured by Assessments imposed, levied and collected by the District with respect to property specially benefited by the 2007 Project (the "2007 Assessments"), which, together with the 2007 Pledged Funds will comprise the 2007 Trust Estate, which shall constitute a "Series Trust Estate" as defined in the Master Indenture; and

**WHEREAS**, the execution and delivery of the 2007 Bonds and of this First Supplemental Indenture have been duly authorized by the Governing Body of the District and all things necessary to make the 2007 Bonds, when executed by the District and authenticated by the Trustee, valid and binding legal obligations of the District and to make this First Supplemental

Indenture a valid and binding agreement and, together with the Master Indenture, a valid and binding lien on the 2007 Trust Estate have been done;

**NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS FIRST 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 2007 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 2007 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 First Supplemental Indenture and in the 2007 Bonds: (a) has executed and delivered this First 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 2007 Assessments (the "2007 Pledged Revenues") and the Funds and Accounts (except for the 2007 Rebate Account) established hereby (the "2007 Pledged Funds and Accounts") which shall comprise a part of the Trust Estate securing the 2007 Bonds (the "2007 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 2007

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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:

**"Acquisition and Completion Agreement"** shall mean the Project Improvement Acquisition Agreement dated as of January 29, 2007, between the District and Harbourvest, LLC, a Florida limited liability company.

**"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.

**"Capital Improvement Program"** shall mean the program of assessable capital improvements established by the District in the 2007 Assessment Proceedings, a portion of which is comprised of the 2007 Project.

**"Deemed Outstanding"** shall mean the aggregate Outstanding principal amount of 2007 Bonds, reduced by the result of dividing (x) the amount on deposit in the 2007 Prepayment Subaccount in the 2007 Redemption Account by (y) 1- the 2007 Reserve Percentage.

**"Deferred Costs"** shall mean the Costs of the Capital Improvement Program which have not been paid from the General Subaccount in the 2007 Acquisition and Construction Account and which are identified by the District to the Trustee in writing as having been advanced under the Acquisition Agreement or any other contract or agreement pursuant to which the District may become obligated to pay for Costs of the Capital Improvement Program from the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account.

**"Deferred Costs Date of Completion"** shall mean the Date of Completion of the Capital Improvement Program, as evidenced by a certificate of the Consulting Engineer establishing the Date of Completion of a Series Project, as defined in the Master Indenture, accompanied by the certificate of an Authorized Officer directed to the Trustee, on which the Trustee may conclusively rely, stating that there remain no unpaid Deferred Costs.

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Bonds issued or to be issued under and secured by this First Supplemental Indenture, without preference, priority or distinction as to lien or otherwise, of any one 2007 Bond over any other 2007 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 2007 Bonds or any 2007 Bond of a particular maturity issued, secured and Outstanding under this First Supplemental Indenture and the interest due or to become due thereon, at the times and in the manner mentioned in the 2007 Bonds and this First 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 First 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 First Supplemental Indenture, then upon such final payments, this First Supplemental Indenture and the rights hereby granted shall cease and terminate, with respect to all 2007 Bonds or any 2007 Bond of a particular maturity, otherwise this First Supplemental Indenture shall remain in full force and effect;

**THIS FIRST SUPPLEMENTAL INDENTURE FURTHER WITNESSETH**, and it is expressly declared, that all 2007 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 First Supplemental Indenture), including this First 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 2007 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

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**"Delinquent Assessment Interest"** shall mean 2007 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 2007 Assessment Principal deposited by the District with the Trustee on or after May 1 of the year in which such 2007 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.

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

**"Interest Payment Date"** shall mean each May 1 and November 1, commencing May 1, 2008.

**"Investment Grade Rating"** shall mean either a rating on the Series 2007 Bonds of "BBB-" or higher by S&P or a rating of "Baa3" or higher by Moody's or a rating of "BBB-" or higher by Fitch Ratings, Inc.

**"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.

**"Redemption Date"** shall mean, in the event that the 2007 Bonds are to be redeemed in part, each Interest Payment Date, or, in the event that the 2007 Bonds are to be redeemed in full, any date.

**"Retainage Amount"** shall mean \$10,769,144.63.

**"Substantially Absorbed"** shall mean the date on which a principal amount of the 2007 Assessments equaling at least seventy-five percent (75%) of the then-Outstanding principal amount of the Series 2007 Bonds are levied on lands within the District with respect to which a certificate of occupancy has been issued for a structure thereon.

**"2007 Assessment Interest"** shall mean the interest on the 2007 Assessments which is pledged to the 2007 Bonds.

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"2007 Assessment Proceedings" shall mean the proceedings of the District with respect to the establishment, levy and collection of the 2007 Assessments, including, but not limited to Resolutions No. 2007-13, 2007-14, 2007-15, 2007-18 and 2007-19, adopted by the Governing Body of the District, and any supplemental proceedings undertaken by the District with respect to the 2007 Assessments.

"2007 Assessment Principal" shall mean the principal amount of 2007 Assessments, other than applicable Delinquent Assessment Principal and 2007 Prepayment Principal.

"2007 Bonds" shall mean \$24,000,000 Heritage Harbour North Community Development District Capital Improvement Revenue Bonds, Series 2007.

"2007 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) Government Obligations;
- (ii) obligations of the Government National Mortgage Association (including participation certificates issued by such Association);
- (iii) obligations of the Fannie Mae (including participation certificates issued by such corporation);
- (iv) obligations of Federal Home Loan Banks;
- (v) deposits, Federal funds or bankers' acceptances (with term to maturity of 270 days or less) of any bank which has an unsecured, uninsured and unguaranteed obligation rated in one of the top two rating categories by both Moody's and S&P;
- (vi) commercial paper rated in the top two rating categories by both Moody's and S&P;
- (vii) obligations of any state of the United States or political subdivision thereof or constituted authority thereof the interest on which is exempt from federal income taxation under Section 103 of the Code and rated in one of the top two rating categories by both Moody's and S&P;

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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);

(C) 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);

(D) 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;

(E) 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;

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

(G) 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;

(H) The term of the repurchase agreement shall be no longer than ten years;

(I) The interest with respect to the repurchase transaction shall be payable no less frequently than quarterly;

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(viii) both (A) shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940) or a regulated investment company (as defined in Section 851(a) of the Code) that is a money market fund that is rated in the highest rating category by either Moody's or S&P, and (B) shares of money market mutual funds that invest only in Government Obligations and repurchase agreements secured by such obligations, which funds are rated in the highest categories for such funds by either Moody's or S&P;

(ix) repurchase agreements, which will be collateralized at the onset of the repurchase agreement of at least 103% marked to market weekly with Collateral 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 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. Any repurchase agreement entered into pursuant to this definition shall contain the following additional provisions:

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

(B) The Holder of the Collateral, as hereinafter defined, shall have possession of the Collateral or the Collateral shall have been

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(J) 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 Indenture;

(K) 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

(L) 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 of the Holders and the Trustee. The custodial agreement shall provide that the Trustee must have disposition or 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;

(x) any other investment approved in writing by the Owners of a majority in aggregate principal amount of the Bonds secured thereby;

(xi) bonds, notes and other debt obligations of any corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, if such obligations are rated in one of the three highest ratings by both Moody's and S&P or in one of the two highest categories by either S&P or Moody's; and

(xii) investment agreements with a bank, insurance company or other financial institution, or the subsidiary of a bank, insurance company or other financial institution if the parent guarantees the investment agreement, which bank, insurance company, financial institution or parent has an

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unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated in the highest short-term rating category by Moody's or S&P (if the term of such agreement does not exceed 365 days), or has an unsecured, uninsured and unguaranteed obligation (or claims paying ability) rated by at least 2 national rating agencies with a minimum rating of Aa2, AA or AA by Moody's, S&P or Fitch, respectively (if the term of such agreement is more than 365 days) or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation of the aforesaid ratings, provided:

(A) interest is paid at least quarterly at a fixed rate (subject to adjustments for yield restrictions required by the Code) during the entire term of the agreement;

(B) moneys invested thereunder may be withdrawn without penalty, premium, or charge upon not more than two days' notice unless otherwise approved by the District;

(C) the same guaranteed interest rate will be paid on any future deposits made to restore the account to its required amount; and

(D) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company, bank, financial institution or parent;

(E) in the event of a suspension, withdrawal, or downgrade below Aa3, AA- or AA- by Moody's, S&P or Fitch, respectively, the provider shall immediately notify the Trustee and the provider shall at its option, within five (5) days of receipt of publication of such downgrade, either, at the choice of the Provider:

(1) collateralize the agreement at levels, sufficient to maintain an "AA" rated investment from S&P and an "Aa2" from Moody's with a market to market approach, or

(2) assign the agreement to another provider, as long as the minimum rating criteria of "AA" rated investment from S&P and an "Aa2" from Moody's with a market to market approach or

(3) have the agreement guaranteed by a Provider acceptable to the District.

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Principal shall not mean the proceeds of any Refunding Bonds or other borrowing of the District.

**"2007 Assessment Revenues"** shall mean all revenues derived by the District from the 2007 Assessments.

**"2007 Reserve Account Percentage"** shall mean: (i) initially, the result of dividing (x) the 2007 Reserve Account Requirement on the date of initial issuance and delivery of the 2007 Bonds (\$1,797,503.13), by (y) the initial Outstanding aggregate principal amount of the 2007 Bonds, which equals 7.4896%; and (ii) subsequent to the first date on which either the 2007 Bonds have received an Investment Grade Rating or the 2007 Assessments have been Substantially Absorbed, in each case as evidenced by a certificate to such effect delivered to the Trustee from an Authorized Officer on which the Trustee may conclusively rely, the 2007 Reserve Account Percentage shall mean the lesser of (X) the result of dividing 50% of the Maximum Annual Debt Service Requirement on the Outstanding principal amount of the 2007 Bonds by the then-Outstanding principal amount of the 2007 Bonds or (Y) the amount determined in clause (i) above.

**"2007 Reserve Account Requirement"** shall mean (A) on the date of initial issuance of the 2007 Bonds, the lesser of: (i) Maximum Annual Debt Service Requirement for all Outstanding 2007 Bonds, (ii) 125% of the average annual debt service for all Outstanding 2007 Bonds, or (iii) 10% of the proceeds of the 2007 Bonds calculated as of the date of original issuance thereof, and, thereafter, (B) the Series 2007 Reserve Account Percentage times the Deemed Outstanding principal amount of the 2007 Bonds, as of the time of any such calculation.

## ARTICLE II

### AUTHORIZATION, ISSUANCE AND PROVISIONS OF 2007 BONDS

**Section 201. Authorization of 2007 Bonds; Book-Entry Only Form** The 2007 Bonds are hereby authorized to be issued in one Series in the aggregate principal amount of \$24,000,000 for the purposes enumerated in the recitals hereto to be designated "Heritage Harbour North Community Development District Capital Improvement Revenue Bonds, Series 2007." The 2007 Bonds shall be substantially in the form set forth as Exhibit B to

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(F) in the event of a suspension, withdrawal, or downgrade below A3, A- or A- by Moody's, S&P or Fitch, respectively, the provider must, at the direction of the District or the Trustee, within five (5) days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment in either case with no penalty or premium to the District or Trustee. In the event the Provider has not satisfied the above condition with five (5) days of the date such conditions apply, then the 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.

(xiii) bonds, notes and other debt obligations of any corporation organized under the laws of the United States, any state or organized territory of the United States or the District of Columbia, if such obligations are rated in one of the three highest ratings by both Moody's and S&P or in one of the two highest categories by either S&P or Moody's;

(xiv) the Local Government Surplus Funds Trust Fund as described in Florida Statutes, Section 218.405 or the corresponding provisions of subsequent laws provided that such fund is rated at least "AA" by S&P (without regard to gradation) or at least "Aa" by Moody's (without regard to gradation); and

(xv) other investments permitted by Florida law.

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

**"2007 Pledged Revenues"** shall mean the 2007 Assessment Revenues.

**"2007 Prepayment Principal"** shall mean the excess amount of 2007 Assessment Principal received by the District over the 2007 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 2007 Assessment Proceedings. Anything herein or in the Master Indenture to the contrary notwithstanding, the term 2007 Prepayment

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this First Supplemental Indenture. Each 2007 Bond shall bear the designation "2007R" and shall be numbered consecutively from 1 upwards.

The 2007 Bonds shall be initially issued in the form of a separate single certificated fully registered 2007 Bond for each Series and maturity thereof. Upon initial issuance, the ownership of each such 2007 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 2007 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 2007 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 2007 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 2007 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 2007 Bonds. The District, the Trustee, the Bond Registrar and the Paying Agent shall treat and consider the person in whose name each 2007 Bond is registered in the registration books kept by the Bond Registrar as the absolute owner of such 2007 Bond for the purpose of payment of principal, premium and interest with respect to such 2007 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2007 Bond, for the purpose of registering transfers with respect to such 2007 Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the 2007 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 2007 Bonds to the extent of the sum or sums so paid. No

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person other than an Owner, as shown in the registration books kept by the Bond Registrar, shall receive a certificated 2007 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 First 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 2007 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 2007 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 2007 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 2007 Bonds shall designate, in accordance with the provisions hereof.

**Section 202. Terms** The 2007 Bonds shall be Term Bonds, shall be issued in one Series, shall bear interest at the fixed interest rate per annum and shall mature in the amount and on the date set forth below:

Series	Principal Amount	Maturity Date	Interest Rate	CUSIP
2007	\$24,000,000	May 1, 2038	6.375%	42726UAA6

**Section 203. Denominations.** Each 2007 Bond shall be dated October 1, 2007. Each 2007 Bond also shall bear its date of authentication. Each 2007 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 2007 Bond has been paid, in which event such 2007 Bond shall bear interest from its date of authentication; or (ii) is prior to the first

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 2007 Bonds have been duly and validly authorized and issued in accordance with law and the Master Indenture and this First Supplemental 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 2007 Bonds, the District will not be in default in the performance of the terms and provisions of the Master Indenture or this First Supplemental Indenture;
- (f) An Engineers' Certificate or Engineers' Certificates which set forth the estimated Cost of the 2007 Project;
- (g) A certified copy of the final judgment of validation in respect of the Bonds together with a certificate of no appeal.

**ARTICLE III  
REDEMPTION OF 2007 BONDS**

**Section 301. Bonds Subject to Redemption.** The 2007 Bonds are subject to redemption prior to maturity as provided in the form thereof set forth as Exhibit B to this First Supplemental Indenture. Interest on 2007 Bonds which are called for redemption shall be paid on the Redemption Date from the 2007 Interest Account corresponding to the 2007 Bonds to be called or from the 2007 Revenue Account to the extent monies in the corresponding 2007 Interest Account are insufficient for such purpose.

**ARTICLE IV  
DEPOSIT OF 2007 BOND PROCEEDS AND APPLICATION  
THEREOF; ESTABLISHMENT OF ACCOUNTS AND OPERATION  
THEREOF**

**Section 401. Establishment of Accounts** There are hereby established, the following Funds and Accounts.

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

Interest Payment Date for the 2007 Bonds, in which event, such 2007 Bond shall bear interest from its date. Interest on the 2007 Bonds shall be due and payable on each May 1 and November 1, commencing May 1, 2008, and shall be computed on the basis of a 360-day year of twelve 30-day months.

**Section 204. Paying Agent.** The 2007 Bonds shall be issued in Authorized Denominations; provided, however, that the 2007 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 2007 Bonds.

**Section 206. Bond Registrar.** The District appoints the Trustee as Bond Registrar for the 2007 Bonds.

**Section 207. Conditions Precedent to Issuance of 2007 Bonds.** In addition to complying with the requirements set forth in the Master Indenture in connection with the issuance of the 2007 Bonds, all of the 2007 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 2007 Assessment Proceedings;
- (b) Executed copies of the Master Indenture and this First Supplemental Indenture;
- (c) 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 First Supplemental Indenture, and the Master Indenture and this First 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 First Supplemental Indenture, creates the valid pledge which it purports to create of the 2007 Trust Estate in the manner and to the extent provided in the Master Indenture and this First Supplemental Indenture; and (iii) the 2007 Bonds are valid, binding, special obligations of the District, enforceable in accordance with their terms and the terms of the Master Indenture and this First Supplemental Indenture, subject to bankruptcy, insolvency or other

- (i) a 2007 Acquisition and Construction Account, and therein, a General Subaccount, a Deferred Costs Subaccount and a Retainage Subaccount; and

- (ii) a 2007 Costs of Issuance Account.

- (b) There are hereby established within the Debt Service Fund held by the Trustee: (i) a 2007 Debt Service Account and therein a 2007 Sinking Fund Account, a 2007 Interest Account and a 2007 Capitalized Interest Account; and (ii) a 2007 Redemption Account, and, therein a 2007 Prepayment Subaccount and an Optional Redemption Subaccount;

- (c) There is hereby established within the Reserve Fund held by the Trustee a 2007 Reserve Account, which shall be held for the benefit of all of the 2007 Bonds, without distinction and without privilege or priority of one 2007 Bond over another;

- (d) There is hereby established within the Revenue Fund held by the Trustee a 2007 Revenue Account; and

- (e) There is hereby established within the Rebate Fund held by the Trustee a 2007 Rebate Account.

**Section 402. Use of 2007 Bond Proceeds.** The net proceeds of sale of the 2007 Bonds, \$23,601,140.00, (comprised of a par amount of \$24,000,000, minus an original issue discount in the aggregate amount of \$81,360.00, minus an underwriter's discount in the amount of \$360,000.00, plus accrued interest in the amount of \$42,500.00 to the date of delivery) 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) \$1,797,503.13, representing the 2007 Reserve Account Requirement shall be deposited to the credit of the 2007 Reserve Account;
- (b) \$208,000.00, representing the costs of issuance relating to the 2007 Bonds shall be deposited to the credit of the 2007 Costs of Issuance Account;
- (c) \$42,500.00, representing accrued interest shall be deposited to the credit of the 2007 Interest Account and \$1,491,626.46, representing capitalized interest on the 2007 Bonds through November 1, 2008 shall be deposited to the credit of the 2007 Capitalized Interest Account; and

(d) \$9,290,165.89 shall be deposited to the credit of the General Subaccount in the 2007 Acquisition and Construction Account and \$10,769,144.63 shall be deposited to the credit of the 2007 Retainage Subaccount in the 2007 Acquisition and Construction Account.

**Section 403. 2007 Acquisition and Construction Account and 2007 Capitalized Interest Account** (a) Amounts on deposit in the General Subaccount in the 2007 Acquisition and Construction Account shall be applied to pay the Costs of the 2007 Project upon compliance with the requisition provisions set forth in Section 503(b) of the Master Indenture. After the later of the Date of Completion of the 2007 Project or the Deferred Costs Date of Completion, any balance remaining in the General Subaccount in the Acquisition and Construction Account other than the Reserved Amount (as defined herein) and after retaining the amount, if any, of all remaining unpaid Deferred Costs set forth in the Engineers' Certificate establishing such Deferred Costs Date of Completion, shall be applied in accordance with Section 301 hereof to the extraordinary mandatory redemption of the 2007 Bonds in the manner prescribed in the form of 2007 Bond set forth as Exhibit B hereto.

(b) Anything herein or in the Master Indenture to the contrary notwithstanding, until the Deferred Costs Date of Completion: (i) the Trustee shall not close the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account; and (ii) the Trustee shall deposit into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account the amounts transferred pursuant to Sections 405 and 407 hereof which amounts shall be held separate and apart from other amounts on deposit in the 2007 Acquisition and Construction Account, including amounts on deposit in the General Subaccount. Until the Date of Completion of the 2007 Project, amounts on deposit in the Deferred Costs Subaccount in the Acquisition and Construction Account shall be transferred to the General Subaccount in the 2007 Acquisition and Construction Account to pay accrued but unpaid Costs of the 2007 Project to the extent that moneys theretofore on deposit in the General Subaccount in the 2007 Acquisition and Construction Account are insufficient therefor. On the Date of Completion of the 2007 Project the District shall cause the Trustee to transfer from the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account to the General Subaccount in the 2007 Acquisition and Construction Account the amount which is necessary (taking into account moneys already on deposit in the General Subaccount of the Acquisition and Construction Account) to pay any accrued but unpaid Costs of the 2007 Project which are required to be

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provided herein and in the 2007 Bonds on November 1, 2008. In addition to the amount set forth in the preceding sentence, simultaneously with the foregoing transfer, the Trustee is hereby authorized and directed to recalculate the 2007 Reserve Account Requirement and to transfer any excess on deposit in the 2007 Reserve Account resulting from the transfer of funds into the 2007 Prepayment of the 2007 Redemption Account and applied to the extraordinary mandatory redemption of the 2007 Bonds. The Interest accrued on such 2007 Bonds in the event of such extraordinary mandatory redemption shall be transferred from the 2007 Capitalized Interest Account to the 2007 Interest Account and used to pay such accrued interest due on the date of redemption.

(d) From and after the Deferred Costs Date of Completion, any amounts on deposit in the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account shall be transferred into the 2007 Revenue Account in the Revenue Fund.

(e) Amounts on deposit in the 2007 Capitalized Interest Account shall, until and including November 1, 2008, be transferred into the 2007 Interest Account and applied to the payment of interest first coming due on the 2007 Bonds, and thereafter transferred into the General Subaccount in the 2007 Acquisition and Construction Account.

**Section 404. 2007 Costs of Issuance Account.** The amount deposited in the 2007 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 2007 Bonds. At the written direction of an Authorized Officer, any amounts deposited in the 2007 Costs of Issuance Account which are not needed to pay such costs shall be transferred over and deposited into the General Subaccount in the 2007 Acquisition and Construction Account and used for the purposes permitted therefor.

**Section 405. 2007 Reserve Account.** Amounts on deposit in the 2007 Reserve Account shall be used only for the purpose of making payments into the 2007 Interest Account and the 2007 Sinking Fund Account to pay Debt Service on the 2007 Bonds, when due, without distinction as to 2007 Bonds and without privilege or priority of one 2007 Bond over another, to the extent the moneys on deposit in such Accounts therein and available therefor are insufficient and for no other purpose, except as specified in this First Supplemental Indenture. Such Accounts shall consist only of cash and 2007 Investment Obligations.

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reserved in the General Subaccount in the 2007 Acquisition and Construction Account in accordance with the certificate of the Consulting Engineer establishing such Date of Completion (the "Reserved Amount"). After the Date of Completion of the 2007 Project and until the Deferred Costs Date of Completion, amounts on deposit in the General Subaccount in the 2007 Acquisition and Construction Account (other than the "Reserved Amount") shall, at the written direction of the District, be used to pay Deferred Costs upon compliance with the requisition provisions set forth in Section 503(b) of the Master Indenture and pursuant to the Acquisition Agreement. After the Date of Completion of the 2007 Project and until the Deferred Costs Date of Completion and after the expenditure of all amounts on deposit in the General Subaccount in the 2007 Acquisition and Construction Account other than the Reserved Amount for such purpose, amounts on deposit in the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account shall be used to pay Deferred Costs upon compliance with the requisition provisions set forth in Section 503(b) of the Master Indenture and pursuant to the Acquisition Agreement at the written direction of the District. The District will provide the Trustee on each May 1 and November 1 in writing with the amount of all accrued and unpaid Deferred Costs.

(c) Amounts on deposit in the Retainage Subaccount shall be retained therein and shall not be available to pay Costs of the 2007 Project, unless and until the earlier to occur of: (x) September 15, 2008, or (y) the District shall have delivered to the Trustee a certificate or certificates, from time to time, on which the Trustee may conclusively rely, of the District's Consulting Engineer that the number of Phase II lots set forth in such certificate have been vested for concurrency and identifying the Phase II lots or area which have been so vested for concurrency, each of which certificates shall be accompanied by a certificate of the District's assessment methodology consultant (the "Methodology Consultant Certificate") setting forth the aggregate principal amount of the 2007 Assessments imposed on the Phase II lots or area described in the engineer's certification described above as to which 2007 Assessments have been imposed and levied times (1-2007 Reserve Account Percentage). Upon the receipt of such certification or certifications, the Trustee shall transfer the amount set forth in the Methodology Consultant Certificate from the Retainage Subaccount in the 2007 Acquisition and Construction Account into the General Subaccount in the 2007 Acquisition and Construction Account. Any amount remaining in the Retainage Subaccount on September 15, 2008 shall be transferred into the 2007 Prepayment Subaccount in the 2007 Redemption Account and applied to the extraordinary mandatory redemption of 2007 Bonds as

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Anything herein or in the Master Indenture to the contrary notwithstanding, on the forty-fifth (45<sup>th</sup>) day preceding each Redemption Date (or, if such forty-fifth (45<sup>th</sup>) day is not a Business Day, on the first Business day preceding such forty-fifth (45<sup>th</sup>) day), the Trustee is hereby authorized and directed to recalculate the 2007 Reserve Account Requirement and to transfer (1) any excess on deposit in the 2007 Reserve Account resulting from the Prepayment of 2007 Bonds into the 2007 Prepayment Subaccount of the 2007 Redemption Account and applied to the extraordinary mandatory redemption of the 2007 Bonds and (2) any excess on deposit in the 2007 Reserve Account resulting from anything other than as described in (1) above and earnings on amounts on deposit in the 2007 Reserve Account which shall be applied in accordance with the provisions of 408(g) hereof, prior to the Deferred Costs Date of Completion, and to the extent that there are accrued but unpaid Deferred Costs, into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account, and after the Deferred Costs Date of Completion, any excess shall be deposited into the 2007 Prepayment Subaccount of the 2007 Redemption Account and applied to the extraordinary mandatory redemption of the 2007 Bonds.

On the earliest date on which there is on deposit in the 2007 Reserve Account, sufficient monies, after taking into account any Deferred Costs and after taking into account other monies available therefor, to pay and redeem all of the Outstanding 2007 Bonds, together with accrued interest and redemption premium, if any, on such 2007 Bonds to the earliest date of redemption permitted therein and herein, then the Trustee shall transfer the amount on deposit in the 2007 Reserve Account into the 2007 Prepayment Subaccount in the 2007 Redemption Account to pay and redeem all of the Outstanding 2007 Bonds on the earliest date permitted for redemption therein and herein.

**Section 406. Amortization Installments.** (a) The Amortization Installments are established for the 2007 Bonds shall be as set forth in the forms of Bonds attached hereto.

(b) Upon any redemption of 2007 Bonds (other than 2007 Bonds redeemed in accordance with scheduled Amortization Installments and other than 2007 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 2007 Bonds in substantially equal annual installments of

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principal and interest (subject to rounding to Authorized Denominations of principal) over the remaining term of the 2007 Bonds.

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

**Section 408. Establishment of 2007 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 2007 Revenue Account into which the Trustee shall deposit any and all amounts required to be deposited therein by this Section 408 or by any other provision of the Master Indenture or this First 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 2007 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 into 2007 Revenue Account the amounts other than 2007 Assessment Revenues required to be deposited therein in accordance with the provisions of this Supplemental Indenture. In addition, the District shall deposit 2007 Assessment Revenues with the Trustee immediately upon receipt together with a written accounting setting forth the amounts of such 2007 Assessment Revenues in the following categories which shall be deposited by the Trustee into the Funds and Accounts established hereunder as follows:

(i) 2007 Assessment Principal, which shall be deposited into the 2007 Sinking Fund Account;

(ii) 2007 Prepayment Principal, which shall be deposited into the 2007 Prepayment Subaccount in the Redemption Account;

(iii) 2007 Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the 2007 Reserve Account to pay the principal of 2007 Bonds, and, the balance, if any, shall be deposited into the 2007 Sinking Fund Account;

(iv) 2007 Delinquent Assessment Interest, which shall first be applied to restore the amount of any withdrawal from the 2007 Reserve

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amount already on deposit in the 2007 Sinking Fund Account not previously credited;

**THIRD**, to the 2007 Reserve Account, the amount, if any, which is necessary to make the amount on deposit therein equal to the 2007 Reserve Account Requirement with respect to the 2007 Bonds; and

**FOURTH**, the balance shall be retained in the 2007 Revenue Account.

Anything herein to the contrary notwithstanding, it shall not, a fortiori, constitute an Event of Default hereunder if the full amount of the foregoing deposits are not made due to an insufficiency of funds therefor.

(c) On any date required by the Tax Regulatory Covenants, the District shall give the Trustee written direction, and the Trustee shall, transfer from the 2007 Revenue Account to the Rebate Account established for the 2007 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 balance on deposit in the 2007 Revenue Account shall until the Deferred Costs Date of Completion be transferred into the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account and, after the Deferred Costs Date of Completion shall be paid over to the District at the written direction of an Authorized Officer of the District and used for any lawful purpose of the District; provided however, that on the date of such proposed transfer the amount on deposit in the 2007 Reserve Account in the 2007 Debt Service Reserve Fund shall be equal to the 2007 Reserve Account Requirement, and, provided further, that the Trustee shall not have actual knowledge (as described in Section 606 of the Master Indenture) of an Event of Default under the Master Indenture or hereunder relating to any of the 2007 Bonds, including the payment of Trustee's fees and expenses then 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 2007 Bonds shall be invested only in 2007 Investment Obligations, and further, earnings on the 2007 Acquisition and Construction Account and the subaccounts therein, the 2007 Interest Account and the 2007 Capitalized Interest Account shall be retained, as realized, in such Accounts or subaccounts and used for the purpose of such Account or subaccount.

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Account to pay the interest on 2007 Bonds, and, the balance, if any, deposited into the 2007 Revenue Account; and

(v) all other 2007 Assessment Revenues, which shall be deposited into the 2007 Revenue Account.

(c) On the forty-fifth (45<sup>th</sup>) day preceding each Redemption Date (or if such forty-fifth (45<sup>th</sup>) day is not a Business Day, on the Business Day next preceding such forty-fifth (45<sup>th</sup>) day), the Trustee shall determine the amount on deposit in the 2007 Prepayment Subaccount, and, if the balance therein is greater than zero, shall transfer from the 2007 Revenue Account for deposit into such 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 corresponding Series of 2007 Bonds on the next succeeding Redemption Date in the maximum aggregate principal amount for which moneys are then on deposit in such Prepayment Subaccount in accordance with the provisions for extraordinary redemption of such Series of 2007 Bonds set forth in the respective form of 2007 Bond attached hereto, Section 301 hereof, and Article III of the Master Indenture.

(d) On 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 first transfer from the 2007 Capitalized Interest Account to the 2007 Interest Account the lesser of (x) the amount of interest coming due on the 2007 Bonds on such May 1 or November 1, less the amount already on deposit therein, or (y) the amount remaining in the 2007 Capitalized Interest Account. The Trustee shall then transfer amounts on deposit in the 2007 Revenue Account to the Funds and Accounts designated below in the following amounts and in the following order of priority:

**FIRST**, from the 2007 Revenue Account to the 2007 Interest Account of the Debt Service Fund, an amount equal to the amount of interest payable on all 2007 Bonds then Outstanding on such May 1 or November 1 less any amount transferred from the 2007 Capitalized Interest Account in accordance with Section 403(d) hereof and less any other amount already on deposit in the 2007 Interest Account not previously credited;

**SECOND**, to the 2007 Sinking Fund Account, the amount, if any, equal to the difference between the Amortization Installments of all 2007 Bonds subject to mandatory sinking fund redemption on such May 1, and the

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Earnings on investments in the 2007 Sinking Fund Account and the 2007 Redemption Account and the Subaccounts therein shall be deposited, as realized, to the credit of the Deferred Costs Subaccount in the 2007 Acquisition and Construction Account and used for the purpose of such Account.

Earnings on investments in the 2007 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 2007 Reserve Account as of the most recent date on which amounts on deposit in the 2007 Reserve Account were valued by the Trustee, and if no withdrawals have been made from the 2007 Reserve Account since such date which have created a deficiency, then earnings on the 2007 Reserve Account shall be deposited into the 2007 Capitalized Interest Account through November 1, 2008 and thereafter into the Deferred Subaccount in the 2007 Acquisition and Construction Account and applied as provided for moneys on deposit therein; and

(ii) if as of the last date on which amounts on deposit in the 2007 Reserve Account were valued by the Trustee there was a deficiency (as defined in Section 509 of the Master Indenture), or if after such date withdrawals have been made from the 2007 Reserve Account and have created such a deficiency, then earnings on investments in the 2007 Reserve Account shall be deposited into the 2007 Reserve Account until the amount on deposit therein is equal to the 2007 Reserve Account Requirement, and then earnings on the 2007 Reserve Account shall be deposited into the 2007 Capitalized Interest Account through November 1, 2008 and thereafter into the Deferred Subaccount in the 2007 Acquisition and Construction Account and applied as provided for moneys on deposit therein.

## ARTICLE V CONCERNING THE TRUSTEE

**Section 501. Acceptance by Trustee.** The Trustee accepts the trusts declared and provided in this First Supplemental Indenture and agrees to perform such trusts upon the terms and conditions set forth in the Master Indenture, as amended and supplemented by the Supplemental Indenture.

**Section 502. Limitation of Trustee's Responsibility.** The Trustee shall not be responsible in any manner for the due execution of this

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**EXHIBIT B**  
**FORM OF 2007 BONDS**  
**[TEXT OF 2007 BOND FACE]**

No. 2007RA- §

United States of America  
State of Florida

**HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT  
DISTRICT**

**CAPITAL IMPROVEMENT REVENUE BOND, SERIES 2007**

Interest Rate	Maturity Date	Dated Date	CUSIP
6.375%	May 1, 2038	October 1, 2007	42726UAA6

**Registered Owner: CEDE & CO.**

**Principal Amount:**

**HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT**, a community development district duly established and existing pursuant to Chapter 190, Florida Statutes (the "District"), for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the registered Owner set forth above, or registered assigns, on the maturity date shown hereon, unless this Bond shall have been called for redemption in whole or in part and payment of the Redemption Price (as defined in the Indenture mentioned hereinafter) shall have been duly made or provided for, the principal amount 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, 2008, 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

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paid on such Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture (as hereinafter defined), be paid to the registered Owner hereof at the close of business on the regular record date for such interest, which shall be the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date, or, if such day is not a Business Day on the Business Day immediately preceding such day; provided, however, that on or after the occurrence and continuance of an Event of Default under clause (a) of Section 902 of the Master Indenture (hereinafter defined), the payment of interest and principal or Redemption Price or Amortization Installments shall be made by the Paying Agent (hereinafter defined) to such person, who, on a special record date which is fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such proposed payment, appears on the registration books of the Bond Registrar as the registered Owner of this Bond. Any payment of principal, Maturity Amount or Redemption Price shall be made only upon presentation hereof at the designated corporate trust office of U.S. Bank National Association, located in Fort Lauderdale, 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 2007 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 2007" in the aggregate principal amount of \$24,000,000 (the "2007 Bonds") (the "2007 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 October 1, 2007 (the "Master Indenture"), between the District and U.S. Bank National Association, located in Fort Lauderdale, Florida, as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Indenture, dated as of October 1, 2007 (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 2007 Bonds are issued in an aggregate principal amount of \$24,000,000 to (i) finance the Cost of acquiring, constructing and equipping assessable

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improvements comprising a part of the Capital Improvement Program (as more particularly described in Exhibit A to the Supplemental Indenture, the "2007 Project"); (ii) pay certain costs associated with the issuance of the 2007 Bonds; (iii) pay a portion of the interest first coming due on the 2007 Bonds; and (iv) make a deposit into the related Series Reserve Account for the benefit of all of the 2007 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 2007 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 2007 BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE MASTER INDENTURE, THE SUPPLEMENTAL INDENTURE, OR THE 2007 BONDS, SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE 2007 PLEDGED REVENUES AND THE 2007 PLEDGED FUNDS PLEDGED TO THE 2007 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.

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**IN WITNESS WHEREOF**, Heritage Harbour North 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: **HERITAGE HARBOUR NORTH  
COMMUNITY DEVELOPMENT  
DISTRICT**

Assistant Secretary By:  
Chairman, Board of Supervisors

[Official Seal]

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**[FORM OF CERTIFICATE OF AUTHENTICATION FOR 2007 BONDS]**

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

**U.S. BANK NATIONAL ASSOCIATION,**  
as Trustee

Date of Authentication: By: Vice President

**[TEXT OF 2007 BOND]**

This Bond is issued under and pursuant to the Constitution and laws of the State of Florida, particularly Chapter 190, Florida Statutes (2006), 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 Owners of the Bonds, and, by the acceptance of this Bond, the Owner hereof assents to all of the provisions of the Indenture. The 2007 Bonds are equally and ratably secured by the 2007 Trust Estate, without preference or priority of one 2007 Bond over another. The Supplemental Indenture does not authorize the issuance of any additional Bonds ranking on a parity with the 2007 Bonds as to the lien and pledge of the Trust Estate.

The 2007 Bonds are issuable only as registered bonds without coupons in current interest form in denominations of \$5,000 or any integral multiple thereof (an "Authorized Denomination"); provided, however, that the 2007 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. This Bond is transferable by the registered Owner hereof or his duly authorized attorney at the designated corporate trust office of the Trustee in Fort Lauderdale, 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 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 Fort Lauderdale, Florida, in the manner and subject to the limitations and conditions provided in the Master Indenture and without cost, except for any

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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 2007 Bonds are subject to redemption prior to maturity at the option of the District in whole or in part at any time on or after May 1, 2017 (less than all 2007 Bonds to be selected by lot) at the Redemption Price of par together with accrued interest to the date of redemption.

The 2007 Bonds are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the 2007 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:

<u>May 1 of the Year</u>	<u>Amortization Installment</u>	<u>May 1 of the Year</u>	<u>Amortization Installment</u>
2009	\$275,000	2024	\$710,000
2010	290,000	2025	760,000
2011	310,000	2026	810,000
2012	330,000	2027	865,000
2013	355,000	2028	920,000
2014	375,000	2029	980,000
2015	400,000	2030	1,045,000
2016	430,000	2031	1,115,000
2017	455,000	2032	1,185,000
2018	485,000	2033	1,265,000
2019	520,000	2034	1,350,000
2020	550,000	2035	1,435,000
2021	590,000	2036	1,530,000
2022	625,000	2037	1,630,000
2023	670,000	2038*	1,740,000

\* Maturity

As more particularly set forth in the Master Indenture and Supplemental Indenture, any 2007 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 2007 Bonds. Amortization Installments are also subject to recalculation, as provided in the Supplemental Indenture, as the result of the redemption of 2007 Bonds so as

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to reamortize the remaining Outstanding principal balance of the 2007 Bonds as set forth in the Supplemental Indenture.

The 2007 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 November 1, 2008, from amounts transferred to the 2007 Prepayment Subaccount of the 2007 Redemption Account from (1) the Retainage Subaccount in the 2007 Acquisition and Construction Account and (2) the 2007 Reserve Account;

(b) on or after the later of the Date of Completion of the 2007 Project (as such terms are defined in the Indenture) or the Deferred Costs Date of Completion (as such terms are defined in the Indenture), by application of moneys transferred from the General Subaccount of the 2007 Acquisition and Construction Account in the Acquisition and Construction Fund established under the Indenture to the 2007 Prepayment Subaccount of the 2007 Redemption Account in accordance with the terms of the Indenture; or

(c) from Prepayments of 2007 Assessments (as defined in the Indenture) deposited into the 2007 Prepayment Subaccount of the 2007 Redemption Account; or

(d) from amounts transferred to the 2007 Prepayment Subaccount of the 2007 Redemption Account resulting from a reduction in the 2007 Reserve Account Requirement as provided for in the Indenture, and, on the date on which the amount on deposit in the 2007 Reserve Account, together with other moneys available therefor, are sufficient to pay and redeem all of the 2007 Bonds then Outstanding, including accrued interest thereon.

If less than all of the 2007 Bonds of a Series shall be called for redemption, the particular 2007 Bonds or portions of 2007 Bonds of a Series to be redeemed shall be selected by lot by the Registrar as provided in the Indenture.

Notice of each redemption of 2007 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 2007 Bonds to be redeemed at the address of such registered Owner recorded

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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 2007 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 2007 Bonds or such portions thereof on such date, interest on such 2007 Bonds or such portions thereof so called for redemption shall cease to accrue, such 2007 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 2007 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 2007 Bonds 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 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

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**[FORM OF ABBREVIATIONS FOR 2007 BONDS]**

The following abbreviations, when used in the inscription on the face of the within Bond, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM as tenants in common

TEN ENT as tenants by the entireties

JU TEN as joint tenants with the right of survivorship and not as tenants in common

UNIFORM TRANSFER MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_  
under Uniform Transfer to Minors Act \_\_\_\_\_ (Cust.)  
(Minor) (State)

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

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be paid to the District, and thereupon and thereafter no claimant shall have any rights against the Paying Agent to or in respect of such moneys.

If the District deposits or causes to be deposited with the Trustee cash or Federal Securities (as defined in the Indenture) sufficient to pay the principal or redemption price of any 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 2007 Bonds 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 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 Manatee County, Florida, rendered on February 28, 2007.

Chairman

**[FORM OF BOND COUNSEL OPINION]**

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**[FORM OF ASSIGNMENT FOR 2007 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: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

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

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**EXHIBIT C**  
**TO FIRST SUPPLEMENTAL TRUST INDENTURE**

**TAX REGULATORY COVENANTS**

These Tax Regulatory Covenants are intended to set forth certain duties and requirements necessary for compliance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") to the extent necessary to preserve the tax-exempt treatment of interest on the Heritage Harbour North Community Development District Capital Improvement Revenue Bonds, Series 2007 (the "Bonds"). These Covenants are based upon Section 148(f) and Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2 (the "Regulations"). However, they are not intended to be exhaustive. Since the requirements of such Section 148(f) are subject to amplification and clarification, it may be necessary to supplement or modify these Covenants from time to time to reflect any additional or different requirements of such Section and the Regulations or to specify that action required hereunder is no longer required or that some further or different action is required to maintain or assure the exemption from federal income tax of interest with respect to the Bonds.

The Bonds will be issued pursuant to a Master Trust Indenture, dated as of October 1, 2007 (the "Master Indenture"), from Heritage Harbour North Community Development District (the "District") and U.S. Bank National Association, Fort Lauderdale, Florida, as trustee (the "Trustee"), as amended and supplemented by a First Supplemental Trust Indenture, dated as of October 1, 2007 (the "Supplemental Indenture") (the Master Indenture, as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the "Indenture").

**SECTION 1. TAX COVENANTS.** Pursuant to the Indenture, the District has made certain covenants designed to assure that the interest with respect to the Bonds is and shall remain excludable from gross income for purposes of federal income taxation. The District shall not, directly or indirectly, use or permit the use of any proceeds of the Bonds or any other funds or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or that would cause interest on the Bonds to be included in gross income for federal income tax purposes under the provisions of the Code. The District shall comply with all other requirements as shall be determined by Bond Counsel to be necessary or appropriate to assure that interest on the Bonds will be

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"Investment Property" means any security, obligation or other property held principally as a passive vehicle for the production of income, within the meaning of Section 1.148-1(b) of the Regulations.

"Issue Date" means October 11, 2007.

"Net Proceeds" means Sale Proceeds, less the portion of such Proceeds invested in a reasonably required reserve or replacement fund under the Code.

"Nonpurpose Investment" shall have the meaning ascribed to such term in Section 148(b)(2) of the Code and shall include any Investment Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the Bonds, e.g., obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the Bonds, that are used to discharge a prior issue, or that are invested in a reasonably required reserve or replacement fund.

"Nonpurpose Payments" shall include the payments with respect to Nonpurpose Investments specified in Section 1.148-3(d)(1)(i)-(v) of the Regulations.

"Nonpurpose Receipts" shall include the receipts with respect to Nonpurpose Investments specified in Section 1.148-3(d)(2)(i)-(iii) of the Regulations.

"Pledged Moneys" means moneys that are reasonably expected to be used directly or indirectly to pay debt service on the Bonds (or to reimburse a municipal bond insurer) or as to which there is a reasonable assurance that such moneys or the earnings thereon will be available directly or indirectly to pay debt service on the Bonds (or to reimburse a municipal bond insurer) if the District encounters financial difficulties.

"Pre-Issuance Accrued Interest" means amounts representing interest that has accrued on an obligation for a period of not greater than one year before its issue date but only if those amounts are paid within one year after the Issue Date.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated

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excludable from gross income for purposes of federal income taxation. To that end, the District shall comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds.

**SECTION 2. DEFINITIONS.** Capitalized terms used herein, not otherwise defined herein, shall have the same meanings set forth in the Indenture and in the District's Certificate as to Arbitrage and Certain Other Tax Matters relating to the Bonds.

"Bond Counsel" means Nabors, Giblin & Nickerson, P.A., Tampa, Florida or such other firm of nationally recognized bond counsel as may be selected by the District.

"Bond Year" means any one-year period (or shorter period from the Issue Date) ending on the close of business on the day preceding the anniversary of the Issue Date.

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means each date selected by the District as a computation date pursuant to Section 1.148-3(e) of the Regulations and the Final Computation Date.

"Fair Market Value" means, when applied to a Nonpurpose Investment, the Fair Market Value of such Investment as determined in accordance with Section 4 hereof.

"Final Computation Date" means the date the Bonds are discharged.

"Gross Proceeds" means, with respect to the Bonds:

- (1) amounts constituting Sale Proceeds of the Bonds.
- (2) amounts constituting Investment Proceeds of the Bonds.
- (3) amounts constituting Transferred Proceeds of the Bonds.
- (4) other amounts constituting Replacement Proceeds of the Bonds, including Pledged Moneys.

"Investment Proceeds" means any amounts actually or constructively received from investing proceeds of the Bonds.

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brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, with respect to a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow, such costs will be considered reasonable if (1) the amount of the fee the District treats as a Qualified Administrative Cost does not exceed the lesser of (a) \$25,000, or (b) .2% of the "computational base;" and (2) the District does not treat as Qualified Administrative Costs more than \$75,000 in brokers' commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with Gross Proceeds of the issue. For purposes of this definition only, "computational base" shall mean the amount the District reasonably expects to be deposited in the guaranteed investment contract over the term of the contract or for investments other than guaranteed investment contracts, the amount of Gross Proceeds initially invested.

"Rebatable Arbitrage" means, as of any Computation Date, the excess of the future value of all Nonpurpose Receipts over the future value of all Nonpurpose Payments.

"Rebate Fund" means the Rebate Fund established pursuant to the Indenture and described in Section 3 hereof.

"Regulations" means Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2, as amended, and any regulations amendatory, supplementary or additional thereto.

"Replacement Proceeds" means amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on the Bonds if there is reasonable assurance that the amount will be available for such purposes in the event that the issuer encounters financial difficulties.

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"Sale Proceeds" means any amounts actually or constructively received by the District from the sale of the Bonds, including amounts used to pay underwriter's discount or compensation and interest other than Pre-Issuance Accrued Interest. Sale Proceeds shall also include, but are not limited to, amounts derived from the sale of a right that is associated with a Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

"Tax-Exempt Investment" means (i) an obligation the interest on which is excluded from gross income pursuant to Section 103 of the Code, (ii) United States Treasury-State and Local Government Series, Demand Deposit Securities, and (iii) stock in a tax-exempt mutual fund as described in Section 1.150-1(b) of the Regulations. Tax-Exempt Investment shall not include a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. For purposes of these Covenants, a tax-exempt mutual fund includes any regulated investment company within the meaning of Section 851(a) of the Code meeting the requirements of Section 852(a) of the Code for the applicable taxable year; having only one class of stock authorized and outstanding; investing all of its assets in tax exempt obligations to the extent practicable; and having at least 98% of (1) its gross income derived from interest on, or gain from the sale of or other disposition of, tax exempt obligations or (2) the weighted average value of its assets represented by investments in tax exempt obligations.

"Transferred Proceeds" shall have the meaning provided therein in Section 1.148-9 of the Regulations.

"Universal Cap" means the value of all then outstanding Bonds.

"Value" (of a Bond) means with respect to a Bond issued with not more than two percent original issue discount or original issue premium, the outstanding principal amount, plus accrued unpaid interest; for any other Bond, its present value.

"Value" (of an Investment) shall have the following meaning in the following circumstances:

(1) General Rules. Subject to the special rules in the following paragraph, an issuer may determine the value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(a) an investment with not more than two percent original issue discount or original issue premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest on such date;

(b) a fixed rate investment may be valued at its present value on such date; and

(c) an investment may be valued at its Fair Market Value on such date.

(2) Special Rules. Yield restricted investments are to be valued at present value provided that (except for purposes of allocating Transferred Proceeds to an issue, for purposes of the Universal Cap and for investments in a commingled fund other than a bona fide debt service fund unless it is a certain commingled fund):

(a) an investment must be valued at its Fair Market Value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, and provided further that;

(b) in the case of Transferred Proceeds, the Value of a Nonpurpose Investment that is allocated to Transferred Proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

"Yield on the Bonds" or "Bond Yield" means, for all Computation Dates, the Yield expected as of the date hereof on the Bonds over the term of such Bonds computed by:

(i) using as the purchase price of the Bonds, the amount at which such Bonds were sold to the public within the meaning of Sections 1273 and 1274 of the Code; and

(ii) assuming that all of the Bonds will be paid at their scheduled maturity dates or in accordance with any mandatory redemption requirements.

"Yield" means, generally, the discount rate which, when used in computing the present value of all the unconditionally payable payments of principal and interest on an obligation and all the payments for qualified guarantees paid and to be paid with respect to such obligation, produces an amount equal to the present value of the issue price of such obligation.

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Present value is computed as of the date of issue of the obligation. There are, however, many additional specific rules contained in the Regulations which apply to the calculation and recalculation of yield for particular obligations and such rules should be consulted prior to calculating the yield for the Bonds on any Computation Date. Yield shall be calculated on a 360-day year basis with interest compounded monthly. For this purpose the purchase price of a Nonpurpose Investment or a Tax-Exempt Investment is its Fair Market Value, as determined pursuant to Section 4 of these Covenants, as of the date that it becomes allocated to Gross Proceeds of the Bonds.

### SECTION 3. REBATE REQUIREMENTS.

(a) The District shall pay to the United States Government at the times and in the amounts determined hereunder, the Rebateable Arbitrage. For purposes of determining the Rebateable Arbitrage, the District shall make such calculations or cause the calculations to be made by competent tax counsel or other financial or accounting advisors or persons to ensure correct application of the rules contained in the Code and the Regulations relating to arbitrage rebate.

(b) pursuant to the Indenture, there has been established a fund separate from any other fund or account established and maintained under the Indenture designated the "Rebate Fund." The District or its designated agent shall administer the Rebate Fund and continuously invest all amounts held in the Rebate Fund in Governmental Obligations (as defined in the Indenture) or Tax-Exempt Investments.

(c) Within 30 days after any Computation Date, the District shall calculate or cause to be calculated the Rebateable Arbitrage or any penalty due pursuant to Section 3(f) hereof. Immediately following such calculations, but in no event later than 60 days following the Computation Date (90 days in the case of any penalty payment due pursuant to Section 3(f) hereof), the District shall remit an amount which when added to the future value of previous rebate payments shall not be less than 90% (100% with respect to the Computation Date on the final repayment or retirement of the Bonds) of the Rebateable Arbitrage or 100% of any penalty due pursuant to Section 3(f) hereof as of the applicable Computation Date.

Each payment shall be accompanied by Internal Revenue Service Form 8038-T.

(d) The obligation to pay Rebateable Arbitrage to the United States, as described herein, shall be treated as satisfied with respect to the Bonds if (i) Gross Proceeds are expended for the governmental purpose of the Bonds by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the Bonds and (ii) the requirement to pay Rebateable Arbitrage, if any, to the United States with respect to the portion of the Reserve Account allocable to the Bonds is met. For purposes of the preceding sentence, Gross Proceeds do not include (i) amounts deposited in a bona fide debt service fund, so long as the funds therein constitute bona fide debt service funds, or a reasonably required reserve or replacement fund (as defined in Section 1.148-1 of the Regulations and meeting the requirements of Section 1.148-2(f) of the Regulations), (ii) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the date which is six months after the Issue Date, (iii) amounts representing Sale or Investment Proceeds derived from any Purpose Investment (as defined in Section 1.148-1 of the Regulations) and earnings on those payments, and (iv) amounts representing any repayments of grants (as defined in Section 1.148-6(d)(4) of the Regulations). If Gross Proceeds are in fact expended by such date, then Rebateable Arbitrage need not be calculated and no payment thereof to the United States Department of Treasury need be made. Use of Gross Proceeds to redeem Bonds shall not be treated as an expenditure of such Gross Proceeds.

Notwithstanding the foregoing, if Gross Proceeds which were reasonably expected to be Gross Proceeds on the Issue Date actually become available after the date which is six months after the Issue Date, then the requirements described herein relating to the calculation of Rebateable Arbitrage and the payment thereof to the United States must be satisfied, except that no such calculation or payment need be made with respect to the initial six month period. Any other amounts not described in this Section 3(d) which constitute proceeds of the Bonds, other than a bona fide debt service fund, will be subject to rebate.

(e) As an alternative to Section 3(d) above, the obligation of the District to pay Rebateable Arbitrage to the United States, as described herein, shall be treated as satisfied with respect to the Bonds if (i) the rebate requirement is met for all proceeds of the Bonds other than Gross Proceeds (as defined in Section 3(d) hereof) and (ii) the Gross Proceeds are expended for the governmental purposes of the issue within the periods set forth below:

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(i) at least 15% of such Gross Proceeds are spent within the six-month period beginning on the Issue Date;

(ii) at least 60% of such Gross Proceeds are spent within the 1-year period beginning on the Issue Date; and

(iii) at least 100% of such Gross Proceeds are spent within the 18-month period beginning on the Issue Date.

As set forth in Section 1.148-7(d)(2) of the Regulations, for purposes of the expenditure requirements set forth in this Section 3(e), 100% of the Gross Proceeds of the Bonds shall be treated as expended for the governmental purposes of the issue within the 18-month period beginning on the Issue Date if such requirement is met within the 30-month period beginning on the Issue Date and such requirement would have been met within such 18-month period but for a reasonable retainage (not exceeding 5% of the Net Proceeds of the Bonds). If Gross Proceeds are in fact expended by such dates, then Rebatable Arbitrage need not be calculated and no payment thereof to the United States Department of Treasury need be made. Any failure to satisfy the final spending requirement shall be disregarded if the District exercises due diligence to complete the project financed by the Bonds and the amount of the failure does not exceed the lesser of (i) 3% of the issue price of the Bonds or (ii) \$250,000. Use of Gross Proceeds to redeem the Bonds shall not be treated as an expenditure of such Gross Proceeds. For purposes of this Section 3(e), "Gross Proceeds" shall be modified as described in Section 3(d) above.

(f) As an alternative to Sections 3(d) and (e) above, the obligation to pay Rebatable Arbitrage to the United States, as described herein, shall be treated as satisfied with respect to the Bonds if the Available Construction Proceeds (as defined in Section 148(f)(4)(c)(vi) of the Code and described below) are expended for the governmental purposes of the issue within the periods set forth below:

(i) at least 10% of such Available Construction Proceeds are spent within the six-month period beginning on the Issue Date;

(ii) at least 45% of such Available Construction Proceeds are spent within the 1-year period beginning on the Issue Date;

(iii) at least 75% of such Available Construction Proceeds are spent within the eighteen-month period beginning on the Issue Date; and

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In order to qualify for the exemption from the obligation to pay Rebatable Arbitrage to the United States pursuant to this Section 3(f), at least 75% of the Available Construction Proceeds must be used for construction expenditures (as defined in Section 1.148-7(g) of the Regulations) with respect to property which is owned by a governmental unit or an organization described in Section 501(c)(3) of the Code. The term "construction" includes reconstruction and rehabilitation of existing property and rules similar to the rules of Section 142(b)(1)(B) of the Code shall apply. If only a portion of an issue is to be used for construction expenditures, such portion and the other portion of such issue may, at the election of the issuer, be treated as separate issues for purposes of this Section 3(f) (although the remaining portion may not be entitled to the benefits of Section 3(d) hereof). The District does not elect to treat any portion of the Bonds as a separate issue.

(g) The District shall keep proper books of records and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to, or to be used to make payments on the Bonds. Such records shall, at a minimum, be adequate to enable the District or its consultants to make the calculations for payment of Rebatable Arbitrage as required by this Arbitrage Rebate Statement. The records required to be maintained under this Section 3(g) shall be retained by the District until six years after the retirement of the last obligation of the Bonds or for such other period as the United States Treasury may by regulations otherwise provide. Such records shall at least specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (i) its purchase price (including the amount of accrued interest to be stated separately), (ii) identifying information, including par amount, coupon rate, and payment dates, (iii) the amount received at maturity or its sale price, as the case may be, including accrued interest, (iv) the amounts and dates of any payments made with respect thereto, (v) the dates of acquisition and disposition or maturity, (vi) the amount of original issue discount or premium (if any), (vii) the frequency of periodic payments (and actual dates and amounts of receipts), (viii) the period of compounding, (ix) the transaction costs (e.g., commissions) incurred in acquiring, carrying or disposing of the Nonpurpose Investments, and (x) market price data sufficient to establish that the purchase price (disposition price) was not greater than (less than) the arm's-length price (see Section 4 below) on the date of acquisition

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(iv) at least 100% of such Available Construction Proceeds are spent within the 2-year period beginning on the Issue Date.

For purposes of this Section 3(f), the term Available Construction Proceeds means the Net Proceeds of the Bonds, increased by earnings on the Net Proceeds and earnings on all of the foregoing earnings, and reduced by the amount of the Net Proceeds used to pay issuance costs (including bond insurance premium). Notwithstanding the foregoing, Available Construction Proceeds shall not include amounts earned on the Reserve Account after the earlier of the close of the two-year period beginning on the Issue Date or the date construction is substantially completed. Any amounts which constitute proceeds of the Bonds other than Available Construction Proceeds and amounts on deposit in a bona fide debt service fund will be subject to rebate.

As set forth in Section 148(f)(4)(C)(iii) of the Code, for purposes of the expenditure requirements set forth in this Section 3(f), 100% of Available Construction Proceeds of the Bonds shall be treated as expended for the governmental purposes of the issue within the 2-year period beginning on the Issue Date if such requirement is met within the 3-year period beginning on the Issue Date and such requirement would have been met within such 2-year period but for a reasonable retainage (not exceeding 5% of the Net Proceeds of the Bonds). Use of available construction proceeds to redeem the Bonds shall not be treated as an expenditure of such proceeds.

Any failure to satisfy the final spending requirement shall be disregarded if the District exercises due diligence to complete the project financed by the Bonds and the amount of the failure does not exceed the lesser of (i) 3% of the issue price of the Bonds or (ii) \$250,000.

For purposes of Section 148(f)(4)(C)(vii) of the Code, in the event the District fails to meet the expenditure requirements referred to above, the District may elect to pay, in lieu of the Rebatable Arbitrage otherwise required to be paid with respect to such Gross Proceeds, a penalty with respect to the close of each 6-month period after the Issue Date equal to 1.5% of the amount of the Available Construction Proceeds of the Bonds which, as of the close of such period, are not spent as required by the expenditure provisions set forth above. The penalty referred to above shall cease to apply only after the Bonds (including any refunding bonds issued with respect thereto) are no longer outstanding. The District makes no election in regard to the above-described penalty.

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(disposition) or, if earlier, on the date of a binding contract to acquire (dispose of) such Nonpurpose Investment.

**SECTION 4. MARKET PRICE RULES.** Except as provided below, the District agrees to comply with the requirements relating to the "Fair Market Value" of acquired Nonpurpose Investments, as defined in Section 1.148-5(d) of the Regulations ("Fair Market Value"). All investments required to be made pursuant to these Covenants shall be made to the extent permitted by law. In this regard, the District agrees, among other things, that it will not acquire or cause to be acquired a Nonpurpose Investment (or any other investment acquired with Gross Proceeds or on deposit in the Rebate Account) for a price in excess of its Fair Market Value or sell any such investment at a price (determined without any reduction for transaction costs) less than its Fair Market Value, except as provided below. For this purpose, the following rules shall apply:

(a) Established securities markets. Except as otherwise provided below, any market especially established to provide a security or obligation to an issuer of municipal obligations shall not be treated as an established market and shall be rebuttably presumed to be acquired or disposed of for a price that is not its Fair Market Value.

(b) Arm's-length price. Any transaction in which a Nonpurpose Investment is directly purchased with Gross Proceeds, or in which a Nonpurpose Investment allocable to Gross Proceeds is disposed of, shall be undertaken in an arm's-length manner, and no amount shall be paid to reduce the yield on the Nonpurpose Investment.

(c) Safe harbor for establishing Fair Market Value for guaranteed investment contracts and Nonpurpose Investments purchased for a yield restricted defeasance escrow. In the case of a guaranteed investment contract or Nonpurpose Investments purchased for a yield restricted defeasance escrow, the purchase price shall not be considered to be an arm's-length price unless all the following conditions are met:

(i) The District makes a bona fide solicitation ("Bona Fide Solicitation") for the purchase of the investment that satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers;

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(2) The bid specifications include all terms of the bid that may directly or indirectly affect the yield or the cost of the investment;

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District or any other person (whether or not in connection with the bond issue), and that the bid is not being submitted solely as a courtesy to the District or any other person for purposes of satisfying these requirements;

(4) The terms of the bid specifications are such that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the investment (e.g., for solicitations of Nonpurpose Investments for a yield restricted defeasance escrow, the hold firm period must be no longer than the District reasonably requires);

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the District's reasonably expected deposit and draw down schedule for the amounts to be invested;

(6) All potential providers have an equal opportunity to bid (e.g., no potential provider is given the opportunity to review other bids before providing a bid); and

(7) At least three providers are solicited for bids that have an established industry reputation as a competitive provider of the type of investments being purchased.

(ii) The bids received by the District must meet all of the following requirements:

(1) The District receives at least three bids from providers that the District solicited under a Bona Fide Solicitation and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

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(d) The District shall retain certificates and records documenting compliance with the above requirements until three years after the last outstanding Bond is redeemed including, but not limited to, the following:

(i) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of Nonpurpose Investments other than guaranteed investment contracts, the purchase agreement or confirmation;

(ii) The receipt or other record of the amount actually paid by the District for the investments, including a record of any administrative costs paid by the District and the certification required in paragraph (c)(iv) above;

(iii) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results;

(iv) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation; and

(v) For purchase of Nonpurpose Investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted.

**SECTION 5. MODIFICATION UPON RECEIPT OF BOND COUNSEL OPINION.** Notwithstanding any provision of these Covenants, if the District shall receive an opinion of Bond Counsel that any specified action required under these Covenants is no longer required or that some further or different action is required to maintain or assure the exclusion from federal gross income of interest with respect to the Bonds, the District may conclusively rely on such opinion in complying with the requirements of these Covenants and the covenants herein shall be deemed to be modified to that extent. These Covenants shall be amended or modified by the parties hereto in any manner which is necessary to comply with such regulations as may be promulgated by the United States Treasury Department from time to time.

**SECTION 6. ACCOUNTING FOR GROSS PROCEEDS.** In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the District must adopt reasonable and consistently applied

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(2) At least one of the three bids described in paragraph (c) (ii)(1) above is from a provider that has an established industry reputation as a competitive provider of the type of investments being purchased; and

(3) If the District uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(iii) The winning bid must meet the following requirements:

(1) Guaranteed investment contracts. If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) Other Nonpurpose Investments. If the investment is not a guaranteed investment contract, the following requirements are met:

(A) The winning bid is the lowest cost bona fide bid (including any broker's fees). The lowest bid is either the lowest cost bid for the portfolio or, if the District compares the bids on an investment-by-investment basis, the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the District from a provider at the time a guaranteed investment contract is purchased (e.g., an escrow float contract) for a yield restricted defeasance escrow under a bidding procedure meeting these requirements is taken into account in determining the lowest cost bid.

(B) The lowest cost bona fide bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications. If such State and Local Government Series Securities are not available for purchase on the day that bids are required to be submitted because sales of those securities have been suspended, the cost comparison described in this paragraph is not required.

(iv) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay) to third parties in connection with supplying the investment.

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methods of accounting for all Gross Proceeds. Appendix I hereto sets forth a description of the required allocation and accounting rules with which the District agrees to comply.

**SECTION 7. ADMINISTRATIVE COSTS OF INVESTMENTS.** Except as otherwise provided in this Section 7, an allocation of Gross Proceeds to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the District such as employee salaries and office expenses and costs associated with computing Rebutable Arbitrage are not Qualified Administrative Costs.

Allocation and accounting rules are provided in Appendix I attached hereto.

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**APPENDIX I**  
**ALLOCATION AND ACCOUNTING RULES**

(a) General Rule. Any issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as hereinafter defined) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

(b) Allocation of Gross Proceeds to an Issue. Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to Transferred Proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

(c) Allocation of Gross Proceeds to Investments. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the Fair Market Value of the Nonpurpose Investment as of the purchase or sale date. The Fair Market Value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

(d) Allocation of Gross Proceeds to Expenditures. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

(e) Commingled Funds. Any fund or account that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not

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(f) Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

(g) Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, "working capital expenditures" include all expenditures other than "capital expenditures." "Capital expenditures" are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general federal income tax principles. Such costs include, for example, costs incurred to acquire, construct or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, "available amount" means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer for working capital expenditures of the type being financed by the issue without legislative or judicial action and without a legislative, judicial or contractual requirement that those amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purpose of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital

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Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of the funds deposited therein, constitutes a "commingled fund." All payments and receipts (including deemed payments and receipts) on investments held by a commingled fund must be allocated (but not necessarily distributed) among each different source of funds invested in the commingled fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the commingled fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the commingled fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the commingled fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the commingled fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the commingled fund.

Generally a commingled fund must treat all its investments as if sold at Fair Market Value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the commingled fund during the period since the last allocation. This market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a commingled fund during a particular fiscal year does not exceed 18 months, and the investments held by the commingled fund during that fiscal year consist exclusively of obligations; or (ii) the commingled fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a commingled fund must be allocated ratably among the issues served by the commingled fund in proportion to either (i) the relative values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

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expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the Issue Date and ending on the date that is the later of three years from the Issue Date or one year after the date on which the financed project is placed in service; (iv) the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the rebate requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess sale or Investment Proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

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**APPENDIX D**  
**PROPOSED FORM OF APPROVING OPINION OF BOND COUNSEL**

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**FORM OF OPINION OF NABORS, GIBLIN & NICKERSON, P.A.,  
WITH RESPECT TO THE 2007 BONDS**

Upon delivery of the Series 2007 Bonds in definitive form, Nabors, Giblin & Nickerson, P.A., Tampa, Florida, Bond Counsel, proposes to render its opinion with respect to such Series 2007 Bonds in substantially the following form:

Board of Supervisors  
Heritage Harbour North Community  
Development District

Re: \$24,000,000 Heritage Harbour North Community  
Development District Capital Improvement Revenue Bonds,  
Series 2007

We have served as bond counsel in connection with the issuance by Heritage Harbour North Community Development District (the "District"), a community development district established and existing pursuant to Chapter 190, Florida Statutes, as amended (the "Act"), of its \$24,000,000 Capital Improvement Revenue Bonds, Series 2007 (the "Series 2007 Bonds"). The Series 2007 Bonds are being issued under and pursuant to the Constitution and laws of the State of Florida, a Master Trust Indenture (the "Master Indenture"), dated as of October 1, 2007 (the "Master Indenture") and a First Supplemental Trust Indenture, dated as of October 1, 2007 (the "Supplemental Indenture") (collectively, the Master Indenture as amended and supplemented by the Supplemental Indenture is hereinafter referred to as the "Indenture"), each from the District to U.S. Bank, National Association, Fort Lauderdale, Florida, as trustee (the "Trustee") and resolutions adopted by the Board of Supervisors of the District on December 14, 2006 and September 6, 2007 (collectively, the "Bond Resolution"). The Series 2007 Bonds are issued to: (i) 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 to the Supplemental Indenture, the "Series 2007 Project"); (ii) pay certain costs associated with the issuance of the Series 2007 Bonds; (iii) make a deposit into the Series 2007

Reserve Accounts for the benefit of all of the Series 2007 Bonds; and (iv) pay a portion of the interest to become due on the Series 2007 Bonds. The Series 2007 Bonds are a portion of the Bonds validated by final judgment of the Circuit Court of Manatee County, Florida on February 28, 2007, the appeal period for which has expired with no appeal having been taken. The Series 2007 Bonds are payable from and secured by Assessments (as defined in the Indenture) on property within the District specially benefited by the assessable improvements financed with the proceeds of the Series 2007 Bonds and also by the Series 2007 Pledged Revenues and Series 2007 Pledged Funds comprising the Series 2007 Trust Estate. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. Unless the context indicates otherwise, all terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.

The Series 2007 Bonds recite that neither the Series 2007 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 the State of Florida. The Series 2007 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 in the Indenture authorizing the issuance of the Series 2007 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 Indenture or the Series 2007 Bonds. Rather, debt service and any other amounts required to be paid pursuant to the Indenture or the Series 2007 Bonds, shall be payable solely from, and shall be secured solely by the Series 2007 Pledged Revenues, together with the Series 2007 Pledged Funds comprising the Series 2007 Trust Estate pledged to the Series 2007 Bonds, all as provided in the Series 2007 Bonds and in the Indenture.

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

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

1. The District has been duly established and validly exists as a community development district under the Act.
2. The District has the right and power under the Act to authorize, execute and deliver the Indenture, and the Indenture has been duly and lawfully authorized, executed and delivered by the District, is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms. The Indenture creates the valid pledge which it purports to create of the Series 2007 Trust Estate,

including the 2004 Assessments, in the manner and to the extent provided in the Indenture.

3. The Series 2007 Bonds are the valid, binding, special obligations of the District, enforceable in accordance with their terms and with the terms of the Indenture and are entitled to the benefits of the Indenture and the Act as amended to the date hereof, and the Series 2007 Bonds have been duly and validly authorized and issued in accordance with law and the Indenture.

4. The Series 2007 Bonds and interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220.

5. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2007 Bonds (a) is excluded from gross income for federal income tax purposes; and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinion set forth in clause (a) above is subject to the condition that the Board comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Series 2007 Bonds in order that interest thereon be (or continues to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2007 Bonds to be so included in gross income retroactive to the date of issuance of the Series 2007 Bonds. The District has covenanted to comply with all such requirements. Ownership of the Series 2007 Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding such federal tax consequences arising with respect to the Series 2007 Bonds.

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

Except as may expressly be set forth in an opinion delivered by us to the underwriters of the Series 2007 Bonds on the date hereof (upon which only they may rely), (1) we have not been engaged or undertaken to review the accuracy, completeness or sufficiency of the Limited Offering Memorandum or other offering material relating to the Series 2007 Bonds and we express no opinion relating thereto, and (2) we have not been engaged or undertaken to review the compliance with laws of the State of

Florida or the United States with regard to the sale or distribution of the Series 2007 Bonds and we express no opinion relating thereto.

We have examined the forms of the Series 2007 Bonds and, in our opinion, the form of the Series 2007 Bonds is regular and proper.

Very truly yours,  
NABORS, GIBLIN & NICKERSON, P.A.

**APPENDIX E**  
**FORM OF CONTINUING DISCLOSURE AGREEMENT**

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## CONTINUING DISCLOSURE AGREEMENT

This **CONTINUING DISCLOSURE AGREEMENT** (the “Disclosure Agreement”) dated as of October 11, 2007 is executed and delivered by the **HERITAGE HARBOUR NORTH COMMUNITY DEVELOPMENT DISTRICT** (the “District”) and **HARBOURVEST, L.L.C.** (the “Developer”) a Florida limited liability company and joined in by the Disclosure Representative and the Trustee (as such terms are herein defined), in connection with the issuance of \$24,000,000 Heritage Harbour North Community Development District Capital Improvement Revenue Bonds, Series 2007 (the “Bonds”). The Bonds are being issued pursuant to a Master Trust Indenture dated as of October 1, 2007 as supplemented by a First Supplemental Trust Indenture dated as of October 1, 2007 (collectively, the “Indenture”), between the District and U.S. Bank National Association as trustee (the “Trustee”). For good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the mutual promises and other considerations contained herein, the District and the Developer covenant and agree as follows:

**1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the District and the Developer for the benefit of the Owners of the Bonds and to assist the Participating Underwriter of the Bonds in complying with the applicable provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission (“SEC”) pursuant to the Securities Exchange Act of 1934, as amended from time to time (the “Rule”).

The provisions of this Disclosure Agreement are supplemental and in addition to the provisions of the Indenture with respect to reports, filings and notifications provided for therein, and do not in any way relieve the District, the Trustee or any other person of any covenant, agreement or obligation under the Indenture (or remove any of the benefits thereof) nor shall anything herein prohibit the District, the Trustee or any other person from making any reports, filings or notifications required by the Indenture or any applicable law.

**2. Definitions.** In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Assessments” shall mean the non-ad valorem special assessments pledged to the payment of the Bonds pursuant to the Indenture.

“Business Day” means any day other than a Saturday, Sunday or a day on which the District is required, or authorized or not prohibited by law (including executive orders), to close and is closed.

“Developer Report” shall mean any Developer Report provided by the Developer, its successors or assigns pursuant to, and as described in, Sections 5 and 6 of this Disclosure Agreement.

“Development” shall have meaning ascribed thereto in the Limited Offering Memorandum.

“Disclosure Representative” shall mean the person or entity serving as District Manager from time to time or such other officer or employee of the District as the District shall designate in writing to the Trustee and the Dissemination Agent from time to time.

“Dissemination Agent” shall mean the District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and Trustee a written acceptance of such designation.

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

“Limited Offering Memorandum” shall mean the final limited offering document relating to the Bonds.

“Listed Event” shall mean any of the events listed in Section 7(a) of this Disclosure Agreement.

“MSRB” means the Municipal Securities Rulemaking Board.

“National Repository” shall mean each nationally recognized municipal securities information repository designated from time to time by the SEC in accordance with the Rule. For a list of the names and addresses of all designated National Repositories and State Repositories as of any date may currently be obtained by calling the SEC’s Fax on Demand Service from a fax machine at (202) 942-8088 and requesting document numbers 0206 and 0207, respectively, or by visiting the SEC’s web site at “<http://www.sec.gov/info/municipal/nrmsir.htm>.”

“Obligated Person(s)” shall mean, with respect to the Bonds, those person(s) who either generally or through an enterprise fund or account of such persons are committed by contract or other arrangement to support payment of all or a part of the obligations on such Bonds, which person(s) shall include the District and, for the purposes of this Disclosure Agreement only, the Developer for so long as the Developer is the owner of (or is responsible for developing as the case may be) at least twenty percent (20%) of the lands which have been determined by the District to be lands benefited by the project financed with proceeds of the Bonds or are responsible for payment of at least twenty percent (20%) of the Assessments.

“Owners” shall have the meaning ascribed thereto in the Indenture with respect to the Bonds and shall include beneficial owners of the Bonds, including those that have the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Bonds

(including persons holding Bonds through nominees, depositories or other intermediaries), or are treated as the owner of any Bonds for federal income tax purposes.

“Participating Underwriter” shall mean, Prager, Sealy & Co., LLC, in its capacity as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository, if any.

“State” shall mean the State of Florida.

“State Repository” shall mean the state information repository, if any, designated by the State and with which filings are required to be made by the District in accordance with the Rule.

### **3. Content of Annual Reports.**

(a) The District’s Annual Report shall contain or incorporate by reference the following, which includes an update of the financial and operating data of the District to the extent presented in the Limited Offering Memorandum. All information in the Annual Report shall be presented for the immediately preceding Fiscal Year and, to the extent available, the current Fiscal Year:

(i) The amount of Assessments levied.

(ii) The amount of Assessments collected from property owners.

(iii) If available, the amount of delinquencies greater than 150 days, and, in the event that delinquencies amount to more than ten percent (10%) of the amounts of Assessments due in any year, a list of delinquent property owners.

(iv) The amount of tax certificates sold, if any, and the balance, if any, remaining for sale.

(v) All fund balances in all Funds and Accounts for the Bonds. The District shall provide any Owners and the Dissemination Agent with this information more frequently than annually within thirty (30) days of the written request of the Owners.

(vi) The total amount of Bonds Outstanding.

(vii) The amount of principal and interest due on the Bonds.

(viii) The most recent audited financial statements of the District, which shall be prepared in accordance with governmental accounting standards promulgated by the Government Accounting Standards Board (provided, however, if the District has not prepared audited financial statements for its Fiscal Year ending September 30, 2008, the

first Annual Report submitted by the District in accordance herewith may include unaudited financial statements for such Fiscal Year).

(b) To the extent any of the items set forth in subsections (i) through (vii) above are included in the audited financial statements referred to in subsection (viii) above, they do not have to be separately set forth. Any or all of the items listed above may be incorporated by reference from other documents, including offering documents of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final offering document, it must be available from the MSRB. The District shall clearly identify each such other document so incorporated by reference.

#### **4. Provision of Annual Reports.**

(a) Subject to the following sentence, the District shall provide the Annual Report to the Dissemination Agent no later than 180 days after the close of the District's Fiscal Year, commencing with the Fiscal Year ended September 30, 2008 (the "Annual Filing Date"). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3(b) of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and may be submitted in accordance with State law, which currently requires such audited financial statements to be provided up to, but no later than, 365 days after the close of the District's Fiscal Year. The District shall cause the Dissemination Agent to provide to each Repository (i) the components of an Annual Report which satisfies the requirements of this subsection 4(a) and (ii) any information provided to Owners and the Dissemination Agent pursuant to Section 3(a)(v) of this Disclosure Agreement. In furtherance thereof, the Dissemination Agent shall request the Annual Report (which request shall be in writing and may be made via e-mail to the Disclosure Representative) at least thirty (30) days prior to the Annual Filing Date. If the District's Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 7.

(b) If on the fifteenth (15th) day prior to each Annual Filing Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the District of its undertaking to provide the Annual Report pursuant to this Section 4. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report in accordance with Section 4(a) above, or (ii) instruct the Dissemination Agent in writing that the District will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Listed Event as described in Section 7(a)(xii) has occurred and to immediately send a notice to the National Repository or the MSRB and the State Repository (if any) in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent has not received an Annual Report by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Listed Event

described in Section 7(a)(xii) shall have occurred and the District hereby directs the Dissemination Agent to immediately send a notice to each National Repository or the MSRB and the State Repository (if any) in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) promptly upon fulfilling its obligations under subsection (a) above, file a notice with the District stating that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date(s) it was provided.

## **5. Content of Developer Reports.**

(a) The Developer, so long as it is an Obligated Person for purposes of this Disclosure Agreement, shall prepare a Developer Report no later than thirty (30) days after the end of each calendar quarter commencing December 31, 2007, provided, however, that so long as the Developer is a reporting company, such thirty (30) days shall be extended to the date of filing of its respective 10K or 10Q, if later, as the case may be (each, a “Quarterly Receipt Date”). At such time as the Developer is no longer an Obligated Person, the Developer will no longer be obligated to prepare any quarterly Developer Report pursuant to this Disclosure Agreement.

(b) Each Developer Report shall contain an update of the financial and operating data of the Developer to the extent presented in the Limited Offering Memorandum under the following captions:

(i) The information in the table depicting expected product mix, lot size and average home/lot price under the caption “THE DEVELOPMENT—Residential Community”; and

(ii) The information regarding the current status of actual (rather than projected) sales and closings under the caption “THE DEVELOPMENT—Projected Absorption/Sales Activity”.

(c) Each quarterly Developer Report shall also address the following information, to the extent applicable to the Development and not otherwise provided pursuant to subsection (b) or (d) of this Section 5:

(i) A description of the infrastructure improvements and recreational amenities needed for the Development that have been completed and that are currently under construction, including infrastructure financed by the Bonds.

(ii) The percentage of the infrastructure financed by the Bonds that has been completed.

(iii) The number of single-family homes and multi-family homes, respectively, planned on property subject to the Assessments.

(iv) The number of units, type of units and square footage of commercial property or other non-residential uses planned on property subject to the Assessments.

(v) Information about closed sales to builders, including the amount and type of property closed (lots, parcels, raw land, multi-family lot, single-family lot, etc.), together with the name of each builder.

(vi) Information about closed sales to retail end users, including the amount and type of property closed (multi-family home, single-family home, etc.).

(vii) The number of single-family homes and multi-family homes, respectively, under contract with retail end users.

(viii) The number of single-family lots and multi-family lots, respectively, under contract with builders, together with the name of each builder.

(ix) The number of single-family homes and multi-family homes, respectively, constructed.

(x) The number of single-family homes and multi-family homes, respectively, under construction.

(xi) The estimated date of complete build-out of residential units.

(xii) The number of acres and type of property (parcels, raw land, etc.) sold for non-residential development, if any.

(xiii) The square footage of non-residential property constructed, if any.

(xiv) Whether the Developer has made any bulk sale of the land subject to the Assessments other than as contemplated by the Limited Offering Memorandum.

(xv) The anchor (more than ten percent (10%) of the square footage) tenants of non-residential property, if any.

(xvi) The status of development approvals for the Development.

(xvii) Materially adverse changes or determinations to permits/approvals for the Development which necessitate changes to the Developer's land-use or other plans for the Development.

(xviii) Updated plan of finance (i.e., status of any credit enhancement, issuance of additional bonds to complete project, draw on credit line of Developer, additional mortgage debt, etc.).

(xix) Any event that would have a material adverse impact on the implementation of the Development as described in the Limited Offering Memorandum or on the Developer's ability to undertake the Development as described in the Limited Offering Memorandum.

(d) Any of the items listed in subsections (b) and (c) above may be incorporated by reference from other documents which have been submitted to each of the Repositories or the SEC. The Developer shall clearly identify each such other document so incorporated by reference.

(e) If the Developer sells, assigns or otherwise transfers ownership of real property in the Development to a third party, which will in turn be an Obligated Person for purposes of this Disclosure Agreement as a result thereof (a "Transfer"), the Developer hereby agrees to require such third party to comply with the disclosure obligations of the Developer hereunder for so long as such third party is an Obligated Person hereunder, to the same extent as if such third party were a party to this Disclosure Agreement. The Developer shall promptly notify the District and the Dissemination Agent in writing of any Transfer. For purposes of Sections 5 and 6 hereof, the term "Developer" shall be deemed to include the Developer and any third party that becomes an Obligated Person hereunder as a result of a Transfer. In the event that the Developer remains an Obligated Person hereunder following any Transfer, nothing herein shall be construed to relieve the Developer from its obligations hereunder.

## **6. Provision of Developer Reports.**

(a) The Developer shall provide a Developer Report which contains the information in Sections 5(b) and (c) of this Disclosure Agreement to the Dissemination Agent no later than the Quarterly Receipt Date for such Developer Report. Within thirty (30) days of the Quarterly Receipt Date, the Dissemination Agent shall file the Developer Report provided to it by the Developer with each Repository (the "Quarterly Filing Date").

(b) Notwithstanding anything to the contrary herein, the failure of the Developer to provide a Developer Report which includes the information set forth in Section 5(c) of this Disclosure Agreement shall not constitute a Listed Event as described in 7(a)(xii) of this Disclosure Agreement if such Developer Report includes the information set forth in Section 5(b) of this Disclosure Agreement.

(c) If on the seventh (7th) day prior to each Quarterly Receipt Date the Dissemination Agent has not received a copy of the Developer Report due on such Quarterly Receipt Date, the Dissemination Agent shall contact the Developer by telephone and in writing (which may be by e-mail) to remind the Developer of its undertaking to provide the Developer Report pursuant to Section 5. Upon such reminder, the Developer shall either (i) provide the Dissemination Agent with an electronic copy of the Developer Report in accordance with Section 6(a) above, or (ii)

instruct the Dissemination Agent in writing that such Obligated Party will not be able to file the Developer Report within the time required under this Disclosure Agreement and state the date by which such Developer Report will be provided.

(d) If the Dissemination Agent has not received a Developer Report that contains, at a minimum, the information in Section 5(b) of this Disclosure Agreement by 12:00 noon on the first business day following each Quarterly Receipt Date, a Listed Event described in Section 7(a)(xii) shall have occurred and the District and the Developer hereby direct the Dissemination Agent to send a notice to each National Repository or the MSRB and the State Repository (if any) in substantially the form attached as Exhibit A, with a copy to the District. The Dissemination Agent shall file such notice no later than thirty (30) days following the applicable Quarterly Receipt Date.

(e) The Dissemination Agent shall:

(i) determine prior to each Quarterly Filing Date the name and address of each National Repository and each State Repository, if any; and

(ii) promptly upon fulfilling its obligations under subsection (a) above, file a notice with the Developer stating that the Developer Report has been provided pursuant to this Disclosure Agreement and stating the date(s) it was provided.

## **7. Reporting of Significant Events.**

(a) This Section 7 shall govern the giving of notices of the occurrence of any Listed Event set forth below:

(i) Delinquency in payment when due of any principal or interest on the Bonds.

(ii) Amendment to the Indenture or this Disclosure Agreement modifying the rights of the Owners of the Bonds.

(iii) Giving a notice of optional or unscheduled redemption of any Bonds.

(iv) Defeasance of the Bonds or any portion thereof.

(v) Any change in any rating of the Bonds.\*

(vi) (A) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the Bonds is not tax-exempt; or

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\* The Bonds are not rated.



(B) Any event adversely affecting the tax-exempt status of the Bonds, including, but not limited to:

(1) Any audit, investigation or other challenge of the tax-exempt status of the Bonds by the Internal Revenue Service or in any administrative or judicial proceeding; or

(2) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official tax authority or by any court adversely affecting the tax-exempt status of the Bonds or bonds of the same type as the Bonds or financing structures of the same type as financed by the Bonds.

(vii) Any unscheduled draw on the 2007 Reserve Account reflecting financial difficulties.

(viii) Any unscheduled draw on credit enhancements reflecting financial difficulties.\*\*

(ix) The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security). The sale of real property in the District in the ordinary course of the Developer's respective business shall not be a Listed Event for purposes of the foregoing.

(x) The substitution of credit or liquidity providers or their failure to perform.\*\*

(xi) Occurrence of any Event of Default under the Indenture (other than as described in clause (i) above).

(xii) Failure to provide the Annual Report as required under this Disclosure Agreement and/or a Developer Report that contains, in all material respects, the information required under Section 5(b) of this Disclosure Agreement, which failure shall, in all cases, be deemed material under federal securities laws.

(b) The District shall, within five (5) Business Days of obtaining actual knowledge of the occurrence of any Listed Event determined by the District, in reliance upon the advice of counsel expert in federal securities laws, which may include its Bond Counsel, to be material under federal securities laws, notify the Dissemination Agent in writing of such Listed Event and the Dissemination Agent is hereby directed to file a notice of the occurrence of such Listed Event with each National Repository or the MSRB and the State Repository (if any),

(c) If the Dissemination Agent has been instructed in writing by the District to file notice of the occurrence of a Listed Event or is otherwise authorized by this Disclosure

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\*\* The Bonds are not credit enhanced or supported by a credit or liquidity instrument.

Agreement to file such notice, the Dissemination Agent shall immediately file notice of such Listed Event with each National Repository or the MSRB and the State Repository (if any), provided, the Dissemination Agent shall not be required to file notice of the Developer's failure to provide the Developer Report referenced in subsection (a) (xii) above earlier than the time for filing such notice as set forth in Section 6(d) of this Disclosure Agreement. The notice shall be substantially in the form of Exhibit A to this Disclosure Agreement. Notwithstanding the foregoing:

(i) notice of the occurrence of a Listed Event described in subsections (a)(i), (iii) or (iv) above shall be given by the Dissemination Agent unless the District gives the Dissemination Agent affirmative instructions not to disclose such occurrence; and

(ii) notice of a Listed Event described in subsection (a)(iii) or (iv) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Indenture.

**8. Termination of Disclosure Agreement.** This Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

**9. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

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

Notwithstanding the above provisions of this Section 10, no amendment to the provisions of Sections 5 and 6 hereof may be made without the consent of the Developer as long as the Developer is an Obligated Person.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change in accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 7(c); and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as

prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

**11. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the District or the Developer from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, Developer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, or if the Developer chooses to include any information in any Developer Report in addition to that which is specifically required by this Disclosure Agreement, neither the District nor the Developer, as applicable, shall have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, any future Developer Report or notice of occurrence of a Listed Event. The Developer agrees to provide the District with a copy of any information in addition to the Developer Report provided by it to the Dissemination Agent or any Repository.

**12. Default.** In the event of a failure of the District, the Disclosure Representative, the Developer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds and receipt of indemnity satisfactory to the Trustee, shall), or any beneficial owner of a bond may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District, the Disclosure Representative, the Developer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement by the Developer shall not be deemed a default by the District hereunder and no default hereunder shall be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the District, the Disclosure Representative, the Developer or the Dissemination Agent, to comply with this Disclosure Agreement shall be an action to compel performance.

**13. Duties of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in the applicable written dissemination agent agreement between the District and such Dissemination Agent and in this Disclosure Agreement. The Dissemination Agent shall have no obligation to notify any other party hereto of an event that may constitute a Listed Event. The District, the Disclosure Representative and the Developer represent and warrant that they will supply, in a timely fashion, any information reasonably requested by the Dissemination Agent that is necessary in order for the Dissemination Agent to carry out its duties under this Disclosure Agreement. The District, the Disclosure Representative and the Developer acknowledge and agree that the information to be collected and disseminated by the Dissemination Agent will be provided by the District, the Disclosure Representative, the Developer and others. The Dissemination Agent's duties do not include authorship or production of any materials, and the Dissemination Agent shall have no responsibility hereunder for the content of the information provided to it by the District, the Disclosure Representative, or the Developer as thereafter disseminated by the Dissemination Agent.

14. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the District, the Disclosure Representative, the Developer, the Dissemination Agent, the Trustee, the Participating Underwriter and Owners of the Bonds (the Dissemination Agent, Participating Underwriter and Owners of the Bonds being hereby deemed express third party beneficiaries of this Agreement), and shall create no rights in any other person or entity.

15. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

16. **District, Disclosure Representative and Trustee Cooperation.** The District, the Disclosure Representative and the Trustee agree that the Dissemination Agent, in such capacity hereunder, may receive, upon request, from the District, the Disclosure Representative and the Trustee, on a timely basis, any information or reports within their respective control the Dissemination Agent requests in furtherance of the Dissemination Agent's duties hereunder, including balances in the Funds and Accounts established under the Indenture and such other information as it deems necessary to review compliance by the other parties hereto with their respective obligations hereunder. In furtherance thereof, the District, through its Disclosure Representative, agrees to provide the Dissemination Agent with a certified copy of any tax roll provided to the County Tax Collector within promptly after its delivery to the County Tax Collector, but no later than September 30 of the current Fiscal Year, and the adopted budget for the upcoming Fiscal Year by September 30 of the current year. In addition, the District acknowledges and agrees that any modifications to assessment methodologies which affect the Assessments and any other payment source of the Bonds and any "true up" implementations regarding such Assessments shall be adopted by District resolution and that the District, through its Disclosure Representative, will provide the Dissemination Agent and the Trustee with notice of such resolution(s) within 30 days of adoption.

17. **Disclosure USA.** Any filing to be made with each National Repository or State Repository hereunder may be made by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, unless the SEC has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004 or a court of competent jurisdiction has enjoined the MAC from providing its services.

18. **Governing Law.** This Disclosure Agreement shall be governed by the laws of the State of Florida and Federal law and venue shall be in any state or federal court having jurisdiction in Manatee County, Florida.

19. **Binding Effect.** This Disclosure Agreement shall be binding upon each party and upon each successor and assignee of each party and shall inure to the benefit of, and be enforceable by, each party and each successor and assignee of each party.

[SIGNATURE PAGES TO FOLLOW]

SIGNATURE PAGE FOR  
**CONTINUING DISCLOSURE AGREEMENT**  
(Heritage Harbour North Community Development District)

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

ATTEST

**HERITAGE HARBOUR NORTH  
COMMUNITY DEVELOPMENT DISTRICT**

\_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Chairman, Board of Supervisors

**DEVELOPER:**

**HARBOURVEST, L.L.C.**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

**SIGNATURE PAGE FOR  
CONTINUING DISCLOSURE AGREEMENT  
(Heritage Harbour North Community Development District)**

Joined by Wrathell, Hart, Hunt & Associates, LLC as Disclosure Representative for purposes of Section 4, Section 12, Section 13, Section 14 and Section 16 only.

**DISCLOSURE REPRESENTATIVE:**

**WRATHELL, HART, HUNT  
& ASSOCIATES, LLC**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**SIGNATURE PAGE FOR  
CONTINUING DISCLOSURE AGREEMENT  
(Heritage Harbour North Community Development District)**

Joined by U.S. Bank National Association, as Trustee for purposes of Section 12, Section 14 and Section 16 only.

**TRUSTEE:**

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO REPOSITORIES  
OF FAILURE TO FILE ANNUAL REPORT/DEVELOPER REPORT**

Name of District: Heritage Harbour North Community Development District

Name of Bond Issue: \$24,000,000 Heritage Harbour North Community Development District  
Capital Improvement Revenue Bonds, Series 2007

Date of Issuance: October 11, 2007

NOTICE IS HEREBY GIVEN that [the District has not provided an Annual Report as required by Section 4(a)] [the Developer has not provided a Developer Report which contains the information required by Section 5(b)] of the Continuing Disclosure Agreement dated as of October 11, 2007, among the District and the Developer named therein, and joined in by the Disclosure Representative and Trustee named therein, executed and delivered in connection with the above-referenced Bonds. The [District][Developer] has advised the undersigned that it anticipates that the [Annual Report][Developer Report] will be filed by \_\_\_\_\_, 20\_\_\_\_].

Dated: \_\_\_\_\_

**[DISSEMINATION AGENT]**

cc: District  
Harbourvest, L.L.C.



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