
TRUST INDENTURE

BETWEEN

PORTOFINO ISLES COMMUNITY DEVELOPMENT DISTRICT

AND

**WACHOVIA BANK, NATIONAL ASSOCIATION
As Trustee**

Dated as of March 1, 2003

Securing

\$7,135,000

**PORTOFINO ISLES COMMUNITY DEVELOPMENT DISTRICT
(PORT ST. LUCIE, FLORIDA)
SPECIAL ASSESSMENT BONDS, SERIES 2003A**

and

\$520,000

**PORTOFINO ISLES COMMUNITY DEVELOPMENT DISTRICT
(PORT ST. LUCIE, FLORIDA)
SPECIAL ASSESSMENT BONDS, SERIES 2003B**

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This Trust Indenture, Dated as of March 1, 2003 (the "Indenture") by and between PORTOFINO ISLES COMMUNITY DEVELOPMENT DISTRICT (the "District"), a local unit of special-purpose government organized and existing under the laws of the State of Florida, and WACHOVIA BANK, NATIONAL ASSOCIATION, a national banking association duly organized and existing under the laws of the United States of America, having its designated corporate trust office in Miami, Florida (said national banking association and any bank or trust company becoming successor trustee under the Indenture (hereinafter defined) being hereinafter referred to as the "Trustee");

WITNESSETH:

Whereas, the District is a local unit of special-purpose government created in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended (the "Act"); and

Whereas, the premises governed by the District are described more fully in Exhibit A hereto (the "District") and presently consist of approximately 295 acres of land located entirely within the City of Port St. Lucie, Florida; and

Whereas, the District has been created for the purpose of delivering certain community development services and facilities under the Act and the District has decided to undertake the financing, funding, planning, acquisition, construction, reconstruction, equipping and installation of certain roadway and recreational improvements under the Act, as more specifically described herein; and

Whereas, pursuant to Resolution No. 2003-6, adopted October 14, 2002, as supplemented by Resolution No. 2003-11, adopted December 3, 2002, as supplemented by Resolution 2003-12, adopted February 4, 2003, and Resolution No. 2003-13, adopted March 4, 2003 (collectively, the "Resolution"), and this Indenture, the District has determined to issue \$7,135,000 aggregate principal amount of Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003A (the "Series 2003A Bonds") and \$520,000 aggregate principal amount of Portofino Isles Lucie Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003B (the "Series 2003B Bonds" and, together with the Series 2003A Bonds, the "Series 2003 Bonds"); and

Whereas, the proceeds of the Series 2003A Bonds will be used to provide funds for (i) the payment of a portion of the costs of the Project, (ii) the payment of interest on the Series 2003A Bonds through November 1, 2003, (iii) the funding of the Series 2003A Debt Service Reserve Account, and (iv) payment of a portion of the costs of issuance of the Series 2003 Bonds; and

Whereas, the proceeds of the Series 2003B Bonds will be used to provide funds for (i) the payment of a portion of the costs of the Project, (ii) the payment of interest on the Series 2003B Bonds through November 1, 2003, (iii) the funding of the Series 2003B Debt Service Reserve Account, and (iv) payment of a portion of the costs of issuance of the Series 2003 Bonds; and

Whereas, the Series 2003A Bonds will be secured solely by a lien upon and pledge of the Series 2003A Pledged Revenues and the Series 2003B Bonds will be secured solely by a lien upon the Series 2003B Pledged Revenues, respectively; (all as hereinafter defined);

Whereas, the District has previously, by Resolution No. 2003-11, adopted on December 3, 2002, approved the form of Trust Indenture between the District and the Trustee;

Now, Therefore, This Indenture, Witnesseth: that in consideration of the premises, of the acceptance by the Trustee of the trusts hereby created, and of the purchase and acceptance of the Bonds by the Owners thereof, and also for and in consideration of the sum of Ten Dollars (\$10.00) by the District in hand paid to the Trustee at or before the execution and delivery of this Indenture, the receipt of which is hereby acknowledged, and for the purpose of fixing and declaring the terms and conditions upon which the Bonds are to be issued, authenticated, delivered, secured and accepted by all persons who shall from time to time be or become Owners thereof, and in order to secure the payment of the principal of all the Bonds at any time issued and outstanding hereunder and the premium, if any, and interest thereon according to their tenor, purport and effect, and in order to secure the performance and observance of all the covenants, agreements and conditions therein and herein contained, the District has executed and delivered this Indenture and has pledged and assigned and does hereby pledge and assign to the Trustee the District's rights in and to the Pledged Revenues and other moneys to the extent provided in this Indenture and under the Agreement, and has granted and does hereby grant a security interest in the Funds established hereby (excluding the Rebate Fund), all as security for the payment of the Bonds and the premium, if any, and interest thereon and as security for the satisfaction of any other obligation assumed by it in connection with such Bonds, and it is so mutually agreed and covenanted by and between the parties hereto;

To Have And To Hold all the same with all privileges and appurtenances hereby conveyed and assigned, or agreed or intended so to be, to the Trustee, its successors in trust and their assigns forever;

In Trust, Nevertheless, upon the terms and trusts herein set forth for the equal and proportionate benefit and security, except as otherwise hereinafter expressly provided, of all and singular the present and future holders of the Bonds of each Series issued and to be issued under this Indenture, without preference, priority or distinction as to lien or otherwise within a Series, except as otherwise hereinafter expressly provided, of any one Bond of a Series over any other Bond of such Series, by reason of priority in the issue, sale or negotiation thereof or otherwise;

Provided, However, that if, after the rights, title and interest of the Trustee in and to the estate pledged and assigned to it under this Indenture shall have ceased, terminated and become void in accordance with Article XVI hereof, the principal of and premium, if any, and interest on all of the Bonds shall have been paid to the Owners or shall have been paid to the District pursuant to Section 505 hereof, then this Indenture and all covenants, agreements and other obligations of the District hereunder shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge this Indenture and shall execute and deliver to the District such instruments in writing prepared by or on behalf of the District as shall be required to evidence the discharge hereof; otherwise this Indenture shall be and remain in full force and effect.

This Indenture, Further Witnesseth: it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all said Special Assessment Revenues and other income and moneys hereby pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter 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 Bonds, or any part thereof, as follows:

ARTICLE I

DEFINITIONS

In this Indenture (including the recitals hereto) and any indenture supplemental hereto (except as otherwise expressly provided or unless the context otherwise requires) the following terms shall have the meanings specified below:

“Account” shall mean any designated account or subaccount established within a Fund pursuant to this Indenture.

“Accredited Investor” shall mean a person or entity described in Section 517.061(11)(b)(5), Florida Statutes, or any successor provision, as the same may be amended from time to time.

“Acquisition Agreement” shall mean the agreement between the Developer and the District dated as of March 1, 2003, relating to properties and improvements sold by the Developer to the District.

“Act” shall mean the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended from time to time, and any successor statute thereto.

“Additional Bonds” shall mean Completion Bonds and Refunding Bonds issued pursuant to Article II hereof.

“Annual Budget” shall mean the District’s budget of current operating and maintenance expenses for the Project for a Fiscal Year, adopted pursuant to the provisions of Section 11.21 of this Indenture, as the same may be amended from time to time.

“Assessment Resolutions” means collectively, Resolutions Nos. 2003-4 and 2003-5, adopted October 14, 2002, and Resolutions Nos. 2003-8 and 2003-9, adopted by the Board on December 3, 2002, providing for the levy of the Special Assessments.

“Authenticating Agent” shall mean the agent so described in, and appointed pursuant to, Section 2.03 hereof.

“Authorized Denominations” shall mean \$5,000 and integral multiples thereof; provided that the Bonds shall be issuable to the Initial Purchaser only in denominations of \$50,000 and integral multiples of \$5,000 in excess thereof.

“Authorized Newspaper” shall mean a newspaper printed in English and customarily published at least once a day at least five days a week and generally circulated in New York, New York or Port St. Lucie, Florida or such other city or cities as the District from time to time may determine by written notice provided to the Trustee. When successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

“Board” shall mean the Board of Supervisors, as the governing body of the District.

“Bonds” shall mean, collectively, the Outstanding Series 2003 Bonds, any Outstanding Completion Bonds and any Outstanding Refunding Bonds.

“Bond Counsel” shall mean Counsel of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions.

“Bond Redemption Fund” shall mean the Fund so designated, which is established pursuant to Section 6.06 hereof.

“Bond Year” means the annual period beginning each May 2 and ending the following May 1.

“Business Day” shall mean any day other than (a) a Saturday or Sunday or legal holiday or a day on which the principal office of the District, Trustee, the Registrar or any Paying Agent (as defined in any Supplemental Indenture) is closed, or (b) a day on which the New York Stock Exchange, Inc. is closed.

“Capital Additions” shall mean all property or interests in property, real, personal and mixed, comprising any and all additions, improvements or extraordinary repairs to or replacements of all or any part of the Project after the date of issuance of the Series 2003 Bonds, the Cost of which is properly chargeable to plant or property account under Generally Accepted Governmental Accounting Principles.

“Capitalized Interest” shall mean interest due or to become due on the Series 2003A Bonds and the Series 2003B Bonds, which will be paid, or is expected to be paid, from the proceeds of the Series 2003A Bonds and the Series 2003B Bonds, respectively.

“Certified Public Accountant” shall mean a Person, who shall be Independent, appointed by the Board, actively engaged in the business of public accounting and duly certified as a certified public accountant under the laws of the State.

“Certified Resolution” or “Certified Resolution of the District” shall mean a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the District, under its seal, to have been duly adopted by the Board and to be in full force and effect as of the date of such certification.

“City” shall mean the City of Port St. Lucie, Florida.

“Code” shall mean the Internal Revenue Code of 1986, the Treasury Regulations (whether temporary or final) under that Code or the statutory predecessor of that Code, any amendments of, or successor provisions to, the foregoing, and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section includes any applicable successor section or provision and such applicable Treasury Regulations, rulings, announcements, notices, procedures and determinations pertinent to that Section.

“Completion Bonds” shall mean additional obligations of the District issued under Section 3.03 of this Indenture.

“Construction Fund” shall mean the Fund so designated which is established pursuant to Section 5.01 hereof.

“Consulting Engineer” shall mean the Independent engineer or engineering firm or corporation at the time employed by the District under the provisions of Section 11.22 of this Indenture to perform and carry out duties imposed on the Consulting Engineer hereunder, which engineer or engineering firm or corporation shall be duly certified as an engineer under the laws of the State. The Independent engineer or engineering firm or corporation at the time serving as the engineer to the District may serve as Consulting Engineer under the Indenture.

“Continuing Disclosure Agreement” shall mean collectively, the Continuing Disclosure Agreements Dated as of March 1, 2003, executed by the District and by the Developer, respectively, as amended and supplemented from time to time.

“Cost” or “Costs”, in connection with the Project or any portion thereof or any Capital Addition shall mean all expenses which are properly chargeable thereto under Generally Accepted Governmental Accounting Principles or which are incidental to the planning, financing, funding, acquisition, construction, reconstruction, equipping and installation thereof, including, without limiting the generality of the foregoing:

- (a) expenses of determining the feasibility or practicability of acquisition, construction, or reconstruction;
- (b) cost of surveys, estimates, plans, and specifications;
- (c) cost of improvements;
- (d) engineering, architectural, fiscal, legal, accounting and other professional and advisory expenses and charges;
- (e) cost of all labor, materials, machinery, and equipment (including, without limitation, (i) amounts payable to contractors, builders and materialmen and costs incident to the award of contracts and (ii) the cost of labor, facilities and services furnished by the District and its employees, materials and supplies purchased by the District);

- (f) cost of all lands, properties, rights, easements, and franchises acquired, including, without limitation, any and all costs associated with acquiring lands, properties, rights, easements or franchises through eminent domain proceedings;
- (g) financing charges;
- (h) creation of initial reserves and debt service funds;
- (i) working capital;
- (j) interest charges incurred or estimated to be incurred on money borrowed prior to and during construction and acquisition and for such reasonable period of time after completion of construction or acquisition as the Board may determine;
- (k) the Cost of Issuance of Bonds, including, without limitation, advertisements and printing;
- (l) the cost of any election held pursuant to the Act and all other expenses of issuance of Bonds;
- (m) the discount, if any, on the sale or exchange of Bonds;
- (n) amounts required to repay temporary or bond anticipation loans made to finance any costs permitted under the Act;
- (o) costs of prior improvements made or acquired by the District in anticipation of the Project;
- (p) taxes, assessments and similar governmental charges during construction or reconstruction of a Project;
- (q) 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 other dispute;
- (r) 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;
- (s) payments, contributions, dedications, and any other exactions required as a condition to receive any government approval or permit necessary to accomplish any District purpose;
- (t) cost of permits and licenses obtained by the District;
- (u) mitigation costs;
- (v) administrative expenses;

(w) such other expenses as may be necessary or incidental to the acquisition, construction, or reconstruction of any project or to the financing thereof, or to the development of any lands within the District; and

(x) any other "cost" or expense as provided by the Act.

In connection with the refunding or redeeming of any Bonds, "Cost" includes, without limiting the generality of the foregoing, the items listed in (d), (k), (l), (m) and (n) above, and other expenses related to the redemption of the Bonds to be redeemed and the Redemption Price of such Bonds (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid hereunder, such payment may be made by way of reimbursement to the District or any other Person who has paid the same.

"Cost of Issuance" shall mean all expenses incurred by the District in connection with the authorization, sale, and issuance of Bonds including, but not limited to, the fees and expenses of the District Manager, the Financial Advisor, the Consulting Engineer, District Counsel, Disclosure Counsel, and Bond Counsel; the cost of preparation of the Limited Offering Memorandum for the Bonds, including printing and mailing expenses; the cost of preparation of reports and information included in the Limited Offering Memorandum, the cost of advertising and meetings with potential investors; discount on the sale of the Bonds; and any other costs and expenses associated with the issuance, sale and delivery of the Bonds.

"Counsel" shall mean an attorney-at-law or law firm (who may be counsel for the District).

"County" shall mean St. Lucie County, Florida.

"Debt Service Fund" shall mean the Fund so designated which is established pursuant to Section 6.04 hereof.

"Debt Service Requirement", with reference to a specified period, and with respect to the Series 2003 Bonds, shall mean:

(a) interest payable on such Bonds during such period, subject to reduction for amounts held as capitalized interest in the Funds and Accounts established under the Indenture;

(b) amounts required to be paid into any mandatory sinking fund account with respect to such Bonds during such period; and

(c) amounts required to pay the principal of such Bonds maturing during such period and not to be redeemed prior to or at maturity through any sinking fund account.

"Debt Service Reserve Fund" shall mean the Fund so designated which is established pursuant to Section 6.05 hereof.

"Debt Service Reserve Requirement" shall mean initially, (a) with respect to the Series 2003A Bonds, an amount (initially \$559,125) equal to 7.8363% of the total Outstanding 2003A Bonds and (b) with respect to the Series 2003B Bonds, an amount equal (initially \$52,000) to 10% of the aggregate principal amount from time to time of the Outstanding Series 2003B Bonds; provided that the aggregate Series 2003 Debt Service Reserve Requirement shall not exceed the lesser of (i) the maximum annual Debt Service Requirements for the Outstanding Series 2003 Bonds, (ii) 125% of the average of the annual Debt Service Requirements for the Series 2003 Bonds, and (iii) ten percent (10%) of the original stated principal amount (within the meaning of the Code) of the Series 2003 Bonds. In calculating the initial Debt Service Reserve Requirement, the calculations described above shall be done on an individual basis with respect to each of the Series 2003A Bonds and the Series 2003B Bonds.

"Defeasance Securities" shall mean, to the extent permitted by law, non-callable Government Obligations.

"Deferred Acquisition Amount" means the portion of the amount due from the District to the Developer not paid to the Developer pursuant to the Acquisition Agreement.

"Developer" shall mean Prime Investors and Developers, Inc. a Florida corporation.

"District" shall mean the Portofino Isles Community Development District, acting by and through its Board of Supervisors and their employees, agents and representatives.

"District Expenses" shall mean the expenses incurred or paid by the District related to the Bonds or the Special Assessments and, without limiting the generality of the foregoing, shall be deemed to include the fees of the Trustee, the fees of the St. Lucie County Property Appraiser and Tax Collector, the fees of any rebate consultant and fees of the District Manager.

"District Lands" shall mean the lands and improvements from time to time under the jurisdiction of the Board, which currently consist of approximately 295 acres of land located entirely within the City, as more fully described in Exhibit A hereto. The District Lands may be expanded or contracted from time to time in accordance with the provisions of the Act.

"District Manager" shall mean the Person appointed by the Board to serve as District Manager or acting District Manager of the District.

"Engineer's Report" shall mean the Portofino Isles Engineer's Report of Capital Improvements dated February 2003 as the same may be amended from time to time, prepared by the Consulting Engineer and describing the 2003 Project to be undertaken by the District and financed through the Series 2003 Bonds under the Indenture.

"Event of Default" shall mean any of the events described in Section 12.02 hereof.

"Expenses" means the expenses incurred by the District in connection with the Bonds and the Special Assessments including the fees and expenses of the Trustee, the Tax Collector, and the District Manager.

“Financial Advisor” means the Person appointed by the Board to serve as Financial Advisor to the District.

“Fiscal Year” shall mean the period of twelve (12) months beginning October 1 of each calendar year and ending on September 30 of the following calendar year, and also shall mean the period from actual execution hereof to and including the next succeeding September 30; or such other consecutive twelve-month period as may hereafter be established by Florida law.

“Fund” shall mean any designated fund established pursuant to this Indenture.

“Generally Accepted Governmental Accounting Principles” shall mean those accounting principles applicable in the preparation of financial statements of governmental entities.

“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.

“Improvements” means the improvements acquired and constructed as part of the Project and any other land or improvements of the District.

“Indenture” or “Trust Indenture” shall mean this Trust Indenture, dated as of March 1, 2003, by and between the District and the Trustee, as supplemented and amended from time to time.

“Independent” shall mean a Person who is not a member of the District’s Board or an officer of the District, the Developer or any affiliate thereof or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stock Owner who is a member of the District’s Board or a member of the board of directors of the Developer or any affiliate thereof, or an officer or employee of the Developer or any affiliate thereof; provided, however, that the fact that such Person is retained regularly by or regularly transacts business with the Developer shall not make such Person an employee within the meaning of this definition.

“Initial Purchaser” shall mean each Person to whom the Series 2003 Bonds are originally sold by the Underwriter as reflected on the records of the Underwriter.

“Interest Account” shall mean the Account so designated, established as a separate account within the Debt Service Fund pursuant to Section 6.04 hereof.

“Interest Payment Date” shall mean the date or dates on which interest or principal on the Series 2003 Bonds or a portion thereof is scheduled to be due and payable, which dates shall be May 1 and November 1 of each year, beginning November 1, 2003.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal investments for funds of the District:

- (a) Government Obligations;

(b) 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;

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

(d) Any short term government fund whose assets consist of (a) and (b) above;

(e) shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which invests its assets in any of the securities described in clauses (a), (b) or (c) hereof;

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

"Maximum Debt Service Requirement" means with respect to either Series or all Bonds, as the case may be, the Debt Service Requirement for the then current or any future Bond Year which is largest in dollar amount.

"Outstanding", in connection with Bonds, shall mean, as of the time in question, all Bonds authenticated and delivered under the Indenture, except:

(a) all Bonds theretofore canceled or required to be canceled under Section 2.07 hereof;

(b) Bonds for the payment, redemption or purchase of which moneys and/or Defeasance Securities, the principal of and interest on which, when due, will provide sufficient moneys to fully pay such Bonds in accordance with Article XVI hereof, shall have been or shall concurrently be deposited with the Trustee; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision shall have been made therefor, and that if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

In determining whether the Owners of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of the Indenture, Bonds which are known by the Trustee to be held on behalf of the District or which are held by the Trustee shall be disregarded for the purpose of any such determination.

“Owner”, “Owner of Bonds”, “Owner” or “Registered Owner” or any similar term shall mean any Person who shall be the registered owner of any Outstanding Bond or Bonds, as evidenced on the Register of the District kept by the Registrar.

“Owner” or “Registered Owner” shall mean any Person who at the time is entitled to receive payments of principal of and interest on Bonds as determined by reference to the Register.

“Paying Agent” shall mean the Person or Persons authorized by the District herein to pay the principal or Redemption Price of and interest on the Series 2003 Bonds on behalf of the District.

“Person” shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, governmental body, political subdivision, municipality, municipal authority or any other group or organization of individuals.

“Pledged Revenues” means the interest of the District in the Special Assessment Revenues and the moneys and investments from time to time on deposit in the Funds and Accounts established hereunder (excluding the Rebate Fund) conveyed in trust to the Trustee for the benefit of the Owners from time to time of the Series 2003 Bonds, and refers collectively to the Series 2003A Pledged Revenues and the Series 2003B Pledged Revenues; provided that no use of the term Pledged Revenues is intended to suggest that the Series 2003A Bonds are secured by the Series 2003B Pledged Revenues or that the Series 2003B Bonds are secured by the Series 2003A Pledged Revenues.

“Prepayment” shall mean the payment by any owner of property of the amount of Special Assessments encumbering its property, in whole or in part, prior to its scheduled due date, including optional prepayments and prepayments which become due pursuant to the “true-up” mechanism contained in the Assessment Resolution. “Prepayments” shall include, without limitation, Series 2003A Prepayment Principal and Series 2003B Prepayment Principal.

“Principal Account” shall mean the Account so designated, established as a separate account within the Debt Service Fund pursuant to Section 6.04 hereof.

“Project” or “2003 Project” shall mean certain capital improvements to be acquired and/or constructed by the District, including without limitation, the planning, design, construction and acquisition of Utility System improvements and Road System improvements and such other improvements as more particularly described in the “Portofino Isles Engineer’s Report of Capital Improvements”, dated February 2003, as amended from time to time, together

with the associated real property and interest therein, all as more particularly described in Exhibit C attached hereto.

“Property Appraiser” shall mean the property appraiser of the County.

“Property Appraiser and Tax Collector Agreement” shall mean the Property Appraiser and Tax Collector Agreement described in Section 11.04 hereof.

“Rebate Fund” shall mean the Fund so designated, which is established pursuant to Section 11.32 hereof.

“Record Date” shall mean, as the case may be, the applicable Regular or Special Record Date.

“Redemption Price” shall mean the principal amount of any Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to the Indenture.

“Refunding Bonds” shall mean Bonds issued pursuant to Section 3.03 hereof and as more specifically described in a Supplemental Indenture authorizing the refunding or advance refunding of all or any portion of one or more Series (or any portion thereof) of Bonds Outstanding.

“Register” means the books maintained by the Registrar showing the names and addresses of Owners and shall have the meaning specified in Section 2.04 of this Indenture.

“Registrar”, in respect of the Series 2003 Bonds, shall have the meaning specified in Section 2.04 of this Indenture.

“Regular Record Date” shall mean the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

“Regulatory Body” shall mean and include (a) the United States of America and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America, (b) the State, any political subdivision thereof and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the State, (c) the City and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the City, and (d) any other public body, whether federal, state or local or otherwise having regulatory jurisdiction and authority over the District.

“Resolution” shall mean, collectively, (i) Resolution No. 2003-6 of the District adopted October 14, 2002, pursuant to which the District authorized the issuance of the Series 2003 Bonds to finance certain improvements including the 2003 Project, (ii) Resolution No. 2003-11 of the District adopted December 3, 2002, pursuant to which the District approved the form of this Indenture and delegated to the Chairman of the Board the authority to fix and determine the details of the Series 2003 Bonds and to execute a contract for the sale of the Series 2003 Bonds and other matters, (iii) Resolution No. 2003-12, of the District adopted February 4, 2003, pursuant to which the District approved the form of this Indenture and its execution by the

Chairman of the Board and its delivery to the Trustee and the other matters referred to therein, and (iv) Resolution No. 2003-13, of the District adopted March 4, 2003, pursuant to which the District approved the final form of this Indenture and the financing structure.

“Responsible Officer” shall mean any member of the Board or any other officer of the District or other person designated by Certified Resolution of the District, a copy of which shall be on file with the Trustee, to act for any of the foregoing, either generally or with respect to the execution of any particular document or other specific matter.

“Revenue Fund” shall mean the Fund so designated which is established pursuant to Section 6.03 hereof.

“Road System” shall mean all or any part of the internal road system described in the Engineer’s Report, including, without limitation, highways, streets, alleys or any other thoroughfares, to be planned, financed, acquired, constructed, reconstructed, equipped or installed by the District or on behalf of the District, together with any and all additions, extensions and improvements hereafter made to said system, including, without limitation, any and all clearing, grubbing, excavation, borrow excavation, utility relocation, pipe, end sections, curb inlets, catch basins, storm manholes with covers, sub-base, limerock base, pavement, curb and gutter, underdrains, cleanouts, retention ponds, top soil, seed and mulch, street lighting, sidewalks and other pedestrian or bike ways, trees, shrubbery and other landscaping, medians, striping, signing and signalization, fencing, bridges, culverts, on-site or off-site mitigation requirements and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection with said system.

“Series” shall mean the Series 2003A Bonds or Series 2003B Bonds (or either of them) authenticated and delivered at one time on original issuance and pursuant to any Certified Resolution of the District authorizing such Bonds as a separate Series of Bonds, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations in maturity, interest rate or other provisions.

“Series Subaccounts” shall mean the Accounts or subaccounts established pursuant to Section 6.02 hereof with respect to both or each Series of the Series 2003 Bonds.

“Series 2003 Bonds” shall mean collectively, the Series 2003A Bonds and the Series 2003B Bonds.

“Series 2003A Bond Amortization Subaccount” shall mean the subaccount so designated established within the Bond Amortization Account of the Debt Service Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Bonds” shall mean the \$7,135,000 aggregate principal amount of Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003A, to be issued as fully registered Bonds in accordance with the provisions of this Indenture, and secured and authorized by this Indenture.

“Series 2003A Capitalized Interest Subaccount” shall mean the subaccount so designated, established within the Interest Account of the Debt Service Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Debt Service Reserve Account” shall mean the Account so designated, established within the Debt Service Reserve Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A General Subaccount” shall mean the subaccount so designated, established within the Series 2003A Redemption Account of the Bond Redemption Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Interest Subaccount” shall mean the subaccount so designated, established within the Interest Account of the Debt Service Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Pledged Revenues” shall mean (a) the Series 2003A Special Assessment Revenues; (b) all moneys on deposit in the Series Subaccounts established for the benefit of the Series 2003A Bonds under this Indenture; and (c) the portion of the moneys on deposit in the Construction Fund determined by multiplying such moneys by the percentage of the amounts deposited into the Construction Fund from the proceeds of the Series 2003A Bonds on original issuance; provided, however, that the Series 2003A Pledged Revenues shall not include (A) any moneys transferred to the Rebate Fund, or investment earnings thereon and (B) “special assessments” levied and collected by the District under Section 190.022 of the Act for maintenance purposes or “maintenance special assessments” levied and collected by the District under Section 190.021(3) of the Act (it being expressly understood that the lien and pledge of this Indenture shall not apply to any of the moneys described in the foregoing clauses (A) and (B) of this proviso).

“Series 2003A Prepayment Principal” shall mean the portion of a Prepayment corresponding to the principal amount of Series 2003A Special Assessments being prepaid.

“Series 2003A Prepayment Subaccount” shall mean the subaccount so designated, established in the Series 2003A Redemption Account of the Bond Redemption Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Principal Subaccount” shall mean the subaccount so designated, established in the Principal Account of the Debt Service Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Revenue Account” shall mean the Account so designated established within the Revenue Fund pursuant to Section 6.02 of this Indenture.

“Series 2003A Special Assessment Revenues” shall mean the Special Assessment Revenues derived from the levy and collection of the Series 2003A Special Assessments.

“Series 2003A Special Assessments” shall mean a portion of the Special Assessments levied, corresponding in amount to the debt service on the Series 2003A Bonds.

“Series 2003B Bonds” shall mean the \$520,000 aggregate principal amount of Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003B, to be issued as fully registered Bonds in accordance with the provisions of this Indenture, and secured and authorized by this Indenture.

“Series 2003B Capitalized Interest Subaccount” shall mean the subaccount so designated, established within the Interest Account of the Debt Service Fund pursuant to Section 6.02 of this Indenture.

“Series 2003B Debt Service Reserve Account” shall mean the account so designated, established within the Debt Service Reserve Fund pursuant to Section 6.02 of this Indenture.

“Series 2003B General Subaccount” shall mean the subaccount so designated, established within the Series 2003B Redemption Account of the Bond Redemption Fund pursuant to Section 6.02 of this Indenture.

“Series 2003B Interest Subaccount” shall mean the subaccount so designated, established within the Interest Account pursuant to Section 6.02 of this Indenture.

“Series 2003B Pledged Revenues” shall mean (a) the Series 2003B Special Assessment Revenues; (b) all moneys on deposit in the Series Subaccounts established for the benefit of the Series 2003B Bonds under this Indenture; and (c) the portion of the moneys on deposit in the Construction Fund determined by multiplying such moneys by the percentage of the amounts deposited into the Construction Fund from the proceeds of the Series 2003B Bonds on original issuance; provided, however, that the Series 2003B Pledged Revenues shall not include (A) any moneys transferred to the Rebate Fund, or investment earnings thereon and (B) “special assessments” levied and collected by the District under Section 190.022 of the Act for maintenance purposes or “maintenance special assessments” levied and collected by the District under Section 190.021(3) of the Act (it being expressly understood that the lien and pledge of this Indenture shall not apply to any of the moneys described in the foregoing clauses (A) and (B) of this proviso).

“Series 2003B Prepayment Principal” shall mean the portion of a Prepayment corresponding to the principal amount of Series 2003B Special Assessments being prepaid.

“Series 2003B Prepayment Subaccount” shall mean the subaccount so designated and established in the Series 2003B Redemption Account of the Bond Redemption Fund pursuant to Section 6.02 of this Indenture.

“Series 2003B Principal Subaccount” shall mean the Account so designated, established in the Principal Account of the Debt Service Fund pursuant to Section 6.02 of this Indenture.

“Series 2003B Revenue Account” shall mean the Account so designated, established within the Revenue Fund pursuant to Section 6.02 of this Indenture.

“Series 2003B Special Assessment Revenues” shall mean the Special Assessment Revenues derived from the levy and collection of the Series 2003B Special Assessments.

“Series 2003B Special Assessments” shall mean a portion of the Special Assessments levied, corresponding in amount to the debt service on the Series 2003B Bonds.

“Special Assessments” shall mean the “special assessments” levied and collected, as provided for in Sections 190.011(14) and 190.022 of the Act, against the District Lands that are subject to assessment as a result of the 2003 Project or any portion thereof, to the extent levied and collected to enable the District to pay the Debt Service Requirements on the Series 2003 Bonds. Special Assessments shall not include “special assessments” levied and collected by the District under Section 190.022 of the Act for maintenance purposes or “maintenance special assessments” levied and collected by the District under Section 190.021(3) of the Act. Special Assessments also shall not include any “special assessments” levied and collected, as provided for in Sections 190.011(14) and 190.022 of the Act, or “benefit special assessments” levied and collected, as provided for in Section 190.021(2) of the Act, against the District Lands that are subject to the Special Assessments, to the extent that such other “special assessments” or “benefit special assessments” are levied and collected on the District Lands in respect of a project other than the 2003 Project or bonds other than the Series 2003 Bonds.

“Special Assessment Revenues” shall mean the net proceeds derived from the levy and collection of Special Assessments, including amounts received as prepayments of Special Assessments and any interest and penalties on such Special Assessments pursuant to all applicable provisions of the Act, Chapter 170, Florida Statutes, as amended, and Chapter 197, Florida Statutes, as amended (and any successor statutes thereto), including, without limitation, any amounts received from any foreclosure proceedings for the enforcement of collection of such Special Assessments or from the issuance and sale of tax certificates with respect to such Special Assessments, less (to the extent applicable) the fees and costs of collection thereof.

“Special Record Date” shall mean such date as shall be fixed for the payment of defaulted interest on the Bonds in accordance with Section 2.01 hereof.

“State” shall mean the State of Florida.

“Supplemental Indenture” and “indenture supplemental hereto” shall mean any indenture amending or supplementing this Indenture as provided in Article XV hereof or which may be entered into in accordance with the provisions of this Indenture for the purpose of creating one or more Series of Refunding Bonds and any indenture amending or supplementing such Supplemental Indenture.

“Tax Collector” shall mean the tax collector of the County.

“Trustee” shall mean Wachovia Bank, National Association, a national banking association duly organized and existing under the laws of the United States, and duly authorized to exercise corporate trust powers in the State, having its designated corporate trust office in Miami, Florida, together with its successor or successors as Trustee under the Indenture.

“Utility System” means, collectively, the facilities for the transmission and distribution of water within the District, the facilities for the collection and transmission of wastewater within the District, and the facilities for the collection of stormwater within the District.

The words "hereof", "herein", "hereto", "hereby", and "hereunder" (except in the form of Bond), refer to the entire Indenture.

Every "request", "requisition", "order", "demand", "application", "notice", "statement", "certificate", or "consent", hereunder by the District shall, unless the form or execution thereof is otherwise specifically provided, be in writing signed by a Responsible Officer of the District.

References herein to specific sections of the Florida Statutes shall be deemed to include any and all subsequent amendments to such section of the Florida Statutes and, if such section of the Florida Statutes were to be renumbered or repealed and replaced with another statutory provision, such reference shall be deemed to include the section as renumbered or the successor statutory provision, as applicable.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa.

[End Of Article I]

ARTICLE II

THE BONDS

Section 2.01 Amounts and Terms of Series 2003 Bonds; Details of Series 2003 Bonds. The Series 2003 Bonds may be issued hereunder in an aggregate principal amount not exceeding Seven Million Six Hundred Fifty-five Thousand Dollars (\$7,655,000) (excluding Refunding Bonds and Completion Bonds). No Series 2003 Bonds may be issued hereunder except in accordance with the provisions of Articles II and III hereof. The Series 2003 Bonds shall be designated "Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003A" and "Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003B, shall be issued as fully registered bonds without coupons in Authorized Denominations, and shall be substantially in the forms attached hereto as Exhibits B-1 and B-2, respectively, with such appropriate variations, omissions and insertions as are permitted or required by the Indenture and with such additional changes as may be necessary or appropriate to conform to the provisions of the Resolution. The Series 2003A Bonds shall be numbered consecutively from AR-1 and upwards and Series 2003B Bonds shall be numbered consecutively from BR-1 and upwards. The District shall issue the Series 2003 Bonds upon execution hereof and satisfaction of the requirements of Section 3.01 hereof; and the Trustee shall, at the District's request, authenticate such Series 2003 Bonds and deliver them as specified in the request.

(a) The Series 2003A Bonds are being issued hereunder in order to provide funds (i) for the payment of a portion of the costs of the Project, (ii) for the payment of a portion of the interest on the Series 2003A Bonds through November 1, 2003, (iii) to fund the Series 2003A Debt Service Reserve Account, and (iv) to pay a portion of the costs of issuance of the Series 2003 Bonds. The Series 2003A Bonds shall be designated "Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003A", and shall be issued as fully registered bonds without coupons in Authorized Denominations.

(b) The Series 2003B Bonds are being issued hereunder in order to provide funds (i) for the payment of a portion of the costs of the Project, (ii) for the payment of a portion of the interest on the Series 2003B Bonds through November 1, 2003, (iii) to fund the Series 2003B Debt Service Reserve Account, and (iv) to pay a portion of the costs of issuance of the Series 2003 Bonds. The Series 2003B Bonds shall be designated "Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003B", and shall be issued as fully registered bonds without coupons in Authorized Denominations.

(c) The total principal amount of Series 2003A Bonds that may be issued under this Indenture is expressly limited to \$7,135,000.

(d) The total principal amount of Series 2003B Bonds that may be issued under this Indenture is expressly limited to \$520,000.

(e) The principal or Redemption Price of the Series 2003 Bonds shall be payable in lawful money of the United States of America at the corporate trust office of the Paying Agent upon presentation of such Series 2003 Bonds. The payment of interest on the Series 2003 Bonds shall be made on each Interest Payment Date to the Owners of the Series 2003 Bonds by check or draft drawn on the Paying Agent and mailed on the applicable Interest Payment Date to each Owner as such Owner appears on the Register maintained by the Registrar as of the close of business on the Regular Record Date, at his address as it appears on the Register. Any interest on any Series 2003 Bond which is payable, but is not punctually paid or provided for on any Interest Payment Date (hereinafter called "Defaulted Interest") shall be paid to the Owner in whose name the Series 2003 Bond is registered at the close of business on a Special Record Date to be fixed by the Trustee, such date to be not more than fifteen (15) nor less than ten (10) days prior to the date of proposed payment. The Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class, postage-prepaid, to each Owner of record as of the fifth (5th) day prior to such mailing, at his address as it appears in the Register not less than ten (10) days prior to such Special Record Date. The foregoing notwithstanding any Owner of Series 2003 Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Trustee and Paying Agent, upon requesting the same in a writing received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date, which writing shall specify the bank, which shall be a bank within the continental United States, and bank account number to which interest payments are to be wired. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Trustee and Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date.

(f) The Series 2003A Bonds will mature on May 1 2033, with amortization installments due in the years 2004 through 2033, inclusive, subject to the right of prior redemption in accordance with their terms and as set forth herein, shall bear interest at an annual interest rate of 6.50% and shall have a CUSIP of 736891A A0. The Series 2003B Bonds will mature on May 1, 2006, subject to the right of prior redemption in accordance with their terms and as set forth herein, shall bear interest at an annual interest rate of 5.70% and shall have a CUSIP of 736891A B8.

Interest on the Series 2003 Bonds will be computed in all cases on the basis of a 360-day year of twelve 30-day months. Interest on overdue principal and, to the extent lawful, on overdue premium and interest will be payable at the numerical rate of interest borne by the Series 2003 Bonds on the day before the default occurred.

(g) From the net proceeds of the Series 2003A Bonds, (i) accrued interest in the amount of \$11,594.38 in the Interest Account shall be deposited in the Series 2003A Interest Subaccount of the Debt Service Fund, (ii) capitalized interest in the amount of \$295,616.29 shall be deposited in the Series 2003A Capitalized Interest Subaccount in the Interest Account of the Debt Service Fund, (iii) \$559,125.00 (which is an amount equal to the Debt Service Reserve Requirement in respect of the Series 2003A Bonds) shall be deposited in the Series 2003A Debt Service Reserve Account of the Debt Service Reserve Fund, and (iv) \$6,208,908.71 constituting all remaining proceeds of the Series 2003A Bonds, shall be deposited in the Construction Fund to be applied to pay costs of the Project, including \$323,428.48, representing costs of issuance of the Series 2003A Bonds, in accordance with Article V hereof.

(h) From the net proceeds of the Series 2003B Bonds, (i) accrued interest in the amount of \$741.00 in the Interest Account shall be deposited in the Series 2003B Interest Subaccount of the Debt Service Fund, (ii) capitalized interest in the amount of \$18,892.93 shall be deposited in the Series 2003B Capitalized Interest Subaccount in the Interest Account of the Debt Service Fund, (iii) \$52,000.00 (which is an amount equal to the Debt Service Reserve Requirement in respect of the Series 2003B Bonds) shall be deposited in the Series 2003B Debt Service Reserve Account of the Debt Service Reserve Fund, and (iv) \$443,927.07 constituting all remaining proceeds of the Series 2003B Bonds, shall be deposited in the Construction Fund to be applied to pay costs of the Project, including \$23,571.52, representing costs of issuance of the Series 2003B Bonds, in accordance with Article V hereof.

Section 2.02 Execution. The Bonds shall be executed by the manual or facsimile signature of the Chairman or Vice Chairman of the Board, and the corporate seal of the District or the Board shall appear thereon (which may be in facsimile) and shall be attested by the manual or facsimile signature of its Secretary or Assistant Secretary. Bonds executed as above provided may be issued and shall, upon request of the District, be authenticated by the Trustee, notwithstanding that one or both of the officers of the District whose signatures appear on such Bonds shall have ceased to hold office at the time of issuance or authentication or shall not have held office at the date of the Bonds.

Section 2.03 Authentication; Authenticating Agent. No Bond shall be valid until the certificate of authentication shall have been duly executed by the Trustee, and such authentication shall be proof that the Owner is entitled to the benefit of the trust hereby created.

In the case of any Series of Bonds for which the Registrar is other than the Trustee for such Series of Bonds or the District, the Trustee may appoint the Registrar as an Authenticating Agent, with the power to act on such Trustee's behalf, and such Authenticating Agent shall be subject to the direction of the Trustee in the authentication and delivery of Bonds in connection with transfers and exchanges hereunder; the authentication and delivery of Bonds by an Authenticating Agent pursuant to this Section shall, for all purposes of the Indenture, be deemed to be authentication and delivery "by the Trustee."

The Trustee shall be entitled to be reimbursed by the District for payments made to any Authenticating Agent as reasonable compensation for its services.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the District and any Paying Agent. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, the District and any Paying Agent. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Authenticating Agent, shall give written notice of such appointment to the District and the Paying Agent, shall mail a notice of such appointment to all Owners of Bonds of the applicable Series as the names and addresses of such Owners appear on the Register and shall publish notice of such appointment at least once in an Authorized Newspaper in the place where such successor Authenticating Agent has its principal office.

Section 2.04 Appointment of Registrar and Paying Agent. The District shall keep, at the corporate trust office of the Registrar, books (the "Register") for the registration, transfer and exchange of the Series 2003 Bonds, and hereby appoints Wachovia Bank, National Association, as its Registrar to keep such books and make such registrations, transfers, and exchanges as required hereby. Wachovia Bank, National Association hereby accepts its appointment as Registrar and its duties and responsibilities as such hereunder. Registrations, transfers and exchanges shall be without charge to the Owner requesting such registration, transfer or exchange, but such Owner shall pay any taxes or other governmental charges on all registrations, transfers and exchanges.

The District hereby appoints Wachovia Bank, National Association, as Paying Agent for the Series 2003 Bonds. Wachovia Bank, National Association hereby accepts its appointment as Paying Agent and its duties and responsibilities as such hereunder.

Section 2.05 Mutilated, Destroyed, Lost or Stolen Bonds. If any Bond shall become mutilated, the District shall execute and the Trustee or Authenticating Agent, as the case may be, shall thereupon authenticate and deliver a new Bond of like tenor and denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee or Authenticating Agent, as the case may be, of such mutilated Bond for cancellation, and the District and the Trustee or Authenticating Agent, as the case may be, shall require reasonable indemnity therefor. If any Bond shall be reported lost, stolen or destroyed, evidence as to the ownership and the loss, theft or destruction thereof shall be submitted to the District and the Trustee or Authenticating Agent, as the case may be; and if such evidence shall be satisfactory to both and indemnity satisfactory to both shall be given, the District shall execute, and thereupon

the Trustee or Authenticating Agent, as the case may be, shall authenticate and deliver a new Bond of like tenor and denomination. The cost of providing any substitute Bond under the provisions of this Section shall be borne by the Owner for whose benefit such substitute Bond is provided. If any such mutilated, lost, stolen or destroyed Bond shall have matured or be about to mature, the District may, with the consent of the Trustee or Authenticating Agent, as the case may be, pay to the Owner the principal amount of and accrued interest on such Bond upon the maturity thereof and compliance with the aforesaid conditions by such Owner, without the issuance of a substitute Bond therefor.

Every substituted Bond issued pursuant to this Section 2.05 shall constitute an additional contractual obligation of the District, whether or not the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of the Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies with respect to the replacement or payment of negotiable instruments, investments or other securities without their surrender.

Section 2.06 Temporary Bonds. Pending preparation of definitive Bonds, or by agreement with the original purchasers of all Bonds, the District may issue and, upon its request, the Trustee shall authenticate in lieu of definitive Bonds one or more temporary printed or typewritten Bonds of substantially the tenor recited above. Upon request of the District, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds.

Section 2.07 Cancellation and Destruction of Surrendered Bonds. All Bonds surrendered for payment or redemption and all Bonds surrendered for exchange shall, at the time of such payment, redemption or exchange, be promptly transferred by the Registrar, Paying Agent or Authenticating Agent to, and canceled and destroyed by, the Trustee. At the request of the District, the Trustee shall deliver to the District a certificate of destruction in respect of all Bonds destroyed in accordance with this Section.

Section 2.08 Registration, Transfer and Exchange. As provided in Section 2.04 hereof, the District shall cause a Register in respect of the Bonds to be kept at the designated office of the Registrar for such Bonds.

The District shall provide (through the designation of an appropriate Paying Agent) in respect of the Bonds for the maintenance of an office or agency in each place where such Bonds are payable where Bonds may be presented or surrendered for transfer or exchange. Upon surrender for transfer of any Bond at any such office or at the designated office of the Registrar, the District shall execute and the Trustee (or Registrar or Authenticating Agent as described in Section 2.03 hereof) shall authenticate and deliver, in the name of the designated transferees, one or more new Bonds of any authorized denominations of a like aggregate principal amount and of the same maturity.

At the option of the Owner, Bonds may be exchanged for other Bonds of any authorized denomination, of a like aggregate principal amount and of the same maturity, upon surrender of the Bonds to be exchanged at any such office or agency. Whenever any Bonds are so surrendered for exchange, the District shall execute and the Trustee (or Registrar or Authenticating Agent as described in Section 2.03 hereof) shall authenticate and deliver the Bonds which the Owner making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the District, evidencing the same debt and entitled to the same benefits under the Indenture as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee, Paying Agent or the Registrar, duly executed by the Owner or his attorney duly authorized in writing.

Transfers and exchanges shall be made without charge to the Owner, except that the District or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Neither the District nor the Registrar on behalf of the District shall be required (i) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Section 2.09 Persons Deemed Owners. The District, the Trustee, any Paying Agent, the Registrar, or the Authenticating Agent shall deem and treat the person in whose name any Bond is registered as the absolute Owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the District, the Trustee, any Paying Agent, the Registrar or the Authenticating Agent) for the purpose of receiving payment of or on account of the principal or Redemption Price of and interest on such Bond, and for all other purposes, and the District, the Trustee, any Paying Agent, the Registrar and the Authenticating Agent shall not be affected by any notice to the contrary. All such payments so made to any such Owner, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

Section 2.10 Limitation on Incurrence of Indebtedness.

(a) The District may not issue bonds or other obligations secured by or payable from the Pledged Revenues, except for the Series 2003 Bonds, Completion Bonds, and any Refunding Bonds issued in accordance with the provisions of Section 3.03 of this Indenture.

(b) The District may, in its sole discretion, issue additional bonds or other obligations secured by "special assessments" or "benefit special assessments" levied on and collected from the same District Lands (or any portion of said District Lands) that are subject to Special Assessments in respect of the 2003 Project, which "special assessments" or "benefit special assessments" are on a parity with the lien of the Special Assessments, but only (i) to the

extent that the principal amount of such bonds or other obligations, when aggregated with the principal amount of the Series 2003 Bonds originally issued hereunder and the amount of any Completion Bonds does not exceed \$8,420,500 and (ii) with the written consent of the Owners of at least fifty-one percent (51%) in principal amount of the Series 2003 Bonds then Outstanding. Notwithstanding the limitations on the aggregate principal amount of bonds or other obligations that may be issued or incurred by the District contained in this Section 2.10(b), the District may issue bonds or incur other indebtedness in excess of such limitations with the prior written consent of the Owners of at least 51% of the Series 2003 Bonds Outstanding. For purposes of the Owners' consent referred to in this Section 2.10(b), within 20 Business Days after receipt by the Owners (other than the Initial Purchaser) of a written request for such consent, the Owners shall provide a written response to the District and to the Trustee; and, if no such written response is received by the District and the Trustee by the end of such 20 Business Day period, the Owners shall be deemed to have consented to the issuance of the bonds or the incurrence of the other obligations described in such request. So long as the Initial Purchaser is the Owner of the Series 2003 Bonds, actual written consent of such Initial Purchaser shall be required for purposes of this Section 2.10(b)

(c) Nothing contained in this Section 2.10 or elsewhere in this Indenture is intended to limit or restrict the ability of the District to issue bonds or incur other indebtedness secured by or payable from sources other than the Special Assessment Revenues or "special assessments" or "benefit special assessments" as described in subsection (b) hereof.

Section 2.11 Qualification for The Depository Trust Company. The Series 2003 Bonds shall be issued only as one fully registered bond per maturity and deposited with The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry only system maintained by DTC. DTC shall be responsible for establishing and maintaining records of ownership for its participants. During any and all times that the Series 2003 Bonds are registered in the name of DTC or its nominee pursuant to DTC's book-entry only system of registration, DTC shall for all purposes under this Indenture be considered the registered owner of such Bonds and all references herein to the registered owners or Owners shall mean DTC. Neither the District nor the Trustee shall have any obligation with respect to any DTC participant or beneficial owner of the Bonds during such time as the Bonds are registered in the name of DTC or its nominee pursuant to DTC's book-entry only system of registration.

The Trustee shall be authorized to enter into agreements with DTC including, but not limited to, agreements necessary for wire transfers of interest and principal payments with respect to the Series 2003 Bonds, utilization of electronic book entry data received from DTC in place of actual delivery of Series 2003 Bonds and provision of notices with respect to Series 2003 Bonds registered by DTC (or any of their designees identified to the Trustee) by overnight delivery, courier service, telegram, teletype or other similar means of communication.

In the event that DTC discontinues providing its services as securities depository with respect to the Series 2003 Bonds, and a successor securities depository is not obtained, certificates representing such Bonds will be printed and delivered to the Owners thereof. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository) with respect to the Series 2003 Bonds and in such event certificates will be printed and delivered to the Owners thereof. If certificates for the Series 2003

Bonds are printed, no charge shall be made to any owner for registration and transfer of such Bonds, but any Owner requesting such registration and transfer shall pay any tax or other governmental charge required to be paid with respect thereto.

[End Of Article II]

ARTICLE III

ISSUE OF BONDS

Section 3.01 Issue of Series 2003 Bonds. The Trustee shall, at the request of the District, authenticate the Series 2003 Bonds and deliver or cause them to be authenticated and delivered, as specified in the request, but only upon receipt of:

(1) a Certified Resolution of the District (a) stating the purpose of the issue; (b) specifying or providing for the determination by a Responsible Officer of the terms and form of Bonds and directing the payments to be made into the Funds and Accounts in respect thereof as provided in Article VI hereof; (c) authorizing the execution and delivery of the Bonds to be issued;

(2) an Officers' Certificate of the District stating (a) the intended use of the proceeds of the issue; (b) any other amounts available for such use; (c) that the proceeds of the issue plus the other amounts, if any, stated to be available for the 2003 Project are estimated to be sufficient to pay the Costs thereof; and (d) that the District expects to enter into contracts to cover substantially all portions of the construction of the 2003 Project not completed at the time of issuance of the Bonds.

(3) a written opinion or opinions of Counsel to the District addressed to the Trustee stating that (a) the 2003 Project is one for which Bonds may be issued under the Indenture; (b) all conditions prescribed herein as precedent to the issuance have been fulfilled; (c) the Bonds have been validly authorized and executed and when authenticated and delivered pursuant to the request of the District will be valid obligations of the District entitled to the benefit of the trust created hereby and enforceable in accordance with their terms, with customary bankruptcy exceptions; (d) any consents of any Regulatory Bodies required in connection with the issuance of the Bonds or in connection with the 2003 Project have been obtained or can be reasonably expected to be obtained; and (e) if the acquisition of any real property or interest therein is included in the purpose of such issue, (i) the District has or can acquire good and marketable title thereto or (ii) the District has or can reasonably be expected to acquire a valid, subsisting and enforceable leasehold, easement, right-of-way or other interest in real property sufficient to effectuate the 2003 Project (which opinion may be stated in reliance on the opinion of other Counsel satisfactory to the signer or on a title insurance policy issued by a reputable title company);

(4) a Consulting Engineer's certificate stating, in the signer's opinion, that (a) the 2003 Project improvements are reasonable and practicable; and (b) (i) the construction items and the Costs thereof stated in the certificate of the District are reasonable, (ii) the 2003 Project can reasonably be expected to be acquired, constructed, reconstructed, equipped and installed in

accordance with the plans and specifications for the 2003 Project approved by the Board, (iii) the plans and specifications therefor have been approved or will be approved prior to completion of construction of the 2003 Project by the signer, and (iv) the plans and specifications therefor have been approved by all Regulatory Bodies required to approve them (specifying such Regulatory Bodies) or such approval can reasonably be expected to be obtained;

(5) the net proceeds of the sale of the Series 2003 Bonds;

(6) one or more Certified Resolutions of the District relating to the levy of Special Assessments with respect to the Costs of the 2003 Project to be financed with the Series 2003 Bonds, and evidencing that the District has undertaken and, to the extent then required under applicable law, completed all necessary proceedings, including, without limitation, the approval of assessment rolls, the holding of public hearings, the adoption of resolutions and the establishment of all necessary collection procedures, in order to levy Special Assessments upon the District Lands and collect Special Assessment Revenues in an amount sufficient to pay the Debt Service Requirements on the Series 2003 Bonds; and

(7) a letter from the underwriter of such Series 2003 Bonds to the effect that the Bonds have been sold to one or more Accredited Investors;

(8) an opinion of Bond Counsel regarding the tax-exempt status of the 2003 Bonds; and

(9) such other documents, certifications and opinions, as shall be required by this Indenture.

Section 3.02 Additional Bonds. The District may not issue additional bonds under this Indenture other than Completion Bonds issued pursuant to Section 3.03 hereof and Refunding Bonds pursuant to the provisions of Section 3.04 hereof. Except as expressly provided otherwise in Section 2.10 hereof, the District may, in its sole discretion, issue additional bonds under the provisions of one or more separate trust indentures.

Section 3.03 Completion Bonds. The District may issue Completion Bonds under and secured by the Indenture at any time or times, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds to (i) complete the 2003 Project, to the extent that the proceeds of the Series 2003 Bonds deposited into the Construction Trust Fund together with other available moneys are insufficient therefor, (ii) deposit such amount as may be required to be deposited to the credit of the Debt Service Reserve Fund upon the issuance of such Completion Bonds and (iii) pay any expenses in connection with such Completion Bonds, including, without limitation, the Costs of Issuance thereof.

The Trustee shall, at the request of the District, authenticate the Completion Bonds and provide for delivery of such Completion Bonds as specified in the request, but only upon receipt of:

(1) As long as the Initial Purchaser is the Owner of the Series 2003 Bonds, written consent of such Initial Purchaser to the issuance of such Completion Bonds.

(2) an Officer's Certificate of the District, concurred in by the Consulting Engineer, stating (a) the intended use of the proceeds of the issue; (b) any other amounts available for the purpose; (c) that the proceeds of the issue plus the other amounts, if any, stated to be available for the purpose will be sufficient to complete the 2003 Project, and to pay the Costs of issuance of such Completion Bonds; and (d) that the aggregate principal amount of Completion Bonds does not exceed the difference between (i) \$8,420,500 and (ii) (a) the aggregate principal amount of Series 2003 Bonds upon original issuance and (b) the aggregate of any Completion Bonds theretofore issued;

(3) a Certificate signed by the District Manager to the effect that the District has provided for the levy and collection of Special Assessments (if necessary, in addition to the Series 2003A Special Assessments and Series 2003B Special Assessments, whether through amendment to the proceedings for the levy and collection of the Series 2003A Special Assessments and Series 2003B Special Assessments or otherwise) projected to provide sufficient additional Special Assessment Revenues to pay the Debt Service Requirement on such Completion Bonds;

(4) such amendments to this Indenture, made in compliance with the provisions of Article XV hereof, as are necessary, in the opinion of Bond Counsel, to provide for the receipt and application of such additional Special Assessments;

(5) an opinion of Bond Counsel to the effect that any such amendments (a) have been duly and properly approved and made and (b) will not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds; and

(6) items corresponding to those required by paragraphs (3) through (9) of Section 3.01 hereof in connection with the issuance of the Series 2003 Bonds.

Section 3.04 Refunding Bonds. The District may issue Refunding Bonds under and secured by the Indenture at any time or times, subject to the conditions hereinafter provided in this Section, for the purpose of providing funds to (i) refund, including advance refunding (so long as the exclusion from gross income for federal income tax purposes of interest on the Bonds to be refunded is not adversely affected), all or part of the Bonds then Outstanding, or maturities thereof, including the payment of any redemption premium thereon and interest which will accrue on such Outstanding Bonds to the selected redemption date or stated maturity dates, as the case may be, (ii) deposit such amount as may be required to be deposited to the credit of the Debt Service Reserve Fund upon the issuance of such Refunding Bonds and (iii) pay any expenses in connection with such refunding, including, without limitation, the Costs of issuance of such Refunding Bonds.

The Trustee shall, at the request of the District, authenticate the Refunding Bonds and provide for delivery of such Refunding Bonds as specified in the request, but only upon receipt of:

(1) an Officer's Certificate of the District stating (a) the intended use of the proceeds of the issue; (b) any other amounts available for the purpose; (c) that the proceeds of the issue plus the other amounts, if any, stated to be available for the purpose will be sufficient to refund

the Bonds to be refunded in accordance with the refunding plan and in compliance with Article XVI of this Indenture, including, without limitation, to pay the Costs of issuance of such Refunding Bonds; (d) that notice of redemption, if applicable, of the Bonds to be refunded has been duly given or that provision has been made therefor, as applicable; and (c)(i) the Debt Service Requirements for the current and each Fiscal Year (A) with respect to all Bonds Outstanding immediately prior to the authentication and delivery of Refunding Bonds and (B) with respect to all Bonds to be Outstanding immediately thereafter, and (ii) that the Debt Service Requirements for each such Fiscal Year is no greater in (i)(B) than in (i)(A) of this subsection;

(2) a written opinion of Bond Counsel to the effect that the issuance of such Refunding Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds issued pursuant to the Indenture (to the extent that upon original issuance thereof such Bonds were issued as Bonds the interest on which is excludable from gross income for federal income tax purposes); and

(3) to the extent that the proceeds of the Refunding Bonds are to be applied to defease all or a portion of the Bonds Outstanding, a verification report of a firm of certified public accountants selected by the District and having a favorable reputation in the preparation of such reports, to the effect that the moneys and/or Defeasance Securities deposited with the escrow agent to effect such defeasance are sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds, or portion thereof, to be defeased.

Section 3.05. Closing Statement; Payment by Trustee. The Trustee is authorized to pay from the Construction Fund, in connection with the issuance of the Series 2003 Bonds, in amounts set forth in a closing statement signed by a Responsible Officer, amounts representing the Costs of Issuance of the Series 2003 Bonds and amounts, if any, to be reimbursed to the District for advances on account of Costs of the 2003 Project or portion thereof, all as more specifically provided in Section 5.02 hereof.

[End Of Article III]

ARTICLE IV

ACQUISITION AND CONSTRUCTION OF 2003 PROJECT

Section 4.01 2003 Project to Conform to Plans and Specifications; Changes. The District will proceed to complete the 2003 Project in accordance with the plans and specifications therefor, as such plans and specifications may be amended from time to time, and subject to the specific requirements of this Indenture.

Section 4.02 Compliance Requirements. The District will comply with all present and future laws, acts, rules, regulations, orders and requirements lawfully made and applicable in fact to any acquisition or construction hereby undertaken and shall obtain all necessary approvals under federal, state and local laws, acts, rules and regulations necessary for the completion and operation of the 2003 Project and shall complete the 2003 Project in conformity with such approvals, laws, rules and regulations.

[End Of Article IV]

ARTICLE V

CONSTRUCTION FUND

Section 5.01 Establishment of and Payments from Construction Fund. The Trustee shall establish a Construction Fund, including a Cost of Issuance Account therein, into which shall be deposited the portion of the proceeds of the Series 2003 Bonds specified in Section 2.01 hereof and from which Costs may be paid as set forth herein. The amounts in the Construction Fund, until applied as hereinafter provided, shall be held for the security of Series 2003 Bonds. In addition to the specific requirements of this Indenture, the Trustee shall maintain a separate Account within the Construction Fund into which any governmental grant or payment may be deposited in accordance with any applicable regulations or standards required under the terms of such grant. Payments shall be made from the Cost of Issuance Account of any unpaid Costs of Issuance, including amounts to be reimbursed to the District for Costs of Issuance previously advanced, and thereafter to pay Costs of planning, financing, acquisition, construction, reconstruction, equipping and installation of the 2003 Project. Notwithstanding anything to the contrary contained herein, the Construction Fund shall be established and held hereunder until expended to pay Costs of the 2003 Project solely for the benefit of the Series 2003 Bonds.

For the purposes of this Section 5.01, Costs of the 2003 Project or portion thereof shall embrace the Cost of financing, funding, planning, acquisition, construction, reconstruction, equipping or installing and all other items of Cost incident to such financing, funding, planning, acquisition, construction, reconstruction, equipping or installing and the financing thereof, and shall include, without intending thereby to limit or restrict any proper definition of such Cost (as defined in this Indenture) under the provisions of the Act or the Indenture, the following:

(a) obligations incurred for labor and materials and to contractors, builders and materialmen in connection with such construction, for machinery and equipment, and for the restoration or relocation of property damaged or destroyed in connection with such construction;

(b) the Cost of acquiring by purchase, if such purchase shall be deemed expedient, and the amount of any award or final judgment in or any settlement or compromise of any proceeding to acquire by condemnation, such property, lands, rights, rights of way, franchises, easements and other interests in land constituting a part of, or as may be deemed necessary or convenient for the acquisition or construction of, the 2003 Project or portion thereof, options and partial payments thereon, the Cost of filling, draining or improving any lands so acquired, and the amount of any damages incident to or consequent upon the acquisition, construction, reconstruction, installing or equipping of the 2003 Project or portion thereof;

(c) the fees and expenses of the Trustee, the Registrar, any Paying Agent under the Indenture, including fees for services in connection with the acceptance of the trusts hereby created, legal expenses and fees (including appellate fees), fees and expenses of consultants, financing charges, Costs of preparing and issuing Bonds, taxes or other municipal or governmental charges lawfully levied or assessed upon the Project or portion thereof during construction, or any property acquired therefor, and premiums on insurance (if any) on Bonds issued in connection with the Project or portion thereof, during construction;

(d) fees and expenses of engineers for making studies, surveys and estimates of Costs and of revenues and for preparing plans and supervising construction, as well as for the performance of all other duties of engineers set forth herein in relation to the construction of the Project or portion thereof or the issuance of Bonds therefor;

(e) expenses of administration properly chargeable to the 2003 Project or portion thereof and all other items of expense not elsewhere in this Section specified, incident to the acquisition, construction, reconstruction, equipping and installation of the Project or portion thereof and the placing of the same in operation and to the acquisition of real estate, franchises and rights of way therefor, including abstracts of title and title insurance; and

(f) any amounts heretofore or hereafter advanced by the District or any other Person for any of the foregoing purposes, including, without limitation, advances made for the purpose of paying costs associated with the issuance of Bonds and the payment of principal of and interest on any notes which may have been issued in anticipation of proceeds of Bonds.

Section 5.02 Construction Fund Disbursements.

(a) The Trustee shall make payments from the Construction Fund (and any accounts and subaccounts therein) only upon receipt of, in every case, a requisition (in substantially the form thereof attached hereto as Exhibit D and made a part hereof) signed by a Responsible Officer and by the Consulting Engineer. The District's certifications contained in such requisition may be based upon certificates satisfactory to it provided by the Consulting Engineer.

(b) Notwithstanding the foregoing requisition procedure, Costs of Issuance of the Series 2003 Bonds and amounts to be reimbursed by the District to any other Person for moneys advanced to or on behalf of the District for payment of Costs of the Project or any portion thereof shall be paid by the Trustee from the Construction Fund upon delivery to the Trustee, on the date of issuance and delivery of such Bonds, of a closing statement signed by a Responsible Officer of the District, specifying the Person to whom payment is to be made, the obligation on account of which the payment is to be made and the amount payable with respect thereto. Costs of issuance of the Series 2003 Bonds and amounts to be reimbursed by the District to third parties for moneys advanced to the District for payment of Costs of any portion of the 2003 Project, presented to the Trustee for payment subsequent to the date of issuance and delivery of such Bonds, shall be paid by the Trustee from the Construction Fund in accordance with the requisition procedures set forth in this Section.

Section 5.03 Records and Reports During Construction Period. All requisitions and certificates received by the Trustee, as required by this Article V as conditions of payment from the Construction Fund, shall be retained in the possession of the Trustee, subject at all times to the inspection of the District and the Consulting Engineer, for a period ending no earlier than three (3) years from the date of completion of the 2003 Project.

Section 5.04 Completion of Construction.

(a) The date of completion of the 2003 Project (the "Completion Date") shall be evidenced to the Trustee by a certificate signed by the Consulting Engineer and the District

Manager stating that, except for amounts retained by the Trustee for Costs of the 2003 Project not then due and payable:

(i) The 2003 Project has been completed in accordance with the specifications therefor and all labor, services, materials and supplies used in the 2003 Project have been paid for and acknowledgments of such payments have been obtained from all contractors and suppliers; and

(ii) All other facilities necessary in connection with the 2003 Project have been constructed, acquired and installed in accordance with the specifications therefor, and all Costs and expenses incurred in connection therewith have been paid.

(b) In addition to the foregoing, in the event that the District determines that the 2003 Project cannot be completed even with the proceeds of Completion Bonds and the Consulting Engineer delivers a certificate to the Trustee to such effect (stating the reason for the inability to complete the Project), then the date of such certificate shall be deemed to be the Completion Date for the 2003 Project.

(c) Each certificate described in such subsections shall state that it is given without prejudice to any rights against third parties which exist at the date of such certificate or which may subsequently come into being. Within ten (10) days following the Completion Date of the Project, the Trustee shall transfer any balance (except for amounts to be retained to pay Costs not then due and payable) in the Construction Fund and shall deposit the same in the Bond Redemption Fund to be used to redeem Series 2003 Bonds of both series on a basis proportionate to the original amount of proceeds deposited to the Construction Fund from each series; provided that such balance may be used to redeem more Series 2003B Bonds if the District delivers to the Trustee an opinion of Bond Counsel to the effect that the use of such proceeds in such manner will not adversely affect the exclusion from gross income of interest on the Series 2003 Bonds.

[End Of Article V]

ARTICLE VI

SPECIAL ASSESSMENTS; APPLICATION OF PLEDGED REVENUES TO FUNDS AND ACCOUNTS

Section 6.01 Special Assessments; Lien of Indenture on Pledged Revenues.

(a) The Pledged Revenues are hereby pledged, and a lien prior to any other liens thereon is hereby imposed upon the Pledged Revenues, for the payment of the principal or Redemption Price of and interest on all Bonds issued and Outstanding under the Indenture. This pledge to the Trustee of the Pledged Revenues as security for the performance of any obligation of the District under the Indenture shall be valid and binding from the time such pledge is made, and the covenants and agreements set forth herein to be performed by or on behalf of the District shall be, except as otherwise expressly provided or permitted herein, for the equal and ratable benefit, protection and security of the Owners of the Bonds, all of which, regardless of their times of issue and maturity, shall be of equal rank, without preference, priority or distinction of

any one Bond over any other Bond; provided, however, that the lien and pledge of the Indenture shall not apply to any moneys that are transferred to the Rebate Fund. The Pledged Revenues and all income and receipts in the Funds and Accounts (except for the Rebate Fund) held by the Trustee for the District under the Indenture shall immediately be subject to the lien and pledge of the Indenture without any physical delivery thereof or further act.

(b) The District hereby covenants that it shall levy and collect the Special Assessments pursuant to the Act, Chapter 170, or Chapter 197, Florida Statutes, as amended, or any successor statutes, as applicable, to the extent and in the amount necessary to pay the Debt Service Requirements on Bonds issued and Outstanding hereunder. The District shall use the uniform method afforded by Sections 197.3631, 197.3632 and 197.3635, Florida Statutes, or any successor statutes thereto for the levy, collection and enforcement of the Series 2003A Special Assessments. The District may, but shall not be required to, use the uniform method for the collection of the Series 2003B Special Assessments or may collect such assessments pursuant to the provisions of the Act or Chapter 170, Florida Statutes, or other applicable provisions of law as determined by the Board of Supervisors of the District; provided that, to the extent that the District does not levy the Series 2003B Special Assessments pursuant to the uniform method, the District shall require that such Series 2003B Special Assessments be paid in monthly installments calculated to be sufficient to pay the semi-annual amount due for the Debt Service Requirements of the Series 2003B Bonds on May 1 and November 1, respectively, in each Bond Year. The District shall deposit the Special Assessments with the Trustee within five business days of the receipt thereof.

(c) It is hereby expressly acknowledged that the District expects to levy and collect "special assessments", as provided for in Section 190.011(14) and 190.022 of the Act, and/or "benefit special assessments", as provided for in Section 190.021(2) of the Act, against the District Lands that are subject to the Special Assessments, in respect of projects other than the 2003 Project or bonds other than the Series 2003 Bonds, the lien of which such "special assessments" and/or "benefit special assessments" on the District Lands shall be on a parity and of equal dignity with the lien of the Special Assessments. No proceeds of any such other "special assessments" or "benefit special assessments" shall be deposited in the Revenue Fund established under this Indenture, nor shall any revenues derived from such other "special assessments" or "benefit special assessments" constitute Pledged Revenues for any purpose under this Indenture. No revenues derived from the Special Assessments shall constitute security for any bonds other than the Series 2003 Bonds.

Section 6.02 Funds and Accounts. The Funds and Accounts specified in this Article VI shall be established under this Indenture for the benefit of the Series 2003 Bonds and any Refunding Bonds issued hereunder. Subject to the foregoing sentence, all moneys, including, without limitation, proceeds of Bonds, on deposit to the credit of the Funds, Accounts and/or subaccounts established hereunder (except for moneys transferred to the Rebate Fund) are hereby pledged (and a prior lien is hereby imposed thereon) to the payment of the principal, redemption or purchase price of (as the case may be) and interest on the Series 2003 Bonds issued hereunder.

(a) The Trustee is hereby authorized and directed to establish a Revenue Fund and within such fund (i) the "Series 2003A Revenue Account" and (ii) the "Series 2003B

Revenue Account". The Revenue Fund 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 Trustee is hereby authorized and directed to establish a Debt Service Fund. The Debt Service Fund shall be held by the Trustee separate and apart from all other funds and accounts held under this Indenture and from all other moneys of the Trustee. The Trustee shall establish within the Debt Service Fund (i) a separate account designated as the "Interest Account" and within such Account, (A) the "Series 2003A Interest Subaccount", (B) the "Series 2003A Capitalized Interest Subaccount", (C) the "Series 2003B Interest Subaccount", and (D) the "Series 2003B Capitalized Interest Subaccount"; and (ii) a separate account designated as the "Principal Account" and within such Account (A) the "Series 2003A Bond Amortization Account" and (B) the "Series 2003B Bond Principal Subaccount".

(c) The Trustee is hereby authorized and directed to establish a Debt Service Reserve Fund for the Series 2003 Bonds. The Debt Service Reserve Fund shall be held by the Trustee separate and apart from all other Funds and Accounts held under this Indenture and from all other moneys of the Trustee. Within the Debt Service Reserve Fund, the Trustee shall establish (i) a "Series 2003A Debt Service Reserve Account" and (ii) a "Series 2003B Debt Service Reserve Account".

(d) The Trustee is hereby authorized and directed to establish a Bond Redemption Fund. Within the Redemption Fund, the Trustee shall establish (i) a "Series 2003A Redemption Account" and within such account (A) a "Series 2003A General Account" and (B) a "Series 2003A Prepayment Account"; and (ii) a "Series 2003B Redemption Account" and within such account (A) a "Series 2003B General Subaccount" and (B) a "Series 2003B Prepayment Subaccount".

Section 6.03 Revenue Fund. Series 2003A Special Assessments (except for Prepayments of Series 2003A Special Assessments which shall be deposited in the Series 2003A Prepayment Subaccount in the Redemption Fund) shall be deposited by the Trustee into the Series 2003A Revenue Account, and Series 2003B Special Assessments (except for Prepayments of Series 2003B Special Assessments which shall be deposited in the Series 2003B Prepayment Subaccount in the Redemption Fund) shall be deposited by the Trustee into the Series 2003B Revenue Account.

The Trustee shall transfer from amounts on deposit in the Series 2003A Revenue Account and the Series 2003B Revenue Account, respectively, of the Revenue Fund to the Funds and Accounts designated below, the following amounts, at the following times and in the following order of priority:

FIRST, on the Business Day preceding the first May 1 for which there remains an insufficient amount (A) from Series 2003A Bond proceeds (or investment earnings thereon) on deposit in the Series 2003A Capitalized Interest Subaccount to be applied to the payment of interest on the Series 2003A Bonds due on [the next succeeding] such May 1, and (B) from Series 2003B Bond proceeds (or investment earnings thereon) on deposit in the Series 2003B Capitalized Interest Subaccount to be applied to the payment of interest on the Series 2003B Bonds due on such May 1, and no later than the Business Day next preceding each May 1 thereafter, to the Series 2003A

Interest Subaccount and the Series 2003B Interest Subaccount, respectively, in the Interest Account of the Debt Service Fund, an amount from the Series 2003A Revenue Account equal to the interest on the Series 2003A Bonds and an amount from the Series 2003B Revenue Account equal to the interest on the Series 2003B Bonds becoming due on such May 1, less any amounts on deposit in the Series 2003A Interest Subaccount or the Series 2003B Interest Subaccount not previously credited;

SECOND, no later than the Business Day next preceding each May 1, commencing May 1, 2004, to the Series 2003A Bond Amortization Account in the Debt Service Fund, an amount from the Series 2003A Revenue Account equal to the principal amount of Series 2003A Bonds subject to mandatory redemption on such May 1, less any amount on deposit in the Series 2003A Bond Amortization Subaccount not previously credited;

THIRD, no later than the Business Day next preceding May 1, 2006, to the Series 2003B Principal Subaccount in the Debt Service Fund, an amount from the Series 2003B Revenue Account equal to the principal amount of Series 2003B Bonds maturing on such May 1, less any amount on deposit in the Series 2003B Bond Principal Subaccount not previously credited;

FOURTH, on the Business Day preceding the first November 1 for which there remains an insufficient amount (A) from Series 2003A Bond proceeds (or investment earnings thereon) on deposit in the Series 2003A Capitalized Interest Subaccount to be applied to the payment of interest on the Series 2003A Bonds due on such November 1, and (B) from Series 2003B Bond proceeds (or investment earnings thereon) on deposit in the Series 2003B Capitalized Interest Subaccount to be applied to the payment of interest on the Series 2003B Bonds due on such November 1, and no later than the Business Day next preceding each November 1 thereafter, to the Series 2003A Interest Subaccount and the Series 2003B Interest Subaccount, respectively, in the Interest Account of the Debt Service Fund, an amount from the Series 2003A Revenue Account equal to the interest on the Series 2003A Bonds and an amount from the Series 2003B Revenue Account equal to the interest on the Series 2003B Bonds becoming due on such November 1, less any amounts on deposit in the Series 2003A Interest Subaccount or the Series 2003B Interest Subaccount not previously credited;

FIFTH, on the Business Day next succeeding each November 1 (A) while Series 2003A Bonds remain Outstanding, to the Series 2003A Debt Service Reserve Account, an amount from the Series 2003A Revenue Account equal to the amount, if any, which is necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement for the Series 2003A Bonds and (B) while Series 2003B Bonds remain Outstanding, to the Series 2003B Debt Service Reserve Account, an amount from the Series 2003B Revenue Account equal to the amount, if any, which is necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement for the Series 2003B Bonds;

SIXTH, subject to the following paragraph, the balance of any moneys in the Revenue Fund after making the foregoing deposits shall remain therein.

(1) The Trustee shall within ten (10) days after the last Interest Payment Date in each calendar year, upon requisition of the District Manager, pay District Expenses.

(2) The Trustee shall within fifty (50) days after the end of each Bond Year, deposit to the Rebate Fund the amount shown in the report of the Rebate Consultant for such Bond Year as the recommended deposit to the Rebate Fund;

(3) The Trustee shall within sixty (60) days preceding each May 1 deposit to the Bond Redemption Fund such amounts, if any, as shall be determined by the District Manager to be necessary to provide for redemption of Series 2003 Bonds in \$5,000 principal increments;

(4) The Trustee shall, at the direction of the District Manager, pay any remaining moneys to the Developer as an installment of the Deferred Acquisition Amount, unless such payment would reduce the amount remaining on deposit in the Revenue Fund below the sum of Five Thousand Dollars (\$5,000).

Section 6.04 Debt Service Fund. The Trustee at all times shall make available to any Paying Agent the funds in the Principal Account, the Interest Account and the Bond Amortization Account of the Debt Service Fund to pay the principal of the Bonds as they mature or become subject to mandatory redemption and the interest on the Bonds as it becomes payable, respectively. When Bonds of any Series are redeemed, the amount, if any, in the Interest Account in the Debt Service Fund representing interest thereon shall be applied to the payment of accrued interest in connection with such redemption.

The Trustee shall apply the portion of the moneys deposited in the Bond Amortization Account in respect of the principal amount of Bonds subject to mandatory redemption for purchase or redemption of Bonds in amounts and maturities set forth in Article VIII hereof. Whenever Bonds are to be purchased from such moneys, if the District shall notify the Trustee that the District wishes to arrange for such purchase, the Trustee shall comply with the District's arrangements provided they conform to the Indenture.

Purchases and redemptions from the portion of the moneys deposited in the Bond Amortization Account in respect of the principal amount of Bonds subject to mandatory sinking fund redemption, shall be made as follows:

(a) The Trustee shall apply such amounts (less any moneys applied to the purchase of Bonds pursuant to the next sentence hereof) on the principal payment date in each of the years set forth in Article VIII hereof to the redemption of Bonds in the amounts, manner and maturities and on the dates set forth therein, at a Redemption Price of 100% of the principal amount thereof. At the written direction of the District, the Trustee shall apply all or any portion of such moneys from time to time available to the purchase of Bonds which mature in the aforesaid years, at prices not higher than the principal amount thereof, in lieu of redemption as aforesaid, provided that firm purchase commitments can be made before the notice of redemption would otherwise be required to be given. In the event of purchases at less than the principal amount thereof, the difference between the amount in the Series Subaccount in the Principal Account representing the principal amount of the Bonds if a Series so purchased and the purchase price thereof (exclusive of accrued interest) shall be retained in the Series Subaccount in the Bond Amortization Account and shall be applied on the next Interest Payment Date to the payment of all or any portion of the principal amount of the Bonds of such series

maturing or subject to mandatory redemption transferred to the Series Subaccount in the Interest Account of the Debt Service Fund.

(b) Accrued interest on purchased Bonds of a Series shall be paid from the Series Subaccount in the Interest Account of the Debt Service Fund.

(c) In lieu of paying the Debt Service Requirements necessary to allow any mandatory redemption of Bonds from the Bond Amortization Account, the District may present to the Trustee Bonds purchased by the District pursuant to subparagraph (a) above and furnished for such purposes; provided, however, that no Bonds so purchased shall be credited towards the Debt Service Requirements in respect of the mandatory redemption of Bonds for which notice of redemption has been given pursuant to Section 8.02 of this Indenture. Notwithstanding any provision of this Indenture to the contrary, the District may only purchase Series 2003 Bonds for cancellation. Any Bond so purchased immediately shall be presented to the Trustee for cancellation. In such event, the Debt Service Requirements with respect to the Bonds purchased shall be reduced as specified by the District by an amount equal to the aggregate principal amount of any such Bonds so purchased and presented to the Trustee.

Section 6.05 Debt Service Reserve Fund. On the date of issuance and delivery of the Series 2003 Bonds, proceeds from the sale of the Series 2003 Bonds shall be deposited in the Debt Service Reserve Fund as follows:

(a) Proceeds of the Series 2003A Bonds shall be deposited into the Series 2003A Debt Service Reserve Account in the amount set forth in Section 2.01(g) of this Indenture, and such moneys, together with any other moneys deposited into the Series 2003A Debt Service Reserve Account shall be applied for the purposes provided in this Section 6.05 of this Indenture. On each November 2 (or, if such date is not a Business Day, on the Business Day next preceding such day), the Trustee shall determine the amount on deposit in the Series 2003A Debt Service Reserve Account and, upon certification to the Trustee in the manner provided in Section 6.03, Paragraph SIXTH, above, pay any excess therein above the Debt Service Reserve Requirement for the Series 2003A Bonds to the Developer as a portion of the Deferred Acquisition Amount; provided that such payment shall not be made at any time that any amounts due and owing with respect to the Series 2003B Special Assessments have not been paid.

(b) Proceeds of the Series 2003B Bonds shall be deposited into the Series 2003B Debt Service Reserve Account in the amount set forth in Section 2.01(h) of this Indenture, and such moneys, together with any other moneys deposited into the Series 2003B Debt Service Reserve Account shall be applied for the purposes provided in this Section 6.05(b) of this Indenture. On each November 2 (or, if such date is not a Business Day, on the Business Day next preceding such day), the Trustee shall determine the amount on deposit in the Series 2003B Debt Service Reserve Account and, upon certification by the District Manager in the manner set forth in Section 6.03, Paragraph SIXTH, above, pay any excess therein above the Debt Service Reserve Requirement for the Series 2003B Bonds to the Developer as a portion of the Deferred Acquisition Amount; provided that such payment shall not be made at any time that the payment of any amounts due and owing with respect to the Series 2003B Special Assessments have not been paid.

(c) Whenever for any reason on an Interest Payment Date the amounts in the Series Subaccounts in the Interest Account or the Bond Amortization Account, as the case may be, are insufficient to pay all amounts payable on the Series of Bonds on such payment dates, the Trustee shall, without further instructions, withdraw the amount of any such deficiency from the corresponding Series Subaccount in the Debt Service Reserve Fund and deposit such amount into the Series Subaccount in the Interest Account or the Bond Amortization Account, as the case may be, with priority to the Interest Account and then, to the Bond Amortization Account, to be applied to pay interest on and the amortization installment of the Series of Bonds. Upon the making of any such withdrawal from the Debt Service Reserve Fund, the Trustee shall give immediate written notice thereof to the District Manager with a copy to the District Counsel.

(d) Earnings on investments in the Series Subaccounts in the Debt Service Reserve Fund shall be retained to the credit of such Subaccounts until applied as set forth herein.

(e) Subsequent to the initial deposit of the full amount of the Debt Service Reserve Requirement in each of the Series Subaccounts in the Debt Service Reserve Fund, the District shall be required to deposit additional moneys into the Debt Service Reserve Fund if the amount on deposit to the credit of either Series Subaccount in the Debt Service Reserve Fund falls below the Debt Service Reserve Requirement to the extent moneys are available for such deposit pursuant to clause FIFTH of Section 6.03 hereof.

Section 6.06 Bond Redemption Fund. The Trustee shall deposit into the Bond Redemption Fund certain excess moneys remaining in the Revenue Fund as provided in clause SIXTH of Section 6.03 hereof and other moneys, including, without limitation, amounts constituting prepayments of Special Assessments, as provided hereunder. Except as otherwise provided in this Indenture, moneys to be deposited into the Bond Redemption Fund shall be deposited to the Series 2003A or Series 2003B General Subaccount of the Bond Redemption Fund.

(a) Moneys in the Series 2003A General Subaccount and the Series 2003B General Subaccount of the Bond Redemption Fund (including all earnings on investments held therein) shall be accumulated therein to be used in the following order of priority, to the extent that the need therefor arises:

FIRST, to make such deposits into the Rebate Fund, if any, as the District may direct in accordance with the Tax Compliance Certificate, such moneys thereupon to be used solely for the purposes specified in the Tax Compliance Certificate. Any moneys so transferred from the Series 2003A or Series 2003B General Subaccount of the Bond Redemption Fund to the Rebate Fund shall thereupon be free from the lien and pledge of the Indenture;

SECOND, to be used to call for redemption pursuant to Section 8.01(b) hereof an amount of Series 2003A Bonds or Series 2003B Bonds, as the case may be, equal to the amount of money transferred to the Series 2003A and Series 2003B General Accounts of the Bond Redemption Fund pursuant to the aforesaid clauses or provisions, for the purpose of such extraordinary mandatory redemption on the dates and at the prices provided in such clauses or provisions, as appropriate; and

THIRD, the remainder of moneys in the Series 2003A General Subaccount to be utilized by the Trustee, at the direction of a Responsible Officer, to call for redemption on each Interest Payment Date on which Series 2003A Bonds are subject to optional redemption pursuant to Section 8.01(a) hereof such amount of Series 2003A Bonds as, with the redemption premium, may be practicable; provided, however, that not less than \$5,000 principal amount of Series 2003A Bonds shall be called for redemption at one time.

(b) Moneys in the Series 2003A Prepayment Subaccount and the Series 2003B Prepayment Subaccount in the Bond Redemption Fund (including all earnings on investments held in either such Prepayment Subaccount of the Bond Redemption Fund) shall be accumulated therein to be used as follows;

(i) The moneys in the Series 2003A Prepayment Subaccount to be used to call for redemption pursuant to Section 8.01(b) hereof an amount of Series 2003A Bonds equal to the amount of money transferred to the Series 2003A Prepayment Subaccount of the Bond Redemption Fund pursuant to the aforesaid clauses or provisions as directed in writing by the District Manager pursuant to the Special Assessment Report on the dates and at the prices provided in such clauses or provisions, as appropriate.

(ii) Moneys in the Series 2003B Prepayment Subaccount to be used to call for redemption pursuant to Section 8.01(b) hereof an amount of Series 2003B Bonds equal to the amount of money transferred to the Series 2003B Prepayment Subaccount of the Bond Redemption Fund pursuant to the aforesaid clauses or provisions as directed in writing by the District Manager pursuant to the Special Assessment Report on the dates and at the prices provided in such clauses or provisions, as appropriate.

(c) All earnings on investments held in the Series Subaccounts in the Bond Redemption Fund shall be deposited into the corresponding General Accounts and applied, together with other amounts therein, as set forth above. Notwithstanding anything to the contrary contained herein, the Bond Redemption Fund shall be established and held hereunder solely for the benefit of the Series 2003 Bonds.

Section 6.07 [Reserved.]

Section 6.08 Procedure When Funds are Sufficient to Pay all Bonds. If at any time the moneys held by the Trustee in the Funds and Accounts (other than the Rebate Fund) hereunder are sufficient to pay the principal or Redemption Price of, as the case may be, and interest on all Bonds then Outstanding hereunder to maturity or prior redemption, together with any amounts due the District and the Trustee, Paying Agent and Registrar, the Trustee, at the direction of the District, shall transfer the amounts in the Funds and Accounts (other than the Rebate Fund) to the Bond Redemption Fund and such amounts shall be applied to the redemption of the Outstanding Bonds and accrued interest thereon in accordance with Article VIII hereof; provided that the amounts, if any, due to the District, the Trustee, the Paying Agent or the Registrar shall be paid to each such Person prior to the transfer to the Bond Redemption Fund. Thereafter, the District shall not be required to pay over any further Special Assessment

Revenues with respect to such Bonds unless and until it shall appear that there is a deficiency in the Funds and Accounts held by the Trustee.

Section 6.09 Moneys to be Held For Owners Only. The Series 2003 Bonds shall be secured by Pledged Revenues, as set forth in Section 11.02 hereof. Moneys and investments in the various Funds and Accounts (other than the Rebate Fund) created hereunder shall be held in trust by the Trustee solely for the benefit of the Owners of the Series 2003 Bonds.

[End of Article VI]

ARTICLE VII

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Section 7.01 Deposits and Security Therefor. All moneys received by the Trustee for deposit in any Fund established under the Indenture shall be considered trust funds, shall not be subject to lien or attachment, except for the lien created by the Indenture, and shall, except as hereinafter provided, be deposited in the trust department of the Trustee, until or unless invested or deposited as provided in Section 7.02 hereof. All deposits of moneys received by the Trustee under the Indenture in the trust department of the Trustee (whether original deposits under this Section 7.01 or deposits or redeposits in time accounts under Section 7.02) shall, to the extent not insured, and to the extent permitted by law, be fully secured as to both principal and interest earned, by Investment Securities. If at any time the trust department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation (including the FDIC'S Savings Association Insurance Fund). All deposits in any other depository in excess of the amount covered by insurance (whether under this Section 7.01 or Section 7.02 as aforesaid) shall, to the extent permitted by law, be fully secured as to both principal and interest earned, in the same manner as required herein for deposits with the Trustee. Such security shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee as authorized by law with respect to trust funds in the State, or with a bank or trust company having a combined net capital and surplus of not less than \$50,000,000.

Section 7.02 Investment or Deposit of Funds. The Trustee shall, as directed by the District in writing, invest moneys held in any Fund or Account established under this Indenture in Investment Securities; provided, however, that, amounts on deposit to the credit of the Accounts within the Debt Service Fund shall be invested only in Government Obligations or a fund described in paragraph (f) of the definition of Investment Securities. All deposits in time accounts shall be subject to withdrawal without penalty and all investments shall mature or be subject to redemption by the Trustee without penalty, not later than the date when the amounts will foreseeably be needed for purposes of this Indenture (for purposes of this section the term "penalty" shall mean a contractual payment or forfeiture paid for early redemption of an investment and shall not mean a loss on the sale of an investment due to a decline in the market value thereof). All securities securing investments under this Section shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee, as authorized by law with respect to trust funds in the State, or with a bank or trust company having a combined net capital

and surplus of not less than \$50,000,000. The interest and income received upon such investments and any interest paid by the Trustee or any other depository of any Fund or Account (and subaccount) and any profit or loss resulting from the sale of securities shall be added or charged to the Fund or Account (and subaccount) for which such investments are made. Upon request of the District, or on its own initiative whenever payment is to be made out of any Fund or Account, the Trustee shall sell such securities as may be requested to make the payment and restore the proceeds to the Fund or Account in which the securities were held. The Trustee shall not be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof, except as provided hereinafter. Notwithstanding the foregoing provisions of this Section 7.02, the District shall not direct the making of, any investments of any moneys held in any Fund or Account inconsistent with Section 11.31 of this Indenture relating to "arbitrage bonds." If net proceeds from the sale of securities held in any Fund or Account shall be less than the amount invested and, as a result, the amount on deposit in such Fund or Account is less than the amount required to be on deposit in such Fund or Account, the amount of such deficit shall be transferred to such Fund or Account from the Revenue Fund at the times and in the manner set forth in Section 6.03 hereof.

The Trustee shall not invest moneys held hereunder absent specific instructions from the District; provided, however, that the Trustee hereby acknowledges standing instructions regarding the short-term investment of uninvested funds in order to minimize instances of uninvested funds. Moneys in any of the Funds and Accounts established pursuant to the Indenture, when held by the Trustee, shall be immediately invested by the Trustee as set forth herein and, thereafter, shall be continuously invested and reinvested and deposited and redeposited by the Trustee in accordance with the written directions from the District, as aforesaid. The Trustee shall not be liable or responsible for any loss or entitled to any gain resulting from any investment or sale upon the investment instructions of the District or otherwise.

Section 7.03 Valuation of Funds. The Trustee shall value the assets in each of the Funds and Accounts (and subaccounts) 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; provided, however, that if such valuations are already contained in the monthly Funds and Accounts report provided by the Trustee to the District, a separate valuation report shall not be required. In computing the assets of any Fund or Account, investments and accrued interest thereon shall be deemed a part thereof, subject to Section 7.02 hereof. For the purpose of determining the amount on deposit to the credit of any Fund or Account established hereunder, with the exception of the Debt Service Reserve Fund, 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 Owner. For the purpose of determining the amount on deposit to the credit of the Debt Service Reserve Fund, obligations in which money in such Fund 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.

[End of Article VII]

ARTICLE VIII

REDEMPTION AND PURCHASE OF BONDS

Section 8.01 Redemption Dates and Prices. The Series 2003 Bonds shall be subject to redemption at the times and in the manner provided in this Article VIII. All payments of the Redemption Price of the Series 2003 Bonds shall be made on the dates hereinafter required. Except as otherwise provided in this Section 8.01, if less than all the Series 2003 Bonds are to be redeemed pursuant to an Extraordinary Mandatory Redemption, the Trustee shall select the Series 2003 Bonds or portions of the Series 2003 Bonds to be redeemed pro rata between the Series 2003A Bonds and the Series 2003B Bonds based on the original principal amounts of each Series and within each Series, by lot. Partial redemptions of Series 2003 Bonds shall be made in such a manner that the remaining Series 2003 Bonds held by each Bondholder shall be in Authorized Denominations, except for the last remaining Series 2003 Bond of each series.

(a) Optional Redemption.

(i) Series 2003A Bonds. The Series 2003A Bonds may, at the option of the District be called for redemption prior to maturity as a whole, at any time, or in part on any Interest Payment Date, on or after May 1, 2013 (less than all Series 2003A Bonds to be selected by lot), at the Redemption Price (expressed as a percentage of principal amount) of 100% plus accrued interest from the most recent Interest Payment Date to the redemption date.

(ii) Series 2003B Bonds. The Series 2003B Bonds are not subject to optional redemption prior to maturity at the option of the District.

(b) Extraordinary Mandatory Redemption in Whole or in Part. The Series 2003 Bonds are subject to extraordinary mandatory redemption prior to maturity by the District in whole, on any date, or in part, on any Interest Payment Date, at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Series 2003 Bonds to be redeemed, plus interest accrued to the redemption date, as follows:

(i) Series 2003A Bonds are redeemable from Series 2003A Prepayment Principal deposited into the Series 2003A Prepayment Subaccount in the Series 2003A Redemption Account of the Bond Redemption Fund following the payment in whole or in part of Special Assessments on any portion of the District Lands in accordance with the provisions of Section 6.06 of this Indenture.

(ii) Series 2003A Bonds are redeemable from moneys, if any, on deposit in the Series 2003A Accounts and Subaccounts in the Series 2003 Funds and Accounts (other than the Rebate Fund) when such moneys are sufficient to pay and redeem all Series 2003A Outstanding Bonds, and accrued interest thereon to the redemption date or dates in addition to all amounts (other than amounts to be paid pursuant to Subparagraph (vii) below) owed to Persons under this Indenture.

(iii) Series 2003 Bonds are redeemable on or after the Completion Date of the Project, by application of moneys remaining in the Construction Fund not reserved by the District for the payment of any remaining part of the Cost of the Project, and by application of any moneys remaining in the Series 2003A Capitalized Interest Subaccount or the Series 2003B Capitalized Interest Subaccount representing Capitalized Interest in excess of the amount required to pay a portion of the interest on the Series 2003A Bonds through November 1, 2003 or the Series 2003B Bonds through November 1, 2003, as the case may be, all of which shall be transferred to the Series 2003A General Account or the Series 2003B General Account of the Redemption Fund pursuant to Section 5.04(c) of this Indenture, and applied by the District toward the redemption of the Series 2003A Bonds and/or the Series 2003B Bonds in accordance with the manner it has credited such excess moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments, which manner the District Manager shall describe to the Trustee in writing.

(iv) Series 2003 Bonds are redeemable from excess moneys transferred from the Series 2003A Revenue Subaccount and the Series 2003B Revenue Subaccount to the Series 2003A and Series 2003B General Accounts of the Series 2003 Bond Redemption Fund, respectively, in accordance with Section 6.06 of this Indenture.

(v) Series 2003 Bonds are redeemable following condemnation or the sale of any portion of the Project to a governmental entity under threat of condemnation by such governmental entity and the payment of moneys which are not to be used to rebuild, replace or restore the taken portion of the Project to the Trustee by or on behalf of the District for deposit into the Series 2003A General Account or the Series 2003B General Account of the Series 2003 Bond Redemption Fund in order to effectuate such redemption and, which moneys shall be applied by the District to redeem Series 2003A Bonds or Series 2003B Bonds in accordance with the manner it has credited such moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments which the District shall describe to the Trustee in writing.

(vi) Series 2003 Bonds are redeemable following the damage or destruction of all or substantially all of the Project to such extent that, in the reasonable opinion of the District, the repair and restoration thereof would not be economical or would be impracticable, to the extent of amounts paid by the District to the Trustee for deposit to the Series 2003A General Account or the

Series 2003B General Account of the Series 2003 Bond Redemption Fund which moneys shall be applied by the District to redeem Series 2003A Bonds or Series 2003B Bonds in accordance with the manner it has credited such moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments; provided, however, that at least forty-five (45) days prior to such extraordinary mandatory redemption, the District shall cause to be delivered to the Trustee (x) notice setting forth the redemption date and (y) a certificate of the Consulting Engineer confirming that the repair and restoration of the Project would not be economical or would be impracticable.

(vii) Series 2003B Bonds are redeemable from Series 2003B Prepayment Principal deposited into the Series 2003B Prepayment Subaccount in the Series 2003B Redemption Account of the Bond Redemption Fund following the payment in whole or in part of Special Assessments on any portion of the District Lands in accordance with the provisions of Section 6.06 of this Indenture.

(viii) Series 2003B Bonds are redeemable from moneys, if any, on deposit in the Series 2003B Accounts and Subaccounts in the Series 2003 Funds and Accounts (other than the Rebate Fund) when such moneys are sufficient to pay and redeem all Series 2003B Outstanding Bonds, and accrued interest thereon to the redemption date or dates in addition to all amounts (other than amounts to be paid pursuant to Subparagraph (ii) above) owed to Persons under this Indenture.

(c) Mandatory Bond Amortization Account Redemption. (i) The Series 2003A Bonds are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the Series 2003A Bond Amortization Account in satisfaction of applicable Amortization Installments at the Redemption Price of 100% 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>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2004	\$80,000	2019	\$210,000
2005	85,000	2020	225,000
2006	90,000	2021	240,000
2007	95,000	2022	255,000
2008	105,000	2023	275,000
2009	110,000	2024	290,000
2010	115,000	2025	310,000
2011	125,000	2026	330,000
2012	135,000	2027	355,000
2013	145,000	2028	380,000
2014	150,000	2029	405,000
2015	160,000	2030	430,000
2016	175,000	2031	460,000
2017	185,000	2032	490,000
2018	200,000	2033*	525,000

* Maturity.

(ii) The Series 2003B Bonds are not subject to mandatory Bond Amortization Account redemption.

(d) Re-amortization. The District will provide Trustee with a new bond amortization schedule subsequent to any extraordinary mandatory redemption pursuant to Section 8.01(b) above.

Section 8.02 Notice of Redemption. When required to redeem Series 2003 Bonds under any provision of this Indenture or directed to redeem Series 2003 Bonds by the District, the Trustee shall give or cause to be given to Owners of the Series 2003 Bonds to be redeemed notice of the redemption, as follows:

When required to redeem or purchase Bonds under any provision of the Indenture or directed to do so by the District, the Trustee shall cause notice of the redemption, either in whole or in part, to be mailed at least thirty (30) but not more than sixty (60) days prior to the redemption or purchase date to all Owners of Bonds to be redeemed or purchased as such Owners appear on the Bond Register on the fifth (5th) day prior to such mailing, at their registered addresses, but failure to mail any such notice or defect in the notice or in the mailing thereof shall not affect the validity of the redemption or purchase of the Bonds for which notice was duly mailed in accordance with the Indenture. Such notice shall be given in the name of the District, shall be dated, shall set forth the Bonds Outstanding which shall be called for redemption or purchase and shall include, without limitation, the following additional information:

- (a) the redemption date or purchase date;
- (b) the Redemption Price or purchase price;
- (c) CUSIP numbers, to the extent applicable, and any other distinctive numbers and letters;
- (d) if less than all Outstanding Bonds to be redeemed or purchased, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed or purchased;
- (e) that on the redemption date or purchase date the Redemption Price or purchase price will become due and payable upon surrender of each such Bond or portion thereof called for redemption or purchase, and that interest thereon shall cease to accrue from and after said date; and
- (f) the place where such Bonds are to be surrendered for payment of the Redemption Price or purchase price, which place of payment shall be a corporate trust office of the Trustee.

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

If the amount of funds deposited with the Trustee for such redemption, or otherwise available, is insufficient to pay the Redemption Price and accrued interest on the Bonds so called for redemption on the redemption date, the Trustee shall redeem and pay on such date an amount of such Bonds for which such funds are sufficient, selecting the Bonds to be redeemed by lot from among all such Bonds called for redemption on such date, in the same manner as the initial selection of Bonds to be redeemed, and from and after such redemption date, interest on the Bonds or portions thereof so paid shall cease to accrue and become payable; but interest on any Bonds or portions thereof not so paid shall continue to accrue until paid at the same rate as it would have had such Bonds not been called for redemption.

Under the Indenture, the District is authorized to provide conditional notices of redemption.

[End Of Article VIII]

ARTICLE IX

[RESERVED]

ARTICLE X

[RESERVED]

ARTICLE XI

COVENANTS OF THE DISTRICT

Section 11.01 Power to Issue Bonds and Create Lien. The District is duly authorized under the Act and all applicable laws of the State to issue the Bonds, to adopt and execute the Indenture and to pledge the Pledged Revenues for the benefit of the Bonds. The Pledged Revenues are not and shall not be subject to any other lien senior to or on a parity with the lien created in favor of the Bonds. The Bonds and the provisions of the Indenture are and will be valid and legally enforceable obligations of the District in accordance with their respective terms, subject to the provisions of applicable laws regarding bankruptcy, insolvency, and the exercise of creditor's rights and subject to the exercise of judicial discretion. The District shall, at all times, to the extent permitted by law, defend, preserve and protect the pledge created by the Indenture and all the rights of the Owners under the Indenture against all claims and demands of all other Persons whomsoever.

Section 11.02 Payment of Principal and Interest on Bonds. The payment of the principal or Redemption Price of and interest on all of the Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on and pledge of the Pledged Revenues prior to any and all liens and encumbrances thereon. Subject to the preceding sentence, Pledged Revenues in an amount sufficient to pay the principal or Redemption Price of and interest on the Bonds authorized by this Indenture are hereby irrevocably pledged to the payment of the principal or Redemption Price of and interest on the Bonds authorized under this Indenture, and the payment of all other amounts owed hereunder, as the same become due and payable. The District shall promptly pay the interest on and the principal or Redemption Price of every Bond issued hereunder according to the terms thereof, but shall be required to make such payment only out of the Pledged Revenues.

The Bonds authorized under this Indenture and the obligation evidenced hereby shall not constitute a lien upon any property of the District, including, without limitation, the 2003 Project or any portion thereof in respect of which any such Bonds are being issued, or any part thereof, but shall constitute a lien only on the Pledged Revenues as set forth in this Indenture. Nothing in the Bonds authorized under this Indenture or in this Indenture shall be construed as obligating the District to pay the Bonds or the redemption price thereof or the interest thereon except from the Pledged Revenues, or as pledging the faith and credit of the District, the County or the State or any political subdivision thereof, or as obligating the District, the City or the State or any of its political subdivisions, directly or indirectly or contingently, to levy or to pledge any form of taxation whatever therefor.

The District shall require any Paying Agent other than the Trustee to execute and deliver to the Trustee an instrument in which such Paying Agent shall agree with the Trustee that such Paying Agent will (i) hold all sums held by it for the payment of the principal or Redemption

Price of and interest on the Bonds, as applicable, in trust for the benefit of the Owners of such Bonds until such sums shall be paid to such Owners or otherwise disposed of as provided in the Indenture; and (ii) at any time during the continuance of an Event of Default under this Indenture, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

Section 11.03 Special Assessments; Re-Assessments.

(a) The District shall levy the Series 2003A Special Assessments, and shall cause the Property Appraiser to certify the Series 2003A Special Assessments on the tax roll to the Tax Collector for collection and enforcement by the Tax Collector pursuant to Chapter 170 or Chapter 197, Florida Statutes, or any successor statutes, as applicable, and Section 11.04 hereof, to the extent and in an amount to produce Special Assessment Revenues sufficient to pay Debt Service Requirements on all Outstanding Series 2003A Bonds. The District shall use the uniform method for the levy, collection and enforcement of special assessments afforded by Sections 197.3631, 197.3632 and 197.3635, Florida Statutes, or any successor statutes thereto to bill and collect the Series 2003A Special Assessments. The District shall use its best efforts to enter into one or more written agreements with the Property Appraiser and the Tax Collector, either individually or jointly (together, the "Property Appraiser and Tax Collector Agreement") in order to effectuate the provisions of this Section. The District shall use its best efforts to ensure that any such Property Appraiser and Tax Collector Agreement remains in effect for at least as long as the final maturity of the Series 2003A Bonds.

(b) The District shall levy and collect the Series 2003B Special Assessments in accordance with the provisions of the Act and Chapter 170, Florida Statutes. The District shall contract with the District Manager (i) to prepare and maintain an assessment roll with respect to the Series 2003B Special Assessments, and (ii) to bill, collect and pay or cause to be paid to the Trustee the Series 2003B Special Assessments.

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

Section 11.04 Application of Special Assessments. The District covenants to cause any Special Assessments collected or otherwise received by it to be deposited with the Trustee within five (5) Business Days after receipt thereof for deposit into the Revenue Fund (provided that amounts received as prepayments of Special Assessments are to be identified as such and deposited directly into the Bond Redemption Fund).

Section 11.05 Delinquent Special Assessments. If the owner of any lot or parcel of land assessed for the 2003 Project shall be delinquent in the payment of any Special Assessment, then such Special Assessment shall be enforced pursuant to the provisions of Chapter 170 or Chapter 197, Florida Statutes, or any successor statute thereto, as applicable, by means including, but not limited to, the sale of tax certificates and tax deed as regards such delinquent Special Assessment and the foreclosure of the lien of such delinquent Special Assessment. In the event the provisions of Chapter 197, Florida Statutes, and any provisions of the Act with respect to such sale are inapplicable by operation of law, then upon the delinquency of any Special Assessment the District shall, to the extent permitted by law, utilize any other method of enforcement as provided in Section 11.06 hereof, including, without limitation, declaring the entire unpaid balance of such Special Assessment to be in default and, at its own expense, cause such delinquent property to be foreclosed, pursuant to the provisions of Section 170.10, Florida Statutes, in the same manner and by 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, Florida Statutes, and Sections 190.026 and 170.10, Florida Statutes, or otherwise as provided by law.

Section 11.06 Purchase of Land by District. If (a) the Special Assessments are delinquent, and (b) the uniform method of levy and collection is not being used by the District, and (c) any property shall be offered for sale for the nonpayment of any Special Assessment, and no person or persons shall purchase the same for an amount at least equal to the full amount due on the Special Assessment (principal, interest, penalties and costs, plus attorneys' fees, if any), then the property may then be purchased by the District for an amount equal to the balance due on the Special Assessment (principal, interest, penalties and costs, plus attorneys' fees, if any), and the District shall thereupon receive in its corporate name the title to the property for the benefit of the Registered Owners. The District, either through its own actions or actions caused to be done through the Trustee, shall have the power and shall use its best efforts to lease or sell such property and deposit all of the net proceeds of any such lease or sale into the Revenue Fund. Not less than ten (10) days prior to the filing of any foreclosure action or any sale of tax deed as herein provided, the District shall cause written notice thereof to be mailed to the Registered Owners. 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 Registered Owners. The District, either through its own actions or actions caused to be done through the Trustee, agrees that it shall be required to take the measures provided by law for sale of the property acquired by it as trustee for the Registered Owners within thirty (30) days after the receipt of the request therefor signed by the Registered Owners of twenty-five percent (25%) of the aggregate principal amount of all Outstanding Bonds payable from Special Assessments assessed on such property.

Section 11.07 Books and Records with Respect to Special Assessments. In addition to the books and records required to be kept by the District pursuant to the provisions of Section 11.18 hereof, the District shall keep books and records for the collection of the Special Assessments on the District Lands, which such books, records and accounts shall be kept separate and apart from all other books, records and accounts of the District including any books, records and accounts of the District relating to "special assessments" or "benefit special assessments" levied on and collected from the District Lands that are subject to the Special Assessments in respect of projects other than the 2003 Project or bonds other than the Series 2003 Bonds. The District Manager or the District Manager's designee, at the end of each Fiscal

Year, shall prepare a written report setting forth the collections received, the number and amount of delinquencies, the proceedings taken to enforce collections and cure delinquencies and an estimate of time for the conclusion of such legal proceedings. A copy of such information shall be filed with the Dissemination Agent as specified in the Continuing Disclosure Agreement and shall be mailed (i) to any Registered Owner who owns at least 51% of the Series 2003 Bonds Outstanding and (ii) upon written request, shall be mailed to any other Registered Owner of Series 2003 Bonds.

Section 11.08 Removal of Special Assessment Liens.

(a) Upon completion of the 2003 Project (as provided in Section 5.04 hereof), the Board of Supervisors of the District shall adopt a resolution accepting the 2003 Project. At any time from the date of levy of Special Assessments on a parcel of District Lands through the date that is thirty (30) days after the 2003 Project has been completed and the Board has adopted a resolution accepting such Project, any owner of property subject to the Special Assessments may, at its option, if it has not waived such right in writing, require the District to release and extinguish the lien upon its property by virtue of the levy of the Special Assessments by paying to the District the entire amount of such Special Assessment on such property, without interest.

(b) At any time subsequent to thirty (30) days after the 2003 Project has been completed and the Board of Supervisors of the District has adopted a resolution accepting the 2003 Project as provided in (a) above, any owner of property subject to the Special Assessments may, at its option, require the District to release and extinguish the lien upon its property by virtue of the levy of the Special Assessments by paying to the District the entire amount of the Special Assessment attributable to the property subject to the Special Assessment and owned by such owner, plus accrued interest to the next succeeding Interest Payment Date (or the second succeeding Interest Payment Date if such prepayment is made within forty-five (45) calendar days before an Interest Payment Date) on which Series 2003 Bonds may be redeemed.

(c) Upon receipt of a prepayment as described in (a) or (b) above, the District shall notify the Trustee that such amounts are prepayments of Special Assessments and shall immediately pay the amount so received to the Trustee, and the District shall take such action as is necessary to record in the official records of the County an affidavit or affidavits, as the case may be, executed by an authorized officer of the District, to the effect that the Special Assessment has been paid and that such Special Assessment lien is thereby released and extinguished. Upon receipt of any such moneys from the District the Trustee shall immediately deposit the same into the Bond Redemption Fund to be applied to the redemption of Series 2003 Bonds in accordance with the provisions of this Indenture.

Section 11.09 User Fees and Maintenance Assessments. The District covenants that it will impose and collect user fees (hereinafter referred to as "User Fees") and/or levy and collect maintenance assessments (hereinafter referred to as "Maintenance Assessments") from users of the Recreation Facilities and continue to impose and collect User Fees and/or levy and collect Maintenance Assessments in such amounts as are sufficient to enable the District to pay the costs of operation and maintenance of the Improvements. The District shall establish a schedule of User Fees (which may provide for a differential in the User Fees charged to residents and non-residents of the District) and a schedule of Maintenance Assessments which shall produce

sufficient moneys to maintain the Improvements in good repair and sound operating condition. The revenues received by the District through the imposition of User Fees and the levy of Maintenance Assessments shall not be part of the Pledged Revenues hereunder.

Section 11.10 Completion of the 2003 Project. The District shall forthwith proceed to complete the 2003 Project, all in accordance with plans and specifications which shall have been approved by the Consulting Engineer and in conformity with law and all requirements of all Regulatory Bodies having jurisdiction thereover, and shall complete the 2003 Project with all due diligence.

The District shall, before entering into any contract or incurring any obligation which will become a charge against the Construction Fund, secure the approval of the Consulting Engineer of such contract or the incurring of such obligation and of the plans and specifications referred to in any such contract and shall require each person, firm or corporation with whom it may contract for labor or materials in connection with the construction of the 2003 Project or portion thereof, as applicable, before such person, firm or corporation commences said work (i) to execute a payment and performance bond with a surety authorized to do business in the State in the full amount of any contract exceeding One Hundred Thousand Dollars (\$100,000), which payment and performance bond shall be in substantially the form set forth in Section 255.05, Florida Statutes and shall otherwise be in accordance with such Section; and (ii) to obtain and carry worker's compensation or employers' liability insurance as may be required by law and, for any contract exceeding One Hundred Thousand Dollars (\$100,000), public liability and property damage insurance (including provisions to indemnify and save the District harmless) and builders' risk insurance. In the event of any default under any such contract, the proceeds of such payment and performance bond shall forthwith, upon receipt of such proceeds, be deposited to the credit of the Construction Fund and shall be applied toward the completion of the contract in connection with which such payment and performance bond shall have been furnished.

Section 11.11 Construction to be on District Lands. The District covenants that no part of the 2003 Project will be constructed on, over or under lands other than (i) lands good and marketable title to which is owned by or can be acquired by the District or other appropriate entity in fee simple, (ii) lands on, over or under which the District or other appropriate entity shall have acquired or can acquire perpetual easements for the purposes of the 2003 Project, or (iii) lands, including public streets and highways, the right to the use and occupancy of which for such purposes shall be vested in the District or other appropriate entity by law or by valid franchises, licenses, easements or rights of way or other legally effective permissions or approval.

Section 11.12 Operation, Use and Maintenance of Project. The District shall establish and enforce reasonable rules and regulations governing the use and the operation of the 2003 Project, such rules and regulations to be adopted in accordance with the Act, and the District shall operate, use and maintain the 2003 Project in accordance with (a) the Act, (b) all other applicable federal and State laws, rules and regulations, including the Code and (c) the Tax Compliance Certificate delivered in connection with the issuance of the Series 2003 Bonds; the District shall maintain and operate the 2003 Project in an efficient and economical manner, shall at all times maintain the same in good repair and in sound operating condition and shall make all necessary repairs, renewals and replacements thereto. The District shall use its best efforts to

ensure that any portion of the 2003 Project not owned by the District is maintained in good repair and in sound operating condition and that all necessary repairs, renewals and replacements are made thereto.

Section 11.13 Observance of and Compliance with Valid Requirements. The District shall pay all municipal or governmental charges lawfully levied or assessed upon the 2003 Project or any part thereof or upon any revenues when the same shall become due, and the District shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the 2003 Project. The District shall not create or suffer to be created any lien or charge upon any Pledged Revenues, except the lien and charge of the Bonds, and from the moneys in the Construction Fund or other available funds, the District shall pay or cause to be discharged all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the 2003 Project or the Pledged Revenues; provided, however, that nothing in this Section contained shall require the District to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith.

Section 11.14 Payment of Operating or Maintenance Costs by State or Others. The District may permit the United States of America, the State, or any of their agencies, departments or political subdivisions to pay all or any part of the cost of construction or of maintaining, repairing and operating the 2003 Project out of funds other than Pledged Revenues.

Section 11.15 Public Liability and Property Damage Insurance; Maintenance of Insurance; Use of Insurance and Condemnation Proceeds.

(a) Except as otherwise provided in subsection (d) of this Section, the District will carry or cause to be carried, in respect of the 2003 Project, comprehensive general liability insurance (covering bodily injury and property damage) issued by one or more insurance companies authorized and qualified to do business under the laws of the State, in such amounts as is customary for similar operations, or as is more specifically set forth hereinbelow.

(b) During the period of construction of the 2003 Project or any portion thereof, the District will cause the appropriate liability and builders' risk insurance, as set forth in Section 11.10 hereof, to be maintained until the 2003 Project is completed and accepted by the District.

At all times, the District shall maintain a practical insurance program, with reasonable terms, conditions, provisions and costs which the District Manager determines, in consultation with such insurance and other professionals as the District Manager deems appropriate, will afford adequate protection against loss caused by damage to or destruction of the 2003 Project owned by the District; provided that it is expressly recognized that said insurance program may provide, if deemed appropriate by the District Manager, that one or more component of the 2003 Project need not be insured. Limits for such coverage will be subject to the Consulting Engineer's recommendations which are to be provided in an annual report, as required by Section 11.18 hereof, establishing value. The District shall also, at all times, maintain a practical comprehensive general liability insurance program with respect to the 2003 Project with such reasonable terms, conditions, provisions and costs as the District Manager determines, in

consultation with such insurance and other professionals as the District Manager deems appropriate, will afford adequate protection against bodily injury and property damage. Such comprehensive general liability insurance coverages shall be maintained in such amounts as approved by the Consulting Engineer.

All insurance policies of the District relating to the 2003 Project shall be carried with companies authorized to do business in the State, with a Best rating of no less than "A" as to management and Class "V" as to financial strength; provided, however, that if, in the opinion of the District Manager, adequate insurance protection under reasonable terms, conditions, provisions and cost cannot be purchased from an insurance company with the above-designated ratings, then the District Manager, on behalf of the District, may secure such insurance protection as the District determines to be in its best interests and otherwise consistent with this Indenture; provided further, however, that the District may act as a self-insurer in accordance with the requirements of subsection (d) hereof. All policies providing the insurance coverages required by this Section shall designate the District as the loss-payee and shall be made payable to the District.

(c) All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the 2003 Project or any part thereof are hereby pledged by the District as security for the Series 2003 Bonds. Upon the District's written instructions to the Trustee, such amounts shall be deposited by the Trustee into either (i) the Construction Fund or (ii) the Bond Redemption Fund. Amounts so deposited in the Construction Fund shall be used to remedy the loss, damage or taking for which such proceeds are received, either by repairing the damaged property or replacing the destroyed or taken property, to the greatest extent possible, as soon as practicable after the receipt of such proceeds; provided that the Consulting Engineer shall deliver to the Trustee a certificate confirming the extent to which the damaged or condemned property can be repaired or restored. Amounts so deposited into the Bond Redemption Fund shall be applied to the purchase or redemption of Bonds according to the provisions set forth in Article VIII hereof.

(d) The District shall be entitled to provide all or a portion of the insurance coverage required by subsections (a) and (b) of this Section through Qualified Self Insurance, provided that the requirements hereinafter set forth in this subsection (d) are satisfied; and, provided further, that prior to undertaking any such Qualified Self Insurance, the District shall have obtained from the Owners of at least 51% of the Series 2003 Bonds Outstanding written consent to such Qualified Self Insurance. "Qualified Self Insurance" means insurance maintained through a program of self insurance or insurance maintained with a company or association in which the District has a material interest or of which the District has control, either singly or with others; provided, however, that no such insurance may be provided directly or indirectly through arrangements with the Developer.

Prior to participation in any plan of Qualified Self Insurance not currently in effect, the District shall deliver to the Trustee (i) a copy of the proposed plan, and (ii) from the District Manager, an evaluation of the proposed plan which evaluation shall state, among other things, that (A) the proposed Qualified Self Insurance plan will provide the coverage required by subsections (a) and (b) of this Section, and (B) the proposed Qualified Self Insurance plan provides for the creation of actuarially sound reserves.

Each plan of Qualified Self Insurance shall be in written form, shall provide that upon the termination of such plan reserves will be established or insurance acquired in amounts adequate to cover any potential retained liability in respect of the period of self insurance, and shall be reviewed annually by the District Manager or registered actuary who shall deliver to the District a report on the adequacy of the reserves established thereunder in light of claims made. If the District Manager or registered actuary determines that such reserves are inadequate in light of the claims made, he shall make recommendations as to the amount of reserves that should be established and maintained, and the District shall comply with such recommendations unless it can establish to the satisfaction of the Trustee that such recommendations are unreasonable in light of the nature of the claims or the history of recovery against the District for similar claims. A copy of each Qualified Self Insurance plan and of each annual report thereon shall be delivered to the Trustee.

(e) Copies of all recommendations and approvals under this Section shall be provided to the Trustee.

Notwithstanding anything to the contrary contained herein, to the extent that any of the information required by this Section 11.15 is included in the Annual Budget adopted by the District, it shall not have to be separately stated in another report.

Within the first six (6) months of each Fiscal Year the District Manager shall file with the Trustee a complete report of the status of the insurance coverages relating to the 2003 Project, such report to include, without being limited thereto, a schedule of all insurance policies required by the Indenture which are then in effect, stating with respect to each policy the name of the insurer, the amount, number and expiration date, and the hazards and the risks covered thereby. The Trustee shall have no duty to review such report, but shall hold such report solely as a repository for the Bondholders.

Section 11.16 Collection of Insurance Proceeds. Copies of all insurance policies referred to in Section 11.15 of this Article shall be available at the offices of the District at all reasonable times to the inspection of the Owners of \$100,000 or more in aggregate principal amount of Bonds and their agents and representatives duly authorized in writing. The District covenants that it will take such action as may be necessary to demand, collect and sue for any insurance money which may become due and payable under any policy of insurance required under the Indenture, whether such policy is payable to the District or to the Trustee. The Trustee is hereby authorized in its own name to demand, collect, sue and receive any insurance money which may become due and payable under any policies payable to it.

Any appraisal or adjustment of any loss or damage under any policy of insurance required under the Indenture, whether such policy is payable to the District or to the Trustee, and any settlement or payment of indemnity under any such policy which may be agreed upon by the District and any insurer shall be evidenced by a certificate, signed by the District Manager approved by the Consulting Engineer, and filed with the Trustee. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

Section 11.17 Use of Pledged Revenues for Authorized Purposes Only. None of the Pledged Revenues shall be used for any purpose other than as provided in this Indenture and no

contract or contracts shall be entered into or any action taken by the Trustee which will be inconsistent with the provisions of this Indenture.

Section 11.18 Books, Records and Annual Reports. The District shall keep proper books of record and account in accordance with Generally Accepted Governmental Accounting Principles (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the 2003 Project, and which, together with all other books and records of the District, including, without limitation, insurance policies, relating to the 2003 Project, shall at all times be subject during regular business hours to the inspection of the Trustee. Included in such books and records shall be copies of the current schedules of User Fees imposed by the District.

The District shall annually, within the time period provided by Florida law and as specified in the Continuing Disclosure Agreement, file with the Dissemination Agent, any rating agency that shall have then in effect a rating on any of the Bonds, any Owner that shall have, in writing, requested a copy thereof, and otherwise as provided by law, a copy of an annual report for such year, prepared in accordance with Generally Accepted Governmental Accounting Principles, accompanied by an opinion thereon of a Certified Public Accountant.

The District shall file with the Trustee annually within 180 days after the close of each Fiscal Year, and include in the immediately subsequent quarterly report, a certificate of a Responsible Officer setting forth (i) a description in reasonable detail of the insurance then in effect pursuant to the requirements of Section 11.15 hereof and that the District has complied in all respects with such requirements, (ii) whether during such year any material part of the 2003 Project has been damaged or destroyed and, if so, the amount of insurance proceeds covering such loss or damage and specifying the District's reasonable and necessary replacement costs, and (iii) whether or not to the knowledge of the signed, the District is in default with respect to any of the covenants, agreements or conditions on its part contained in this Indenture, and if so, the nature of such default.

The report, statements and other documents required to be furnished by the District to the Trustee pursuant to any provisions of the Indenture and the Continuing Disclosure Agreement shall be available for the inspection of Owners at the office of the Dissemination Agent or the Trustee, as the case may be.

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.

Section 11.19 Observance of Accounting Standards. The District covenants that all the accounts and records of the District relating to the 2003 Project will be kept according to Generally Accepted Governmental Accounting Principles consistently applied and consistent with the provisions of the Indenture.

Section 11.20 Employment of Certified Public Accountant. The District shall employ or cause to be employed a Certified Public Accountant as required for the purposes of this Indenture.

Section 11.21 Establishment of Fiscal Year, Annual Budget. The District has established a Fiscal Year beginning October 1 of each year and ending September 30 of the following year. The reports and budget of the District shall relate to such Fiscal Year unless and until, in accordance with applicable law, a different Fiscal Year is established by the District.

On or before the first day of each Fiscal Year the District shall adopt a final Annual Budget with respect to the 2003 Project for such Fiscal Year for the payment of anticipated operating and maintenance expenses and shall supply a copy of such budget promptly upon the adoption thereof to the Trustee and to any Owners who shall have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose. If for any reason the District shall not have adopted the Annual Budget with respect to the 2003 Project on or before the first day of any Fiscal Year, the Annual Budget for the preceding Fiscal Year shall, until the adoption of the new Annual Budget, be deemed in force for the ensuing Fiscal Year. The District may at any time adopt an amended or supplemental Annual Budget for the remainder of the current Fiscal Year, and when such amended or supplemental Annual Budget is approved it shall be treated as the official Annual Budget under the Indenture. Copies of such amended or supplemental Annual Budget shall be filed with the Trustee and mailed to any Owners who shall have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose.

Section 11.22 Employment of Consulting Engineer; Consulting Engineer's Report.

(a) The District shall, for the purpose of performing and carrying out the duties imposed on the Consulting Engineer by the Indenture, employ one or more Independent engineers or engineering firms or corporations having a favorable repute for skill and experience in such work.

(b) The District shall cause the Consulting Engineer to make an inspection of the portions of the 2003 Project owned by the District at least once in each Fiscal Year and, on or before the first day of July in each Fiscal Year, to submit to the Board a report setting forth (i) its findings as to whether such portions of the 2003 Project owned by the District have been maintained in good repair, working order and condition, and (ii) its recommendations as to the proper maintenance, repair and operation of the 2003 Project during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes.

Promptly after the receipt of such reports by the District, copies thereof shall be filed with the Trustee and mailed by the District to all Owners who shall have filed their names and addresses with the Secretary of the Board for such purpose. If the information required to be submitted pursuant to this subsection (b) is included in the Annual Budget adopted by the District and submitted to the Trustee, a separate report or report shall not be required hereunder.

Section 11.23 Audit Reports. The District covenants that, within 180 days after the close of each Fiscal Year, it will cause an audit to be made by a Certified Public Accountant

covering all receipts and moneys then on deposit with or in the name of the Trustee or the District and any security held therefor, any investments thereof and all disbursements made pursuant to the provisions of Article V hereof. Copies of such audit reports shall be filed with the Trustee, the District Manager and the Secretary of the Board, and mailed by said Secretary to the Consulting Engineer and to all Owners who shall have filed their names and addresses with him for such purpose. If the material required to be in such audit also appears in the annual report of the District provided for in Section 11.18 hereof, then the filing of a copy of such annual audit shall satisfy the requirement of this Section.

Section 11.24 Covenant Against Sale or Encumbrance; Exceptions. The District covenants that, (a) except for those improvements comprising the 2003 Project that are to be conveyed by the District to the City or another governmental entity and (b) except as in this Section otherwise permitted, it will not sell, lease or otherwise dispose of or encumber the 2003 Project or any part thereof. The District may, however, from time to time, sell any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of Bonds or from Pledged Revenues, if the District Manager shall determine, with the approval of the Consulting Engineer, that such items are no longer needed or are no longer useful in connection with the construction, maintenance and operation of the 2003 Project, and the proceeds thereof shall be applied to the replacement of the properties so sold or disposed of or, prior to the Completion Date for the 2003 Project shall be deposited to the credit of the Construction Fund or, after the Completion Date for such 2003 Project, shall be deposited to the credit of the Revenue Fund.

Upon any sale of property relating to the 2003 Project, the aggregate of which in any thirty (30) day period exceeds Fifty Thousand Dollars (\$50,000) under the provisions of this Section, the District shall provide written notice to the Trustee of the property so sold and the amount and disposition of the proceeds thereof.

The District may lease or grant easements, franchises or concessions for the use of any part of the 2003 Project not incompatible with the maintenance and operation thereof, if the Consulting Engineer shall approve such lease, easement, franchise or concession in writing, and the net proceeds of any such lease, easement, franchise or concession (after the making of provision for payment from said proceeds of all costs incurred in financing, constructing, operating, maintaining or repairing such leases, easements, franchises or concessions) shall be deposited as received to the credit of the Revenue Fund.

If there is a change in ownership of any portion of the Recreational Facilities constituting the 2003 Project, the District must give immediate written notice to the Owners of such change in ownership. It is hereby expressly understood and acknowledged that the District may transfer ownership of all or any portion of the 2003 Project to one or more governmental entities.

Section 11.25 Fidelity Bonds. Every officer, agent or employee of the District having custody or control of any of the Pledged Revenues or Bond proceeds shall be bonded by a responsible corporate surety in an amount not less than the greatest amount reasonably anticipated to be within the custody or control of such officer, agent or employee at one time. The premiums on such surety bonds shall be paid by the District as an expense of operation and maintenance of the applicable Project. If, in the opinion of the District Manager, a surety or

fidelity bond containing reasonable terms, conditions, provisions and cost cannot be obtained as required hereunder, the District Manager, on behalf of the District, may obtain such surety or fidelity bond as the District determines to be in its best interests and otherwise consistent with the provisions of this Section 11.25. For purposes of this Section, Bond proceeds that are held by the Trustee in one or more Fund or Account established under this Indenture shall not be deemed to be under the custody or control of an officer of the District.

Section 11.26 No Loss of Lien on Pledged Revenues. The District shall not do or omit to do, or suffer to be done or omit to be done, any matter or thing whatsoever whereby the lien of the Bonds on the Pledged Revenues, or any part thereof, or the priority thereof, would be lost or impaired; provided, however, that this Section shall not prohibit (i) the Trustee from transferring moneys to the Rebate Fund held by the Trustee under Section 11.32 hereof, or (ii) the District from issuing bonds, as provided in Sections 2.10 and 11.28 hereof, secured by and payable from "special assessments" and/or "benefit special assessments" having a lien on the District Lands on a parity and of equal dignity with the lien of the Special Assessments.

Section 11.27 Compliance with Other Contracts and Agreements. The District shall comply with and abide by all of the terms and conditions of any and all contracts and agreements which the District enters into in connection with the 2003 Project and the issuance of the Series 2003 Bonds including particularly the Tax Compliance Certificate.

Section 11.28 Issuance of Additional Obligations. The District shall not incur any obligations (other than Bonds issued under the provisions of Articles II and III hereof) nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge, payable from the Pledged Revenues. Except as expressly provided otherwise in Section 2.10(b) hereof, the District may, in its sole discretion, incur other obligations secured by or payable from sources other than the Pledged Revenues, or "special assessments" or "benefit special assessments" as described in Section 2.10(b) hereof, without any limitation on the aggregate principal amount thereof.

Section 11.29 Extension of Time for Payment of Interest Prohibited. The District shall not directly or indirectly extend or assent to an extension of time for payment of any claim for interest on any of the Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor by purchasing or funding or in any manner keeping alive any such claim for interest; no claim for interest which in any way, at or after maturity, shall have been transferred or pledged apart from the Bonds to which it relates or which shall in any manner have been kept alive after maturity by extension or by purchase thereof by or on behalf of the District, shall be entitled, in case of a default hereunder, to any benefit or security under the Indenture except after the prior payment in full of the principal of all Bonds and claims for interest appertaining thereto not so transferred, pledged, kept alive or extended.

Section 11.30 Further Assurances. The District shall not enter into any contract or take any action by which the rights of the Trustee or the Owners may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

Section 11.31 Investments to Comply with Internal Revenue Code. The District covenants to the Owners that it will not make or direct the making of any investment or other use of the proceeds of the Series 2003 Bonds issued hereunder which would cause such Bonds to be “private activity bonds” as that term is defined in Section 141 of the Code, or “arbitrage bonds” as that term is defined in Section 148 (or any successor provision thereto) of the Code, and that it will comply with all the requirements of such Code sections and related regulations throughout the term of such Bonds. The District also covenants that it will not take or fail to take any action that would adversely affect the exclusion from gross income of interest on the Series 2003 Bonds. The District hereby further covenants and agrees to comply with the procedures and covenants contained in any arbitrage rebate agreement executed in connection with the issuance of the Series 2003 Bonds for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds. The District shall not direct the making of any investment inconsistent with the foregoing covenants.

Section 11.32 Compliance with Section 148(f) of the Code; Rebate Fund. For purposes of this Section 11.32, the following terms shall have the following meanings:

“Bond Year” means the period from each May 2 to the succeeding May 1, inclusive.

“Gross Proceeds” means Proceeds and Replacement Proceeds of an issue.

“Investment Proceeds” means, with respect to the Series 2003 Bonds, any amounts actually or constructively received from investing Proceeds of that issue in Investment Property.

“Investment Property” means investment property within the meaning of Sections 148(b)(2) and 148(b)(3) of the Code, including any security (within the meaning of Section 165(g)(2)(A) or (B) of the Code), any obligation, any annuity contract and any other investment-type property (including certain residential rental property for family units as described in Section 148(b)(2)(E) of the Code). Investment Property includes a Tax-Exempt Obligation that is a “specified private activity bond” as defined in Section 57(a)(5)(C) of the Code but does not include other Tax-Exempt Obligations.

“Issuance Date” means the date of physical delivery of, and payment of the purchase price for, the Series 2003 Bonds.

“Nonpurpose Investments” means with respect to the Series 2003 Bonds any Investment Property that is acquired with Gross Proceeds of such Bonds. “Nonpurpose Investments” does not include any investment that is not regarded as “investment property” or a “nonpurpose investment” for the particular purposes of Section 148 of the Code (such as certain investments in U.S. Treasury obligations in the State and Local Government Series and certain temporary investments), but does include any other investment that is a “nonpurpose investment” within the applicable meaning of Section 148 of the Code.

“Proceeds” means, with respect to the Series 2003 Bonds, all Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Series 2003 Bonds but do not include Replacement Proceeds of the Series 2003 Bonds.

“Qualified Guarantee” means any guarantee of an obligation that constitutes a “qualified guarantee” within the meaning of Treasury Regulations §1.148-4(f).

“Rebate Amount” means, with respect to the Series 2003 Bonds, as of each computation date, an amount determined in accordance with Section 148(f) of the Code equal to the sum of (1) plus (2) where:

(1) is the excess of

(a) the aggregate amount earned from the Issuance Date on all Nonpurpose Investments in which Gross Proceeds of the Series 2003 Bonds are invested (other than investments attributable to an excess described in this clause (i)), taking into account any gain or loss on the disposition of Nonpurpose Investments, over

(b) the amount that would have been earned if the amount of the Gross Proceeds of the Series 2003 Bonds invested in such Nonpurpose Investments (other than investments attributable to an excess described in this clause (i)) had been invested at a rate equal to the Yield on the Series 2003 Bonds; and

(2) is any income attributable to the excess described in clause (i), taking into account any gain or loss on the disposition of investments.

The District Manager shall cause a determination of the sum of (1) plus (2) in accordance with Section 148(f) of the Code to be made annually within forty (40) days of the end of each Bond Year and shall advise the Trustee in writing within ten (10) days of the receipt of such determination of the amount to be deposited into the Rebate Fund pursuant to Section 6.03 hereof. Unless otherwise provided in the corresponding Supplemental Indenture, the Rebate Amount shall not include, with respect to the Series 2003 Bonds, any amount earned on amounts in the Debt Service Fund.

“Replacement Proceeds” means amounts, with respect to the Series 2003 Bonds, (including any investment income but excluding any Proceeds of the Bonds) replaced by Proceeds of the Bonds under Section 148(a)(2) of the Code. Replacement Proceeds include amounts, other than Proceeds, held in a sinking fund, pledged fund or reserve or replacement fund for such Bonds.

“Yield” has the meaning assigned to it for purposes of Section 148 of the Code, and means with respect to the Series 2003 Bonds, that discount rate (stated as an annual percentage) that, when used in computing the present worth of all applicable unconditionally payable payments of debt service and all payments for a Qualified Guarantee, applicable to the Bonds, if any, paid and to be paid with respect to an obligation, produces an amount equal to (a) the Issue Price with respect to the Bonds in the case of a Fixed Yield Issue or (b) the purchase price for yield purposes in the case of Investment Property, all subject to the applicable methods of computation provided for under Section 148 of the Code, including variations from the foregoing. The Yield on Investment Property in which Proceeds or Replacement Proceeds of the Series 2003 Bonds are invested is computed on a basis consistent with the computation of Yield on the Bonds, including the same compounding interval (of not more than one year selected by the District).

The Trustee is hereby authorized and directed to establish a Rebate Fund into which the Trustee shall deposit amounts as provided herein. The Rebate Fund 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. Any provision hereof to the contrary notwithstanding, amounts credited to the Rebate Fund shall be free and clear of any lien hereunder.

Within 40 days after the end of the fifth Bond Year after the date of initial issuance of the Series 2003 Bonds and every fifth Bond Year thereafter for the Series 2003 Bonds and within 40 days after the payment in full of all outstanding Bonds, the District shall calculate, or shall furnish information to and shall engage (at its expense) an independent firm designated by the District, to calculate, the Rebate Amount as of the end of that Bond Year or the date of such payment. The District shall notify the Trustee in writing of the amount and the Trustee shall notify the District in writing of the amount then on deposit in the Rebate Fund. If the amount then on deposit in the Rebate Fund is in excess of the Rebate Amount (computed by taking into account the future value of the amount or amounts, if any, previously paid to the United States pursuant to this Section 11.32), the Trustee shall forthwith transfer the excess amount to the Revenue Fund. If the amount then on deposit in the Rebate Fund is less than the Rebate Amount (computed by taking into account the future value of the amount or amounts, if any, previously paid to the United States pursuant to this Section 11.32), the District shall, within 10 days after the date of the aforesaid calculation, pay to the Trustee for deposit in the Rebate Fund an amount sufficient to cause the Rebate Fund to contain an amount equal to the Rebate Amount. The obligation of the District to make or cause to be made such computations and payments required by the Code shall remain in effect and be binding upon the District notwithstanding the release and discharge of this Indenture. Within 60 days after the end of the fifth Bond Year and every fifth Bond Year thereafter, the Trustee, acting at the direction of the District, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 90% (or such greater percentage not in excess of 100% as the District may direct the Trustee to pay) of the Rebate Amount earned from the date of the original delivery of the Bonds to the end of such fifth Bond Year (less the future value of the amount of Rebate Amount, if any, previously paid to the United States pursuant to this Section). Within 60 days after the payment in full of all outstanding Series 2003 Bonds, the Trustee, at the direction of the District, shall pay to the United States in accordance with Section 148(f) of the Code from the moneys then on deposit in the Rebate Fund an amount equal to 100% of the Rebate Amount earned from the date of the original delivery of the Bonds to the date of such payment (less the future value of the amount of Rebate Amount, if any, previously paid to the United States pursuant to this Section) and any moneys remaining in the Rebate Fund following such payment shall be transferred to the Revenue Fund.

The Trustee shall keep and make available to the District such records concerning the investments of the Gross Proceeds of the Bonds held by the Trustee and the investments of earnings from those investments. The District shall obtain and keep such records of the computations made pursuant to this Section 11.32 in accordance with and as are required under Section 148(f) of the Code. The Trustee shall be entitled to rely on the calculations made pursuant to this Section 11.32 and shall not be responsible for any loss or damage resulting from any action taken or omitted to be taken in reliance upon those calculations, and shall have no duty to make such calculation, or any duty to pay the rebate analyst or any duty to pay any such amount except from funds provided by the District.

Notwithstanding anything herein to the contrary, the District may calculate, or cause to have calculated, the amount of investment income to be rebated to the United States in accordance with Section 148(f) of the Code as to the Series 2003 Bonds under a different method and may make such rebate payments at different times; provided that the District and the Trustee shall have received an opinion of Bond Counsel that using such method of calculation and making payments at such times will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Nothing in this subsection shall require payment into the Rebate Fund or payment to the United States of any greater amount or lesser amount than is required to be paid to the United States under Section 148(f) of the Code, including any applicable regulations, rulings, procedures or notices thereunder that may be relied upon for that purpose.

Section 11.33 Corporate Existence and Maintenance of Properties. For so long as any Bonds are Outstanding hereunder, unless otherwise provided by the Act, the District shall maintain its corporate existence as a local unit of special purpose government under the Act and shall provide for or otherwise require the 2003 Project and all parts thereof owned by the District to be (a) continuously operated, repaired, improved and maintained as shall be necessary to provide adequate service to the lands benefited thereby; and (b) in compliance with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any competent public authority.

[End Of Article XI]

ARTICLE XII

EVENTS OF DEFAULT AND REMEDIES

Section 12.01 [Reserved.]

Section 12.02 Events of Default Defined. Each of the following shall be an "Event of Default" as to the Series 2003 Bonds under the Indenture:

- (a) if payment of any installment of interest on any Bond is not made when it becomes due and payable; or
- (b) if payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable at maturity or upon call or presentation for redemption or as a result of purchase required in connection with a mandatory tender; or
- (c) if the District, for any reason, is rendered incapable of fulfilling its obligations under this Indenture or under the Act as to the Bonds; or
- (d) if the District proposes or makes an assignment for the benefit of creditors or enters into a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the District or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor

rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the District and if such is not vacated, dismissed or stayed on appeal within ninety (90) days; or

(e) if the District defaults in the due and punctual performance of any other covenant in this Indenture as to the Bonds and such default continues for sixty (60) days after written notice requiring the same to be remedied shall have been given to the District by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Owners of not less than 51% in aggregate principal amount of the Outstanding Bonds; provided, however, that if such performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such sixty (60) day period, no Event of Default shall be deemed to have occurred or exist if, and so long as the District shall commence such performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion; or

(f) written notice shall have been received by the Trustee from the Owners of 51% or more of the Series 2003 Bonds that an event of default has occurred under the Continuing Disclosure Agreement and the District or the Developer, as applicable, fails to remedy such default within ninety (90) days after receipt of written notice thereof from the Trustee; provided, however, that if curing such default requires work to be done, actions to be taken, or conditions to be remedied which by their nature cannot reasonably be done, taken or remedied, as the case may be, within such ninety (90) day period, no Event of Default shall be deemed to have occurred or exist if, and so long as, the District or Developer, as applicable, shall commence such performance within such ninety (90) day period and shall diligently and continuously prosecute the same to completion.

Section 12.03 No Acceleration. No Bonds issued under this Indenture shall be subject to acceleration.

Section 12.04 Legal Proceedings by Trustee. If any Event of Default with respect to the Series 2003 Bonds has occurred and is continuing, the Trustee, in its discretion may, and upon the written request of the Owners of not less than a majority in aggregate principal amount of the Outstanding Bonds and receipt of indemnity to its satisfaction shall, in its own name:

(a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Owners of the Bonds, including, without limitation, the right to require the District to carry out any agreements with, or for the benefit of, the Owners and to perform its or their duties under the Act;

(b) bring suit upon the Bonds;

(c) by action or suit in equity require the District to account as if it were the trustee of an express trust for the Owners of the Bonds;

(d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds; and

(e) by other proceeding in law or equity, exercise all rights and remedies provided for by any other document or instrument securing the Bonds.

Notwithstanding anything else herein to the contrary, the Trustee may at its absolute discretion refuse to comply with any direction given to it by a majority of the Owners of the Series 2003 Bonds with respect to which an Event of Default exists, if the Trustee believes such direction may (i) adversely affect the Owners of those other Bonds with respect to which no similar Event of Default exists, or (ii) potentially result in the Trustee taking action either not in the best interests of the Owners of the Bonds with respect to which no similar Event of Default exists or which may adversely affect the Trustee. In the event the Trustee refuses to act pursuant to the preceding sentence, and notwithstanding anything else herein to the contrary, it shall have no liability to any Owners and further if it elects, the Trustee may resign as Trustee for the Owners of the Bonds who have given the direction not followed by the Trustee, which resignation shall be effective immediately upon such resignation and it shall be the obligation of the Owners of such Bonds to appoint a successor trustee to pursue remedial actions on their behalf. It shall be the obligation of the successor trustee for such Owners to distribute such money to them pursuant to the terms of the Indenture.

Section 12.05 Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, the District, the Trustee, the Paying Agent and the Owners shall be restored to their former positions and rights hereunder as though no such proceeding had been taken.

Section 12.06 Owners May Direct Proceedings. Subject to the last paragraph of Section 12.04 hereof and Section 13.07 hereof, the Owners of a majority in aggregate principal amount of the Outstanding Bonds exists shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under the Indenture, provided that such directions shall not be otherwise than in accordance with law or the provisions of the Indenture.

Section 12.07 Limitations on Actions by Owners. No Owner shall have any right to pursue any remedy hereunder unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Owners of at least a majority in aggregate principal amount of the Outstanding Bonds shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Section 12.08 Trustee May Enforce Rights Without Possession of Bonds. All rights under the Indenture and the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Owners of the Bonds.

Section 12.09 Remedies Not Exclusive. Except as limited under Section 17.01 of this Indenture, no remedy contained in the Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 12.10 Delays and Omissions not to Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default, and every remedy given by this Article XII may be exercised from time to time and as often as may be deemed expedient.

Section 12.11 Application of Moneys in Event of Default. Any moneys received by the Trustee or the Paying Agent, as the case may be, in connection with any proceedings brought under this Article XII with respect to the Series 2003 Bonds shall be applied in the following priority:

(a) to the payment of the costs of the Trustee and Paying Agent incurred in connection with actions taken under this Article XII with respect to the Bonds, including counsel fees and any disbursements of the Trustee and the Paying Agent.

(b) unless the principal of all the Bonds shall have become due and payable:

FIRST: to payment of all installments of interest then due on the Bonds in the order of maturity of such installments of interest, 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 preference or priority of one installment of interest over any other installment; and

SECOND: to payment to the persons entitled thereto of the unpaid principal or Redemption Price of any of the Bonds which shall have become due in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the principal or Redemption Price coming due on such Bonds on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any preference or priority of one such Bond over another or of any installment of interest over another.

(c) If the principal of all Bonds shall have become due and payable, to the payment of principal or Redemption Price (as the case may be) and interest then owing on the Bonds and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or Redemption Price and interest ratably, without preference or priority of one Bond over another or of any installment of interest over any other installment of interest.

Any surplus remaining after the payments described above shall be paid to the District or to the Person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Section 12.12 Trustee's Right to Receiver; Compliance with Act. The Trustee shall be entitled as of right to the appointment of a receiver for the benefit of the Series 2003 Bonds and the Trustee, the Owners and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act and other applicable law of the State.

Section 12.13 Trustee and Owners Entitled to all Remedies Under Act. It is the purpose of this Article to provide such remedies to the Trustee and Owners as may be lawfully granted under the provisions of the Act and other applicable laws of the State; if any remedy herein granted shall be held unlawful, the Trustee and the Owners shall nevertheless be entitled to every other remedy provided by the Act and other applicable laws of the State. It is further intended that, insofar as lawfully possible, the provisions of this Article XII shall apply to and be binding upon any receiver appointed in accordance with Section 12.12 hereof.

[End Of Article XII]

ARTICLE XIII

THE TRUSTEE; THE PAYING AGENT AND REGISTRAR

Section 13.01 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 XIII, to all of which the parties hereto and the Owners agree. The Trustee shall act as Trustee for the Series 2003 Bonds. 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.

Section 13.02 No Responsibility for Recitals. The recitals, statements and representations in the Indenture or in the Bonds, save only the Trustee's 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 13.03 Trustee May Act Through Agents; Answerable only for Willful Misconduct or Negligence. The Trustee may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder. The Trustee shall not be answerable for the exercise of any discretion or power under the Indenture nor for anything whatever in connection with the trust hereunder, except only its own negligence or willful misconduct or breach of its obligations hereunder.

Section 13.04 Compensation and Indemnity. The District shall pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, and shall indemnify the Trustee and hold the Trustee harmless against any liabilities which it may incur in the proper exercise and performance of its powers and duties hereunder, except with respect to its own willful misconduct, negligence or breach of its obligations hereunder. If the District defaults in respect of the foregoing obligations, the Trustee shall be entitled to a first lien upon all Pledged Revenues Funds, and shall be entitled to be paid from Pledged Revenues Funds before any other use of such funds.

Section 13.05 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 13.06 Notice of Default; Right to Investigate. The Trustee shall give written notice by first-class mail to registered Owners of Series 2003 Bonds of all defaults with respect to such Bonds known to the Trustee, unless such defaults have been remedied (the term "defaults" for purposes of this Section and Section 13.07 being defined to include the events specified as "Events of Default" in Article XII hereof, but not including any notice or periods of grace provided for therein); provided that, except in the case of a default in payment of principal or interest or Redemption Price, the Trustee may withhold such notice so long as it in good faith determines that such withholding is in the interest of the Owners. The Trustee shall not be deemed to have notice of any default other than a payment default under the Indenture unless notified in writing of such default by the Owners of at least 51% 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 13.07 Obligation to Act on Defaults. The Trustee shall be under no obligation to take any action in respect of any default or otherwise, except the obligation to give notice of default as required under this Indenture in the case of a default with respect to the payments of principal or interest or Redemption Price as the same shall become due and payable at redemption or upon maturity, unless (a) it is requested in writing to do so by the Owners of at least a majority in aggregate principal amount of the Outstanding Bonds which are or would be, upon the taking of such action, subject to remedial proceedings under Article XII of this Indenture and (b) it is also furnished with indemnity satisfactory to it.

Section 13.08 Reliance by Trustee. The Trustee may act on any requisition, resolution, notice, telegram, facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document or telephone message (provided such message shall be preserved in writing by the Trustee) which it in good faith believes to be genuine and to have been passed, signed or given by the persons purporting to be authorized (which in the case of the District shall be a Responsible Officer) or to have been prepared and furnished pursuant to any of the provisions of the Indenture; 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 13.09 Trustee May Deal in Bonds. The Trustee may in good faith buy, sell, own, hold and deal in any of the Series 2003 Bonds. To the extent that the Trustee owns or holds any Series 2003 Bonds, the Trustee 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 the Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the District; provided, however, that if the Trustee determines that any such relation is in conflict with its duties under the Indenture, it shall eliminate the conflict or resign as Trustee.

Section 13.10 Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of the Indenture, and except as otherwise provided in Article XV of this Indenture, any construction by the Trustee shall be binding upon the Owners. The Trustee shall give prompt notice to the District of any intention to make such construction.

Section 13.11 Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by the Indenture by written resignation filed with the Secretary of the District not less than ninety (90) days before the date when such resignation is to take effect; provided, however, that (i) if any Outstanding Bonds are not registered Bonds, notice of such resignation is published at least once a week for three (3) consecutive calendar weeks in at least one Authorized Newspaper and at least once in The Bond Buyer, or its successor, if any, the first publication to appear not less than three (3) weeks prior to the date when the resignation is to take effect; and that (ii) if any Outstanding Bonds are registered Bonds, notice of such resignation shall be sent by first-class mail to each Owner as its name and address appears on the Register and to any Paying Agent, Registrar and Authenticating Agent, 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 ninety (90) 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. Notice of such resignation shall also be given to any rating agency that shall then have in effect a rating on any of the Bonds.

Section 13.12 Removal of Trustee. The Trustee may be removed at any time by either (a) the District (by a written notice of such removal delivered to the Trustee), with or without cause, if no default exists under the Indenture or (b) an instrument or concurrent instruments in writing, executed by the Owners of at least fifty one percent (51%) in aggregate principal amount of the Bonds then Outstanding and filed with the District. A photographic copy of any instrument or instruments filed with the District under the provisions of this paragraph, duly certified by a Responsible Officer, shall be delivered promptly by the District to the Trustee and to any Paying Agent, Registrar and Authenticating Agent. The Trustee's rights under Section 13.04 hereof shall survive any resignation by or removal of the Trustee hereunder.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the District or the Owners of not less than 25% in aggregate principal amount of the Bonds then Outstanding.

Section 13.13 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 (i) if any Outstanding Bonds are not registered bonds, shall publish notice of such appointment in an Authorized Newspaper,

if any, and (ii) if any Outstanding Bonds are registered Bonds, shall mail notice of such appointment by first-class mail to each Owner as its name and address appear on the Register, and to the Paying Agent, Registrar, Authenticating Agent and any rating agency that shall then have in effect a rating on any of the Bonds. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation or removal as the date when such resignation or removal was to take effect, the Owners of a majority in aggregate principal amount of all Bonds then Outstanding may appoint a successor Trustee.

Section 13.14 Qualification of Successor. 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 13.15 Instruments of Succession. Any successor Trustee shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder and thereupon, such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder shall, after payment of all amounts due to it, pay over to the successor Trustee all moneys held by it hereunder and, upon request of the successor Trustee, the Trustee ceasing to act and the District shall execute and deliver an instrument or instruments prepared by the District transferring to the successor Trustee all the estates, properties, rights, powers and trusts hereunder of the predecessor Trustee, except that the Trustee ceasing to act shall not be required to assign any right to payment it has under Section 13.04 hereof.

Section 13.16 Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor Trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, 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 13.14 hereof, and if such corporation does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to this Article XIII.

Section 13.17 Extension of Rights and Duties of Trustee to Paying Agent and Registrar. The provisions of Sections 13.02, 13.03, 13.04, 13.08, 13.09 and 13.10 hereof are hereby made applicable to the Paying Agent and the Registrar, as appropriate, and any Person serving as Paying Agent and/or Registrar, hereby enters into and agrees to comply with the covenants and agreements of this Indenture applicable to the Paying Agent and Registrar, respectively. It is hereby expressly understood that the District may appoint one or more Persons as Paying Agent or Paying Agents for one or more Series of Bonds.

Section 13.18 Resignation of Paying Agent or Registrar. The Paying Agent or Registrar may resign and be discharged of the duties created by the 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, the Trustee, and any rating agency that shall then have in effect a rating on any of the Bonds, not less than forty-five (45) days before the date

specified in such instrument when such resignation shall take effect, and by giving written notice of such resignation not less than three (3) weeks prior to such resignation date to the Owners, mailed to their addresses as such appear in the Register. Such resignation shall take effect on the date specified in such instrument and notice, but only if a successor Paying Agent or Registrar shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor Paying Agent or Registrar. If the successor Paying Agent or Registrar shall not have been appointed within a period of ninety (90) days following the giving of notice, then the Paying Agent or Registrar shall be authorized to petition any court of competent jurisdiction to appoint a successor Paying Agent or Registrar as provided in Section 13.22 hereof.

Section 13.19 Removal of Paying Agent or Registrar. The Paying Agent or Registrar may be removed at any time prior to any Event of Default by the District by filing with the Paying Agent or Registrar to be removed, and with the Trustee, an instrument or instruments in writing executed by the District appointing a successor, or an instrument or instruments in writing designating, and accompanied by an instrument or appointment by the District of, such 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 Registrar appointed hereunder shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder.

Section 13.20 Appointment of Successor Paying Agent or Registrar. In case at any time the Paying Agent or Registrar shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and ipso facto exist in the office of the Paying Agent or 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 Registrar shall resign, then a successor shall be appointed by the District. After any such appointment, notice of such appointment shall be given by the District to the predecessor Paying Agent or Registrar, the successor Paying Agent or Registrar, the Trustee, any rating agency that shall then have in effect a rating on any of the Bonds, and all Owners. Any new Paying Agent or Registrar so appointed shall immediately, and without further act, supersede the predecessor Paying Agent or Registrar.

Section 13.21 Qualifications of Successor Paying Agent or Registrar. Every successor Paying Agent or Registrar (a) shall be a commercial bank or trust company (i) duly organized under the laws of the United States or any state or territory thereof, (i) authorized by law to perform all the duties imposed upon it by the Indenture and (iii) capable of meeting its obligations hereunder, and (b) shall have a combined net capital and surplus of at least \$50,000,000.

Section 13.22 Judicial Appointment of Successor Paying Agent or Registrar. In case at any time the Paying Agent or Registrar shall resign and no appointment of a successor Paying Agent or Registrar shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation as the date when such resignation is to take effect, the retiring Paying Agent or Registrar may forthwith apply to a court of competent jurisdiction for the appointment of a successor Paying Agent or Registrar. Such court may thereupon, after

such notice, if any, as it may deem proper and prescribe, appoint a successor Paying Agent or Registrar. Notice of such appointment shall be given by the Successor Registrar or Paying Agent to the District, the Trustee, any rating agency that shall then have in effect a rating on any of the Bonds, and all Owners. In the absence of such an appointment, the Trustee shall become the Registrar or Paying Agent, or and shall so notify the District, any rating agency that shall have issued a rating on the Bonds, and all Owners.

Section 13.23 Acceptance of Duties by Successor Paying Agent or Registrar. Any successor Paying Agent or Registrar appointed hereunder shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent or 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 Registrar herein. Upon request of such Paying Agent or Registrar, such predecessor Paying Agent or Registrar and the District shall execute and deliver an instrument transferring to such successor Paying Agent or Registrar all the estates, property, rights and powers hereunder of such predecessor Paying Agent or Registrar and such predecessor Paying Agent or Registrar shall pay over and deliver to the successor Paying Agent or Registrar all moneys and other assets at the time held by it hereunder.

Section 13.24 Successor by Merger or Consolidation. Any corporation into which any Paying Agent or Registrar hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Paying Agent or Registrar hereunder shall be a party, shall be the successor Paying Agent or Registrar under the Indenture without the execution or filing of any paper or any further act on the part of the parties thereto, anything in the Indenture to the contrary notwithstanding.

[End Of Article XIII]

ARTICLE XIV

ACTS OF OWNERS; EVIDENCE OF OWNERSHIP OF BONDS

Section 14.01 Acts of Owners; Evidence of Ownership of Bonds. Any action to be taken by Owners may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Owners in person or by an agent appointed in writing. The fact and date of the execution by any person of any such instrument may be provided by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Owner of any Bond shall bind all future Owners of the same Bond in respect of anything done or suffered by the District, Trustee, Paying Agent or Registrar in pursuance thereof.

[End Of Article XIV]

ARTICLE XV

AMENDMENTS AND SUPPLEMENTS

Section 15.01 Amendments and Supplements without Owners' Consent. This Indenture and any then existing indenture supplemental hereto may be amended or supplemented, from time to time, without the consent of the Owners, by a Supplemental Indenture authorized by a Certified Resolution of the District filed with the Trustee, for one or more of the following purposes:

(a) to set forth any or all of the matters in connection with the issuance of Bonds required by Sections 3.01 or 3.03 hereof;

(b) to add additional covenants of the District or to surrender any right or power herein conferred upon the District;

(c) for any purpose not inconsistent with the terms of this Indenture or the Supplemental Indenture in question, as the case may be, or to cure any ambiguity or to cure, correct or supplement any defective provision (whether because of any inconsistency with any other provision hereof or otherwise) of this Indenture or the Supplemental Indenture in question, as the case may be, in such manner as shall not impair the security hereof or thereof or adversely affect the rights and remedies of the Owners; and

(d) to provide for the execution of any and all contracts and other documents as may be required in order to effectuate the conveyance of all or any portion of the 2003 Project to the United States of America, the State or the City or any department, agency or branch thereof, or any other unit of government of the State or the City; provided, however, that the District shall have caused to be delivered to the Trustee an opinion of Bond Counsel stating that such conveyance shall not impair the security hereof or of the Supplemental Indenture relating to such portion of the 2003 Project or adversely affect the rights and remedies of the Owners or the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Section 15.02 Amendments with Owner Consent. This Indenture and any indenture supplemental hereto also may be amended from time to time as set forth below, except with respect to (a) the interest and principal payable upon any Bonds, (b) the dates of maturity or redemption provisions of any Bonds, (c) this Article XV and (d) the security provisions hereunder or under any indenture supplemental hereto, by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding affected by such amendments. Amendments with respect to items (a), (b), (c) and (d) of this Section 15.02 shall be effected only with the consent of Owners of all Outstanding Bonds.

Section 15.03 Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join in the execution and delivery of any Supplemental Indenture or amendment permitted by this Article XV and in so doing is entitled to request and may rely on a written opinion of Counsel that such Supplemental Indenture or amendment is so permitted and has been duly authorized by the District and that all things necessary to make it a valid and binding agreement have been done.

[End Of Article XV]

ARTICLE XVI

DEFEASANCE

Section 16.01 Defeasance. When interest on, and principal or Redemption Price (as the case may be) of, the Series 2003 Bonds or portion thereof to be defeased (the "Defeased Bonds") have been paid, or there shall have been deposited with the Trustee or such other escrow agent designated in a Certified Resolution of the District (the "Escrow Agent") moneys sufficient, or Defeasance Securities, the principal of and interest on which, when due, together with any moneys, remaining uninvested, will provide sufficient moneys to fully pay (i) such Defeased Bonds and (ii) any other sums payable hereunder by the District, the right, title and interest of the Trustee with respect to such Defeased Bonds shall thereupon cease, the lien of the Indenture on the Pledged Revenues and the Funds and Accounts established under this Indenture with respect to such Bonds or portion thereof to be defeased shall be defeased and discharged, and the Trustee, on demand of the District, shall release the Indenture as to all Defeased Bonds and shall execute such documents to evidence such release as may be reasonably required by the District.

Section 16.02 Deposit of Funds for Payment of Bonds. If the District deposits with the Escrow Agent moneys sufficient, or Defeasance Securities, the principal of and interest on which, when due, together with any moneys remaining uninvested, will provide sufficient moneys to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by redemption or otherwise, together with all interest accruing thereon to the date of maturity or such prior redemption, and reimburses or causes to be reimbursed or pays or causes to be paid the other amounts required to be reimbursed or paid under Section 16.01 hereof, interest on such Bonds shall cease to accrue on such date of maturity or prior redemption and all liability of the District with respect to such Bonds shall likewise cease, except as hereinafter provided; provided, however, that (a) if any Bonds are to be redeemed prior to the maturity thereof, notice of the redemption thereof shall have been duly given in accordance with the provisions of Section 8.02 hereof or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice, and (b) in the event that any Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days following a deposit of moneys with the Escrow Agent, in accordance with this Section, the District shall have given the Escrow Agent, in form satisfactory to the Escrow Agent, irrevocable instructions to mail to the Owners of such Bonds at their addresses as they appear on the Register, and to publish once in any Authorized Newspaper, a notice stating that a deposit in accordance with this Section has been made with the Escrow Agent and that the Bonds to which such notice relates are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price (as the

case may be) of, and interest on, said Bonds. Thereafter such Bonds shall be deemed not to be Outstanding hereunder and the Owners of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Escrow Agent shall hold such funds in trust for such Owners.

Money so deposited with the Escrow Agent which remains unclaimed three (3) years after the date payment thereof becomes due shall, upon request of the District, if the District is not at the time to the knowledge of the Escrow Agent in default with respect to any covenant in the Indenture or the Bonds contained, be paid to the District; and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the District; provided, however, that the Escrow Agent, before making payment to the District, may, at the expense of the District, cause a notice to be published in an Authorized Newspaper, stating that the money remaining unclaimed will be returned to the District after a specified date.

Section 16.03 Survival of Tax Covenants. Notwithstanding anything to the contrary contained herein, the provisions and covenants of Sections 11.31 and 11.32 hereof shall survive payment or defeasance of the Bonds.

[End Of Article XVI]

ARTICLE XVII

MISCELLANEOUS PROVISIONS

Section 17.01 Limitations on Recourse. No personal recourse shall be had for any claim based on the Indenture or the Bonds against any member of the Board or any officer, employee or agent, past, present or future, of the District or of any successor body as such, either directly or through the District or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

The Bonds are payable solely from the Pledged Revenues and any other moneys held by the Trustee under this Indenture for such purpose. There shall be no other recourse under the Bonds, this Indenture or otherwise, against the District or any other property now or hereafter owned by it.

Section 17.02 Payment Dates. In any case where an Interest Payment Date or the maturity date of the Bonds or the date fixed for the redemption of any Bonds shall be other than a Business Day, then payment of interest, principal or Redemption Price need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date, and no interest on such payment shall accrue for the period after such due date if payment is made on such next succeeding Business Day.

Section 17.03 No Rights Conferred on Others. Nothing herein contained shall confer any right upon any Person other than the parties hereto and the Owners of the Bonds.

Section 17.04 Illegal Provisions Disregarded. If any term of the Indenture or the Bonds or the application thereof for any reason or circumstances shall to any extent be held invalid or unenforceable, the remaining provisions or the application of such terms or provisions

to Persons and situations other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision hereof and thereof shall not be valid and enforced to the fullest extent permitted by law.

Section 17.05 Substitute Notice. If for any reason it shall be impossible to make duplication of any notice required hereby in a newspaper or newspapers, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

Section 17.06 Notices. Any notice, demand, direction, request or other instrument authorized or required by the Indenture to be given to or filed with the District or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of the Indenture if and when personally delivered and receipted for, or sent by registered United States mail, return receipt requested, addressed as follows:

(a) As to the District -

Portofino Isles Community
Development District
c/o Severn Trent Services, Inc.
10300 NW 11th Manor
Coral Springs, FL 33065
Phone: (954) 753-0380
Fax: (954) 755-6701
Attention: District Manager

with a copy thereof to District's Counsel, as follows:

Lewis, Longman & Walker, P.A.
1700 Palm Beach Lakes Blvd., Suite 1000
West Palm Beach, FL 33401-2006
Phone: (561) 640-0820
Fax: (561) 640-8202
Attention: William G. Capko

(b) As to the Trustee -

Wachovia Bank, National Association
Wachovia Financial Center
200 South Biscayne Boulevard
14th Floor
Miami, Florida 33131
Phone: (305) 789-4682
Fax: (305) 789-4678
Attention: Corporate Trust Department

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

All documents received by the Trustee under the provisions of the Indenture and not required to be redelivered shall be retained in its possession, subject at all reasonable times to the inspection of the District, any Owner and the agents and representatives thereof as evidence in writing.

Notices to Registered Owners shall be sufficient if given by First Class U. S. Mail, postage prepaid.

Section 17.07 Controlling Law. The Indenture shall be governed by and construed in accordance with the laws of the State of Florida.

Section 17.08 Successors and Assigns. All the covenants, promises and agreements in the Indenture contained by or on behalf of the District or by or on behalf of the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 17.09 Headings for Convenience Only. The table of contents and descriptive headings in the Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 17.10 Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 17.11 Appendices and Exhibits. Any and all appendices or exhibits referred to in and attached to this Indenture are hereby incorporated herein and made a part hereof for all purposes.

[End Of Article XVII]

IN WITNESS WHEREOF, Portofino Isles Community Development District has caused this Indenture to be executed by the Chairman of its Board and its corporate seal to be hereunto affixed, attested by the Secretary or Assistant Secretary of its Board and Wachovia Bank, National Association has caused this Indenture to be executed by one of its Vice Presidents and its seal to be hereunto affixed, attested by an authorized officer, all as of the day and year first above written.

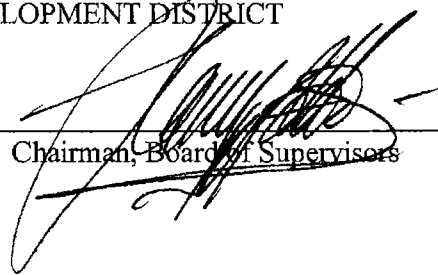
PORTOFINO ISLES COMMUNITY
DEVELOPMENT DISTRICT

[SEAL]

Attest: By:



~~Assistant~~ Secretary, Board of Supervisors

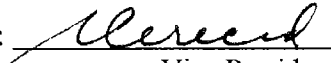


Chairman, Board of Supervisors

[SEAL]

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee, Paying Agent and
Registrar

By:

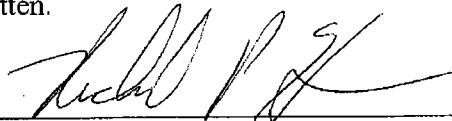


Vice President

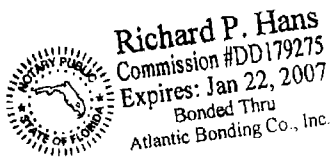
STATE OF FLORIDA)
) ss.:
COUNTY OF ST. LUCIE)

On this 4 day of March 2003, before me, a notary public in and for the State and County aforesaid, personally appeared Larry M. Abbo and Rhonda K. Archer, Chairman and ~~Assistant~~ Secretary, respectively, of the Board of Supervisors of Portofino Isles Community Development District, who acknowledged that they did sign the foregoing instrument as such officers, respectively, for and on behalf of Portofino Isles Community Development District; that the same is their free act and deed as such officers, respectively, and the free act and deed of Portofino Isles Community Development District; and that the seal affixed to said instrument is the seal of Portofino Isles Community Development District.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year in this certificate first above written.



NOTARY PUBLIC, STATE OF FLORIDA
(Name of Notary Public, Print, Stamp or Type as
Commissioned) (1) Personally known to me, or (2)
Produced identification: (Type of Identification
Produced) (3) DID take an oath, or (4) DID NOT
take an oath.



STATE OF FLORIDA)
) SS.:
COUNTY OF Miami-Dade)

On this 6 day of March 2003, before me, a notary public in and for the State and County aforesaid, personally appeared Vivian Cerecedo, a Vice President of Wachovia Bank, National Association, as Trustee, who acknowledged that she did sign said instrument as such officer for and on behalf of said corporation; that the same is her free act and deed as such officer and the free act and deed of said corporation; and that the seal affixed to said instrument is the seal of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year in this certificate first above written.

Sandra L. Davis

NOTARY PUBLIC, STATE OF FLORIDA
(Name of Notary Public, Print, Stamp or Type as
Commissioned) (1) Personally known to me, or (2)
Produced identification: (Type of Identification
Produced) (3) DID take an oath, or (4) DID NOT
take an oath.

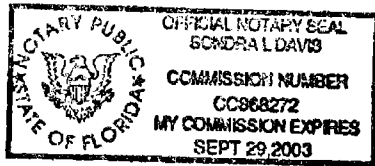


EXHIBIT A

**LEGAL DESCRIPTION OF PORTOFINO ISLES COMMUNITY
DEVELOPMENT DISTRICT**

The present boundaries of Portofino Isles Community Development District are as follows:

SEE EXHIBIT A-1 ATTACHED HERETO

[Containing approximately 295 acres, more or less.]

THE BOUNDARIES OF THE DISTRICT MAY BE EXPANDED OR CONTRACTED IN
ACCORDANCE WITH THE PROVISIONS OF CHAPTER 190, FLORIDA STATUTES.

LEGAL DESCRIPTION

EXHIBIT A

Being a parcel of land lying in Section 14, Township 37 South, Range 39 East, St. Lucie County, Florida, and being more particularly described as follows:

Commence at the point of intersection of the North line of the South one-half of the Northwest one-quarter of said Section 14, said point being the intersection of the westerly prolongation of the South line of Block 1707, according to the Plat of PORT ST. LUCIE SECTION THIRTY-ONE, as recorded in Plat Book 14, Page 22, of the public records of St. Lucie County, Florida; thence N 88°14'58" E, along the said prolongation of the south line of Block 1707, a distance of 725.74 feet the POINT OF BEGINNING of the following described Parcel:

Thence continue N 88°14'58" E a distance of 1,947.04 feet; thence S 35°55'46" E a distance of 74.32 feet; thence N 38°05'37" E a distance of 184.21 feet to the beginning of a curve concave to the west having a radius of 700.00 feet; thence northerly along the arc of said curve a distance of 469.79 feet through a central angle of 38°27'10"; thence N 00°21'33" W a distance of 354.93 feet; thence N 06°54'39" W a distance of 125.40 feet; thence N 02°20'13" W a distance of 185.00 feet; thence N 47°20'13" W a distance of 35.36 feet; thence N 87°39'47" E a distance of 170.00 feet; thence S 42°39'47" W a distance of 35.36 feet; thence S 02°20'13" E a distance of 185.00 feet; thence S 02°14'13" W a distance of 124.08 feet; thence S 00°21'33" E a distance of 359.70 feet to the beginning of a curve concave to the west having a radius of 800.00 feet; thence southerly along the arc of said curve a distance of 536.90 feet through a central angle of 38°27'10"; thence S 38°05'37" W a distance of 87.10 feet; thence S 54°00'47" E a distance of 181.36 feet; thence S 24°57'26" W a distance of 416.76 feet to the beginning of a curve concave to the northeast having a radius of 42.00 feet; thence southeasterly along the arc of said curve a distance of 94.22 feet through a central angle of 128°31'52" to the point of reverse curvature with a curve concave to the south, having a radius of 1,054.24 feet; thence easterly along the arc of said curve a distance of 563.23 feet, through a central angle of 30°36'37" to the point of reverse curvature with a curve concave to the north, having a radius of 1,175.00 feet; thence easterly along the arc of said curve a distance of 385.58 feet, through a central angle of 18°48'07" to the point of reverse curvature with a curve concave to the south, having a radius of 1,909.33 feet; thence easterly along the arc of said curve a distance of 432.93 feet, through a central angle of 12°59'29" to the point of reverse curvature with a curve concave to the north, having a radius of 500.00 feet; thence easterly along the arc of said curve a distance of 97.96 feet, through a central angle of 11°13'32"; thence East a distance of 558.80 feet, thence S 00°01'50" E a distance of 328.11 feet; to the beginning of a curve concave to the northeast having a radius of 50.00 feet; thence southeasterly along the arc of said curve a distance of 78.49 feet through a central angle of 89°56'40"; thence S 89°58'31" E a distance of 308.18 feet to the intersection with a line 40.00 feet west of, as measured at right angles, the East line of aforesaid Section 14; thence S 00°01'29" W, along lastly said line and parallel with the said East line of Section 14, a distance of 200.27 feet; thence, continuing along lastly said line, S 00°02'15" W a distance of 249.86 feet; thence N 89°57'45" W a distance of 290.40 feet; thence S 00°02'15" W a distance of 375.00 feet; thence S 89°57'45" E a distance of 144.00 feet; thence S 00°02'15" W a distance of 103.86 feet to the beginning of a curve concave to the northeast having a radius of 137.00 feet; thence southeasterly along the arc of said curve a distance of 215.20 feet through a central angle of 90°00'00"; thence S 89°57'45" E a distance of 9.40 feet, to the intersection with aforesaid line being 40.00 feet west of the East line of said Section 14; thence S 00°02'15" W, along lastly said line a distance of 1,869.14 feet, to the intersection with the South line of said Section 14, also being a part of the North boundary of PORT ST. LUCIE SECTION SEVEN, as recorded in Plat Book 12, Page 37, of the public records of St. Lucie County, Florida; thence along the North and East boundaries of said PORT ST. LUCIE SECTION SEVEN, by the following courses and distances:

thence S 89°04'05" W a distance of 616.09 feet; thence N 00°04'47" W a distance of 1,365.25 feet; thence S 88°59'17" W a distance of 1,976.76 feet; thence S 89°31'30" W a distance of 2,655.33 feet to the West line of said Section 14; thence N 00°04'57" W along said West line, a distance of 1,328.50 feet; thence continuing along said West line, N 00°02'28" W a distance of 839.10 feet; thence N 88°14'58" E a distance of 725.44 feet; thence N 00°00'19" W a distance of 467.21 feet to the POINT OF BEGINNING.

Containing 234.59 acres, more or less.

EXHIBIT B

[FORM OF SERIES 2003A BOND]

RA-_____

\$7,135,000

UNITED STATES OF AMERICA
STATE OF FLORIDA

PORTOFINO ISLES
COMMUNITY DEVELOPMENT DISTRICT
(PORT ST. LUCIE, FLORIDA)
SPECIAL ASSESSMENT BOND,
SERIES 2003A

<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>DATE</u>	<u>CUSIP</u>
6.50%	May 1, 2033	March 1, 2003	

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: Seven Million One Hundred Thirty-five Thousand Dollars

KNOW ALL PERSONS BY THESE PRESENTS that Portofino Isles Community Development District (the "Issuer"), for value received, hereby promises to pay to the registered owner shown above or registered assigns, on the date specified above, from the sources hereinafter mentioned, upon presentation and surrender hereof at the principal corporate trust office of Wachovia Bank, National Association, Miami, Florida as paying agent (said bank and/or any bank or trust company to become successor paying agent being herein called the "Paying Agent"), the Principal Amount, with interest thereon at the Rate of Interest above, payable on the first day of May and November of each year commencing November 1, 2003. Principal of this Bond is payable at the designated corporate trust office of the Paying Agent, in lawful money of the United States of America. Interest on this Bond is payable by check or draft of the Paying Agent made payable to the registered owner and mailed to the address of the registered owner as such name and address shall appear on the registry books of the Issuer maintained by Wachovia Bank, National Association, as Registrar, (said Registrar and any successor Registrar being herein called the "Registrar") at the close of business on the fifteenth day of the calendar month preceding each interest payment date or the date on which the principal of a Bond is to be paid (the "Record Date"). Such interest shall be payable from the most recent interest payment date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a May 1 or November 1

to which interest has been paid, in which case from such date of authentication, or unless the date hereof is prior to November 1, 2003, in which case from March 1, 2003, or unless the date of authentication hereof is between a Record Date and the next succeeding interest payment date, in which case from such interest payment date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Record Date and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice whereof shall be given to Bondholders of record as of the fifth (5th) day prior to such mailing, at their registered addresses, not less than ten (10) days prior to such Special Record Date, or may be paid, at any time in any other lawful manner, as more fully provided in the Indenture (defined below). The foregoing notwithstanding, any Owner of Series 2003 Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Trustee and Paying Agent, upon requesting the same in writing received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date, which writing shall specify the bank, which shall be a bank within the continental United States, and bank account number to which interest payments are to be wired. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Trustee and Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date.

This Bond represents the entire authorized issue of Bonds of Portofino Isles Community Development District (Port St. Lucie, Florida), a community development district duly created, organized and existing under Chapter 190, Florida Statutes (the Uniform Community Development District Act of 1980), as amended (the "Act") designated as "Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003A" (the "Bonds"), in the aggregate principal amount of Seven Million One Hundred Thirty-five Thousand Dollars (\$7,135,000). The Bonds are being issued under authority of the laws and Constitution of the State of Florida, including particularly the Act, to (i) finance a portion of the costs of certain capital improvements to be acquired and/or constructed by the Issuer, including without limitation, the planning, design, construction and acquisition of Utility System improvements and Road System improvements, and such other improvements as more particularly described in the "Portofino Isles Engineer's Report of Capital Improvements", dated January 2003, together with the acquisition of associated real property and interest therein (the "Project"), (ii) make a deposit to the credit of the Debt Service Reserve Fund in the amount of the Debt Service Reserve Requirement for the Series 2003A Bonds, (iii) pay capitalized interest on the Series 2003A Bonds and (iv) pay the costs of issuance of the Series 2003A Bonds. The Series 2003A Bonds shall be issued as fully registered Bonds in authorized denominations, as set forth in the Indenture. The Bonds are issued under and secured by a Trust Indenture, dated as of March 1, 2003, by and between the Issuer and the Trustee (the "Indenture"), executed counterparts of which are on file at the designated corporate trust office of the Trustee in Miami, Florida.

The principal of, redemption premium, if any, and interest on the Series 2003A Bonds are secured equally and ratably by a lien upon and pledge of (i) the revenues derived by the Issuer from the special assessments levied and collected on the Issuer Lands which special assessments the Issuer has covenanted to impose to secure the Series 2003A Bonds (the "2003A Special

Assessments”), including amounts received from any foreclosure proceeding for the enforcement of collection of such 2003A Assessments or from the issuance and sale of tax certificates with respect to such 2003A Assessments, and (ii) all moneys on deposit in the Funds and Accounts created for the benefit of the Series 2003A Bonds established under the Indenture (the “Series 2003A Pledged Revenues”); provided however that Series 2003A Pledged Revenues do not include special assessments levied and collected by the Issuer for operation and maintenance purposes or any moneys in the Rebate Fund established under the Indenture.

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

Reference is hereby made to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Series 2003A Bonds issued under the Indenture, the operation and application of the Debt Service Fund and other Funds and Accounts (each as defined in the Indenture) charged with and pledged to the payment of the principal of, premium, if any, and the interest on the Series 2003A Bonds, the levy of Special Assessments and collection of Special Assessment Revenues by the Issuer, the nature and extent of the security for the Bonds, the terms and conditions on which the Bonds are issued and on which Refunding Bonds (as defined in the Indenture) may be issued on a parity herewith, the rights, duties and obligations of the Issuer and of the Trustee under the Indenture, the conditions under which such Indenture may be amended without the consent of the registered owners of Bonds, the conditions under which such Indenture may be amended with the consent of the registered owners of a majority in aggregate principal amount of the Bonds outstanding, and as to other rights and remedies of the registered owners of the Bonds.

The registered owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect 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.

It is expressly agreed by the registered owner of this Bond that such registered owner shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer, Port St. Lucie, Florida, the State of Florida or any political subdivision thereof, or taxation in any form of any real or personal property of the Issuer, Port St. Lucie, Florida, the State of Florida or any political subdivision thereof, for the payment of the principal of, premium, if any, and interest on this Bond or the making of any other sinking fund and other payments provided for in the

Indenture, except for Special Assessments to be levied and collected by the Issuer as set forth in the Indenture.

By the acceptance of this Bond, the registered owner hereof assents to all the provisions of the Indenture.

The Bonds are subject to redemption prior to maturity in the amounts, at the times and in the manner provided below. All payments of the redemption price of the Bonds shall be made on the dates specified below. If less than all the Bonds are to be redeemed, the Trustee shall select the particular Bonds or portions of Bonds to be called for redemption by lot.

Optional Redemption. The Series 2003A Bonds may, at the option of the Issuer be called for redemption prior to maturity as a whole, at any time, or in part on any Interest Payment Date, on or after May 1, 2013 (less than all Series 2003A Bonds to be selected by lot), at the Redemption Price (expressed as a percentage of principal amount) of 100% plus accrued interest from the most recent Interest Payment Date to the redemption date.

Extraordinary Mandatory Redemption in Whole or in Part. The Series 2003A Bonds are subject to extraordinary mandatory redemption prior to maturity by the Issuer in whole, on any date, or in part, on any Interest Payment Date, at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Series 2003A Bonds to be redeemed, plus interest accrued to the redemption date, as follows:

(i) Series 2003A Bonds are redeemable from Series 2003A Prepayment Principal deposited into the Series 2003A Prepayment Subaccount in the Series 2003A Redemption Account of the Bond Redemption Fund following the payment in whole or in part of Special Assessments on any portion of the District Lands, in accordance with the Indenture.

(ii) Series 2003A Bonds are redeemable from moneys, if any, on deposit in the Series 2003A Accounts and Subaccounts in the Series 2003 Funds and Accounts (other than the Rebate Fund) sufficient to pay and redeem all Series 2003A Outstanding Bonds, and accrued interest thereon to the redemption date or dates in addition to all amounts owed to Persons under the Indenture.

(iii) Series 2003A Bonds are redeemable on or after the Completion Date of the Project, by application of moneys remaining in the Construction Fund not reserved by the Issuer for the payment of any remaining part of the Cost of the Project, and by application of any moneys remaining in the Series 2003A Capitalized Interest Subaccount or the Series 2003B Capitalized Interest Subaccount representing Capitalized Interest in excess of the amount required to pay a portion of the interest on the Series 2003A Bonds through November 1, 2003 or the Series 2003B through November 1, 2004, as the case may be, all of which shall be transferred to the Series 2003A General Account or the Series 2003B General Account of the Redemption Fund, and applied by the Issuer toward the redemption of the Series 2003A Bonds and/or the Series 2003B Bonds in accordance with the manner it has credited such excess moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments which the Issuer shall describe to the Trustee in writing.

(iv) Series 2003A Bonds are redeemable from excess moneys transferred from the Series 2003A Revenue Subaccount and the Series 2003B Revenue Subaccount to the Series 2003A and Series 2003B General Accounts of the Series 2003 Bond Redemption Fund, respectively, in accordance with the Indenture.

(v) Series 2003 Bonds are redeemable following condemnation or the sale of any portion of the Project to a governmental entity under threat of condemnation by such governmental entity and the payment of moneys which are not to be used to rebuild, replace or restore the taken portion of the Project to the Trustee by or on behalf of the Issuer for deposit into the Series 2003A General Account or the Series 2003B General Account of the Series 2003 Bond Redemption Fund in order to effectuate such redemption and, which moneys shall be applied by the Issuer to redeem Series 2003A Bonds or Series 2003B Bonds in accordance with the manner it has credited such moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments which the Issuer shall describe to the Trustee in writing.

(vi) Series 2003 Bonds are redeemable following the damage or destruction of all or substantially all of the Project to such extent that, in the reasonable opinion of the Issuer, the repair and restoration thereof would not be economical or would be impracticable, to the extent of amounts paid by the Issuer to the Trustee for deposit to the Series 2003A General Account or the Series 2003B General Account of the Series 2003 Bond Redemption Fund which moneys shall be applied by the Issuer to redeem Series 2003A Bonds or Series 2003B Bonds in accordance with the manner it has credited such moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments; provided, however, that at least forty-five (45) days prior to such extraordinary mandatory redemption, the Issuer shall cause to be delivered to the Trustee (x) notice setting forth the redemption date and (y) a certificate of the Consulting Engineer confirming that the repair and restoration of the Project would not be economical or would be impracticable.

(vii) Series 2003B Bonds are redeemable from amounts on deposit in the Series 2003B Debt Service Reserve Account in excess of the Debt Service Reserve Requirement for the Series 2003B Bonds, respectively, and transferred to the Series 2003B Prepayment Subaccount of the Series 2003B Redemption Account of the Bond Redemption Fund in accordance the Indenture to be used, together with any Special Assessment prepayments on deposit in the Series 2003B Prepayment Subaccount of the Series 2003B Redemption Account of the Bond Redemption Fund, for the Extraordinary Mandatory Redemption of the Series 2003B Bonds.

Mandatory Bond Amortization Account Redemption. The Series 2003A Bonds are subject to mandatory redemption in part by the Issuer by lot prior to their scheduled maturity from moneys in the Series 2003A Bond Amortization Account in satisfaction of applicable Amortization Installments at the Redemption Price of 100% 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 (provided, that the principal amounts are subject to reduction at the direction of the District following any extraordinary mandatory redemption of the Series 2003A Bonds):

<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Year</u> <u>(May 1)</u>	<u>Principal</u> <u>Amount</u>
2004	\$80,000	2019	\$210,000
2005	85,000	2020	225,000
2006	90,000	2021	240,000
2007	95,000	2022	255,000
2008	105,000	2023	275,000
2009	110,000	2024	290,000
2010	115,000	2025	310,000
2011	125,000	2026	330,000
2012	135,000	2027	355,000
2013	145,000	2028	380,000
2014	150,000	2029	405,000
2015	160,000	2030	430,000
2016	175,000	2031	460,000
2017	185,000	2032	490,000
2018	200,000	2033*	525,000

* Maturity.

Notice of redemption shall be given in the manner required by the Indenture.

The Issuer shall keep books for the registration of the Bonds at the designated corporate trust office of the Registrar in Miami, Florida. The Bonds may be transferred or exchanged by the registered owner thereof in person or by his attorney duly authorized in writing only upon the books of the Issuer kept by the Registrar and only upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. In all cases in which the privilege of transferring or exchanging bonds is exercised, the Issuer shall execute and the Trustee or such other authenticating agent as may be appointed by the Trustee under the Indenture shall authenticate and deliver a new Bond or Bonds in authorized form and in like aggregate principal amount in accordance with the provisions of the Indenture. There shall be no charge for any such exchange or transfer of Bonds, but the Issuer may require payment of a sum sufficient to pay any tax, fee or other governmental charge imposed. Neither the Issuer nor the Registrar shall be required (a) to transfer or exchange Bonds for a period of 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange any Bond called for redemption in whole or in part.

NEITHER THIS SERIES 2003A BOND, NOR ANY PORTION OF OR RIGHTS UNDER THIS SERIES 2003A BOND, MAY BE TRANSFERRED OR SOLD BY THE INITIAL UNDERWRITER HEREOF UNLESS THE ISSUER SHALL FIRST HAVE RECEIVED A CERTIFICATE FROM THE UNDERWRITER THAT THE UNDERWRITER REASONABLY

BELIEVES THAT THE TRANSFEREE IS AN "ACCREDITED INVESTOR" AS DEFINED IN SECTION 3E-200.001 OF THE FLORIDA ADMINISTRATIVE CODE PROMULGATED BY THE DIVISION OF SECURITIES AND INVESTOR PROTECTION OF THE STATE OF FLORIDA.

The Issuer, the Trustee, the Paying Agent and the Registrar may deem and treat the person in whose name any Bond shall be registered upon the books kept by the Registrar as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, the Paying Agent or the Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Bond as the same becomes due, and for all other purposes. All such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer, the Trustee, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen, and to be performed, precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, including particularly the Act, and that the issuance of this Bond, and of the issue of the Bonds of which this Bond is one, is in full compliance with all constitutional and statutory limitations or provisions.

Additional parity bonds for refunding purposes or completion purposes may be issued by the Issuer from time to time upon the conditions and within the limitations and in the manner provided in the Indenture.

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 execution of the Trustee, or such other authenticating agent as may be appointed by the Trustee under the Indenture, of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, Portofino Isles Community Development District has caused this Bond to be signed by the manual signature of the Chairman of its Board of Supervisors and its seal to be imprinted hereon, and attested by the manual signature of the Secretary of its Board of Supervisors, all as of the Date above.

PORTOFINO ISLES COMMUNITY
DEVELOPMENT DISTRICT

By: _____
Chairman, Board of Supervisors

(SEAL)

Attest:

By: _____
Secretary, Board of Supervisors

STATEMENT OF VALIDATION

This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court of the Nineteenth Judicial Circuit of Florida, in and for Port St. Lucie, Florida, rendered on November 14, 2002.

Chairman, Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds delivered pursuant to the within mentioned Indenture.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

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	UNIF GIF MIN ACT - _____
TEN ENT - as tenants by the entireties	(Cust.)
JT TEN - as joint tenants with right of survivorship and not of tenants in common	Custodian for _____
	(Minor)

Additional abbreviations may also be used although not listed above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to _____

(Please insert Social Security or other Identifying Number of Assignee)

the within Bond and does hereby irrevocably constitute and appoint the Bond Trustee as his agent to transfer the Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within note in every particular, without alteration or enlargement or change whatever.

(Authorized Officer)

[FORM OF SERIES 2003B BOND]

RB-1

\$520,000.00

UNITED STATES OF AMERICA
STATE OF FLORIDA

PORTOFINO ISLES
COMMUNITY DEVELOPMENT DISTRICT
(PORT ST. LUCIE, FLORIDA)
SPECIAL ASSESSMENT BOND,
SERIES 2003B

<u>RATE OF INTEREST</u>	<u>MATURITY DATE</u>	<u>DATE</u>	<u>CUSIP</u>
5.70%	May 1, 2006	March 1, 2003	

REGISTERED OWNER: Cede & Co.

PRINCIPAL AMOUNT: Five Hundred Twenty Thousand Dollars

KNOW ALL PERSONS BY THESE PRESENTS that Portofino Isles Community Development District (the "Issuer"), for value received, hereby promises to pay to the registered owner shown above or registered assigns, on the date specified above, from the sources hereinafter mentioned, upon presentation and surrender hereof at the principal corporate trust office of Wachovia Bank, National Association, Miami, Florida as paying agent (said bank and/or any bank or trust company to become successor paying agent being herein called the "Paying Agent"), the Principal Amount, with interest thereon at the Rate of Interest above, payable on the first day of May and November of each year commencing November 1, 2003. Principal of this Bond is payable at the designated corporate trust office of the Paying Agent, in lawful money of the United States of America. Interest on this Bond is payable by check or draft of the Paying Agent made payable to the registered owner and mailed to the address of the registered owner as such name and address shall appear on the registry books of the Issuer maintained by Wachovia Bank, National Association, as Registrar, (said Registrar and any successor Registrar being herein called the "Registrar") at the close of business on the fifteenth day of the calendar month preceding each interest payment date or the date on which the principal of a Bond is to be paid (the "Record Date"). Such interest shall be payable from the most recent interest payment date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a May 1 or November 1 to which interest has been paid, in which case from such date of authentication, or unless the date hereof is prior to November 1, 2003, in which case from March 1, 2003, or unless the date of authentication hereof is between a Record Date and the next succeeding interest payment date, in which case from such interest payment date. Any such interest not so punctually paid or duly

provided for shall forthwith cease to be payable to the registered owner on such Record Date and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice whereof shall be given to Bondholders of record as of the fifth (5th) day prior to such mailing, at their registered addresses, not less than ten (10) days prior to such Special Record Date, or may be paid, at any time in any other lawful manner, as more fully provided in the Indenture (defined below). The foregoing notwithstanding, any Owner of Series 2003 Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Trustee and Paying Agent, upon requesting the same in a writing received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date, which writing shall specify the bank, which shall be a bank within the continental United States, and bank account number to which interest payments are to be wired. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Trustee and Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date.

This Series 2003B Bond represents the entire authorized issue of Bonds of Portofino Isles Community Development District (Port St. Lucie, Florida), a community development district duly created, organized and existing under Chapter 190, Florida Statutes (the Uniform Community Development District Act of 1980), as amended (the "Act") designated as "Portofino Isles Community Development District (Port St. Lucie, Florida) Special Assessment Bonds, Series 2003B" (the "Series 2003B Bonds"), in the aggregate principal amount of Five Hundred Twenty Thousand Dollars (\$520,000). The 2003B Bonds are being issued under the authority of the laws and Constitution of the State of Florida, including particularly the Act, to (i) finance a portion of the costs of certain capital improvements to be acquired and/or constructed by the Issuer, including without limitation, the planning, design, construction and acquisition of Utility System improvements and Road System improvements, and other improvements as more particularly described in the "Portofino Isles Engineer's Report of Capital Improvements", dated January 2003, together with acquisition of the associated real property and interest therein (the "Project"), (ii) make a deposit to the credit of the Debt Service Reserve Fund in the amount of the Debt Service Reserve Requirement for the Series 2003B Bonds, (iii) pay capitalized interest on the Series 2003B Bonds and (iv) pay the costs of issuance of the Series 2003B Bonds. The Series 2003B Bonds shall be issued as fully registered Series 2003B Bonds in authorized denominations, as set forth in the Indenture. The Bonds are issued under and secured by a Trust Indenture, dated as of March 1, 2003, by and between the Issuer and the Trustee (the "Indenture"), executed counterparts of which are on file at the designated corporate trust office of the Trustee in Miami, Florida.

The principal of, redemption premium, if any, and interest on the Series 2003B Bonds are secured equally and ratably by a lien upon and pledge of (i) the revenues derived by the Issuer from the special assessments levied and collected on the Lands which special assessments the Issuer has covenanted to impose to secure the Series 2003B Bonds (the "2003B Special Assessments"), including amounts received from any foreclosure proceeding for the enforcement of collection of such 2003B Assessments or from the issuance and sale of tax certificates with respect to such 2003B Assessments, and (ii) all moneys on deposit in the Funds and Accounts created for the benefit of the Series 2003B Bonds established under the Indenture (the "Series 2003B Pledged

Revenues"); provided however that Series 2003B Pledged Revenues do not include special assessments levied and collected by the Issuer for operation and maintenance purposes or any moneys in the Rebate Fund established under the Indenture.

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

Reference is hereby made to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds issued under the Indenture, the operation and application of the Debt Service Fund and other Funds and Accounts (each as defined in the Indenture) charged with and pledged to the payment of the principal of, premium, if any, and the interest on the Bonds, the levy of Special Assessments and collection of Special Assessment Revenues by the Issuer, the nature and extent of the security for the Bonds, the terms and conditions on which the Bonds are issued and on which Refunding Bonds (as defined in the Indenture) may be issued on a parity herewith, the rights, duties and obligations of the Issuer and of the Trustee under the Indenture, the conditions under which such Indenture may be amended without the consent of the registered owners of Bonds, the conditions under which such Indenture may be amended with the consent of the registered owners of a majority in aggregate principal amount of the Bonds outstanding, and as to other rights and remedies of the registered owners of the Bonds.

The registered owner of this Bond shall have no right to enforce the provisions of the Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture or to institute, appear in or defend any suit or other proceeding with respect 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.

It is expressly agreed by the registered owner of this Bond that such registered owner shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer, Port St. Lucie, Florida, the State of Florida or any political subdivision thereof, or taxation in any form of any real or personal property of the Issuer, Port St. Lucie, Florida, the State of Florida or any political subdivision thereof, for the payment of the principal of, premium, if any, and interest on this Bond or the making of any other sinking fund and other payments provided for in the Indenture, except for Special Assessments to be levied and collected by the Issuer as set forth in the Indenture.

By the acceptance of this Bond, the registered owner hereof assents to all the provisions of the Indenture.

The Bonds are subject to redemption prior to maturity in the amounts, at the times and in the manner provided below. All payments of the redemption price of the Bonds shall be made on the dates specified below. If less than all the Bonds are to be redeemed, the Trustee shall select the particular Bonds or portions of Bonds to be called for redemption by lot.

Optional Redemption. The Series 2003B Bonds are not subject to redemption prior to maturity at the option of the Issuer.

Extraordinary Mandatory Redemption in Whole or in Part. The Series 2003 Bonds are subject to extraordinary mandatory redemption prior to maturity by the Issuer in whole, on any date, or in part, on any Interest Payment Date, at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Series 2003B Bonds to be redeemed, plus interest accrued to the redemption date, as follows:

- (i) Series 2003B Bonds are redeemable from Series 2003B Prepayment Principal deposited into the Series 2003B Prepayment Subaccount in the Series 2003B Redemption Account of the Bond Redemption Fund following the payment in whole or in part of Special Assessments on any portion of the District Lands, in accordance with the Indenture.
- (ii) Series 2003B Bonds are redeemable from moneys, if any, on deposit in the Series 2003B Accounts and Subaccounts in the Series 2003 Funds and Accounts (other than the rebate Fund) sufficient to pay and redeem all Series 2003B Outstanding Bonds, and accrued interest thereon to the redemption date or dates in addition to all amounts owed to Persons under the Indenture.
- (iii) Series 2003 Bonds are redeemable on or after the Completion Date of the Project, by application of moneys remaining in the Construction Fund not reserved by the Issuer for the payment of any remaining part of the Cost of the Project, and by application of any moneys remaining in the Series 2003A Capitalized Interest Subaccount representing Capitalized Interest in excess of the amount required to pay a portion of the interest on the Series 2003A Bonds through November 1, 2004 or the Series 2003B Bonds through November 1, 2004, as the case may be, all of which shall be transferred to the Series 2003A General Account or the Series 2003B General Account of the Redemption Fund, and applied by the Issuer toward the redemption of the Series 2003A Bonds and/or the Series 2003B Bonds in accordance with the manner it has credited such excess moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments which the Issuer shall describe to the Trustee in writing.
- (iv) Series 2003 Bonds are redeemable from excess moneys transferred from the Series 2003A Revenue Subaccount and the Series 2003B Revenue Subaccount to the Series 2003A and Series 2003B General Accounts of the Series 2003 Bond Redemption Fund, respectively, in accordance with the Indenture.
- (v) Series 2003 Bonds are redeemable following condemnation or the sale of any portion of the Project to a governmental entity under threat of condemnation by such

governmental entity and the payment of moneys which are not to be used to rebuild, replace or restore the taken portion of the Project to the Trustee by or on behalf of the Issuer for deposit into the Series 2003A General Account or the Series 2003B General Account of the Series 2003 Bond Redemption Fund in order to effectuate such redemption and, which moneys shall be applied by the Issuer to redeem Series 2003A Bonds or Series 2003B Bonds in accordance with the manner it has credited such moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments which the Issuer shall describe to the Trustee in writing.

(vi) Series 2003 Bonds are redeemable following the damage or destruction of all or substantially all of the Project to such extent that, in the reasonable opinion of the Issuer, the repair and restoration thereof would not be economical or would be impracticable, to the extent of amounts paid by the Issuer to the Trustee for deposit to the Series 2003A General Account or the Series 2003B General Account of the Series 2003 Bond Redemption Fund which moneys shall be applied by the Issuer to redeem Series 2003A Bonds or Series 2003B Bonds in accordance with the manner it has credited such moneys toward extinguishment of Series 2003A Special Assessments and/or Series 2003B Special Assessments; provided, however, that at least forty-five (45) days prior to such extraordinary mandatory redemption, the Issuer shall cause to be delivered to the Trustee (x) notice setting forth the redemption date and (y) a certificate of the Consulting Engineer confirming that the repair and restoration of the Project would not be economical or would be impracticable.

(vii) Series 2003B Bonds are redeemable from amounts on deposit in the Series 2003B Debt Service Reserve Account in excess of the Debt Service Reserve Requirement for the Series 2003B Bonds, respectively, and transferred to the Series 2003B Prepayment Subaccount of the Series 2003B Redemption Account of the Bond Redemption Fund in accordance the Indenture to be used, together with any Special Assessment prepayments on deposit in the Series 2003B Prepayment Subaccount of the Series 2003B Redemption Account of the Bond Redemption Fund, for the Extraordinary Mandatory Redemption of the Series 2003B Bonds.

Mandatory Bond Amortization Account Redemption. The Series 2003B Bonds are not subject to mandatory Bond Amortization Account redemption.

Notice of redemption shall be given in the manner required by the Indenture.

The Issuer shall keep books for the registration of the Bonds at the designated corporate trust office of the Registrar in Miami, Florida. The Bonds may be transferred or exchanged by the registered owner thereof in person or by his attorney duly authorized in writing only upon the books of the Issuer kept by the Registrar and only upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. In all cases in which the privilege of transferring or exchanging bonds is exercised, the Issuer shall execute and the Trustee or such other authenticating agent as may be appointed by the Trustee under the Indenture shall authenticate and deliver a new Bond or Bonds in authorized form and in like aggregate principal amount in accordance with the provisions of the Indenture. There shall be no charge for any such exchange or transfer of Bonds, but the Issuer may require payment of a sum sufficient to pay any tax, fee or other governmental charge imposed.

Neither the Issuer nor the Registrar shall be required (a) to transfer or exchange Bonds for a period of 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange any Bond called for redemption in whole or in part.

NEITHER THIS SERIES 2003A BOND, NOR ANY PORTION OF OR RIGHTS UNDER THIS SERIES 2003A BOND, MAY BE TRANSFERRED OR SOLD BY THE INITIAL UNDERWRITER HEREOF UNLESS THE ISSUER SHALL FIRST HAVE RECEIVED A CERTIFICATE FROM THE UNDERWRITER THAT THE UNDERWRITER REASONABLY BELIEVES THAT THE TRANSFEREE IS AN "ACCREDITED INVESTOR" AS DEFINED IN SECTION 3E-200.001 OF THE FLORIDA ADMINISTRATIVE CODE PROMULGATED BY THE DIVISION OF SECURITIES AND INVESTOR PROTECTION OF THE STATE OF FLORIDA.

The Issuer, the Trustee, the Paying Agent and the Registrar may deem and treat the person in whose name any Bond shall be registered upon the books kept by the Registrar as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, the Paying Agent or the Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Bond as the same becomes due, and for all other purposes. All such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer, the Trustee, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen, and to be performed, precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Florida applicable thereto, including particularly the Act, and that the issuance of this Bond, and of the issue of the Bonds of which this Bond is one, is in full compliance with all constitutional and statutory limitations or provisions.

Additional parity bonds for refunding purposes may be issued by the Issuer from time to time upon the conditions and within the limitations and in the manner provided in the Indenture.

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 execution of the Trustee, or such other authenticating agent as may be appointed by the Trustee under the Indenture, of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, Portofino Isles Community Development District has caused this Bond to be signed by the manual signature of the Chairman of its Board of Supervisors and its seal to be imprinted hereon, and attested by the manual signature of the Secretary of its Board of Supervisors, all as of the Date above.

PORTOFINO ISLES COMMUNITY
DEVELOPMENT DISTRICT

By: _____
Chairman, Board of Supervisors

(SEAL)

Attest:

By: _____
Secretary, Board of Supervisors

STATEMENT OF VALIDATION

This Bond is one of a series of Bonds which were validated by judgment of the Circuit Court of the Nineteenth Judicial Circuit of Florida, in and for St. Lucie County, Florida, rendered on November 14, 2002.

Chairman, Board of Supervisors

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds delivered pursuant to the within mentioned Indenture.

WACHOVIA BANK, NATIONAL
ASSOCIATION, as Trustee

By: _____
Authorized Officer

Date of Authentication: _____

The following abbreviations, when used in the inscription on the face of the within bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right
of survivorship and not of
tenants in common

UNIF GIF MIN ACT - _____
(Cust.)

Custodian for _____
(Minor)

Additional abbreviations may also be used although not listed above.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers to _____

(Please insert Social Security or other Identifying Number of Assignee)

the within Bond and does hereby irrevocably constitute and appoint the Bond Trustee as his agent to transfer the Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature guaranteed:

NOTICE: Signature must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with the name of the Registered Owner as it appears upon the face of the within note in every particular, without alteration or enlargement or change whatever.

(Authorized Officer)

EXHIBIT C

2003 PROJECT

The 2003 Project consists of the following:

1. Roadway Infrastructure Improvements
2. Stormwater Management System
3. Water System Improvements and connection to existing Port St. Lucie water main
4. Sanitary Sewer System facilities
5. Construction of underground electrical service and street lighting along the roadway system.
6. Landscaping and irrigation systems

The improvements and items identified in 1. through 6. above are described in more detail in the Engineer's Report of Capital Improvements, dated January 2003 (the "Engineer's Report"), prepared by Culpepper & Terpening, Inc., Consulting Engineers to the Issuer.

EXHIBIT D

Requisition No.

PORTOFINO ISLES COMMUNITY DEVELOPMENT DISTRICT
REQUISITION FOR PAYMENT
SPECIAL ASSESSMENT BONDS
SERIES 2003 CONSTRUCTION FUND
WACHOVIA BANK, NATIONAL ASSOCIATION, TRUSTEE

Project: Engineer's Project No.

Subject:

Person to be Paid*: Contract Date:

Address:

Contract For:

Application Date: Application Amount:

Period Ending: Total Contract Amount:

Unpaid Balance of Contract Amount:

Contractor - as used herein refers to any person, firm, or corporation to whom payment is due.

CERTIFICATION OF PORTOFINO ISLES
COMMUNITY DEVELOPMENT DISTRICT

Attached hereto is the Contractor's Application for Payment for work accomplished under the above contract through the date indicated above. If applicable, accompanying the Application is the Contractor's Affidavit stating that all previous payments to him under the contract have been applied by him to discharge, in full, all of his obligations in connection with work ordered by all prior Applications for Payment.

*The Person to be paid may be the Issuer or any other Person, if the Issuer or such other Person is to be reimbursed for advances made or work done by it and properly chargeable against the Construction Fund.

WHEREAS, the authorized officer has entered as part of this Application that:

There has not been filed with or served upon the Issuer notice of any lien, right to liens, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to the persons, firm or corporations named in such requisitions, which has not been released or will be released simultaneously with the payment of such obligation, and that this requisition contains no item representing payment on account of any retained percentage which the Issuer is at this date of such certificate entitled to retain, and is a proper charge against the Series _____ Account of the Construction Fund, is a "Cost" permitted under the Indenture for the above-referenced Bonds and under the Act (as defined in such Indenture) and such payment is in accordance with the plans and specifications or duly approved change orders for the above-referenced project.

It is further certified that the above amount due has not been paid and that the items of work to be paid for have been completed in a manner satisfactory to the Issuer, or materials delivered, with respect to the amount due. The amount to be paid does not exceed the obligation on account of which the payment is made.

WHEREFORE, in accordance with the above contract, the undersigned approved payment to Contractor for the Amount Due as shown attached.

PORTOFINO ISLES
COMMUNITY DEVELOPMENT DISTRICT

Authorized Officer

ENGINEER'S CERTIFICATION:

I, _____, an authorized representative of Culpepper & Terpening, Inc., the Consulting Engineers of the Issuer, hereby certify that (a) the Consulting Engineer approves this requisition; (b) the Application Amount was properly incurred; (c) the Application Amount is due and unpaid; (d) that, insofar as the payment is to be made for work, material, supplies or equipment, the work has been performed and the material, supplies or equipment have been installed as part of the Project or any portion thereof, or have been delivered either at the proper site or at a proper place for fabrication and are covered by the builders' risk insurance while at such site or place; (e) that all work, material, supplies and equipment for which payment is to be made are, in the signer's opinion, in accordance with the plans and specifications or duly approved change orders; and (f) all approvals and permits for the acquisition, construction, installation and equipping of the Project referenced above have been obtained (or can reasonably be expected to be obtained) from all applicable Regulatory Bodies.

Certified and Approved by:
CULPEPPER & TERPENING, INC.

By: _____
Title: _____