NEW ISSUE - BOOK-ENTRY ONLY

In the opinion of Bond Counsel, under existing law, and assuming compliance with the tax covenants described herein, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Such interest, however, will be includable in the calculation of a corporation's alternative minimum taxable income. See "TAX MATTERS" herein regarding certain other tax considerations. Bond Counsel is further of the opinion that, pursuant to the Act, the Series 2017 Bonds and the interest thereon are exempt from taxation under the laws of the State of Florida, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations, as defined in said Chapter 220.

$6,095,000
TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1
(Port St. Lucie, Florida)
Irrigation System Revenue Bonds (Existing System), Series 2017

Dated: Date of Delivery **Due: October 1, as set forth below**

Tradition Community Development District No. 1 (the "District") is issuing its Irrigation System Revenue Bonds (Existing System), Series 2017 (the "Series 2017 Bonds") in fully registered form, without coupons, in denominations of $5,000 or any integral multiple thereof; provided, however, delivery of the Series 2017 Bonds to the initial purchasers thereof shall be in denominations of $100,000 or integral multiples of $5,000 in excess thereof. The Series 2017 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Series 2017 Bonds will be made in book entry only form and purchasers of beneficial interests in the Series 2017 Bonds will not receive physical Series 2017 Bond certificates. For so long as the book entry system is maintained, the principal of, premium, if any, and interest on the Series 2017 Bonds will be paid from the sources described herein by U.S. Bank National Association, as trustee (the "Trustee"), to DTC as the registered owner thereof. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the beneficial owners is the responsibility of the DTC Participants, as more fully described herein. Any purchaser, as a beneficial owner of a Series 2017 Bond, must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of the principal of, premium, if any, and interest on such Series 2017 Bond. Interest on the Series 2017 Bonds is calculated on the basis of a 360 day year comprised of twelve thirty day months is payable on each April 1 and October 1, commencing October 1, 2017. See "DESCRIPTION OF THE SERIES 2017 BONDS." All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Resolution (hereinafter defined).

The District is a local unit of special-purpose government and an independent special district and political subdivision of the State of Florida created in accordance with the Uniform Community Development District Act of 1980, Florida Statutes, as amended (the "CDD Act") by ordinance, as amended (the "Ordinance"), enacted by St. Lucie County, Florida. The District is contiguous, or in close proximity, to certain additional community development districts also established pursuant to the CDD Act (collectively, the "Other Districts"). The District and the Other Districts have jurisdiction over a portion of the District Lands located within the mixed-use master-planned community known as "Tradition" located within the City of Port St. Lucie, Florida. See "TRADITION" and "THE DISTRICT—Selected Agreements—Interlocal Agreements."

The District has entered into the Asset Purchase Agreement to provide for the acquisition by the District of an irrigation system (the "System" or the "Existing System") and the assignment to the District of a non-exclusive franchise to provide non-potable irrigation quality water service within a service area that is comprised of a portion of Tradition. A portion of this service area (the "Existing System Service Area"), as described herein, is served by the Existing System. See "THE DISTRICT—Selected Agreements—'Franchise Agreement' and 'Asset Purchase Agreement'" and "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA."

The Series 2017 Bonds are being issued pursuant to the CDD Act, the charter of the District (as set forth in the Ordinance), the Florida Constitution and other applicable provisions of law. The Series 2017 Bonds are further issued pursuant to Resolution No. 2017-02 adopted by the District on March 14, 2017 (the "Master Resolution"), as supplemented by Resolution Nos. 2017-08 and 2017-09 adopted by the District on May 30, 2017 and June 13, 2017, respectively (collectively, the "2017 Series Resolution" and, together with the Master Resolution, the "Resolution"). The Trustee is acting as the Trustee, Paying Agent and Bond Registrar under the Resolution.

Proceeds of the Series 2017 Bonds will be used to (i) pay the purchase price payable pursuant to the Asset Purchase Agreement to enable the District to acquire the Existing System as it exists on the date of issuance of the Series 2017 Bonds; (ii) make a deposit to the Operation and Maintenance Fund to be applied toward the Cost of Operation and Maintenance of the Existing System; (iii) fund a subaccount in the Reserve Account in an amount equal to the Series 2017 Reserve Requirement; and (iv) pay costs of issuance of the Series 2017 Bonds. See "PURPOSE OF THE SERIES 2017 BONDS," "ESTIMATED SOURCES AND USES OF PROCEEDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—'Operation and Maintenance Fund' and 'Series 2017 Reserve Subaccount'," "THE DISTRICT—Selected Agreements—'Asset Purchase Agreement'," and "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA."

The principal of and interest on the Series 2017 Bonds shall be payable solely from, and shall be secured solely by, the Pledged Revenues. The Pledged Revenues consist of (i) the Net Revenues derived from the District's operation of the Existing System and (ii) until applied in accordance with the Resolution, the monies on deposit in the Funds and Accounts (which includes Impact Fees on deposit in the Impact Fee Account only to the extent permitted by applicable law and excludes the Operation and Maintenance Fund, any subaccount in the Reserve Account hereafter established to secure another Series of Bonds and the Rebate Fund). The Resolution defines the Net Revenues to mean the Gross Revenues of the Existing System, after deduction of the Cost of Operation and Maintenance of the Existing System. Additional Bonds and Refunding Bonds may be issued on a parity with the Series 2017 Bonds pursuant to the Resolution. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—'Pledged Revenues," 'Additional Bonds' and 'Refunding Bonds'" herein.

The Series 2017 Bonds are subject to optional and mandatory redemption at the times, in the amounts, and at the redemption price more fully described herein under the caption "DESCRIPTION OF THE SERIES 2017 BONDS – Redemption Provisions."

NEITHER THE SERIES 2017 BONDS NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF THE STATE OF FLORIDA. THE SERIES 2017 BONDS AND THE INTEREST PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE RESOLUTION. NO OWNER OR ANY OTHER PERSON SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER PUBLIC AUTHORITY OR GOVERNMENTAL BODY TO PAY THE PRINCIPAL AND INTEREST REQUIREMENTS ON THE SERIES 2017 BONDS OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE RESOLUTION OR THE SERIES 2017 BONDS. RATHER, THE PRINCIPAL AND INTEREST REQUIREMENTS ON THE SERIES 2017 BONDS AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE RESOLUTION OR THE SERIES 2017 BONDS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE PLEDGED REVENUES PLEDGED TO THE SERIES 2017 BONDS, ALL AS PROVIDED HEREIN AND IN THE RESOLUTION.

The initial offering of the Series 2017 Bonds is limited under Florida law to accredited investors within the meaning of Chapter 517, Florida Statutes, as amended, and the rules of the Florida Department of Financial Services promulgated thereunder. This limitation of the initial offering to accredited investors does not denote restrictions on transfers in any secondary market for the Series 2017 Bonds. THE SERIES 2017 BONDS ARE NOT CREDIT ENHANCED, ARE NOT RATED AND NO APPLICATION HAS BEEN MADE FOR A RATING WITH RESPECT TO THE SERIES 2017 BONDS, NOR IS THERE ANY REASON TO BELIEVE THAT THE DISTRICT WOULD HAVE BEEN SUCCESSFUL IN OBTAINING EITHER CREDIT ENHANCEMENT FOR THE SERIES 2017 BONDS OR A RATING FOR THE SERIES 2017 BONDS HAD APPLICATION BEEN MADE. POTENTIAL INVESTORS ARE SOLELY RESPONSIBLE FOR EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 2017 BONDS. INVESTMENT IN THE SERIES 2017 BONDS POSES CERTAIN RISKS AND THE SERIES 2017 BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL POTENTIAL INVESTORS. See "SUITABILITY FOR INVESTMENT" and "BONDHOLDERS' RISKS" herein. SEE ALSO "THE DISTRICT—ADDITIONAL MATTERS RELATING TO SPECIAL DISTRICTS" FOR A DISCUSSION OF CERTAIN TAX MATTERS APPLICABLE TO SPECIAL DISTRICTS.

This cover page contains certain information for quick reference only. It is not a summary of the Series 2017 Bonds. Investors must read the entire Limited Offering Memorandum to obtain information essential to the making of an informed investment decision.

See the inside cover page hereof for principal amounts, interest rates, maturities, prices and initial CUSIP numbers of the Series 2017 Bonds.

The Series 2017 Bonds are offered for delivery when, as and if issued by the District and accepted by Citigroup Global Markets Inc., as the underwriter of the Series 2017 Bonds, subject to the receipt of the opinion of Greenspoon Marder, P.A., Fort Lauderdale, Florida, Bond Counsel, as to the validity of the Series 2017 Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Greenspoon Marder, P.A., Fort Lauderdale, Florida is also acting as Disclosure Counsel to the District. Certain legal matters will be passed upon for Citigroup by its counsel, Akerman LLP, Orlando, Florida; for the District by its counsel, Gonano & Harrell, Fort Pierce, Florida; and for the Trustee by Holland & Knight LLP, Miami, Florida. Fishkind & Associates, Inc., Orlando, Florida is acting as Financial Advisor to the District. It is expected that the Series 2017 Bonds will be delivered in book-entry form through the facilities of DTC on or about August 10, 2017.

CITIGROUP

Dated: August 1, 2017

PRINCIPAL AMOUNTS, INTEREST RATES, MATURITIES, PRICES AND INITIAL CUSIP NUMBERS

$1,230,000 Term Series 2017 Bonds 4.00% Due October 1, 2027 Priced at 100%
Initial CUSIP No. 89269JAA5*

$4,865,000 Term Series 2017 Bonds 4.50% Due October 1, 2047 Priced at 100%
Initial CUSIP No. 89269JAB3*

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* Copyright, American Bankers Association (ABA). CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc., and neither the District nor Citigroup (as such terms are hereinafter defined) takes any responsibility for the accuracy thereof. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The District is not responsible for the use of CUSIP numbers, nor is any representation made as to their correctness. They are included solely for the convenience of the readers of this Limited Offering Memorandum.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

BOARD OF SUPERVISORS

James Anderson, Chairman
Jane Rowley, Vice Chairman
Dan Richey, Supervisor
Shawn Reilly, Supervisor
Darren Weimer, Supervisor

DISTRICT MANAGER AND FINANCIAL ADVISOR

Fishkind & Associates, Inc.
Port St. Lucie and Orlando, Florida

COUNSEL TO THE DISTRICT

Gonano & Harrell
Fort Pierce, Florida

CONSULTING ENGINEERS

Kimley-Horn and Associates, Inc.
West Palm Beach, Florida

BOND COUNSEL AND DISCLOSURE COUNSEL

Greenspoon Marder, P.A.
Fort Lauderdale, Florida

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No dealer, broker, salesperson, or other person has been authorized by Tradition Community Development District No. 1 (the "District") or Citigroup Global Markets Inc. ("Citigroup") to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Limited Offering Memorandum, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the District or the Existing System (as such capitalized terms are hereinafter defined) since the date hereof. Neither the delivery of this Limited Offering Memorandum nor any sale made pursuant to this Limited Offering Memorandum implies that any information set forth in this Limited Offering Memorandum is correct as of any date after the date of this Limited Offering Memorandum.

The information set forth herein has been obtained from public documents, records and other sources, including the District and the Seller (hereinafter defined), which are believed to be reliable, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, Citigroup. Citigroup has provided the following sentence for inclusion in this Limited Offering Memorandum. Citigroup has reviewed the information in this Limited Offering Memorandum in accordance with its responsibilities to investors under the federal securities laws, but Citigroup does not guarantee the accuracy or completeness of such information.

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

THIS LIMITED OFFERING MEMORANDUM IS BEING PROVIDED TO PROSPECTIVE PURCHASERS EITHER IN BOUND PRINTED FORM ("ORIGINAL BOUND FORMAT") OR IN ELECTRONIC FORMAT ON THE WEBSITE www.MuniOS.com. THIS LIMITED OFFERING MEMORANDUM MAY BE RELIED UPON ONLY IF IT IS IN ITS ORIGINAL BOUND FORMAT OR IF IT IS PRINTED IN FULL DIRECTLY FROM SUCH WEBSITE.

Certain information in this Limited Offering Memorandum has been provided by The Depository Trust Company, New York, New York ("DTC"). The District has not provided information in this Limited Offering Memorandum with respect to DTC and does not certify as

to the accuracy or sufficiency of the disclosure policies of or content provided by DTC and is not responsible for the information provided by DTC.

THIS LIMITED OFFERING MEMORANDUM DOES NOT CONSTITUTE A CONTRACT BETWEEN THE DISTRICT OR CITIGROUP AND ANY ONE OR MORE OF THE OWNERS OF THE SERIES 2017 BONDS.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE RESOLUTION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS SET FORTH IN SUCH ACTS. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2017 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTIONS WHEREIN THESE SECURITIES HAVE BEEN OR WILL BE REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF BY SUCH JURISDICTIONS. NEITHER THE DISTRICT, THE CITY OF PORT ST. LUCIE, FLORIDA, ST. LUCIE COUNTY, FLORIDA, THE STATE OF FLORIDA NOR ANY OTHER POLITICAL SUBDIVISION OR AGENCY THEREOF HAS GUARANTEED OR PASSED UPON THE MERITS OF THE SERIES 2017 BONDS. OTHER THAN THE DISTRICT, NONE OF THE CITY OF PORT ST. LUCIE, FLORIDA, ST. LUCIE COUNTY, FLORIDA, THE STATE OF FLORIDA, OR ANY OTHER POLITICAL SUBDIVISION THEREOF HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS LIMITED OFFERING MEMORANDUM.

THE ORDER AND PLACEMENT OF MATERIALS IN THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES, ARE NOT TO BE DEEMED A DETERMINATION OF RELEVANCE, MATERIALITY OR IMPORTANCE, AND THIS LIMITED OFFERING MEMORANDUM, INCLUDING THE APPENDICES, MUST BE CONSIDERED IN ITS ENTIRETY. THE CAPTIONS AND HEADINGS IN THIS LIMITED OFFERING MEMORANDUM ARE FOR CONVENIENCE OR REFERENCE ONLY AND IN NO WAY DEFINE, LIMIT OR DESCRIBE THE SCOPE OR INTENT, OR AFFECT THE MEANING OR CONSTRUCTION, OR ANY PROVISIONS OR SECTION IN THIS LIMITED OFFERING MEMORANDUM.

REFERENCES TO WEBSITE ADDRESSES PRESENTED HEREIN, INCLUDING THE DISTRICT'S WEBSITE OR ANY OTHER WEBSITE CONTAINING INFORMATION ABOUT THE DISTRICT, ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER'S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEBSITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS LIMITED OFFERING MEMORANDUM FOR ANY PURPOSE INCLUDING FOR PURPOSES OF RULE 15c2-12 PROMULGATED BY THE SECURITIES AND EXCHANGE COMMISSION.

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LIMITED OFFERING MEMORANDUM

$6,095,000
TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1
(Port St. Lucie, Florida)
Irrigation System Revenue Bonds (Existing System), Series 2017

INTRODUCTION

The purpose of this Limited Offering Memorandum, including the cover page, inside cover page, and appendices hereto, is to provide certain information in connection with the issuance and sale by Tradition Community Development District No. 1 (the "District" or the "Issuer") of its Irrigation System Revenue Bonds (Existing System), Series 2017 (the "Series 2017 Bonds").

The District is a local unit of special-purpose government and an independent special district and political subdivision of the State of Florida created in accordance with the Uniform Community Development District Act of 1980, Florida Statutes, as amended (the "CDD Act") by ordinance, as amended (the "Ordinance"), enacted by St. Lucie County, Florida (the "County"). The District is contiguous, or in close proximity, to certain additional community development districts also established pursuant to the CDD Act (collectively, the "Other Districts"). The District and the Other Districts have jurisdiction over a portion of the District Lands located within the mixed-use master-planned community known as "Tradition" located within the City of Port St. Lucie, Florida (the "City"). See "TRADITION" herein.

The District has entered into the Asset Purchase Agreement to provide for the acquisition by the District of an irrigation system (the "System" or the "Existing System") and the assignment to the District of a non-exclusive franchise to provide non-potable irrigation quality water service within a service area that is comprised of a portion of Tradition. A portion of this service area (the "Existing System Service Area"), as described herein, is served by the Existing System. See "THE DISTRICT—Selected Agreements—'Franchise Agreement' and 'Asset Purchase Agreement'" and "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA."

The District will apply proceeds of the Series 2017 Bonds to acquire the Existing System contemporaneously with the issuance of the Series 2017 Bonds. The transactions to be consummated pursuant to the Asset Purchase Agreement with respect to the District's acquisition of the Existing System (as same is in existence on the date of issuance of the Series 2017 Bonds) is referred to as the "Series 2017 Project." See "PURPOSE OF THE SERIES 2017 BONDS."

The Series 2017 Bonds are being issued pursuant to the CDD Act, the charter of the District (as set forth in the Ordinance), the Florida Constitution and other applicable provisions of law (collectively, the "Act"). The Series 2017 Bonds are further issued pursuant to Resolution No. 2017-02 adopted by the District on March 14, 2017 (the "Master Resolution"), as supplemented by Resolution Nos. 2017-08 and 2017-09 adopted by the District on May 30, 2017 and June 13, 2017, respectively (collectively, the "2017 Series Resolution" and, together with

the Master Resolution, the "Resolution"). The Trustee is acting as the Trustee, Paying Agent and Bond Registrar under the Resolution.

The principal of and interest on the Series 2017 Bonds shall be payable solely from, and shall be secured solely by, the Pledged Revenues. The Pledged Revenues consist of (i) the Net Revenues derived from the District's operation of the Existing System and (ii) until applied in accordance with the Resolution, the monies on deposit in the Funds and Accounts (which includes Impact Fees on deposit in the Impact Fee Account only to the extent permitted by applicable law and excludes the Operation and Maintenance Fund, any subaccount in the Reserve Account hereafter established to secure another Series of Bonds and the Rebate Fund). The Resolution defines the Net Revenues to mean the Gross Revenues of the Existing System, after deduction of the Cost of Operation and Maintenance of the Existing System. Additional Bonds and Refunding Bonds may be issued on a parity with the Series 2017 Bonds pursuant to the Resolution. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—'Pledged Revenues," 'Additional Bonds' and 'Refunding Bonds'" herein.

The Series 2017 Bonds are subject to optional and mandatory redemption at the times, in the amounts, and at the redemption price more fully described herein under the caption "DESCRIPTION OF THE SERIES 2017 BONDS – Redemption Provisions."

The initial offering of the Series 2017 Bonds is limited under Florida law to accredited investors within the meaning of Chapter 517, Florida Statutes, as amended, and the rules of the Florida Department of Financial Services promulgated thereunder. This limitation of the initial offering to accredited investors does not denote restrictions on transfers in any secondary market for the Series 2017 Bonds. THE SERIES 2017 BONDS ARE NOT CREDIT ENHANCED, ARE NOT RATED AND NO APPLICATION HAS BEEN MADE FOR A RATING WITH RESPECT TO THE SERIES 2017 BONDS, NOR IS THERE ANY REASON TO BELIEVE THAT THE DISTRICT WOULD HAVE BEEN SUCCESSFUL IN OBTAINING EITHER CREDIT ENHANCEMENT FOR THE SERIES 2017 BONDS OR A RATING FOR THE SERIES 2017 BONDS HAD APPLICATION BEEN MADE. POTENTIAL INVESTORS ARE SOLELY RESPONSIBLE FOR EVALUATING THE MERITS AND RISKS OF AN INVESTMENT IN THE SERIES 2017 BONDS. INVESTMENT IN THE SERIES 2017 BONDS POSES CERTAIN RISKS AND THE SERIES 2017 BONDS ARE NOT A SUITABLE INVESTMENT FOR ALL POTENTIAL INVESTORS. SEE "BONDHOLDERS' RISKS," AND "SUITABILITY FOR INVESTMENT" HEREIN. SEE ALSO "THE DISTRICT—ADDITIONAL MATTERS RELATING TO SPECIAL DISTRICTS" FOR A DISCUSSION OF CERTAIN TAX MATTERS APPLICABLE TO SPECIAL DISTRICTS.

OTHER THAN AS REFERENCED IN THE SECTION CAPTIONED "SUITABILITY FOR INVESTMENT" HEREIN, NO PERSON HAS BEEN AUTHORIZED BY THE DISTRICT OR CITIGROUP TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS, OTHER THAN THOSE CONTAINED IN THIS LIMITED OFFERING MEMORANDUM, AND IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING.

There follows in this Limited Offering Memorandum a brief description of the District, the Existing System and the Existing System Service Area, together with summaries of terms of

the Series 2017 Bonds, the Resolution and certain provisions of the Act. All references herein to the Resolution and the Act are qualified in their entirety by reference to such documents and all references to the Series 2017 Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Resolution. For the full text of the form of the Resolution, see "APPENDIX B—The Resolution." This Limited Offering Memorandum speaks only as of its date and the information contained herein is subject to change.

PURPOSE OF THE SERIES 2017 BONDS

Proceeds of the Series 2017 Bonds will be used, together with other legally available funds of the District, if any, to (i) pay the Cost of the Series 2017 Project; (ii) make a deposit to the Operation and Maintenance Fund to be applied toward the Cost of Operation and Maintenance of the Existing System; (iii) fund a subaccount in the Reserve Account in an amount equal to the Series 2017 Reserve Requirement; and (iv) pay costs of issuance of the Series 2017 Bonds. See "ESTIMATED SOURCES AND USES OF PROCEEDS," "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—'Operation and Maintenance Fund' and 'Series 2017 Reserve Subaccount'," "THE DISTRICT—Selected Agreements--'Asset Purchase Agreement'," and "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA."

The District's obligations under the Asset Purchase Agreement are contingent upon the issuance of the Series 2017 Bonds and the satisfaction of certain other terms and conditions of the Asset Purchase Agreement, all of which are expected to be satisfied or waived by the date of issuance of the Series 2017 Bonds. See "THE DISTRICT—Selected Agreements--'Asset Purchase Agreement'."

DESCRIPTION OF THE SERIES 2017 BONDS

General

The Series 2017 Bonds are issuable only in fully-registered form, in denominations of $5,000 or any integral multiple thereof ; provided, however, delivery of the Series 2017 Bonds to the initial purchasers thereof shall be in denominations of $100,000 or integral multiples of $5,000 in excess thereof. The Series 2017 Bonds will be dated as of the date of delivery thereof, will bear interest from that date at the rates per annum, and subject to the redemption provisions set forth below, will mature on the dates, set forth on the inside cover page of this Limited Offering Memorandum. Interest on the Series 2017 Bonds will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on each April 1 and October 1, commencing October 1, 2017. U.S. Bank National Association is acting as Trustee, Paying Agent and Bond Registrar for the Series 2017 Bonds.

The Series 2017 Bonds shall be initially issued in the form of a separate single certificated fully registered Series 2017 Bond for each maturity thereof. Upon initial issuance, the ownership of each such Series 2017 Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial Bond Depository. Except as provided in the Resolution, all of the Outstanding Series 2017 Bonds shall be registered in the registration books

kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC. See "DESCRIPTION OF THE SERIES 2017 BONDS - Book-Entry Only System" herein.

Redemption Provisions

Optional Redemption. The Series 2017 Bonds maturing after October 1, 2027 are subject to redemption at the option of the District prior to maturity, in whole or in part, on any date, commencing October 1, 2027, at a redemption price (expressed as a percentage of the principal amount of such Series 2017 Bonds to be redeemed) of 100%, plus accrued interest to the redemption date.

Mandatory Redemption. The Series 2017 Bonds maturing October 1, 2027 are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the Principal Account established under Master Resolution in satisfaction of applicable Amortization Requirements at the redemption price of the principal amount thereof, without premium, together with accrued interest to the date of redemption on October 1 of the years and in the principal amounts set forth below:

Year (October 1)	Amortization Requirements
2018	$105,000
2019	105,000
2020	110,000
2021	115,000
2022	120,000
2023	125,000
2024	130,000
2025	135,000
2026	140,000
2027*	145,000

*Maturity

The Series 2017 Bonds maturing October 1, 2047 are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the Principal Account established under Master Resolution in satisfaction of applicable Amortization Requirements at the redemption price of the principal amount thereof, without premium, together with accrued interest to the date of redemption on October 1 of the years and in the principal amounts set forth below:

Year (October 1)	Amortization Requirements
2028	$155,000
2029	160,000
2030	170,000
2031	175,000
2032	185,000
2033	190,000
2034	200,000
2035	210,000
2036	220,000
2037	230,000
2038	240,000
2039	250,000
2040	265,000
2041	275,000
2042	290,000
2043	300,000
2044	315,000
2045	330,000
2046	345,000
2047*	360,000

*Maturity

Selection of Series 2017 Bonds for Redemption. If less than all of the Series 2017 Bonds of one maturity shall be called for redemption, the particular Series 2017 Bonds to be redeemed shall be selected by lot (by DTC or other applicable securities Depository in accordance with its then current procedures, which the Series 2017 Bonds are held in book-entry-only form).

Notice and Effect of Redemption

Pursuant to the Resolution, the District shall provide written notice to the Trustee of its intent to redeem all or any portion of the Series 2017 Bonds (other than Series 2017 Bonds redeemed in accordance with schedule Amortization Requirements) at least sixty (60) days prior to the redemption date of any Series 2017 Bonds. At least thirty (30) days, but not more than forty-five (45) days, before the redemption date of any Series 2017 Bonds, the Trustee shall cause a notice of such redemption to be (1) filed with each Paying Agent, (2) sent by registered or certified mail or overnight delivery service to registered securities depositories and to national information services that disseminate redemption notices, and (3) mailed, postage prepaid, to all holders of Series 2017 Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books herein provided for. Failure to file any such notice with any Paying Agent or to mail any such notice to any Bondholder or to any securities depository or national information service or any defect therein shall not affect the validity of the proceedings for redemption, except to the extent a Bondholder is prejudiced thereby, and then, only with respect to such Bondholder. Each such notice shall set forth (i) the date fixed for redemption, (ii) the redemption price to be paid, (iii) the CUSIP numbers and the certificate numbers of the Series 2017 Bonds to be redeemed, (iv) the name and address of the Paying Agent for the Series 2017 Bonds, (v) the dated date, interest rate and maturity date of the Bonds, (vi) if less than all of the Series 2017 Bonds then Outstanding shall be called for redemption, the amounts of each of the Series 2017 Bonds to be redeemed, and (vii) the name, address and telephone number of the person or entity to be responsible for such redemption.

Any notice mailed as provided above may be contingent upon the occurrence of certain conditions, including the deposit of funds sufficient to pay the redemption price of the Series 2017 Bonds subject to such notice, and that if such conditions do not occur, the notice will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Holders not later than the date of redemption.

Book-Entry Only System

The information in this section concerning DTC and DTC's book-entry system has been obtained from DTC and neither the District nor Citigroup makes any representation or warranty or takes any responsibility for the accuracy or completeness of such information.

DTC will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2017 Bond certificate will be issued for each maturity of the Series 2017 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million U.S. and non-U.S. equity issues, corporate and

municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The Direct Participants and the Indirect Participants are collectively referred to herein as the "DTC Participants". DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its DTC Participants are on file with the Securities and Exchange Commission (the "SEC"). More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond (each a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2017 Bonds may wish to take certain steps to augment the transmission to them of notices of

significant events with respect to the Series 2017 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2017 Bond documents. For example, Beneficial Owners of Series 2017 Bonds may wish to ascertain that the nominee holding the Series 2017 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2017 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent on a payment date in accordance with their respective holdings shown on DTC's records. Payments by DTC Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such DTC Participant and not of DTC nor its nominee, the Trustee, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2017 Bonds, as applicable, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District and/or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2017 Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2017 Bond certificates are required to be printed and delivered.

Subject to the policies and procedures of DTC (or any successor securities depository), the District may decide to discontinue use of the Existing System of book-entry transfers through DTC upon compliance with any applicable DTC rules and procedures. In that event, Series 2017 Bond certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Series 2017 Bonds, as nominee of DTC, reference herein to the Bondholders or Registered Owners of the Series 2017 Bonds will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners of the Series 2017 Bonds.

The District can make no assurances that DTC will distribute payments of principal of, redemption price, if any, or interest on the Series 2017 Bonds to the Direct Participants, or that Direct and Indirect Participants will distribute payments of principal of, redemption price, if any, or interest on the Series 2017 Bonds or redemption notices to the Beneficial Owners of such Series 2017 Bonds or that they will do so on a timely basis, or that DTC or any of its Participants will act in a manner described in this Limited Offering Memorandum. The District is not responsible or liable for the failure of DTC to make any payment to any Direct Participant or failure of any Direct or Indirect Participant to give any notice or make any payment to a Beneficial Owner in respect to the Series 2017 Bonds or any error or delay relating thereto.

The rights of holders of beneficial interests in the Series 2017 Bonds and the manner of transferring or pledging those interests are subject to applicable state law. Holders of beneficial interests in the Series 2017 Bonds may want to discuss the manner of transferring or pledging their interest in the Series 2017 Bonds with their legal advisors.

NONE OF THE DISTRICT, THE TRUSTEE OR THE PAYING AGENT SHALL HAVE ANY OBLIGATION WITH RESPECT TO ANY DEPOSITORY PARTICIPANT OR BENEFICIAL OWNER OF THE SERIES 2017 BONDS DURING SUCH TIME AS THE SERIES 2017 BONDS ARE REGISTERED IN THE NAME OF A SECURITIES DEPOSITORY PURSUANT TO A BOOK-ENTRY ONLY SYSTEM OF REGISTRATION.

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ESTIMATED SOURCES AND USES OF PROCEEDS

Proceeds from the issuance and delivery of the Series 2017 Bonds are expected to be applied as follows:

Sources

Principal Amount of Series 2017 Bonds	$6,095,000.00
Total Sources	$6,095,000.00

Uses

Deposit to Construction Fund[1]	$5,431,979.00
Deposit to Operation and Maintenance Fund	170,096.00
Deposit to Series 2017 Reserve Subaccount [2]	371,025.00
Underwriter's Discount	121,900.00
Total Uses	$6,095,000.00

(1) Includes purchase price payable under the Asset Purchase Agreement of $5,026,194.29 and $405,784.71 for costs of issuance of the Series 2017 Bonds, including fees of professionals and consultants, printing, and other related costs of issuance.

(2) Equal to the Series 2017 Reserve Requirement.

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DEBT SERVICE REQUIREMENTS FOR THE SERIES 2017 BONDS

Period Ending	Principal	Interest	Period Total
9/30/2018		$172,047	$172,047
9/30/2019	$105,000	266,025	371,025
9/30/2020	105,000	261,825	366,825
9/30/2021	110,000	257,525	367,525
9/30/2022	115,000	253,025	368,025
9/30/2023	120,000	248,325	368,325
9/30/2024	125,000	243,425	368,425
9/30/2025	130,000	238,325	368,325
9/30/2026	135,000	233,025	368,025
9/30/2027	140,000	227,525	367,525
9/30/2028	145,000	221,825	366,825
9/30/2029	155,000	215,438	370,438
9/30/2030	160,000	208,350	368,350
9/30/2031	170,000	200,925	370,925
9/30/2032	175,000	193,163	368,163
9/30/2033	185,000	185,063	370,063
9/30/2034	190,000	176,625	366,625
9/30/2035	200,000	167,850	367,850
9/30/2036	210,000	158,625	368,625
9/30/2037	220,000	148,950	368,950
9/30/2038	230,000	138,825	368,825
9/30/2039	240,000	128,250	368,250
9/30/2040	250,000	117,225	367,225
9/30/2041	265,000	105,638	370,638
9/30/2042	275,000	93,488	368,488
9/30/2043	290,000	80,775	370,775
9/30/2044	300,000	67,500	367,500
9/30/2045	315,000	53,663	368,663
9/30/2046	330,000	39,150	369,150
9/30/2047	345,000	23,963	368,963
9/30/2048*	360,000	8,100	368,100
	$6,095,000	$5,134,459	$11,229,459

*Final maturity is October 1, 2047.

SECURITY FOR AND SOURCE OF PAYMENT OF THE SERIES 2017 BONDS

General

NEITHER THE SERIES 2017 BONDS NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF THE STATE OF FLORIDA. THE SERIES 2017 BONDS AND THE INTEREST PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE RESOLUTION. NO OWNER OR ANY OTHER PERSON SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER PUBLIC AUTHORITY OR GOVERNMENTAL BODY TO PAY THE PRINCIPAL AND INTEREST REQUIREMENTS ON THE SERIES 2017 BONDS OR TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE RESOLUTION OR THE SERIES 2017 BONDS. RATHER, THE PRINCIPAL AND INTEREST REQUIREMENTS ON THE SERIES 2017 BONDS AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE RESOLUTION OR THE SERIES 2017 BONDS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE PLEDGED REVENUES PLEDGED TO THE SERIES 2017 BONDS, ALL AS PROVIDED HEREIN AND IN THE RESOLUTION.

Until payment has been provided for, the payment of the principal of and interest on the Series 2017 Bonds shall be secured equally and ratably by a first lien on the Pledged Revenues on parity with the lien on the Pledged Revenues in favor of any Additional Bonds and Refunding Bonds hereafter issued under the Master Resolution. See "Additional Bonds" and "Refunding Bonds" below. The Outstanding Series 2017 Bonds and any Outstanding Additional Bonds and Refunding Bonds are sometimes referred to collectively herein as the "Bonds."

The Resolution defines the "Existing System" and the "Existing System Service Area" as shown below.

The Existing System means, collectively, the complete irrigation quality water supply, production, transmission, and distribution facilities to be acquired by the District pursuant to the Asset Purchase Agreement and owned and operated by the District to serve the Existing System Service Area, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from other sources, and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, to the extent owned and operated as part of the Existing System and needed to serve the Existing System Service Area.

The Existing System Service Area means the geographic area within and without the boundaries of the District that is receiving or will receive irrigation services of the Existing System and is comprised of the lands lying within the boundaries of the District, Tradition Community Development District Nos. 2-6 and limited portions of Tradition Community Development District No. 7, Tradition Community Development District No. 8 and Southern Grove Community Development District No. 5.

For purposes of the Resolution, the Existing System Service Area includes "reserved" connections as of the date of issuance of the Series 2017 Bonds, comprised of connected ERCs (hereinafter defined) and ERCs that are unconnected but have reserved capacity of the Existing System), and any future ERCs that receive service or commit to receive service from the Existing System within the Existing System Service Area. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA."

The Existing System excludes the Expansion System (which is defined in the Resolution to mean any irrigation system hereafter acquired, constructed, owned and operated by the District separate from the Existing System to serve the portion of the Tradition community outside the Existing System Service Area, which is defined in the Resolution as the "Expansion Service Area"). The Existing System Service Area excludes the Expansion System Service Area.

The District has no current plans to acquire and/or construct the Expansion System. The timing of when, if ever, the District undertakes the Expansion System will depend on a number of factors, including the timing of development in the Expansion Service Area. The Pledged Revenues pledged to the Series 2017 Bonds do not include any revenues to be derived from the District's ownership or operation of the Expansion System, nor will such revenues be available to pay the Series 2017 Bonds. Similarly, Pledged Revenues will not be pledged to or otherwise be available to pay any obligations of the District relating to the Expansion System.

Pledged Revenues

General

The Pledged Revenues pledged to the Series 2017 Bonds consist of the "Net Revenues" of the Existing System and, until applied in accordance with the Master Resolution, the monies on deposit in the Funds and Accounts. The Net Revenues are defined in the Master Resolution to mean the Gross Revenues, after deduction of the Cost of Operation and Maintenance.

As more fully described below, Impact Fees on deposit in the Impact Fee Account are included in Pledged Revenues only to the extent permitted by applicable law. Monies on deposit in the Operation and Maintenance Fund, any subaccount in the Reserve Account hereafter established to secure another Series of Bonds and the Rebate Fund are not part of the Pledged Revenues.

For purposes of the Pledged Revenues, the following definitions in the Resolution apply:

"Cost of Operation and Maintenance" of the Existing System means the reasonable and necessary expenses of administration, maintenance, repair and operation of the Existing System, including, without limitation, all ordinary and usual expenses of maintenance and repair, all administrative expenses of the District, insurance premiums, engineering expenses, legal expenses, any taxes which may be lawfully imposed on the Existing System or its income or operations and reserves therefor, and any other expenses required to be paid by the District under the provisions of the Master Resolution or by law, as such expenses are determined to have been incurred in accordance with the method of accounting used in the official annual comprehensive financial statements of the District including, to the extent so determined, expenses not annually recurring, but excluding (i) any reserves for extraordinary maintenance or repair, (ii) any allowance for depreciation or amortization, (iii) any payments or receipts relating to Interest Rate

Swaps, and (iv) any deposits or transfers to the credit of the Funds and Accounts and the Rebate Fund; provided, however, that to the extent such Cost of Operation and Maintenance relates, all or in part, to a future period of time, they shall be prospectively determined by reference to the Annual Budget. The Cost of Operation and Maintenance excludes any costs of operating and maintaining the Expansion System.

"Gross Revenues" means all fees, rentals, charges and other income, including any investment income from monies held on deposit in the Operation and Maintenance Fund and any of the Funds and Accounts created pursuant to the Master Resolution received by or accrued to the District in connection with or as a result of its ownership or operation of the Existing System, including Connection Charges, all as calculated in accordance with the method of accounting used in the comprehensive annual financial statements of the District; provided, however, Gross Revenues shall not include: (i) receipts and revenues derived from the imposition of an ad valorem tax or any other tax the District is authorized, from time to time, to levy pursuant to applicable law; (ii) Impact Fees and (iii) any investment income earned on funds held in the Rebate Fund. For purposes of determining the District's compliance with the test for issuing Additional Bonds set forth in Section 2.08 of the Master Resolution and the rate covenant set forth in Section 5.03 of the Master Resolution, to the extent that any Pledged Revenues are deposited to the Rate Stabilization Fund and applied to pay Costs of Operation and Maintenance, such amounts shall be deemed to be part of Gross Revenues when so used. Gross Revenues exclude any revenues received by the District as the result of its ownership and operation of the Expansion System.

Impact Fees

The Master Resolution defines "Impact Fees" to mean the charges imposed by the District from time to time on new users connecting to the Existing System, which charges represent a pro rata share of the costs which are attributable to the increased demand such new connections create upon the Existing System, and exclude Connection Charges, and are referred to in the District's schedule of rates, fees and charges relating to the Existing System as "System Capacity Charges." See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—Rules and Regulations Applicable to the Existing System; Tariff." Impact Fees exclude similar fees and charges relating to the Expansion System.

System Capacity Charges may be imposed and expended only to cover the costs of capacity of the Existing System that is required to serve new customers. As a result, Impact Fees may lawfully be used to pay Principal and Interest Requirements on the Series 2017 Bonds only to the extent that such payments reflect costs incurred for capacity needed to serve new customers.

Accordingly, and as more fully described under "Funds and Accounts" below, the Resolution provides that Impact Fees on deposit in the Impact Fee Account shall be used only for the purpose of paying the Cost of a Project attributable to Expansion Facilities or Impact Fee Debt Service Components.

For purposes of the foregoing, the term "Expansion Facilities" means a Project, in addition to the Series 2017 Project, constructed or acquired or constructed to meet the increased demand upon the Existing System, whether actual or anticipated, created by new users

connecting to the System and "Impact Fee Debt Service Component" means, as of any particular date of calculation, an amount of Impact Fees that may be applied pursuant to applicable law to pay the Principal and Interest Requirements on a Series of Bonds. See "SECURITY FOR AND SOURCE OF PAYMENT OF SERIES 2017 BONDS—Funds and Accounts—Application of Monies in Impact Fee Account."

The District has indicated that it does not currently intend to undertake any Expansion Facilities, as the Existing System is anticipated to have sufficient capacity to serve the Existing System Service Area through its projected build-out. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA." The District has indicated that it has determined that, with respect to the Series 2017 Bonds, the Impact Fee Debt Service Component is 100% and will so certify at the time of issuance of the Series 2017 Bonds.

The District has indicated that it does not expect to collect System Capacity Charges in connection with the 6,710 "reserved" connections to the Existing System, as similar charges have previously been paid to the Seller with respect to these connections. System Capacity Charges may be collected from projected "future" ERCs relating to the Existing System. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—'Overview' and 'Selected Information Regarding Reserved Connections'."

Funds and Accounts

Establishment of Funds and Accounts

In addition to the Construction Fund, which is held in the custody of the Trustee, the Master Resolution establishes the following:

(1) The Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Operation and Maintenance Fund (the "Operation and Maintenance Fund"), which is a non-pledged fund held in the custody of the District.

All Gross Revenues collected by the District are deposited, when initially received, to the credit of the Operation and Maintenance Fund. Money in the Operation and Maintenance Fund shall be used solely for the purpose of paying the Cost of Operation and Maintenance as same becomes due and payable, making the deposits to the Funds and Accounts and Rebate Fund and making the other payments required by the Master Resolution and for other lawful purposes of the District relating to the Existing System. Amounts on deposit in the Rate Stabilization Fund may be transferred by the Trustee to the District for deposit to the Operation and Maintenance Fund in accordance with the Master Resolution. **ACCORDINGLY, UNTIL GROSS REVENUES ARE TRANSFERRED BY THE DISTRICT TO THE TRUSTEE FOR DEPOSIT AS DESCRIBED BELOW UNDER "FLOW OF FUNDS," SUCH GROSS REVENUES ARE NOT SUBJECT TO THE LIEN AND PLEDGE OF THE RESOLUTION.**

(2) The Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Sinking Fund (the "Sinking Fund"), which is held in the custody of the Trustee, and therein four separate Accounts designated as the "Principal Account," "Interest Account," "Redemption Account," and "Reserve Account," respectively. Two additional special Funds, each of which shall be held in the custody of the Trustee are created and designated as the

"Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Renewal and Replacement Fund" (the "Renewal and Replacement Fund") and the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Rate Stabilization Fund" (the "Rate Stabilization Fund"), respectively. An additional non-pledged fund which shall be held in the custody of the Trustee is created and designated the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Rebate Fund" (the "Rebate Fund").

An additional special account in the Sinking Fund, which shall be held in the custody of the Trustee, is created and designated as the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Impact Fee Account" (the "Impact Fee Account"). The District shall deposit Impact Fees as received into the Impact Fee Account. Amounts in the Impact Fee Account shall be used only for the purpose of paying the Cost of a Project attributable to Expansion Facilities or Impact Fee Debt Service Components, as applicable. See "SECURITY FOR AND SOURCE OF PAYMENT OF SERIES 2017 BONDS—Funds and Accounts—Application of Monies in Impact Fee Account."

The Master Resolution provides that if required by the terms of any Series Resolution, the Issuer shall create and designate a separate sinking fund in connection with such Series of Bonds or provide within the Accounts in the Sinking Fund separate subaccounts in connection therewith and shall further provide for the funding thereof in the manner specified in such Series Resolution.

Flow of Funds

The Master Resolution provides that the District shall transfer monies from the Operation and Maintenance Fund to the Trustee for deposit to the Rebate Fund at the times and in the amounts required to be transferred in order to comply with the rebate covenants set forth in the Master Resolution.

Subject to the provisions of the Master Resolution (relating to Subordinate Obligations and following an Event of Default under the Master Resolution) the District shall transfer to the Trustee, monthly, but not later than the twenty-fifth (25th) day of each month, amounts sufficient to make deposits to the credit of the Funds or Accounts in the Sinking Fund described below, in the following order of priority:

(1) to the credit of the Interest Account, such sums as shall be required to pay one-sixth of the interest which will become due on the next semi-annual Interest Payment Date on all Bonds then Outstanding (except as to Capital Appreciation Bonds and Capital Appreciation and Income Bonds prior to their applicable Interest Commencement Date); provided, however that such monthly deposits for interest shall not be required to be made to the extent that money on deposit therein is sufficient for such purpose; and provided, further, that amounts representing Capitalized Interest on deposit in a subaccount of the Interest Account shall only be credited to the particular Series of Bonds for which such subaccount was established in determining the amount required to be on deposit in the Interest Account;

(2) to the credit of the Principal Account, such sums as shall be required to pay one-twelfth of the amount of principal which will become payable on the next principal payment date

on all Serial Bonds then Outstanding (including the Accreted Value and Appreciated Value of any Serial Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, coming due on such maturity dates) and an amount equal to one-twelfth of the principal amount of Term Bonds then Outstanding required to be retired in satisfaction of the Amortization Requirements, if any, for such Bond Year (including the Accreted Value and Appreciated Value of any Term Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, which are required to be redeemed during such Bond Year); provided, however, that such monthly deposits for principal and Amortization Requirements shall not be required to be made to the extent that money on deposit therein is sufficient for such purpose;

(3) to the credit of the Reserve Account, such amount, if any, after making the transfers under clauses (1) and (2) above, equal to the lesser of (i) the amount needed to make the amount on deposit to the credit of the Reserve Account equal to the Reserve Account Requirement for the Bonds then Outstanding or (ii) the amount as may be required to make the amount on deposit to the credit of the Reserve Account equal to the Reserve Account Deposit Requirement for the Bonds then Outstanding in accordance with the provisions of the fourth paragraph of Section 5.09 of the Master Resolution, provided, however, no such transfer shall be required in any month if the amount then to the credit of the Reserve Account shall not be less than an amount equal to the Reserve Account Requirement applicable to the Outstanding Bonds;

(4) to the credit of the Renewal and Replacement Fund, such amount, if any, of any balance remaining after making the transfers and payments under clauses (1) through (3) above equal to one-twelfth (1/12th) of the amount to be deposited from Pledged Revenues, if any, during such Fiscal Year until the amount therein is equal to the amount recommended in writing from time to time by the Consulting Engineers or Qualified Independent Consultant, as such recommendation may be modified from time to time under the provisions of Section 5.11 of the Master Resolution relating to the Renewal and Replacement Fund;

(5) to the credit of the Rate Stabilization Fund such amount, if any, of the balance remaining after making the transfers under clauses (1) through (4) above as shall be determined from time to time by the District, in its sole discretion, for crediting thereto in order to prevent or minimize future increases in rates, fees, rentals and other charges of the Existing System, all as provided in Section 5.12 of the Master Resolution, as shall be reflected in the Annual Budget; and

(6) to the payment of principal, interest, amortization installments, redemption premium, if any, and required reserve account deposit payments on any Subordinate Obligations or to any lawful other purpose of the District related to the Existing System, all as shall be directed in writing by an Authorized Officer to the Trustee.

In the event that, with respect to the Bonds, the periods to elapse between Interest Payment Dates for the purposes of subsection (1) above or between the date of delivery of the Bonds and the next principal payment date for the purposes of subsection (2) above will be other than six months or twelve months, respectively, then such monthly payments shall be increased or decreased accordingly, in sufficient amounts to provide, as to such Series, the required interest or principal amount maturing on the next Interest Payment Date or principal payment date, as applicable.

As more fully provided for in Sections 5.09, 5.10, 5.11 and 5.12 of the Master Resolution (relating to the application of monies in the Reserve Account, Redemption Account, Renewal and Replacement Fund and Rate Stabilization Fund, respectively), and subject to the terms and conditions thereof, if the District fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 of the Master Resolution, including by transferring to the Trustee amounts on deposit in the Operation and Maintenance Fund sufficient to make up such deficiencies, and, as a result, the monies held for the credit of the Principal Account and Interest Account shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds as such interest and principal and Amortization Requirements become due and payable, the Trustee shall withdraw monies held for the credit of the Redemption Account, Rate Stabilization Fund, Renewal and Replacement Fund and Reserve Account (to the extent pledged to a Series of Bonds for which a deficiency exists as aforesaid) in amounts sufficient to make up any such deficiency in the following order: first from any monies held for the credit of the Redemption Account, then from any monies held for the credit of the Rate Stabilization Fund, then from any monies held for the credit of the Renewal and Replacement Fund and then from any monies held for the credit of the Reserve Account, and deposit the amounts so withdrawn to the credit of the Principal Account and Interest Account.

Application of Monies in Interest Account and Principal Account

Except as otherwise provided in a Series Resolution with respect to a Series of Bonds, the Trustee shall, prior to each Interest Payment Date, (a) withdraw from the Interest Account and remit by mail or cause the Paying Agent to remit by mail to each owner of Bonds the amounts required for paying the interest on such Bonds as such interest becomes due and payable and (b) withdraw from the Principal Account and deposit in trust with the Paying Agent the amounts required for paying the principal and Amortization Requirements of all Bonds as such principal and Amortization Requirements become due and payable. Amounts representing Capitalized Interest on deposit in a subaccount in the Interest Account shall only be applied to pay interest coming due on the Series of Bonds for which such subaccount was established.

Application of Monies in Reserve Account

The Series 2017 Bonds will be secured by the Series 2017 Reserve Subaccount of the Reserve Account established by the 2017 Series Resolution, which subaccount will secure only the Series 2017 Bonds and will not secure any Additional Bonds or Refunding Bonds hereafter issued under the Master Resolution. On the date of issuance of the Series 2017 Bonds, the Series 2017 Reserve Subaccount will be funded in an amount equal to the Series 2017 Reserve Requirement for the Series 2017 Bonds. The Series 2017 Reserve Requirement is defined in the 2017 Series Resolution to mean an amount determined on the date of issuance of the Series 2017 Bonds equal to the least of (i) the maximum Principal and Interest Requirements in the current or any future Bond Year for such Series 2017 Bonds; (ii) 125% of the Average Annual Debt Service Requirement for such Series 2017 Bonds; or (iii) 10% of the original stated principal amount (within the meaning of the Code) of the Series 2017 Bonds.

In the event the monies held for the credit of the Interest Account and Principal Account shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds when due, the Trustee shall immediately notify the District in

writing. In the event the District fails, within three (3) business days after receipt of such notice, to transfer to the Trustee amounts on deposit in the Operation and Maintenance Fund sufficient to make up such deficiencies, then, subject to the provisions of Section 5.10, 5.11 and 5.12 of the Master Resolution relating to withdrawals from the Redemption Account, Rate Stabilization Fund, Renewal and Replacement Fund for such purpose, monies held for the credit of the applicable subaccount of the Reserve Account shall be used for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds secured by such subaccount.

If at any time the monies held for the credit of the Reserve Account or any subaccount therein shall exceed the Reserve Account Requirement for the Bonds secured thereby, such excess shall be withdrawn and deposited, at the written direction of an Authorized Officer, to the credit of the Principal Account, Interest Account or Redemption Account.

In the event the District establishes separate subaccounts in the Reserve Account or provides for a Reserve Account Credit Facility in lieu of the required deposits to the Reserve Account as provided in Section 5.07 of the Master Resolution, then in every such case, withdrawals from the Reserve Account shall be from the subaccount established for the respective Bonds for which the withdrawal is required, or if no priority is specified between Bonds, then on a pro rata basis; provided that all money in the applicable subaccount shall be depleted prior to drawing on a Reserve Account Credit Facility relating to that subaccount.

Whenever a withdrawal therefrom results in a deficiency in the Reserve Account, or a deficiency in the Reserve Account is determined to exist upon valuation of same pursuant to Section 6.02 of the Master Resolution, the District may make up such deficiency by making sixty successive monthly cash payments to the credit of the Reserve Account, each equal to one-sixtieth of such deficiency, commencing on the month following the event that caused the deficiency.

Whenever monies on deposit in the Reserve Account, together with the other available amounts in the Sinking Fund, are sufficient to fully pay in accordance with their terms, all Outstanding Bonds (including principal, premium, if any, and interest thereon) the funds on deposit in the Reserve Account shall be applied to the payment of Bonds as and when same become due and fully payable, at their maturities or the earlier redemption thereof.

In lieu of the required deposits into the Reserve Account, the District may cause to be deposited a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. Such Reserve Account Credit Facility shall be payable to the Paying Agent for such Series (upon the giving of notice as required thereunder) on any Interest Payment Date or redemption date on which a deficiency exists which cannot be cured by funds in the Principal Account, Interest Account and Redemption Account available for such purpose. The issuer providing such Reserve Account Credit Facility shall at the time the Reserve Account Credit Facility is issued be either (a) an insurer: (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated at least "A" (without regard to numerical or other modifiers) by Standard & Poor's Ratings Group and/or Moody's Investors Service and/or Fitch Ratings, or their successors; or (ii) who holds one of the two highest policyholder ratings accorded insurers by A.M. Best & Company, or any comparable service; or (b) a commercial bank, insurance

company or other financial institution the bonds payable or guaranteed by which have been, or whose obligation to pay is guaranteed by, a commercial bank, insurance company or other financial institution which has been, assigned ratings by Standard & Poor's Ratings Group and Moody's Investors Service, or their successors, in one of the two highest rating categories (without regard to numerical or other modifiers).

If on an Interest Payment Date, the Trustee shall determine that a deficiency exists in the amount of monies available to pay in accordance with the terms hereof interest and/or principal due on Bonds on such date, the Trustee shall immediately notify the District of the applicable Reserve Account Credit Facility, and the Credit Provider, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such issuer or Credit Provider to provide monies sufficient to pay all amounts due on such Interest Payment Date or principal payment date.

If a disbursement is made from a Reserve Account Credit Facility, the District shall cause the maximum limits of such Reserve Account Credit Facility to be reinstated as soon as it is able following such disbursement, from monies legally available to the District, other than the Funds and Accounts and Rebate Fund established hereunder, and prior to funding any cash requirement of the Reserve Account (other than subaccounts therein having priority over the subaccount relating to the Reserve Account Credit Facility) by depositing funds in the amount of the disbursement made under such instrument, with the District thereof, together with interest thereon to the date of reimbursement at the rate set forth in such Reserve Account Credit Facility, but in no case greater than the maximum rate of interest permitted by law. In addition, the District shall reimburse the District of the Reserve Account Credit Facility for all reasonable expenses incurred by such issuer and required to be reimbursed by the terms of the Reserve Account Credit Facility.

The District may evidence its obligation to reimburse the District of any Reserve Account Credit Facility by executing and delivering to such issuer a promissory note therefor, provided, however, that any such note shall not be a general obligation of the District the payment of which is secured by its full faith and credit or taxing power, and shall be payable solely from the Pledged Revenues in the manner provided herein.

If any Reserve Account Credit Facility shall terminate prior to the stated expiration date thereof, the District agrees in the Master Resolution that it shall fund the Reserve Account over a period not to exceed sixty months during which it shall make consecutive equal monthly payments for the credit of the Reserve Account (or applicable subaccount therein) in order that the amount on deposit in such account at the end of such period shall be equal to the Reserve Account Requirement; provided the District may, with the prior written consent of the Credit Provider, if any, obtain a new Reserve Account Credit Facility in lieu of making the payments required by this paragraph.

Application of Monies in the Redemption Account

Money held for the credit of the Redemption Account shall be applied to the retirement of Bonds as follows:

(1) An Authorized Officer may endeavor to purchase any Bonds secured by the Master Resolution and then Outstanding, whether or not such Bonds shall then be subject to redemption, on the most advantageous terms obtainable with reasonable diligence, such price not to exceed the principal of such Bonds plus the amount of the redemption premium, if any, which might on the next redemption date be paid to the holders of such Bonds under the provisions of Article III of the Master Resolution if such Bonds should be called for redemption on such date from monies in the Sinking Fund. The Authorized Officer intending to purchase Bonds pursuant to this section shall, prior to the date fixed for redemption, provide written directions to the Trustee to withdraw from the Interest Account and the Principal Account and transfer to the Redemption Account the interest accrued on such Bonds to date of settlement therefor and the purchase price for such Bonds. The Trustee may transfer funds from the Revenue Fund to the Redemption Account to effectuate a purchase of Bonds as aforesaid provided that said Authorized Officer determines that such transfer will not impair the District's ability to fully fund the Funds and Accounts as provided in the Master Resolution.

(2) An Authorized Officer may call for redemption on each Interest Payment Date or any other dates specified in or authorized by a Series Resolution on which Bonds are subject to redemption, such amount of such Bonds as, with the redemption premium, if any, will exhaust the monies which will be held for the credit of the Redemption Account on said Interest Payment Date as nearly as may be; provided, however, that no less than Fifty Thousand Dollars principal amount of Bonds or such other principal amount as may be provided in a Series Resolution relating to the Bonds shall be called for redemption at any one time. Such redemption shall be made pursuant to the provisions of Article III of the Master Resolution. The Authorized Officer intending to call Bonds for redemption pursuant to this section shall, prior to the redemption date, direct the Trustee, in writing, to withdraw from the Interest Account and the Principal Account and transfer to the Redemption Account and then withdraw from the Redemption Account and set aside in separate accounts or deposit with the Paying Agent the respective amounts required for paying the interest on, and the principal and redemption premium of, the Bonds so called for redemption.

The expenses in connection with the purchase or redemption of any such Bonds shall be paid from any legally available funds of the District, other than amounts on deposit in the Funds and Accounts and Rebate Fund, transferred by the District to the Trustee for that purpose.

If District fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 of the Master Resolution, the Trustee shall apply monies held for the credit of the Redemption Account to make up all such deficiencies prior to applying any money in the Rate Stabilization Fund, Renewal and Replacement Fund and Reserve Account for that purpose, unless funds on deposit in the Redemption Account are otherwise needed to accomplish the redemption of Bonds for which irrevocable notice of redemption has been provided. For purposes of clarification, if there are not sufficient funds in the Redemption Account, the order in which such shortfall shall be funded shall be made by withdrawing monies from the Trust Estate in the following order of priority: first from the Rate Stabilization Fund, then from the Renewal and Replacement Fund and then from the Reserve Account.

Application of Monies in Renewal and Replacement Fund

Money held for the credit of the Renewal and Replacement Fund shall be disbursed upon the written direction of the District only for the purpose of paying the cost of unusual or extraordinary maintenance or repairs to the Existing System, the cost of renewals and replacements to the Existing System and the cost of acquiring, installing or replacing equipment of the Existing System and engineering, legal and administrative expenses relating to the foregoing and the cost of providing a local share of monies required to entitle the District to receive federal or state grants or participate in federal or state assistance programs related to the Existing System; provided, however, money in the Renewal and Replacement Fund, unless needed for the purposes set forth in the following paragraph, may be used in the event of an emergency occurrence certified as such by the Consulting Engineers or Qualified Independent Consultant, if there is insufficient money in the Operation and Maintenance Fund to rectify said emergency. Payments from the Renewal and Replacement Fund, except the withdrawal which the Trustee is authorized to make as hereinafter provided in this Section, shall be made in accordance with the provisions of Section 4.02 of the Master Resolution for payments from the Construction Fund.

If the District fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 of the Master Resolution and, as a result, the monies held for the credit of the Principal Account, Interest Account, Redemption Account and Rate Stabilization Fund shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds as such interest and principal and Amortization Requirements become due and payable, the Trustee shall withdraw from any monies held for the credit of the Renewal and Replacement Fund and deposit to the credit of the Principal Account and Interest Account amounts sufficient to make up any such deficiency, after applying any monies available for that purpose in the Redemption Account and Rate Stabilization Fund, and prior to applying any monies in the Reserve Account for that purpose.

Any monies so withdrawn from the Renewal and Replacement Fund and deposited to the credit of the Principal Account and Interest Account shall be restored from available monies in the Operation and Maintenance Fund, subject to the same conditions as are prescribed for deposits to the credit of the Renewal and Replacement Fund under the provisions of Section 5.07(5) of the Master Resolution.

The Consulting Engineers or Qualified Independent Consultant may, from time to time, recommend to the District that it increase or decrease the minimum amount to be maintained on deposit in the Renewal and Replacement Fund. The District may, in the event of a recommended decrease, direct the Trustee in writing to transfer any excess from the Renewal and Replacement Fund to the Operation and Maintenance Fund for application as provided in the Master Resolution. If the recommendation is to increase the minimum amount required to be maintained on deposit in the Renewal and Replacement Fund, the same shall be accomplished according to a schedule of monthly deposits to be made to the Renewal and Replacement Fund recommended by the District or Qualified Independent Consultant and described in writing to the Trustee by an Authorized Officer and shall be reflected in the Annual Budget.

Application of Monies in the Rate Stabilization Fund

Moneys held for the credit of the Rate Stabilization Fund shall be disbursed by the Trustee, upon the written direction of an Authorized Officer, for transfer to the District for deposit to the Operation and Maintenance Fund, at such times and in such amounts as the District shall determine, as shall be reflected in the Annual Budget, and shall be used, prior to application of sums already on deposit in the Operation and Maintenance Fund to pay Cost of Operation and Maintenance. If the District fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 of the Master Resolution and, as a result, the monies held for the credit of the Principal Account, Interest Account and Redemption Account shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds as such interest and principal and Amortization Requirements become due and payable, the Trustee shall withdraw from any monies held for the credit of the Rate Stabilization Fund and deposit to the credit of the Principal Account and Interest Account amounts sufficient to make up any such deficiency, after applying any monies in the Renewal and Replacement Fund and Reserve Account for that purpose.

Application of Monies in Impact Fee Account

An Authorized Officer of the District shall direct the Trustee in writing as to the application of amounts in the Impact Fee Account to pay the Cost of a Project attributable to Expansion Facilities, which shall be subject to the requisition process set forth in the Master Resolution relating to the application of amounts in the Construction Fund to pay the Cost of a Project.

With respect to the application of amounts in the Impact Fee Account to pay Impact Fee Debt Service Components, no later than five business days prior to each Interest Payment Date, an Authorized Officer of the District shall direct the Trustee as to whether to apply amounts on deposit in the Impact Fee Account to make up any deficiencies in the Interest Account and/or Principal Account relating to the Impact Fee Debt Service Components (which shall be applied prior to applying amounts in the Rate Stabilization Fund, Renewal and Replacement Fund and Reserve Account for that purpose) and/or to replenish withdrawals from the Reserve Account relating to the payment therefrom of Impact Fee Debt Service Components.

The District has indicated that it does not currently intend to undertake any Expansion Facilities, as the Existing System is anticipated to have sufficient capacity to serve the Existing System Service Area through its projected build-out. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA." The District has indicated that it has determined that, with respect to the Series 2017 Bonds, the Impact Fee Debt Service Component is 100% and will so certify at the time of issuance of the Series 2017 Bonds; however, the District has indicated that it does not expect to collect System Capacity Charges in connection with the 6,710 "reserved" connections to the Existing System, as similar charges have previously been paid to the Seller with respect to these connections. System Capacity Charges may be collected from projected "future" ERCs relating to the Existing System. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—'Overview' and 'Selected Information Regarding Reserved Connections'."

Rate Covenant

The following provisions relate to the Rate Covenant (hereinafter defined) of the District as set forth in Section 5.03 of the Master Resolution, as modified by the 2017 Series Resolution while the Series 2017 Bonds are Outstanding:

(1) The District covenants that, with respect to all direct or indirect connections with, and all use and services of, the Existing System, it will make, impose, charge and collect rates, fees and other charges in accordance with the Act.

(2) The District covenants that the rates, fees and other charges referred to in this Section 5.03 will not be reduced unless (a) the amount then on deposit to the Reserve Account shall be not less than the Reserve Account Requirement, if any, for all Bonds Outstanding for which a Reserve Account Requirement has been established, (b) the amount then on deposit to any other reserve established by the Master Resolution and any Series Resolution shall not be less than the amount required to be on deposit therein pursuant to the Master Resolution and any Series Resolution for the current Fiscal Year, and (c) the Gross Revenues for the preceding Fiscal Year shall have been not less than the sum of the Cost of Operation and Maintenance for the current Fiscal Year, as shown in the Annual Budget, 115% of the Principal and Interest Requirements for the current Fiscal Year and 100% of the principal and interest requirements on any Subordinate Obligations for the current Fiscal Year.

(3) The District covenants that, from time to time and as often as it shall appear necessary or proper, the rates, fees and charges established for the Existing System will be adjusted so that the Gross Revenues in each Fiscal Year, together with other moneys available therefore (excluding Impact Fees), will not be less than the amount expected to be required for the payment of Cost of Operation and Maintenance for the current Fiscal Year, as shown in the Annual Budget, plus 115% of the Principal and Interest Requirements for such Fiscal Year, plus the requirements for deposits to reserves established by this Resolution and any Series Resolution for such Fiscal Year, plus 100% of the principal and interest requirements on any Subordinate Obligations for such Fiscal Year (the "Rate Covenant"). The Rate Covenant shall be calculated as of October 1 of each Fiscal Year.

(4) Any deficiency in the amounts deposited to the credit of the Sinking Fund or the Renewal and Replacement Fund in any Fiscal Year shall, as promptly as may be practicable, be added to the amounts referred to above for the remaining Fiscal Years in adjusting such rates, fees and other charges, the amount so to be added in each of such subsequent Fiscal Years to be approved by the Consulting Engineers or Qualified Independent Consultant.

(5) Anything in the Master Resolution to the contrary notwithstanding, if the District shall comply with all recommendations of the Consulting Engineers or Independent Rate Consultant in respect of rates, fees and other charges, the failure to meet the requirements of the Rate Covenant in any Fiscal Year will not constitute an Event of Default under the provisions of the Master Resolution if Pledged Revenues are sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds payable in such Fiscal Year when due.

(6) Notwithstanding any of the foregoing provisions, agreements and contracts for the use of the Existing System or any services of the Existing System in effect on the date of the

enactment of the Master Resolution shall not be subject to revisions that have the effect of reducing the amounts received thereunder or otherwise except in accordance with their terms, and the District may enter into new agreements or contracts for the use of the Existing System on such terms and for such periods of time as it shall determine to be proper.

(7) Notwithstanding anything to the contrary in the Master Resolution, for purposes of determining compliance with the Rate Covenant set forth in this section, any Gross Revenues that were deposited into the Rate Stabilization Fund and thereafter transferred to the Operation and Maintenance Fund in a subsequent Fiscal Year and used by the District to pay the Cost of Operation and Maintenance of the Existing System shall be deemed to be Gross Revenues, when so used, for purposes of determining compliance by the District with the Rate Covenant.

Additional Bonds

In addition to the Series 2017 Bonds, Additional Bonds may be issued under the Master Resolution from time to time on a parity with the Series 2017 Bonds and any other Additional Bonds and Refunding Bonds issued under the Master Resolution and then Outstanding, subject to the conditions hereinafter provided, for the purpose of providing funds, together with other legally available funds, to pay all or any part of the Cost of a Project, and, as shall be specified in any Series Resolution relating to the Additional Bonds, to make deposits to the Funds and Accounts and pay other costs of issuance and expenses relating thereto.

The Additional Bonds shall be deposited with the Trustee for delivery, but, as a condition precedent thereto, prior to or simultaneously with such delivery, there shall be obtained and filed with the Trustee and the District, the following:

(1) A copy, certified by the Secretary, of any Series Resolution relating to such Additional Bonds;

(2) A copy, certified by the Secretary, of a certificate of an Authorized Officer or a Qualified Independent Consultant stating that Gross Revenues generated by the Existing System, based on the rates, fees and other charges imposed on users of the Existing System in effect at the time the calculation is made, adjusted as provided below, less any amounts needed to pay the Cost of Operation and Maintenance, adjusted as provided below, in any twelve (12) month of the last eighteen (18) months immediately preceding the issuance of such Additional Bonds (the "Measurement Period") are at least equal to 115% of the maximum Principal and Interest Requirements becoming due in any Bond Year thereafter on (A) all Bonds Outstanding issued under this Resolution and (B) the Additional Bonds with respect to which such certificate is made. In making such calculation, the Authorized Officer or Qualified Independent Consultant, as the case may be, shall only include fifty percent (50%) of the Connection Charges actually collected, or caused to be collected by the District during such twelve (12) month period. Notwithstanding anything to the contrary herein, for purposes of determining compliance with the provisions of this subsection, any Gross Revenues that were deposited into the Rate Stabilization Fund and thereafter transferred to the Operation and Maintenance Fund and used by the District to pay the Cost of Operation and Maintenance of the Existing System shall be deemed to be Gross Revenues, when so used, for purposes of determining compliance by the District with the provisions of this subsection.

For purposes of the foregoing, Gross Revenues during the Measurement Period may be adjusted, based on a certificate of Qualified Independent Consultant, to take into account increases in Gross Revenues as a result of (i) new customers of the Existing System attributable to an existing irrigation system to be acquired with Additional Bonds, had the acquisition occurred at the beginning of the Measurement Period, (ii) new customers of the Existing System that by ordinance, resolution, agreement, law or regulation will be required to connect to the Existing System, or which the Qualified Independent Consultant projects will connect to the Existing System by virtue of their proximity to the service provided by the Project or otherwise, during any of the Fiscal Years of the District that are the subject of a written forecast prepared by the Qualified Independent Consultant and reflected therein as the forecast period (the "Applicable Fiscal Years"), and (iii) any changes in the rate, fees and charges for customers and users of the Existing System which the District shall then have in effect, or shall have enacted or adopted by ordinance or resolution on or before the date of such certificate, which will be in effect or become effective in the Applicable Fiscal Years or any of them, assuming for purposes thereof that all of such changes to rates, fees and charges, in the aggregate, were in effect immediately prior to the first day of the Measurement Period (even if such adopted changes to rates, fees and charges are prospectively effective during the Applicable Fiscal Years or any of them). In the event that Gross Revenues are adjusted as aforesaid, the Cost of Operation and Maintenance during the Measurement Period shall also be adjusted, based on a certificate of a Qualified Independent Consultant, to take into account increases in the Cost of Operation and Maintenance that are estimated by the Qualified Independent Consultant to occur during the Applicable Fiscal Years, including as a result of the Project to be financed with the proceeds of the proposed Additional Bonds. The foregoing shall not be deemed to preclude the Consulting Engineers from serving as the Qualified Independent Consultant for purposes of this subsection.

(3) A written opinion of the District Counsel stating that he or she is of the opinion that the issuance of such Additional Bonds has been duly authorized, that all conditions precedent to the delivery of such Additional Bonds have been irrevocably provided for, fulfilled or otherwise satisfied and that the Master Resolution and any Series Resolution relating to the Additional Bonds creates a valid and enforceable pledge of the Pledged Revenues and a lien for the benefit of the Additional Bonds and Bondholders thereof on the monies on deposit in the Funds and Accounts and on the Pledged Revenues, prior to any other lien thereon, and on a parity with the Outstanding Series 2017 Bonds and any Outstanding Additional Bonds and Refunding Bonds;

(4) A written opinion of the District Counsel stating that he or she is of the opinion that (a) the District is authorized pursuant to the Franchise Agreement and the Interlocal Agreement or otherwise in accordance with the Act to provide the services and facilities of the Existing System within the Existing System Service Area; (b) any consents of any Regulatory Bodies required in connection with the issuance of the Series of Bonds or in connection with the acquisition of the improvements included in the Project being financed with the proceeds of such Series of Bonds have been obtained or can be reasonably expected to be obtained (provided, however, no opinion is required to be expressed as to any environmental or land use permits or similar regulatory consents); and (c) 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 free from all liens and encumbrances except such as will not materially interfere with the proposed use thereof or (ii) the District has or can acquire a valid, subsisting and enforceable

leasehold, easement, right-of-way or other interest in real property sufficient to effectuate the purpose of the issue (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);

(5) An executed opinion of bond counsel to the District stating that the signer is of the opinion that such Series of Bonds are valid, binding and enforceable obligations of the District and, if such Series of Bonds are not intended to be Taxable Bonds, that interest thereon is excludable from gross income of the Owners under the income tax laws of the United States in effect on the date such Series of Bonds are delivered to their initial purchasers, subject to usual and customary qualifications for opinions of this type;

(6) A certificate of an Authorized Officer stating that provision has been made in an applicable Series Resolution to fund the Reserve Account Requirement, if any, as same will exist following issuance of such Additional Bonds; and

(7) A certificate of an Authorized Officer to the effect that no Event of Default as defined in the Master Resolution has occurred and is continuing as of the date of said certificate, which shall be dated within fifteen days prior to the date of issuance of the Additional Bonds.

Refunding Bonds

Refunding Bonds may be issued in accordance with the Master Resolution from time to time on a parity with the Outstanding Series 2017 Bonds and any Outstanding Additional Bonds and Refunding Bonds, subject to the conditions hereinafter provided, for the purpose of providing funds, together with other legally available funds, for refunding all or any portion of the Bonds of any one or more Series issued under the provisions of the Master Resolution, and/or refunding any Subordinate Obligations, including in each case the payment of all amounts necessary to defease the refunded obligations in accordance with the provisions thereof, and, as shall be specified in any Series Resolution relating to the Refunding Bonds, to make deposits to the Funds and Accounts and pay other costs of issuance and expenses relating thereto.

The Refunding Bonds shall be deposited with the Trustee for delivery, but, as a condition precedent thereto, prior to or simultaneously with such delivery, there shall be obtained and filed with the Trustee and the District, the following:

(1) A copy, certified by the Secretary, of any Series Resolution relating to the Refunding Bonds;

(2) A written opinion of the District Counsel stating that he or she is of the opinion that the issuance of such Refunding Bonds has been duly authorized, that all conditions precedent to the delivery of such Refunding Bonds, including defeasance of the Bonds to be refunded, have been irrevocably provided for, fulfilled or otherwise satisfied, and that the Master Resolution and any Series Resolution relating to such Refunding Bonds creates a valid and enforceable pledge of the Pledged Revenues and a lien for the benefit of the Refunding Bonds and Bondholders thereof on the monies on deposit in the Funds and Accounts and on the Pledged Revenues, prior to any other lien thereon, and on a parity with the Outstanding Series 2017 Bonds and any Outstanding Additional Bonds and Refunding Bonds and (b) the District is authorized pursuant to the Franchise Agreement and the Interlocal Agreement or otherwise in

accordance with the Act to provide the services and facilities of the Existing System within the Existing System Service Area;

(3) A copy, certified by the Secretary, of a certificate signed by an Authorized Officer, confirming any one of the following:

(i) that the maximum Principal and Interest Requirements for all Outstanding Bonds after issuance of the Refunding Bonds (excluding any Bonds being defeased by proceeds of the Refunding Bonds) is not greater than the maximum Principal and Interest Requirements for all Outstanding Bonds prior to issuance of the Refunding Bonds; or

(ii) that the Average Annual Debt Service Requirement for all Outstanding Bonds after issuance of the Refunding Bonds (excluding any Bonds being defeased by proceeds of the Refunding Bonds) is not greater than the Average Annual Debt Service Requirement for all Outstanding Bonds prior to issuance of the Refunding Bonds; or

(iii) that the sum of the present values of the Principal and Interest Requirements for each year for all Outstanding Bonds after issuance of the Refunding Bonds (excluding any Bonds being defeased by proceeds of the Refunding Bonds) is not greater than the sum of the present values of the Principal and Interest Requirements for each year for all Outstanding Bonds prior to issuance of the Refunding Bonds, using as a discount factor for computation of the present values the yield on the Bonds being defeased.

(4) An executed opinion of bond counsel to the District stating that the signer is of the opinion that such Series of Bonds are valid, binding and enforceable obligations of the Issuer and, if such Series of Bonds are not intended to be Taxable Bonds, that interest thereon is excludable from gross income of the Owners under the income tax laws of the United States in effect on the date such Series of Bonds are delivered to their initial purchasers, subject to usual and customary qualifications for opinions of this type;

(5) a certificate of an Authorized Officer stating that provision has been made in an applicable Series Resolution to fund the Reserve Account Requirement, if any, as same will exist following issuance of such Refunding Bonds; and

(6) a certificate of an Authorized Officer to the effect that no Event of Default as defined in the Master Resolution has occurred and is continuing as of the date of said certificate, which shall be dated within fifteen days prior to the date of issuance of the Refunding Bonds.

Subordinate Obligations

Notwithstanding any other provision of the Master Resolution, the District may issue obligations other than the Bonds from time to time which are payable in whole or in part from the Pledged Revenues but only if such obligations are, by their terms, subordinated to the lien on Pledged Revenues in favor of all Bonds theretofore or thereafter issued under the provisions of the Master Resolution.

Permitted Investments

Monies held for the credit of the Construction Fund, the Sinking Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund, shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Securities which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when monies held for the credit of said Funds and Accounts will be required for the purposes intended (which, in the case of the Reserve Account, may be as late as the final maturity date of the Bonds), or in Time Deposits not otherwise provided for in the definition of Investment Securities; provided, however, that each such Time Deposit shall permit the monies so placed to be available for use at the time provided above. Any and all such investments shall comply with any requirements set forth in any certificate or other instrument of the District with respect to preventing any Series of Bonds (other than Taxable Bonds) from being characterized as "arbitrage bonds" within the meaning of Section 148 of the Code or any successor provision thereto.

Investment Securities and Time Deposits not otherwise provided for in the definition of Investment Securities so purchased as an investment of monies in any such Fund or Account shall be deemed at all times to be part of such Fund or Account. The interest accruing thereon and any gain realized from such investment shall be credited to, and any loss resulting from such investment shall be charged to, the respective Fund or Account. Upon request of the District, or on its own initiative, the Trustee, may sell or present for payment or redemption any Investment Securities so acquired whenever it shall be necessary in order to provide monies to make any payment from such Fund or Account. Neither the District, the Trustee, nor any agent thereof, shall be liable, or responsible, for any loss resulting from any such investment. In computing the amount in any Fund or Account, obligations purchased as an investment of monies therein shall be valued at the market price thereof.

Any and all income received from the investment of monies in the Accounts in the Sinking Fund (excluding the Reserve Account) shall be retained in the Fund and Account in which such income is earned (provided, however, that income received from the investment of monies in any subaccount in the Interest Account to which Capitalized Interest has been deposited shall be retained therein until all amounts on deposit therein have been expended) and any and all income received from the investment of monies in the Renewal and Replacement Fund and the Rate Stabilization Fund shall be retained in the Fund in which such income is earned. Except as otherwise provided in a Series Resolution with respect to a Series of Bonds, any and all income received from the investment of monies in the Reserve Account shall be deposited upon receipt thereof to the Principal Account; provided, however, such income shall be retained in the Reserve Account in the event that amounts on deposit therein are less than the Reserve Account Requirement. Investments on deposit in the Reserve Account shall be valued within thirty (30) days after the end of each Bond Year.

Any income received from the investment of monies in the Construction Fund shall remain therein until completion of the Project for which such monies were held and, to the extent any excess income remains at the end of the Series 2017 Project or such other Project, same shall be applied in the manner set forth in Section 4.05 of the Master Resolution.

District Covenants

The District has covenanted in the Master Resolution that while the Series 2017 Bonds remain Outstanding, among other things, it will: (i) not render or cause to be rendered any free service, (ii) not establish any preferential rates for users of the same class with regard to the Existing System, (iii) maintain the Existing System in good condition, and operate it in an efficient and economical manner and at a reasonable cost, (iv) not lease, sell or encumber the Existing System, except as permitted by the Master Resolution, (v) enforce collections of Gross Revenues, (vi) not provide or permit competing facilities within its jurisdiction except as permitted in the Master Resolution, (vii) maintain sufficient insurance on the Existing System in accordance with the Master Resolution, (viii) discharge all taxes or assessments or other governmental charges levied against the Existing System in a timely manner, (ix) maintain its existence, (x) not sell or otherwise dispose of all or any part of the Existing System except as permitted in the Master Resolution, and (xi) not take any action that will adversely affect the tax-exempt status of the Series 2017 Bonds.

THE DISTRICT

Legal Powers and Authority

The District is an independent local unit of special-purpose government and political subdivision of the State of Florida created in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes (the "CDD Act"), as amended, by ordinance, as amended (the "Ordinance") of St. Lucie County, Florida (the "County"). Subsequent to the initial establishment of the District, the land within the boundaries of the District was annexed into the boundaries of the City.

The CDD Act was enacted in 1980 to provide a uniform method for the establishment of independent districts to manage and finance basic community development services, including capital infrastructure required for community developments throughout the State of Florida. The CDD Act provides legal authority for community development districts (such as the District) to finance the acquisition, construction, operation, and maintenance of the major infrastructure for community development.

The CDD Act provides that community development districts have the power to issue general obligation, revenue and special assessment bonds in any combination to pay all or part of the cost of infrastructure improvements authorized under the CDD Act. The CDD Act further provides that community development districts have the power to levy and assess taxes on all taxable real and tangible personal property, subject to the provisions of the Florida Constitution, and to levy special assessments on specially benefitted lands, within their boundaries to pay the principal of and interest on bonds issued and to provide for any sinking or other funds established in connection with any such bond issues.

Among other provisions, the CDD Act gives the District's Board of Supervisors (the "Board") the right: (i) to hold, control, and acquire by donation, purchase, condemnation, or dispose of, any public easements, dedications to public use, platted reservations for public purposes, or any reservations for those purposes authorized by the CDD Act and to make use of such easements, dedications, or reservations for any of the purposes authorized by the CDD Act;

(ii) to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge or extend, equip, operate and maintain systems and facilities for various basic infrastructures, including district roads equal to or exceeding the specifications of the county in which such district roads are located, facilities for indoor and outdoor recreational, cultural and educational uses (if such powers are specifically granted), and any other project within or without the boundaries of the district when a local government has issued a development order approving or expressly requiring the construction or funding of the project by the District, or when the project is the subject of an agreement between the district and a governmental entity and is consistent with the local government comprehensive plan of the local government within which the project is to be located or pursuant to a development order condition which applies to a district project; (iii) to borrow money and issue bonds of the District; and (iv) to exercise all other powers necessary, convenient, incidental, or proper in connection with any of the powers or duties of the District stated in the CDD Act.

Pursuant to the CDD Act, the Board has the right to provide irrigation quality water supply system projects such as the Existing System.

The District may issue bonds or other obligations pursuant to the CDD Act to finance projects authorized by the CDD Act and in connection therewith pledge revenues derived from the levy of non-ad valorem assessments and/or revenues derived from the applicable project to the payment of such bonds or other obligations. In addition to the Series 2014 Bonds (defined below), the District may issue bonds or other obligations from time to time pursuant to the authority of the CDD Act; provided, however, the issuance of any Additional Bonds or Refunding Bonds shall be subject to the requirements of the Resolution.

The CDD Act does not empower the District to adopt and enforce land use plans or zoning ordinances, and the CDD Act does not empower the District to grant building permits; with respect to the Development, these functions are performed by the City acting through its governing body and its departments of government.

The CDD Act exempts all property of the District from levy and sale by virtue of an execution and from judgment liens, but does not limit the right of any owner of bonds of the District to pursue any remedy for enforcement of any lien or pledge of the District in connection with such bonds, including the Series 2017 Bonds.

The District has adopted a schedule of rates, fees and charges for the use of the services of the Existing System , and further approved revisions to the schedule at a meeting of the Board on July 11, 2017 (the "Tariff"), as described under "THE EXISTING SYSTEM AND THE SERVICE AREA— Rules and Regulations Applicable to the Existing System; Tariff--The Tariff." These revisions to the Tariff will not be final until after the District takes additional action after a public hearing scheduled for September 12, 2017.

Selected Agreements

Franchise Agreement and Franchise Agreement Service Area

Tradition Irrigation Company, LLC ("TIC") has entered into a non-exclusive Amended and Restated Irrigation Franchise Agreement Tradition and Southern Grove ("Franchise Agreement") with the City authorizing TIC to provide irrigation quality water service within a

service area that is comprised of the Existing System Service Area and the area referred to in the Master Resolution as the Expansion Service Area.

The District will assume the rights and obligations of TIC under the Franchise Agreement as part of the closing of the Asset Purchase Agreement. See "EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—General"

As noted earlier under "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—General," the Existing System does not include the Expansion System. **The Pledged Revenues pledged to the Series 2017 Bonds do not include any revenues to be derived from the District's ownership or operation of the Expansion System, nor will such revenues be available to pay the Series 2017 Bonds. Similarly, Pledged Revenues will not be pledged to or otherwise be available to pay any obligations of the District relating to the Expansion System.**

Asset Purchase Agreement

In connection with its determination to acquire the Existing System, the District conducted a public hearing on September 13, 2016, after requisite public notice, as required by Section 190.0125, Florida Statutes.

Subsequently, the District and TIC, joined in by Tradition Development Company, LLC ("TDC" and, collectively with TIC, the "Seller") entered into the Asset Purchase Agreement to provide for the terms and conditions upon which the District will acquire the Existing System, as it exists on the date of its acquisition, from the Seller and for the District to assume all of TIC's rights and obligations under the Franchise Agreement. The purchase price payable pursuant to the Asset Purchase Agreement (the "Purchase Price") is $5,026,194.29 and will be funded by the District with proceeds of the Series 2017 Bonds.

The District's obligations under the Asset Purchase Agreement are contingent upon the issuance of the Series 2017 Bonds and the satisfaction of certain other terms and conditions of the Asset Purchase Agreement. The purchase price payable by the District pursuant to the Asset Purchase Agreement is based on two valuations obtained by the District and the Seller, respectively, from independent third party valuation consultants. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—General."

TIC and TDC are each affiliates of the Primary Landowner (hereinafter defined) in the Tradition community. See "TRADITION."

Interlocal Agreements

City Interlocal Agreement

Pursuant to the Florida Interlocal Cooperation Act of 1969, Section 163.01, Florida Statutes (the "Interlocal Act"), the City and the District have entered that certain "Interlocal Agreement Relating to Irrigation Service within the Developments Known as Tradition and Southern Grove" ("City Interlocal Agreement") (defined as the "Interlocal Agreement" in the Master Resolution). The City Interlocal Agreement implements Section 190.012(1)(g) of the CDD Act by providing:

(i) The City's agreement that the District (i) may undertake irrigation quality water supply system projects both within and without the District's boundaries, but within the Existing System Service Area and Expansion Service Area, and (ii) may finance, fund, plan, establish, acquire, construct or reconstruct, enlarge or extend, and equip, operate, and maintain systems, facilities, and basic infrastructures related to the Irrigation System as projects of the District, and

(ii) The City's consent to assignment of the Franchise Agreement to the District.

District Irrigation Interlocal Agreement

Pursuant to the Interlocal Act, the District, Tradition Community Development District Nos. 2-6, and Southern Grove Community Development District Nos. 1-6 (each of which is a community development district established pursuant to the CDD Act and all of which, collectively with the District, have jurisdiction over all the lands in the Service Area) have entered into that certain District Irrigation Interlocal Agreement (the "District Irrigation Interlocal Agreement"). It is anticipated that Tradition Community Development District Nos. 7 and 8 will also become parties to the District Irrigation Interlocal Agreement as a result of a limited portion of the land within the boundaries of these districts being located within the Existing System Service Area. Pursuant to the District Irrigation Interlocal Agreement, the District and the other parties thereto have established a committee to review and oversee all tariffs, rates, and charges established, proposed, and maintained by the District in its operation of the Existing System and the Expansion System throughout the entire Service Area. Among other matters, the District Irrigation Interlocal Agreement provides that the District may enact revisions of the Existing System's tariffs, rates, and charges without the approving recommendation of the committee if such proposal is necessary to satisfy debt and debt service obligations incurred by the District in its acquisition of the Existing System, such as the Series 2017 Bonds, including but not limited to complying with all rate covenants, funding all reserves and other deposits required respecting the funds and accounts established for such debt obligations, and timely paying all amounts due under such debt obligations.

Tradition Interlocal Agreement

The District and Tradition Community Development District Nos. 2-10 have also entered into an interlocal agreement pursuant to the Interlocal Act (the "Tradition Interlocal Agreement"). The Tradition Interlocal Agreement has two annexes. The first, referred to as the "2003 Project Districts Annex," is among the District and Tradition Community Development District Nos. 2-7 (collectively, the "2003 Project Districts). The second, referred to as the "New CIP Districts Annex," is among the District and Tradition Community Development District Nos. 7-10 (the "New CIP Districts").

The 2003 Project Districts Annex addresses, among other matters, the provision of certain public infrastructure, facilities and services (collectively, the "2003 Project") needed to serve the land within the boundaries of the District and the 2003 Project Districts and the delegation of authority to the District to refinance, operate and maintain the 2003 Project, on behalf of the District and the 2003 Project Districts, and to finance, refinance, operate and maintain any other public infrastructure project needed to develop the lands within the

boundaries of any one of the 2003 Project Districts, on behalf of the applicable 2003 Project Districts. The District initially financed the 2003 Project, which was refinanced through the issuance of the District's Special Assessment Bonds, Series 2014, currently outstanding in the principal amount of $47,730,000 (the "Series 2014 Bonds").

The New CIP Districts Annex addresses, among other matters, the provision of certain public infrastructure, facilities and services (collectively, the "New CIP") needed to serve the land within the boundaries of the New CIP Districts and the delegation of authority to the District to finance, refinance, operate and maintain the New CIP, on behalf of the New CIP Districts, and to finance, refinance, operate and maintain any other public infrastructure project needed to develop the lands within the boundaries of any one of the New CIP Districts, on behalf of the applicable New CIP Districts. Currently, the District has not issued any obligations pursuant to the authority of the New CIP Districts Annex.

The Series 2014 Bonds (and any refinancing thereof) are, and will be, payable from revenues derived from the levy of non-ad valorem special assessments on benefitted lands in the District and the 2003 Project Districts. Any other debt obligations hereafter issued by the District pursuant to the Tradition Interlocal Agreement are expected to be payable from revenues derived from the levy of non-ad valorem special assessments on benefitted properties within the boundaries of one or more of the 2003 Project Districts and/or New CIP Districts.

County Interlocal Agreement

The District, Tradition Community Development District Nos. 2-4 and the County have entered into an interlocal agreement pursuant to the Interlocal Act pursuant to which, among other matters, the County grants the authority to any community development district that is a party to the Tradition Interlocal Agreement the authority to exercise the powers granted to such district pursuant to the CDD Act with respect to any project located outside of its boundaries, consistent with the local government comprehensive plan of the County.

Governor's Executive Order

On November 4, 2014, the Auditor General of the State released a 31-page report which requests legislative action to establish parameters on the amount of bonds a community development district may issue and provide additional oversight for community development district bonds. This report renews requests made by the Auditor General in 2011 that led to the Governor of the State issuing an Executive Order on January 11, 2012 (the "Executive Order") directing the office of Policy and Budget in the Executive Office of the Governor ("OPB") to examine the role of special districts in the State. As of the date hereof, the OPB has not made any recommendations pursuant to the Executive Order nor has the Florida legislature passed any related legislation.

It is not possible to determine at this time what recommendations, if any, the OPB will make pursuant to the Executive Order that will impact the District and whether the Florida Legislature will implement any recommendations of the OPB through legislation that will impact the District. See "BONDHOLDERS' RISKS—Item No. 9," which also notes that Section 190.016(14) of the CDD Act provides in pertinent part that "The state pledges to the holders of any bonds issued under the CDD Act that it will not limit or alter the rights of the district to levy

and collect the … rates, fees and other charges provided for herein and to fulfill the terms of any agreement made with the holders of such bonds … and that it will not impair the rights or remedies of such holders."

Board of Supervisors

The CDD Act provides for a five-member Board of Supervisors (the "Board") to serve as the governing body of the District. Members of the Board ("Supervisors") must be residents of the State of Florida and citizens of the United States. Initially, the Supervisors are elected on an at-large basis by the owners of the property within the District. Ownership of land within the District entitles the owner to one vote per acre (with fractions thereof rounded upward to the nearest whole number). A Supervisor serves until expiration of his or her term and until his or her successor is chosen and qualified. If, during a term of office, a vacancy occurs, the remaining Supervisors shall fill the vacancy by an appointment of an interim Supervisor for the remainder of the unexpired term.

At the initial election of Supervisors, the two Supervisors with the highest number of votes are elected to serve four-year terms and the remaining three Supervisors serve for two-year terms. Elections of Supervisors occur in November every two years. Until the later of six years after formation of the District or the year that the District attains at least 250 qualified electors, the CDD Act provides that Supervisors whose terms are expiring will begin to be elected (as their terms expire) by qualified electors of the District. A qualified elector is a registered voter who is at least eighteen years of age, a resident of the District and the State and a citizen of the United States. At the election where Supervisors are first elected by qualified electors, two Supervisors must be qualified electors and be elected by qualified electors, each to a four-year term. The other Supervisor will be elected by landowners for a four-year term. Thereafter, as terms expire, all supervisors must be qualified electors and be elected by qualified electors to serve four-year terms.

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

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

Name	Title	Term Expires
James Anderson*	Chairman	11/18
Jane Rowley	Vice Chair	11/20
Dan Richey	Supervisor	11/18
Shawn Reilly	Supervisor	11/20
Darren Weimer*	Supervisor	11/20

*Employee of Fishkind & Associates, Inc.

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

It is expected that the District will ultimately contain a sufficient number of residents to allow for a transition to control by a general electorate. Currently, all members of the Board of the District were elected by the Primary Landowner and none were elected by qualified electors. The Primary Landowner (hereinafter defined) will certify, in reliance on a certificate of Fishkind & Associates, Inc., in its capacity as consultant to the Primary Landowner, as to its reasonable expectations regarding the timing of the transition of control of the Board of the District to qualified electors pursuant to the CDD Act, and its expectations as to compliance with the CDD Act by any members of the Board that it elects.

Initially, the land in the boundaries of the District was comprised of the Tradition Town Hall and related amenities and open space owned by the Primary Landowner. Subsequently, the District, Tradition Community Development District No. 3 ("District No. 3") and the Primary Landowner took the actions necessary to cause the County, with the approval of the City, to amend the Ordinance establishing the District and the ordinance establishing District No. 3 to delete from within the boundaries of District No. 3 certain lands owned by the Primary Landowner and permitted to be developed with multi-family residential units (the "Annexed Lands") and to include the Annexed Lands within the boundaries of the District. Such boundary changes were undertaken in order to facilitate the election by the Board of the District by qualified electors residing within the boundaries of the District as contemplated by the CDD Act and are consistent with the overall plan of development of the lands within the District and the 2003 Project Districts. Such boundary amendments became effective on February 27, 2014.

In addition, the District adopted a "Standby Plan for Accelerated Conversion from Election of the Members of the Board of Supervisors by Landowners to Election of Members by Qualified Electors of the District" (the "Standby Plan"). Pursuant to the Standby Plan, if the Board of the District has not commenced being elected by qualified electors as contemplated by the CDD Act as of April 8, 2020 (six years from the date of adoption of the Standby Plan) and at least 100 qualified electors reside in the District as of such date, then elections of the Board of the District by qualified electors will commence in the manner described in the Standby Plan. The Standby Plan effectively lowers from 250 to 100 the number of qualified electors who reside

in the District that is necessary to commence electing members of the Board by qualified electors residing in the District.

The District Manager and Other Consultants

The CDD Act authorizes the Board to hire a District Manager as the chief administrative official of the District. The CDD Act provides that the District Manager shall have charge and supervision of the works of the District and shall be responsible for: (i) preserving and maintaining any improvement or facility constructed or erected pursuant to the provision of the CDD Act; (ii) maintaining and operating the equipment owned by the District; and (iii) performing such other duties as may be prescribed by the Board. Fishkind & Associates, Inc., Orlando, Florida, serves as the District Manager with responsibility for day-to-day operations of the District and as Financial Advisor to the District in connection with its acquisition of the System and as Dissemination Agent (hereinafter defined) under the Disclosure Agreement (hereinafter defined) See "CONTINUING DISCLOSURE" and "DISCLOSURE OF MULTIPLE ROLES."

The CDD Act further authorizes the Board to hire such employees and agents as it deems necessary. Thus, Gonano & Harrell, Fort Pierce, Florida, is serving as Counsel to the District; Kimley-Horn and Associates, Inc., West Palm Beach, Florida is serving as the District's Consulting Engineers in connection with the Existing System; and Greenspoon Marder, P.A., Fort Lauderdale, Florida, is serving as Bond Counsel and Disclosure Counsel in connection with the Series 2017 Bonds.

Additional Matters Relating to Special Districts

The Internal Revenue Service (the "IRS" or the "Service") recently concluded a lengthy examination of certain issues of bonds (for purposes of this subsection, the "Audited Bonds") issued by Village Center Community Development District (VCCDD") and a document request with respect to bonds issued by Sumter Landing Community Development District ("SLCDD"), in each case without further action. During the course of the audit of the Audited Bonds, IRS issued a ruling dated May 30, 2013, in the form of a non-precedential technical advice memorandum ("TAM") concluding that VCCDD is not a political subdivision for purposes of Section 103(a) of the Code because, according to the TAM, VCCDD was organized and operated to perpetuate private control and avoid indefinitely responsibility to an electorate, either directly or through another elected state or local government body. VCCDD received a second TAM dated June 17, 2015 which granted relief to VCCDD from retroactive application of the IRS's conclusion as to a political subdivision. Prior to the conclusion of the audits, the Audited Bonds were all refunded with taxable bonds. Although the TAMs are addressed to, and binding only on, the IRS and VCCDD in connection with the Audited Bonds, they reflect the audit position of the IRS, and there can be no assurance that the IRS would not commence additional audits of bonds issued by other community development districts raising issues similar to the issues raised in the case of the Audited Bonds based on the analysis set forth in the first TAM.

On February 23, 2016, the IRS published proposed regulations designed to provide prospective guidance with respect to potential private business control of issuers by providing a new definition of political subdivision for purposes of determining whether an entity is an appropriate issuer of bonds the interest on which is excluded from gross income for federal tax

purposes. The proposed regulations require that a political subdivision (i) have the power to exercise at least one sovereign power, (ii) be formed and operated for a governmental purpose, and (iii) have a governing body controlled by or have significant uses of its fund or assets otherwise controlled by a government unit with all three sovereign powers or by an electorate that is not controlled by an unreasonably small number of unrelated electors. On March 9, 2016, the IRS released corrections to the transition rules in the proposed regulations providing that the new definition of political subdivision will not apply to bonds issued prior to the general applicability date, which is a date ninety (90) days after the proposed regulations are published in final form in the Federal Register. Accordingly, the proposed regulations, if finalized in their current form, would not be applicable to the Series 2014 Bonds or the Series 2017 Bonds, but may affect future series of bonds issued by the District, if any.

It has been reported that the IRS has closed audits of other community development districts in Florida with no change to such districts' bonds' tax-exempt status, but has advised such districts that such districts must have qualified electors within five years of the issuance of tax-exempt bonds or their bonds may be determined to be taxable retroactive to the date of issuance. Pursuant to the CDD Act, general elections are not held until the later of six years from the date of establishment of the community development district or the time at which there are at least 250 qualified electors in the district. However, see the discussion of the Standby Plan above under "Board of Supervisors."

There is no assurance that an audit by the Service will not be commenced with respect to the Series 2017 Bonds. See "TAX MATTERS" and "BONDHOLDERS' RISKS—Item Nos. 8 and 9" herein.

The Series 2017 Bonds have been validated by a final, non-appealable order of the Circuit Court of the State of Florida in and for St. Lucie County, Florida, in which it was determined, *inter alia*, that the District has the authority under Florida law to issue such Series 2017 Bonds, that the purpose for which such Series 2017 Bonds were issued is legal under Florida law, and that the proceedings for issuance of such Series 2017 Bonds complies with the requirements of applicable Florida law. See "VALIDATION."

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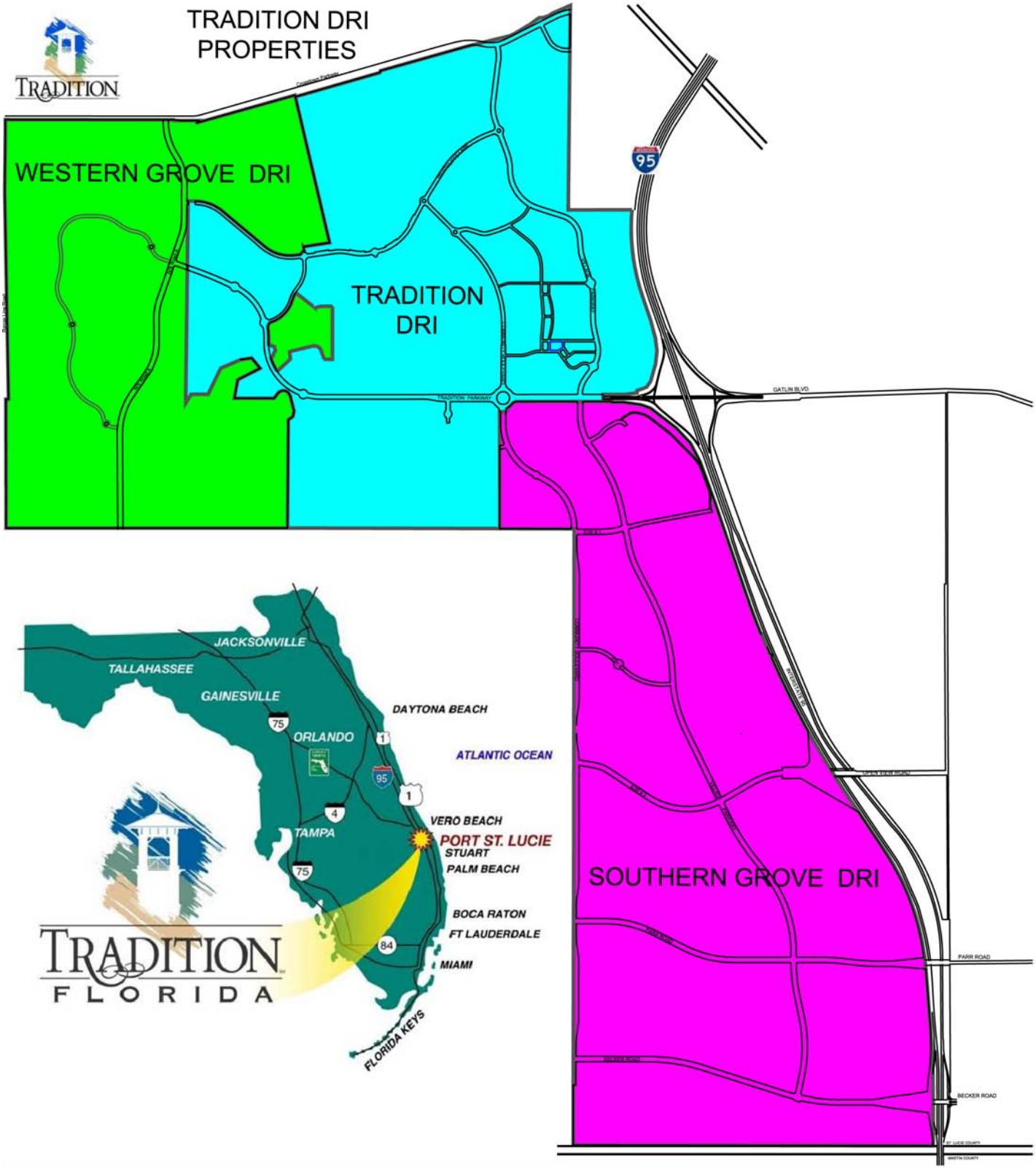
TRADITION


TRADITION DRI
PROPERTIES
TRADITION
WESTERN GROVE DRI
TRADITION
DRI
95
GATLIN BLVD.
SOUTHERN GROVE DRI
PARR ROAD
BECKER ROAD
JACKSONVILLE
TALLAHASSEE
GAINESVILLE
ORLANDO
TAMPA
DAYTONA BEACH
ATLANTIC OCEAN
VERO BEACH
PORT ST. LUCIE
STUART
PALM BEACH
BOCA RATON
FT LAUDERDALE
MIAMI
FLORIDA KEYS
75
1
95
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84
TRADITION
FLORIDA

The information presented under this caption "TRADITION" has been compiled by the District from public documents, records and other sources, including those of the District Manager and the Primary Landowner. The Primary Landowner has not participated in the preparation of this Limited Offering Memorandum.

General

"Tradition" is a large-scale, master planned community encompassing approximately 8,200 gross acres. Tradition is the subject of three separate developments of regional impact ("DRI") approvals from the State of Florida, referred to as the "Tradition DRI" (approximately 2,700 gross acres), "Western Grove DRI" (approximately 1,900 gross acres) and "Southern Grove DRI" (approximately 3,600 gross acres), respectively. The location of Tradition and the boundaries of each of its three DRIs are shown in the map above.

A portion of the Tradition community was initially located within the unincorporated boundaries of St. Lucie County, Florida and was subsequently annexed into the boundaries of the City. The entire Tradition community is now located within the boundaries of the City. Tradition is located near major transportation corridors, including Interstate-95 ("I-95"), Tradition Parkway and the Florida Turnpike, with five miles of continuous frontage along I-95, including three interchanges. Tradition is located near the Martin County line in the portion of the State of Florida commonly referred to as the Treasure Coast, which consists of St. Lucie, Martin and Indian River Counties. Tradition is within close proximity to public beaches, parks and golf courses, and is situated approximately 50 miles north of West Palm Beach, Florida and approximately 120 miles southeast of Orlando, Florida.

The Existing System Service Area comprises approximately 2,368 of the gross acres in the Tradition DRI and approximately 457 of the gross acres in the Southern Grove DRI, which is further located within the boundaries of Southern Grove Community Development District No. 5, adjacent to the Tradition DRI. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA" for a map of the Existing System Service Area.

Selected Matters Relating to Development Approvals

In order to obtain the necessary "master" development approvals for Tradition, several statutory entitlement and zoning processes were undertaken by the Prior Master Developer (hereinafter defined). The Prior Master Developer also obtained DRI approvals, including accomplishing a City Comprehensive Plan Land Use amendment, and rezoning to permit Tradition to be developed. The Prior Master Developer entered into certain agreements with the State and the City that, among other things, required payment of a proportionate share of the cost of certain transportation and other public improvements, which obligations have been paid. The City also approved certain development orders for the DRIs which set forth certain guidelines pertaining to such matters as vegetation and wildlife, conservation management, stormwater management, recreation and open space, education and transportation, as well as required development conditions regarding transportation and other public improvements.

Entitlements for the overall Tradition community allow the development of up to approximately 18,000 residential units, up to 15 million square feet of commercial (retail, office, warehouse/industrial, and research and development space), a 300-bed hospital, 941 hotel rooms,

assisted living facilities hotels and community and amenities space. These entitlements were approved pursuant to the most recent development order amendments obtained in 2014 with respect to the Southern Grove DRI and in 2016 with respect to the Western Grove DRI. Additional development order amendment(s) may be sought based upon future conditions.

The development orders for Tradition permit flexibility in determining the mix and density/intensity of permitted uses. Accordingly, the uses that will ultimately be developed in Tradition may not be identified with certainty as of the date hereof and any development plans are subject to change, based on market conditions and other factors, many of which are outside the control of the District and the Primary Landowner.

Public Improvements

To facilitate development of a portion of the master public community infrastructure, facilities, systems and services (the "Public Improvements") needed to serve Tradition, multiple independent community development districts in addition to the District (collectively, with the District, the "CDDs") have been established with jurisdiction over the land comprising Tradition and the City has established a special assessment district ("SAD") which encompasses the land in the Southern Grove DRI.

The District financed, and subsequently refinanced, a portion of the community-wide Public Improvements needed to serve the land within the Tradition DRI through the issuance of its Series 2014 Bonds. As noted under "THE DISTRICT—Interlocal Agreements, the Series 2014 Bonds are payable from non-ad valorem special assessments levied by the 2003 Project Districts on benefitted lands within the 2003 Project Districts.

In addition, Southern Grove Community Development District No. 5 financed a portion of the Public Improvements needed to serve a portion of the land in the Southern Grove DRI and a portion of the land within its boundaries through the issuance of its Bond Anticipation Note, Series 2014 (Community Infrastructure) (the "2014 CI Note"), currently outstanding in the principal amount of $2,655,000 and its Bond Anticipation Note, Series 2014 (District Infrastructure) (the "2014 DI Note"), currently outstanding in the principal amount of $5,800,000. The 2014 CI Note is expected to be refinanced by long-term bonds issued in 2017 payable from non-ad valorem special assessments levied on benefitted lands within a portion of the Southern Grove DRI. The 2014 DI Note is expected to be refinanced by long-term bonds issued in 2017 payable from non-ad valorem special assessments levied on benefitted lands within a portion of Southern Grove Community Development District No. 5.

The City financed, and subsequently refinanced, a portion of the Public Improvements needed to serve the land in the SAD (comprised of the benefitted land in the Southern Grove DRI) through its Special Assessment Refunding Bonds, Series 2016 (Southwest Annexation Special Assessment District No. 1) (the "SAD Bonds"). The SAD Bonds are currently outstanding in the principal amount of $124,545,000, based on publicly available information, and are payable from non-ad valorem special assessments levied by the City on benefitted land within the SAD. The most recent refinancing of the SAD Bonds resulted in a significant reduction in the assessments levied annually on the benefitted land in the SAD. The City has also established a community redevelopment area that includes the land in the Southern Grove DRI.

Owners of land in the Southern Grove DRI are eligible to receive a portion of certain tax increment revenues generated annually in the Southern Grove DRI.

In addition, the City has levied non-ad valorem special assessments on the benefitted land in the SAD to defray the costs of certain Public Improvements not initially financed and then refinanced by the SAD Bonds, in the amount of approximately $1 million, which non-ad valorem special assessments are levied over a period of ten years, commencing in 2014.

As of May 31, 2017, all of the Public Improvements needed to serve the existing and planned uses in the Tradition DRI are complete, and approximately 43% of the Public Improvements needed to serve the existing and planned uses in the Southern Grove DRI are complete. Construction of the Public Improvements needed to serve the planned uses in the Western Grove DRI has not yet commenced.

Additional components of the Public Improvements serving undeveloped portions of Tradition may be financed by one or more of the CDDs in the future. Owners of land in these undeveloped portions of Tradition will be responsible for providing any Public Improvements not financed by one or more of the CDDs, as well as the private infrastructure, facilities, systems and services, in each case, as needed to serve the land owned by them.

Existing and On-Going Development

Overview

The development of Tradition commenced in 2001, initially in the Tradition DRI. The global recession that began in 2007 had an adverse impact on taxable values, employment and development within the City, including in Tradition. It is anticipated that development of infrastructure and planned uses in Tradition will occur over a long-term multi-year period, dependent on market conditions and other factors, all of which are difficult to predict and many of which are outside the control of the District and the Primary Landowner.

As of May 31, 2017, the Primary Landowner owns approximately 56% of the land in Tradition. With respect to the DRIs, the Primary Landowner owns approximately 2% of the gross acres in the Tradition DRI, approximately 75% of the gross acres in the Southern Grove DRI and substantially all of the gross acres in the Western Grove DRI.

See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA" for additional information about the portion of the Existing System Service Area comprised of a portion of the Tradition DRI and a portion of the Southern Grove DRI.

Tradition DRI

Of the 2,700 gross acres in the Tradition DRI, approximately 2,368 gross acres (located in the boundaries of Tradition Community Development District Nos. 1-6 and in a limited portion of Tradition Community Development District Nos. 7 and 8) are within the Existing System Service Area. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—The Existing System Service Area."

As of May 31, 2017, a significant portion of the land in the Tradition DRI has been developed with end uses, including approximately 3,600 homes and approximately 800,000 square feet of office and retail uses. An additional approximately 130,000 square feet is being used by the Christ Fellowship Church. Approximately 2,000 additional homes, including single family, townhome and assisted living units, are expected to ultimately be constructed in the Tradition DRI on land sold to third parties by the Prior Master Developer prior to the global recession referenced above. The predominant active homebuilders in the Tradition DRI currently are AV Homes, Minto Homes and DR Horton.

Following the guidelines of "New Urbanism," Tradition's focal point is a central retail district, known as Tradition Square, located at the entrance to the community on Tradition Parkway, within the Tradition DRI, north of the Southern Grove DRI. Tradition Square, opened in 2006, is owned by KRG Port St. Lucie Square, LLC. Tradition Square is anchored by a Publix Supermarket and includes approximately 112,000 square feet of shops, restaurants, retail, offices, meeting space, parks, a public events pavilion and an interactive water feature. Tradition Square provides a destination for community life, hosting events year-round, including concerts, seasonal festivals, and other activities.

The Landing at Tradition, opened in 2007 on approximately 79 acres located at the northwest corner of Interstate 95 and Tradition Parkway, is owned by KRG Port St. Lucie Landing, LLC, other than an approximately 138,468 square foot Target retail store owned by Target Corporation. Other retail and out-parcel tenants include Babies R Us, Famous Footwear, Michaels, Pier 1 Imports, TJ Maxx, and L.A. Fitness. The Landing at Tradition currently includes approximately 499,332 square feet with the potential to be expanded to include up to an additional 126,000 square feet. In close proximity to Tradition Square is the Tradition Town Hall and lakeside gazebo, which are available for wedding receptions and other social events, business meetings and seminars. A 7,500 square foot Panera Bread restaurant adjacent to Tradition Square opened for business on August 10, 2016. In December 2016, the Primary Landowner sold land with lake frontage in Tradition Square for a craft-brewery themed casual waterfront restaurant within walking distance of Panera Bread.

Southern Grove DRI

Of the 3,600 gross acres in the Southern Grove DRI, approximately 457 gross acres (located in a limited portion of Southern Grove Community Development District No. 5) are within the Existing System Service Area. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—The Existing System Service Area."

As of May 31, 2017, a portion of the land in the Southern Grove DRI has been developed, principally at the northern end, near the Tradition Parkway I-95 interchange. The area is partially built-out with medical office, hotel, restaurant, and university facilities, including a regional hospital that opened in 2013 and is already being expanded, the Martin Health System Tradition Medical Center (TMC).

Residential entitlements are in place for 7,388 residential units in the Southern Grove DRI. It is contemplated that most of the single-family residential communities will be developed west of the Village Parkway north/south spine road. Multi-family residential development is contemplated to occur as a component of mixed-use projects.

National homebuilder Pulte is developing the first single-family residential community in the Southern Grove DRI, under its Del Webb Active Adult brand, with an anticipated opening in the fourth quarter of 2017. The community is roughly midway along the Southern Grove DRI corridor fronting Village Parkway, approximately 1.5 miles south of the TMC hospital. The Del Webb community is entitled for 1,300 single-family homes in three phases. The first phase currently being developed by Pulte is entitled for 550 single-family homes. The Del Webb community is not located in the Existing System Service Area.

Located on an approximately 150-acre campus at the southwest corner of Interstate-95 and Tradition Park within the Southern Grove DRI is a unique feature at Tradition, known as the Tradition Center for Innovation (TCI), a research and development parkway. Opened in 2007, TCI's anchor institutions include the Torrey Pines Institute for Molecular Studies (TPIMS). TPIMS recently publicly announced that it has been selected as a Specialized Center in the Chemical Biology Consortium in the Experimental Therapeutics (Next) Program, centered at the Frederick National Laboratory for Cancer Research. In addition, TPIMS publicly announced that certain of its researchers were recently awarded a $2.1 million grant from the National Institute of Health's National Institute on Drug Abuse.

Also located within Tradition is TMC, which opened on December 18, 2013 as an acute care hospital located on the TCI campus with 90 beds and the ability to expand to 300 beds. Phase 2 expansion of TMC is underway. TMC publicly announced that it reached its full bed capacity shortly after opening with its first 90 beds in 2013, as described above under "Tradition Amenities." In 2016, TMC initiated construction of an approximately $110 million second phase expansion. The expansion is planned to add three stories for a second phase of 90 beds. The second phase expansion is also expected to add an 18-bed emergency room observation unit, a catheterization lab for cardiac care, interventional radiology and vascular procedures, and space will be added to the maternity, neonatal intensive care and other facilities. Also included in the scope of this expansion is a new data center for the entire Martin Health System.

Tradition Health, LLC, an affiliate of Optimal Outcomes, a medical office and health care development company with health care developments across the United States, owns a medical office building, known as Mann Medical One, which is a 41,750 square foot fully completed medical office building connected to TMC. Tradition Health, LLC has also begun construction of a $17 million, three-story 64,625 square foot medical office building adjacent to TMC in TCI, which is currently expected to be completed in 2017.

BBL Hospitality, a national developer of hotel rooms and medical office buildings, constructed, owns and operates a 111-room Hilton Homewood Suites motor hotel across from the entrance to TMC. In April 2017, BBL Hospitality opened a 7,500 sports-themed family restaurant at this location, Recovery Room Sports Grill.

Additional activities during 2017 to-date in the Southern Grove DRI the portion of Southern Grove Community Development District No. 5 in the Existing System Service Area include the following:

A WAWA gas station/ convenience store opened for business in March 2017 at the intersection of Tradition Parkway and Village Parkway convenient to I-95 access near TMC. An adjacent Panda Express restaurant opened in April 2017 and a Culvers family restaurant opened

in May 2017. Additionally in May 2017 a 32,000 square foot medical office building fronting I-95 south of TMC, commenced construction, with anticipated occupants to be an orthopedics surgical practice and an acute-care medical provider. A Heartland Dental retail store is currently under construction west of WAWA. Land was sold by the Primary Landowner in 2016 for a 100-bed assisted living facility immediately west of the Culvers restaurant, along with other adjacent pads for retail uses. Construction is expected to commence later in 2017. In addition, construction of approximately 600 apartments on land sold by the Prior Master Developer in 2006 before the global recession noted above is expected to commence in 2017.

Also within the portion of Southern Grove Community Development District No. 5 in the Existing System Service Area, the Primary Landowner sold land in 2016 for a 100,000 square foot office/retail mixed use project which may be developed with up to 100 condominiums or apartments across the street from TMC and also recently executed a contract to sell additional land to another apartment builder, which may be developed with an additional 300 apartments, although the timing of construction of these projects is not yet known.

Western Grove DRI

None of the gross acres in the Western Grove DRI are in the Existing System Service Area.

The Western Grove DRI was approved in 2016 by the City. The underlying development order provides for entitlements for up to 4,000 residential units plus 220,000 square feet of neighborhood retail/office uses.

Utilities

A community-wide fiber-optic network is provided by Home Town Communications, which also provides Tradition residents with home security services, basic cable and high-speed internet services. Home Town Communications offers services such as telephone and additional tiers of cable service, including interactive and video-on-demand. The City provides water and wastewater service to Tradition. Florida Power & Light provides electricity to Tradition.

Schools

There are a number of public and private schools in close proximity to Tradition. Palm Pointe School at Tradition is a public lab/charter school serving students in grades K-8. Renaissance Charter School at Tradition is a public charter school serving student in grades K-8. St. Lucie West Centennial High School is a public school located approximately 6 miles from Tradition. A campus of Indian River State College, a part of the State of Florida University System, is located within approximately 3 miles from Tradition. A 74,000 square foot campus of Keiser University, a not-for-profit private university, opened within the boundaries of Southern Grove Community Development District No. 5, fronting I-95, in March 2017 immediately south of the medical office building under construction as described above.

The Primary Landowner and the Project Manager

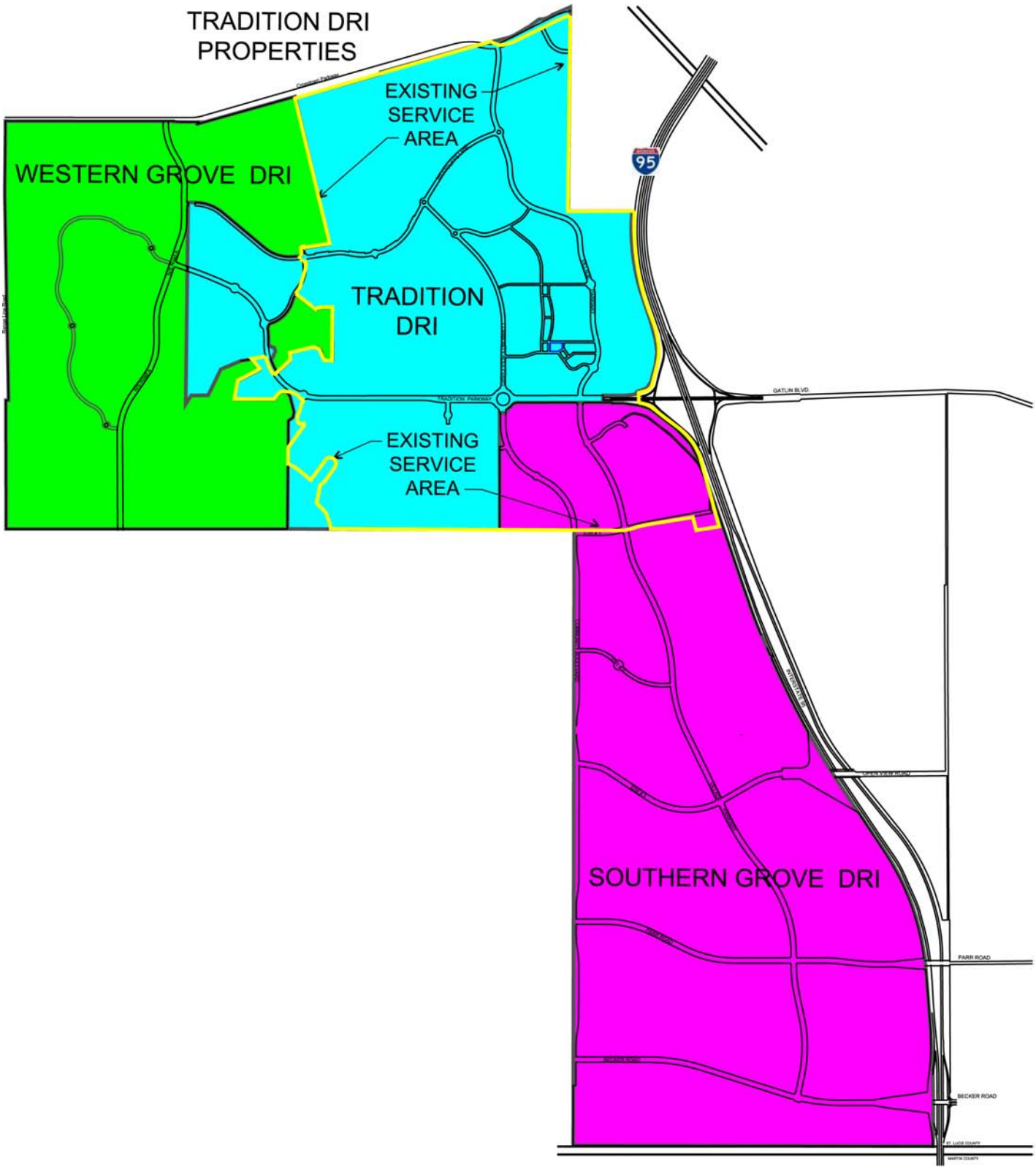
The primary landowner of the lands in Tradition is Tradition Land Company, LLC, an Iowa limited liability company (the "Primary Landowner"). The entities initially responsible for

master development activities in Tradition, Horizons St. Lucie Development, LLC and Horizons Acquisition 5, wholly owned subsidiaries of Core Communities, LLC, (collectively, the "Prior Master Developer") began development of Tradition in 2001. Affiliates of the Primary Landowner, as lenders to the Prior Master Developer, acquired the land owned by the Prior Master Developer in Tradition as part of a loan workout in 2010. The Primary Landowner was subsequently formed and ownership of the land owned by the Prior Master Developer was transferred to the Primary Landowner.

The Primary Landowner is not serving as a developer of Tradition and does not contemplate constructing vertical uses in Tradition. Instead, the responsibilities of the Primary Landowner include, marketing and sale of the real estate within the portions of Tradition owned by the Primary Landowner, maintenance of permits, licenses and property entitlements, maintaining relationships with the City as it relates to the ongoing planning, permitting and entitling of the portion of the Tradition project, and establishing and maintaining relationships with home builders, commercial property owners, and other third party stakeholders.

To facilitate the above described responsibilities, the Primary Landowner entered into a management agreement with Fishkind & Associates, Inc. to provide day to day management of Tradition on behalf of the Primary Landowner. Pursuant to the management agreement, Fishkind & Associates, Inc. engaged certain senior staff to oversee the Tradition project. This senior staff has more than 20 years of experience in master-planned community development, residential homebuilding, construction, leasing and operation of office/retail facilities and municipal government operations and financing. Fishkind & Associates, Inc. is a leading real estate management and consulting firm headquartered in Orlando, Florida, with expertise in virtually all facets of real estate including market research, real estate asset management, property management, commercial and residential marketing and municipal government financing and operations. For more information about Fishkind & Associates, Inc., see www.fishkind.com. See "DISCLOSURE OF MULTIPLE ROLES."

THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA



The following summarizes certain selected matters relating to the Existing System and the Existing System Service Area. Reference is made to the report (the "Consulting Engineers' Report") of the Consulting Engineers retained by the District with respect to its acquisition of the Existing System (the "Consulting Engineers"), the form of which is attached hereto as "APPENDIX A," for more complete information regarding the Existing System and the Existing System Service Area.

Existing System Service Area

The Existing System provides, and will provide, irrigation quality water to commercial and residential customers, as well as the irrigation needs of many of the arterial rights-of-ways and common areas, in the Existing System Service Area. The Existing System Service Area totals approximately 2,825 gross acres, comprised of approximately 2,368 gross acres of the Tradition DRI (within the boundaries of Tradition Community Development Districts 1-6 and limited portions of Tradition Community Development District Nos. 7 and 8) and approximately 457 gross acres in the Southern Grove DRI (within a limited portion of the boundaries of Southern Grove Community Development District No. 5). A map of the Existing System Service Area is set forth above.

Overview

Following a public hearing held on September 13, 2016, after requisite public notice, as required by Section 190.0125, Florida Statutes, the District and the Seller entered into the Asset Purchase Agreement, the closing of which is contingent upon, and planned to occur contemporaneously with, the issuance of the Series 2017 Bonds. The Asset Purchase Agreement provides, among other matters, for the District to acquire the Existing System and assume TIC's rights and obligations under the Franchise Agreement. See "THE DISTRICT-Selected Agreements—Asset Purchase Agreement" and "Franchise Agreement." The Existing System is not a utility regulated by the State of Florida Public Service Commission ("PSC") and no consent or approval of the PSC or any other third party is required for the District to acquire the Existing System from the Seller.

As described below under "Rules and Regulations Applicable to the Existing System; Tariff," the District has adopted a Tariff (hereinafter defined) that provides for ERCs connected to the Existing System to pay for service on a metered or irrigated acre basis and for unconnected ERCs to reserve capacity of the Existing System by paying certain guaranteed revenues specified in the Tariff. The Tariff described herein is expected to become final following a public hearing scheduled for September 12, 2017. See "Rules and Regulations Applicable to the Existing System; Tariff" later herein.

All connections to the Existing System are in the form of Equivalent Residential Connections (ERCs) based upon 5,000 square feet of irrigated area per residential lot. The ERCs are converted to a per acre basis by a factor of 8.7 ERC's/irrigated acre for common areas and commercial properties. At build-out, projected to occur by 2030, the Existing System is anticipated to serve 7,407 ERCs.

With respect to the Existing System Service Area, as of May 31, 2017, there are a total of 6,710 "reserved" connections or ERCs, of which 5,119 ERCs are connected and 1,591 ERCs are

unconnected but have reserved capacity of the Existing System. See "Selected Information Regarding Reserved Connections." There is no assurance that any of the 1,591 unconnected ERCs that have reserved capacity in the Existing System as of May 31, 2017 will connect to the Existing System. See "BONDHOLDERS' RISKS-- Item No. 4.

In addition, as of May 31, 2017, the District projects that an additional 697 "future" ERCs will exist within the Existing System Service Area by build-out of the Existing System Service Area, project to occur prior to 2030. These "future" connections are expected to be located on approximately 344.77 acres (80.11 irrigated acres) located throughout the Existing System Service Area. These future ERCs are expected to represent a combination of single-family, multi-family, and mixed-use residential and retail development, as well as medical office buildings, commercial and institutional uses, common areas and road right-of-way. The Primary Landowner currently owns approximately 59.6% of the 344.77 acres on which these future ERCs are projected to be located. In order to reserve capacity in the Existing System, the projected future ERCs would be required to pay System Capacity Charges and guaranteed revenues to the District in accordance with the Tariff.

The projections regarding future ERCs are based on assumptions that the District considers reasonable, based on information currently available to it, but such forward-looking information is inherently uncertain and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of the District. In particular, historical data may not be indicative of future results. Accordingly, there can be no assurance that any future connections to the Existing System will occur or be realized in the manner set forth herein. See "BONDHOLDERS' RISKS--Item No.6.

The District has advised that it has not taken into account any Gross Revenues to be derived from future ERCs projected in the Existing System Service Area in evaluating the ability of the Existing System to generate Net Revenues to pay the Debt Service Requirements on the Series 2017 Bonds.

Franchise Agreement

Following acquisition of the Existing System, as a result of the assignment to the District of the Seller's rights under the Franchise Agreement, the District will have the non-exclusive right to provide irrigation quality water to commercial and residential customers in a service area comprised of the Existing System Service Area and the Expansion System Service Area. The Existing System will only serve the Existing System Service Area.

Although the Franchise Agreement is non-exclusive, the District anticipates that the unconnected ERCs included in the reserved connections and any projected future ERCS in the Existing System Service Area will use the Existing System for irrigation services, since (i) the development orders applicable to the land in the Existing System Service Area require residential landowners to obtain reclaimed water through an irrigation distribution system, rather than withdraw water for irrigation purposes from individual home wells; and (ii) another irrigation system, including one owned and operated by the City, would have to overcome significant logistical, economic and regulatory obstacles which would likely result in any such irrigation

system making irrigation service available at less favorable rates than can be provided by the District to the Existing System Service Area through the Existing System.

The Franchise Agreement contains various requirements that must be met by the District following its assumption of the rights and obligations of the Seller thereunder. These include the payment to the City of a franchise fee, which is generally equal to 6% of the gross receipts from users of the Existing System and Expansion System, if any, per calendar quarter, payable quarterly in arrears. In addition, pursuant to the Franchise Agreement, within twelve months after the date on which the City notifies the District that the City has reuse water available as described in the Franchise Agreement, the District must apply for and execute an agreement with the City to accept a minimum of 1 million gallons per day (MGD) of such reuse water and pay all associated fees. The District anticipates that it will pay for such reuse water, if and when required to do so, from Gross Revenues of the Existing System.

Description of the Existing System

General

The Seller is the original owner of the Existing System. The initial components of the Existing System were constructed, and the Existing System was placed into service, in 2003. The Existing System was subsequently expanded as warranted by the development within the Existing System Service Area. The existing facilities now comprising the Existing System are composed of four raw water pumps, 20 disk filters, 16 sand filters, a 2 million gallon (MG) above ground storage tank, 4 high service pumps, one jockey pump and the distribution pipe network primarily located within the Existing System Service Area arterial and collector road right-of-ways. The raw water pumps operate in a duplex configuration and withdraw lake water or canal water for delivery through the filtration system and into the above ground storage tank. The high service pumps withdraw water from the storage tank and operate to keep the distribution pipe network at a selected operating pressure. The District is responsible for Existing System operations and maintenance up to, and including, the meter.

The Consulting Engineers inspected the production facilities in July, 2016, and prepared a Condition Report which determined any physical factors that may affect value or operational costs over the next five years. The report was subsequently updated in May 2017. The updated report is attached as an exhibit to the Consulting Engineers' Report and concludes that the facilities comprising the Existing System are well operated and maintained and there is no significant deferred maintenance.

ERCs are reserved based upon a volume of 500 gallons/day/ERC delivered over a 3 days/week, 18 hr/day watering window. The customer's allocation is based upon the overall permitted allocation defined by the SFWMD Water Use Individual Permits #56-03440-W (issued 12/21/15; expires 12/21/35) and #56-01661-W (issued 10/26/15; expires 10/26/35). The application of the customer's allocation is routinely controlled by the customer. It is noted that, should it become necessary to reduce demands, manually operated values can be utilized to control flow. There is also an automated/remotely controlled system to facilitate such control should the need become routine.

The Consulting Engineers' Report states that the Existing System has sufficient capacity to serve the reserved connections (comprised of the connected and unconnected ERCs) and projected future ERCs in the Existing System Service Area through build-out of the Existing System Service Area.

Specific Components of the Existing System

The Existing System includes an approximate 4.13 acre site (the "Site) within the Existing System Service Area upon which the raw water pumps, filtration system, storage and high services distribution pumps are located.

1. Water Supply Sources

   The irrigation water source is the storm water lake system owned by the District or other community development districts with jurisdiction over the land in the Existing System Service Area (the "Other CDDs") and the C-24 canal as detailed in South Florida Water Management ("SFWMD") Water Use Individual Permit #56-03440-W & #56-01661-W. These permits will be assigned to the District as part of its acquisition of the Existing System. It is understood that the volume of water available is directly related to the amount of annual rainfall and associated runoff into the storm water lake system and C-24 canal. It is noted that the SFWMD can impose water use restrictions at any time as a result of area-wide or localized water availability considerations.

2. Raw Water Pumps

   The existing plant facilities are fed by four raw water pumps operating in a duplex configuration. The existing raw water pumps are vertical turbine pumps manufactured by Flowserve Corporation. The raw water pumps are designed to deliver 2,800 gallons per minute (gpm) (4 MGD). The existing capacity is based upon 24 hours of continuous operation. These pumps are located within a chamber at the northeast corner of the plant site. The chamber is fed from one of two source locations. A pipe extends north from the intake structure into an existing storm water lake. A second pipe extends east from the intake into a storm water canal which is the furthest downstream basin for the storm water lake system owned by the District and the Other CDDs prior to offsite discharge. Each pipe extending from the intake structure is manually controlled by independent sluice gates. The primary withdraw source is the eastern intake which is commonly referred to as the I-95 borrow canal. The pumps discharge manifolds into a 10" ductile iron pipe extending from the raw water pump skid to the filtration system and on to the storage tanks. The pumping rate is monitored via metering equipment prior to filtration.

3. Filtration System

   The existing plant facilities, located at the Site contain two banks of ten disk filters and a bank of sixteen pressure sand filters. The disk filters are manufactured by Netafim USA and have a design capacity of 2,800 gpm based on each 10-unit system containing 140 mesh (120 micron) filters treating poor quality water. Raw water enters each disk filter bank in parallel prior to manifolding back into a single HDPE

header pipe which is feeding 16 pressure sand filters. The pressure sand filters are manufactured by Netafim USA and have a design capacity of at least 3,600 gpm based on a 16-unit system and normal design rates for this type of equipment. The disk and pressure sand filters backwash independently based upon the filter system upstream versus downstream pressure differential. The filter backwash effluent is discharged into an onsite storm drain inlet that is directly connected to the northern storm water lake. The filtered water is discharged to an above ground storage tank prior to distribution.

4. Storage and High Service Distribution Pumps

The existing storage facility at the Site consists of a 2 MG above-ground, pre-stressed storage tank manufactured by The Crom Corporation. The tank has a diameter of approximately 130 ft. and 20 ft. of vertical storage equivalent to approximately 100,000 gallons per vertical foot of storage. The tank is equipped with mechanical and electronic level indicators as well as high and low level backup control floats. The operation of the raw water pumps is determined based upon the water surface level in the tank.

The distribution pumps consist of a jockey pump for maintaining pressure during periods of low flow demands and 4 high service pumps to satisfy higher demands. The single centrifugal jockey pump is manufactured by Aurora Pump Model 382-BF 3x3x9A, vertical close-coupled. The jockey pump was sized to provide a capacity of 200 gpm at a total dynamic head equal to 202 ft. (87 psi). The four centrifugal high service pumps were manufactured by Flowserve pump Model 5LRV-15D. Each pump has a capacity of 1375 gpm at a discharge pressure of 200 ft. (87 psi) of total dynamic head. The total pumping capacity of all four high service pumps is 4,200 gpm at a discharge pressure of 185 ft. (80 psi) of total dynamic head. System controls are located in the physical plant building. The pumps are automatically controlled to maintain a pressure set point. Standard operation of the lead pump is by a variable speed drive. Lag pumps are operated at a constant speed when called to run by the controls. The lead pump alternates for each cycle of the jockey pump. The controls are equipped with alarms and an auto-dialer to notify an operator of potential problems. The system can also be accessed remotely for monitoring and maintenance. The layout of the site and treatment, pumping and storage facility equipment are shown in Figure 2 and Figure 3, respectively, in the Consulting Engineer's Report.

5. Distribution System

The distribution system consists of irrigation mains ranging in size from 4" to 24" in diameter. The irrigation mains are generally located within the right-of-way of the arterial and collector roadway system in the Existing System Service Area. The Existing System's distribution system delivers irrigation water to points of service residential, commercial and other land uses at a minimum pressure of 50 psi. A distribution system map is included in Figure 4 in the Consulting Engineer's Report.

6. Point of Service Connections

   Each customer is or will be provided with the appropriate number of connection points depending on site specific demand requirements. Connection points for metered connections have a meter and valve to allow for measurement of irrigation water and to allow for isolation of the customer's system from the Existing System. Customers that are unmetered will be billed by the District on an irrigated acre basis. Bulk users will be charged by the District based on either a metered or an irrigated acre basis, depending on whether the area receiving bulk service is metered or unmetered. See "Rules and Regulations Applicable to the Existing System; Tariff."

Regulatory Compliance

SFWMD Consumptive Use Permit

There are two SFWMD permits held by TIC with respect to the Existing System which will be assigned to the District in connection with its acquisition of the Exiting System. The first one is Permit No. 56-01661-W, which is the primary permit that allows the Existing System to distribute irrigation water. The primary source of water is from the I-95 Borrow Canal. The second one is Permit No. 56-03440-W, which is a Diversion and Impoundment Permit. This permit authorizes withdrawals from both the SFWMD C-23 and C-24 Canals. The water from C-24 Canal is distributed to multiple users in addition to those in the Franchise Agreement service area, via the Peacock Canal, and these withdrawals also serve as a supplemental source to achieve the allocation for the Existing System. See "BONDHOLDERS' RISKS—Item No. 2.

A culvert connected to Peacock Canal allows gravity discharge into the water management lake system owned by the District and Other CDDs. This supplement water can be delivered to the Existing System's plant when the I-95 Borrow Canal water levels are low. The permits (56-03440-W and 56-01661-W) were issued on December 21, 2015, and October 26, 2015, respectively, and expire on December 21, 2035, and October 26, 2035, respectively. The permitted annual allocation for the Tradition Irrigation Company of 1,200.92 MG is for 969.38 acres of irrigated landscape/turf area. The permit establishes limits on the annual average daily flow (ADF) of 3.29 MGD and a maximum monthly allocation of 173.47 MG.

The Consulting Engineers' Report indicates that, as of its date, the existing SFMWD permits have no known outstanding compliance issues. The Consulting Engineer's Report further states that the existing two SFWMD permits may be renewed in the ordinary course upon their respective expiration dates.

Backwash Effluent

No permits were applied for or issued by the Florida Department of Environmental Protection ("FDEP") in connection with the Existing System. Currently, the Existing System discharges backwash effluent (washwater) into the stormwater management lake system in the Existing System Service Area. The Consulting Engineers' Report indicates that it is not clear whether a permit from FDEP is required or available in connection with this discharge of the backwash washwater. However, the Consulting Engineers' Report states that if, for any reason it is determined that an alternative method of discharging backwash waste is required by FDEP or any other governmental entity or regulatory agency with jurisdiction to meet water quality

standards for the backwash effluent washwater, there are potentially alternative best management practices that could be implemented by the District to address turbidity of the backwash effluent and any potential regulatory issues that may arise in connection therewith.

The Consulting Engineer's Report states that a secondary, more costly, alternative to address the discharge would be to connect the Existing System's discharge to the City's Sanitary Sewer System. The associated cost of this option is estimated to be approximately $250,000 in construction costs, approximately $500,000 in one-time capacity charges payable to the City and approximately $3,000 per month in disposal fees which would need to be paid by all customers of the Existing System in the aggregate. The Consulting Engineer's Report notes that the aforementioned estimated $250,000 of construction costs is not identified in the condition report included as an exhibit to the Consulting Engineer's Report.

Renewal and Replacement Fund

The Resolution establishes a Renewal and Replacement Fund. After making the required monthly deposits of Pledged Revenues required by the Resolution to the Operation and Maintenance Fund, Interest Account, Principal Account, and Reserve Account, Pledged Revenues are required by the Resolution to be deposited monthly to the Renewal and Replacement Fund in an amount sufficient to pay one-twelfth of the amount to be deposited from Pledged Revenues, if any, until the amount on deposit therein is equal to the amount recommended in writing from time to time by the Consulting Engineers or Qualified Independent Consultant, as such recommendation may be modified from time to time as permitted by the Resolution (the "R&R Fund Requirement"). See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—'Flow of Funds' and 'Application of Monies in the Renewal and Replacement Fund" for information on how funds in the Renewal and Replacement Fund may be applied, including to restore deficiencies in the Principal Account and Interest Account, subject to the terms and conditions of the Resolution.

The Renewal and Replacement Fund will not be funded at the closing of the Series 2017 Bonds and will be funded from Pledged Revenues over time as required by the Resolution, commencing in October, 2017. The Consulting Engineers have recommended an initial R&R Fund Requirement of at least $150,000 for Fiscal Year 2017-2018.

Operations

Following the District's acquisition of the Existing System, the office of the District Manager of the District, Fishkind & Associates, Inc., will be responsible for a day-to-day operation and maintenance of the Existing System, as well as the customer service, billing, management functions. Operations and maintenance is currently, and will be, performed on a daily basis as necessary seven days per week. System operations are overseen by a Florida Registered Professional Engineer.

Selected Information Regarding Reserved Connections

Overview

The information under this subcaption "Selected Information Regarding Reserved Connections" does not include any information relating to the future ERCs projected for the Existing System Service Area as described above under "General."

The table below depicts general information regarding the 6,710 reserved connections relating to the Existing System (of which 5,119 ERCs are connected and 1,591 ERCs are unconnected) as of May 31, 2017. The unconnected ERCs reserve capacity in the Existing System by having paid to the Seller the equivalent of System Capacity Charges and by paying guaranteed revenues, as shown in the Tariff, following the acquisition of the Existing System by the District. The unconnected ERCs will become connected ERCs, if ever, upon the issuance of a certificate of occupancy for the unit of development related to such connection. There is no assurance that any of the 1,591 unconnected ERCs that have reserved capacity in the Existing System will connect to the Existing System as expected. Upon the failure to pay guaranteed revenues to the District in accordance with the Tariff with respect to reserved unconnected ERCs, the applicable customer will forfeit its right to reserve capacity in the Existing System and may be subject to payment of System Capacity Charges (as well as guaranteed revenues) in order to again reserve capacity in the Existing System. See "BONDHOLDERS' RISKS—Item No. 4."

Customers relating to the ERCs shown in the table below are more fully described under "Existing System Customers Relating to the Reserved Connections."

Reserved Connections As Of May 31, 2017

Type of Connection[1]	Connected ERCs	Unconnected ERCs	Total
Residential	2,011	1,328	3,339
TIC ERCs	1,649	100	1,749
Commercial	734	79	813
Governmental/Other	725	84	809
Total:	5,119	1,591	6,710

Source: The District.

(1) Reserved connections include common areas related to the connected and unconnected ERCs, as applicable, shown above.

Existing System Customers Relating to the Reserved Connections

Homeowner's/Master Associations: There are six homeowner's associations (each, a "HOA") within the Existing System Service Area that are expected to become "customers" of the District upon its acquisition of the Existing System and accept and pay for irrigation services based on the actual usage of connections (on a metered or irrigated acre basis) within the HOA. Accordingly, the District will bill, and enforce collection, of rates, fees and charges for use of the Existing System with respect to the applicable HOA. Each HOA will, in turn, bill and enforce collection, of the rate, fees and charges paid by it for use of the Existing System against the residential units within the HOA.

The table below provides information as of May 31, 2017 regarding the six HOAs, including the ERCs related to each, that are currently expected to become customers of the District with respect to the Existing System. The ERCs in the table below relate to a combination of single-family, multi-family and condominium units. For purposes of the table below, "active" status means sales of new residential units are on-going in the applicable HOA, "inactive" status means sales of new residential units are not currently on-going in the applicable HOA, and "built-out" means the applicable developer has completed sales of residential units in the applicable HOA.

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Certain HOA Reserved Connections As Of May 31, 2017[1]

HOA Name	Homebuilder/Owner	Total No. Planned Residential Units	Connected ERCs/Units	Unconnected ERCs/Units	Status	Total ERCs
Town Park HOA	Minto					
Units		1,145	638	507	Active	
ERCs			727	813		1,540
Vitalia HOA	AV Homes					
Units		1,002	763	239	Active	
ERCs			877	323		1,200
Promenade HOA	Centerline Homes					
Units		135	135	0	Built-out	
ERCs			21	0		21
Estates HOA	DR Horton					
Units		152	124	28	Active	
ERCs			226	40		266
Victoria Parc HOA						
Units	DR Horton/GHO/EMF Capital[2]	227	113	114	Active (61) and Inactive (52)	
ERCs			158	124		282
Westcliffe Estates HOA	Homecrete Homes					
Units		19	2	17	Inactive	
ERCs			2	28		30
Totals:						
Units		2,680	1,775	905		
ERCs			2,011	1,328		3,339

Source: The District

(1) Excludes TIC ERCs (hereinafter defined). Common areas are included in connected and unconnected ERCs, as applicable, shown above.
(2) EMF Capital is not a builder/developer and owns the land related to the 52 inactive ERCs in the Victoria Parc HOA.

TIC as Bulk Purchaser: TIC has indicated that, following the District's acquisition of the Existing System, it will purchase irrigation service of the Existing System from the District on a bulk basis (although it is not contractually required to purchase such service from the District) and that it will resell the irrigation water so purchased to three homeowner's associations (Bedford Park, Heritage Oaks at Tradition and Lakes at Tradition) (the "TIC Customers") representing a total of 1,749 "reserved" connections, consisting of 1,649 connected ERCs and 100 unconnected ERCs as of May 31, 2017 (the "TIC ERCs"). TIC will pay for such service of the Existing System in excess of the bulk purchaser base rate on a metered basis for the Heritage Oaks at Tradition and Lakes at Tradition homeowner's associations and on an irrigated acre basis for the Bedford Park homeowner's association.

The District has no control over the price at which TIC makes irrigation water purchased from the District available to the TIC Customers, however, it is the District's understanding that at least one of the homeowners' associations comprising the TIC Customers has historically paid for irrigation service on a discounted basis, based on certain contractual arrangements between TIC and the applicable homeowner's association. The District is not aware of any on-going operations of TIC following the sale of the Existing System to the District, other than those relating to its rights and obligations under the contracts with the TIC Customers. It is the District's understanding that none of the contractual arrangements between TIC and the TIC Customers have a stated duration or term, however, the arrangements do have provisions that permit termination under certain circumstances, including, in one case, upon requisite notice from TIC of TIC's intent to terminate the contract. See "BONDHOLDERS' RISKS—Item No. 4."

The table below provides information about the TIC Customers and the TIC ERCs as of May 31, 2017. For purposes of the table below, " "built-out" means the applicable developer has completed sales of residential units in the applicable HOA and "inactive" status means sales of new residential units are not currently on-going in the applicable HOA.

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TIC Customers and TIC ERCs As Of May 31, 2017[1]

HOA Name	Homebuilder	Total No. Planned Residential Units	Connected ERCs/Units	Unconnected ERCs/Units	Status	Total ERCs
Bedford Park HOA	Hanover Homes					
Units		442	442	0	Built-out	
ERCs			354	0		354
The Lakes HOA	Divosta					
Units		687	687	0	Built-out	
ERCs			774	0		774
Heritage Oaks HOA	Homes by Kennedy					
Units		621	521	100	Inactive	
ERCs			521	100		621
Totals:						
Units		1,750	1,650	100		
ERCs			1,649	100		1,749

Source: The District.

[1] Common areas are included in connected and unconnected ERCs, as applicable, shown above.

Commercial Customers: As of May 31, 2017, a total of 41 commercial customers have reserved connections to the Existing System, of which 734 ERCs are connected (attributable to 31 customers) and 79 ERCs (attributable to 10 customers) are unconnected. The commercial customers relating to the connected ERCs include, among others, Martin Memorial Hospital, Hilton Homewood Suites, Brennity Adult Living Facility, a Publix supermarket, Christ Fellowship Church, Atlantic at Tradition Luxury Apartments, Torrey Pines Institute for Molecular Studies, and the Landing at Tradition retail center, as well as various restaurants, retail shops and offices. See "TRADITION—Existing and On-Going Development." Included in the connected commercial ERCs are 19.49 ERCs relating to a facility recently acquired by the City in foreclosure. As of May 31, 2017, commercial development is being undertaken by 3 customers relating to 13.02 of the commercial unconnected ERCs.

Governmental and Other Customers: A total of 725 connected ERCs as of May 31, 2017 are attributable to the Tradition Commercial Property Owners' Association (91 ERCs related to

common areas), the District (537 ERCs related to road right-of-way and common areas) and the City (14 ERCs related to road right-of-way) and Tradition Community Association ("TCA"), the master property owner's association established for portions of the Tradition development (83 ERCs relating to common areas). A total of 84 reserved unconnected ERCs as of May 31, 2017 are attributable to land owned by TCA which can be developed with approximately 210 multi-family units. TCA acquired this property through foreclosure as a result of the prior owner's failure to pay assessments levied by TCA for operation and maintenance and similar functions. TCA is expected to pay guaranteed revenues in accordance with the Tariff with respect to the 84 unconnected ERCs until the subject property is sold to a third-party for development of multi-family units thereon.

Rules and Regulations Applicable to the Existing System; Tariff

General

On April 11, 2017, after providing requisite notice and holding a public hearing as required by applicable Florida law, the District adopted a resolution approving its Irrigation System Rules and Regulations (the "Rules and Regulations"), which, among other matters, provide for various matters relating to the District's operation of the Existing System and Expansion System, respectively, and establishes rates, fees and charges for the services of the Existing System and the Expansion System (the "Initial Tariff"). At a meeting held on July 11, 2017, the District, by motion, adopted a revision to the Initial Tariff (the Initial Tariff, as so revised being referred to as the "Tariff"). The District has scheduled a public hearing on the Tariff for September 12, 2017 at which time the Tariff will be considered for final adoption. The District anticipates that the Tariff will be approved substantially as described below. Where indicated, the rates, fees and charges in the Tariff are 5% less than the rates, fees and charges currently charged by TIC for the same service.

The Tariff and other provisions of the Rules and Regulations may be further amended from time to time by rule of the Board upon public notice and at least one public hearing and after following all additional procedures required by the District Irrigation Interlocal Agreement. See "THE DISTRICT—Selected Agreements—Interlocal Agreements."

As noted under "THE DISTRICT—Interlocal Agreements," the District and the other community development districts that are parties to the District Irrigation Interlocal Agreement have established a committee to review and oversee all tariffs, rates, and charges established, proposed, and maintained by the District in its operation of the Existing System and the Expansion System, subject to the terms and conditions of the District Irrigation Interlocal Agreement and certain covenants of the District relating to the Series 2017 Bonds.

Rules and Regulations

Among the matters addressed by the Rules and Regulations are the manner in which customers may apply for service from the Existing System, how the District will bill customers for service of the Existing System and when bills to customers for service provided by the Existing System become delinquent and when service of the Existing System may be withheld from customers.

In addition, the Rules and Regulations adopt a water conservation policy to conserve water resources, which includes provisions to encourage customers not to over-water their landscaping and otherwise promote conservation practices. All customers are expected to comply with watering restrictions established by the District and SFWMD. Failure to comply may subject a customer to discontinuance of service.

The Rules and Regulations provide that upon execution of an application for service by the District and payment of all costs, charges, and fees by such customer required by the District, and execution of the application, the District will reserve Irrigation Water Capacity, as set forth in the application. The District is not obligated to provide excess irrigation water to the customer above that necessary to meet the demand for irrigated acreage physically connected to the Existing System. The District may allocate irrigation water capacity reserved for a customer to other developers or customers if the District (i) has funds available to replace the facilities utilized by other such customers; (ii) the District has preliminary approval by governmental agencies for the replacement facilities; and (iii) the anticipated completion date for the new/replacement facilities is adequate to meet the demand of existing customers in accordance with the plan of development delivered to the District.

Tariff

The Rules and Regulations provide that except for customers receiving service via direct connection to the District's irrigation transmission mains, each customer's installation for irrigation water service shall be so arranged that all irrigation water service shall pass through the meter.

Bills are provided to customers monthly. Non-receipt of a billing statement by a customer does not release or diminish the obligation of the customer with respect to payment of such statement. Payment is due within twenty (20) days of the statement date. All statements and billings for irrigation services are deemed delinquent if not paid within twenty (20) days of the due date and accrue late charges, finance charges, and reconnection charges. The Rules and Regulations specify a dispute procedure to be followed by a customer that contests any statement or billing.

Included in the Tariff are Impact Fees, which are referenced therein as "system capacity charges." The District requires that all customers pay a pro rata share of the cost for the District's water treatment and distribution facilities, as a system capacity charge, regardless of whether the facilities have been constructed or will be constructed in the future. The system capacity charges are calculated based on the customer's estimated demand for irrigation water and the total cost of the District's water treatment and distribution system required to serve the planned service area. The system capacity charge is calculated using the customer's estimated irrigated acres times the cost of the District's facilities per irrigated acre, as set forth in the Tariff. System capacity charges are payable upon application for service. At the District's discretion one half (1/2) of the charges may be payable upon application and the remainder paid upon installation of the point of delivery. At no time shall services be rendered prior to the system capacity charge being paid in full. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—Pledged Revenues" for information regarding Impact Fees and the extent to which the same are included in Pledged Revenues.

Pursuant to the Rules and Regulations, customers who have reserved capacity and have not physically connected and are not actively irrigating the irrigated acreage shall pay "guaranteed revenue" to the District. The guaranteed revenue shall be paid monthly based on the unit price per irrigated acre set forth in the Tariff.

The schedule of fees, rates and charges for delivery of irrigation service set forth in the Tariff, based on the current Rules and Regulations is shown below.

Schedule Of Rates, Fees And Charges—Existing System

Account setup charge:	$20.00	
Account transfer charge:	$20.00	
System Capacity Charge:	$18,818.10	per irrigated acre
	$2,163.00	per equivalent residential unit (ERU) (8.7 ERUs per irrigated acre)

Initial Connection Fee:

Controller (Motorola Piccolo)		$2,000	(once facilities have been sized by the designer
Control Valve/Meter	1-1/2"	$750	and fees paid, the District will order the
	2"	$750	controller, valve, and meter)
	3"	$1,100	
	4"	$1,750	
	6"	$3,200	
	8"	$4,500	

Monthly Base Facility Charge[1]:	$195.75 (less 5% = $186.96)	per month per irrigated acre
	$22.50 (less 5% = $21.38)	per month per ERU (single family)
	$9.00 (less 5% = $8.55)	per month per 0.4 ERU (multifamily)
	$2.25 (less 5% = $2.14)	per month per 0.1 ERU (apartment)

[Footnotes follow]

Schedule Of Rates, Fees And Charges—Existing System (Cont'd)

Monthly Volume and Excess Usage Charge[2]:

Base $1.50 per 1,000 gallons for usage	≤90,000 gallons per irrigated acre ≤10,500 gallons per ERU
Excess Level 1 $2.18 per 1,000 gallons for usage	>90,000 but <140,000 gallons per irrigated acre >10,500 but <16,000 gallons per ERU
Excess Level II $3.27 per 1,000 gallons for usage	≥140,000 gallons per irrigated acre ≥16,000 gallons per ERU

Guaranteed Revenues:	$28.28	per month per irrigated acre
	$3.23	per month per ERU

Monthly Bulk User Charge:	Base charge	$125.00 per month per metered area (≤250,000 gallons per month) $2,000.00 per month per unmetered area (≤100 irrigated acres or 870 ERUs)
	Excess Usage	$1.30 per 1,000 gallons per month used in excess of 250,000 gallons (metered areas) $150.00 per irrigated acre ($17.25 per ERU) per month for irrigated area in excess of 100 acres or 870 ERUs

Rules and Regulations Violation Charge: $50.00 per occurrence

Damage to District Facilities caused by Customer: Actual cost of repair

Late Fee Charge: 5.0% of balance due, not to exceed $250.00 per month, if not paid by Due Date

[Footnotes follow]

Finance Charge: 18.0% per annum on balance more than thirty (30) days past due

Plan Review and Inspection Fee: $2,500.00 including first inspection; additional inspections billed at hourly service charge rate

Meter Test Fee/Deposit:		
	Under 2"	$75.00
	2" and above	Actual cost of test

Returned Check Charge (Not Sufficient Funds): $25.00

Reconnection Charge: $85.00

Reconnection Charge (if after 5:00 PM or on weekends): $105.00/hr., 1 hr. minimum

Transfer of Service Charge: $30.00

Service Problem Identification Charge [3]: $85.00/hr., 1 hr. minimum

Service Problem Identification Charge (if after 5:00 PM or on weekends) [3]: $125.00/hr., 1 hr. minimum

Terms of Payment: Bills are due and payable when rendered and become delinquent if not paid within twenty (20) days. After a minimum of ten (10) days written notice, service may be discontinued.

Footnotes:

1. Charged regardless of volume quantity used per irrigated acre served.
2. Does not apply to bulk users
3. Charged only if service problem is not the fault of the District.

Historical Connections and Collections

Information regarding historical connections and collections of operating revenues for the Existing System from 2014 to 2016 is shown in the table below. The information in the table is based on information available to the District from the Seller, which the District has no reason to believe is not accurate, but is not guaranteed as to accuracy. Data in the table below is shown on a calendar year basis, rather than on the basis of the District's Fiscal Year. ERCs and sales revenues for 2016 are based on actual data available to the District from the Seller. ERCs and sales revenues for 2013-2015 are estimated, based on 2016 data. In addition, such estimated sales revenues include assumptions as to the collection of amounts that were delinquent in prior years and/or related to fluctuations in connected and unconnected ERCs within a calendar year.

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Historical Connections and Collections —Existing System

	2013	2014	2015	2016
ERCs:				
Residential ERCs (excluding TIC ERCs)				
Connected	1,096	1,158	1,304	1,484
Unconnected	2,243	2,181	2,035	1,855
	======	======	======	======
Total Residential	3,339	3,339	3,339	3,339
TIC ERCs				
Connected	1,649	1,649	1,649	1,649
Unconnected	100	100	100	100
	======	======	======	======
Total TIC ERCs	1,749	1,749	1,749	1,749
Commercial ERCs				
Connected	616	616	616	659
Unconnected	197	197	197	154
	======	======	======	======
Total Commercial	813	813	813	813
Governmental/Other				
Connected	725	725	725	725
Unconnected	84	84	84	84
	======	======	======	======
Total Governmental/Other	809	809	809	809
Sales Revenues:				
Residential:				
Connected	$245,213	$285,776	$338,321	$470,607
Unconnected	$77,729	$99,926	$111,893	$101,960
TIC ERCs:				
Connected	$144,480	$144,480	$144,480	$144,480
Unconnected	$3,876	$3,876	$3,876	$3,876
Commercial Acres:				
Connected	$118,782	$118,782	$118,782	$118,782
Unconnected	$17,536	$17,536	$17,536	$17,536
Governmental/TCA ERCs				
Connected	$106,317	$139,895	$139,895	$139,895
Unconnected	$22,979	$7,482	$7,482	$7,482
Other Operating Revenues:				
Connection Fees	$0	$0	$2,500	$121,790
Impact Fees	$0	$0	$0	$0
	========	=========	=========	=========
Total Operating Revenues	$736,912	$817,753	$884,765	$1,126,408

Source: The District.

Pro Forma Connections, Collections and Debt Service Coverage

The table below depicts pro forma operating results of the Existing System, for the Fiscal Years of the District indicated below, using historical data available to the District from the Seller, among other data, and pro forma debt service coverage for Fiscal Years 2018-2022, assuming the Series 2017 Bonds are issued and outstanding during such Fiscal Years.

The projections in the table below are based on assumptions that the District considers reasonable, based on information currently available to it, but such forward-looking information is inherently uncertain and subject to significant business, economic and competitive uncertainties and contingencies, all of which are difficult to predict and many of which are beyond the control of the District. In particular, historical data may not be indicative of future results. Accordingly, there can be no assurance that the past experience of the Seller with regard to historical operating results as shown above is indicative of any future operating results, nor is there any assurance that the pro forma debt service coverage on the Series 2017 Bonds is indicative of future debt service coverage on the Series 2017 Bonds. It should also be noted that amounts received by the District from rates, fees and charges relating to the Existing System will depend on the amount of water used by customers for irrigation purposes and will fluctuate each year, seasonally, based on rainfall, associated runoff and ground water table elevations. For instance, higher than normal amounts of rainfall in a given period correlating to lower usage of water for irrigation purposes for the applicable period. See "BONDHOLDERS' RISKS—Item No. 4."

Assumptions used in compiling the data in the table are as follows: (i) Fiscal Year 2017 ERCs are as of May 31, 2017; (ii) Fiscal Year 2017 revenues are annualized based on actual revenues through May 31, 2017, using information available to the District from the Seller; (iii) none of the 697 projected ERCs in the Existing System Service Area are taken into account for purposes of the table; (iv) growth/increases in ERCs represents reserved unconnected connections converting to reserved connected connections; (v) no Connection Fees or Impact Fees (System Capacity Charges) are projected to be received during Fiscal Year 2017 through Fiscal Year 2022; and (vi) the following:

- residential ERCs will increase by 266 per year from Fiscal Year 2018 through Fiscal Year 2022, based on historical growth in residential ERCs in the Existing System Service Area from 2013 through 2017 through May 31, 2017, based on information available to the District from the Seller;

- commercial ERCs will increase by 16 per year from Fiscal Year 2018 through Fiscal Year 2022, based on 50% of the approximate average of growth in commercial ERCs in the Existing System Service Area from 2013 through 2017 through May 31, 2017, based on information available to the District from the Seller;

- governmental/other ERCs will increase by 17 per year from Fiscal Year 2018 through Fiscal Year 2022, assuming the land planned for multi-family units previously foreclosed upon by TCA will be sold to a third-party builder/developer;

- TIC ERCs will increase by 20 per year based on an assumed absorption of 100 reserved unconnected ERCs in the Heritage Oaks HOA, as shown in the table above entitled "TIC Customers and TIC ERCs As Of May 31, 2017,"

- revenue growth is based on assumed growth in ERCs from Fiscal Year 2018-2022, without assuming any inflation or escalation in rates, fees and charges set forth in the Tariff;

- operating expenses are assumed to escalate at the rate of 2% in each Fiscal Year from 2018-2022 and include payment of the franchise fee to the City pursuant to the Franchise Agreement, among other expenses, but assume that the District is not required to purchase reuse water from the City pursuant to the Franchise Agreement during the projection period (See "Franchise Agreement" above);

- deposits to the Renewal and Replacement Fund are not included in operating expenses and are expected to be funded after payment of the Debt Service Requirements on the Series 2017 Bonds as required by the Resolution; and

- Debt Service Requirements on the Series 2017 Bonds are on a Fiscal Year basis. Debt Service Requirements for Fiscal Year 2018 do not include any principal amortization. See "DEBT SERVICE REQUIREMENTS FOR THE SERIES 2017 BONDS."

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Pro Forma Connections, Collections and Debt Service Coverage—Existing System

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
ERCs:						
Residential ERCs						
Connected	2,011	2,276	2,542	2,808	3,073	3,339
Unconnected	1,328	1,063	797	531	266	0
Total Residential	3,339	3,339	3,339	3,339	3,339	3,339
TIC ERCs						
Connected	1,649	1,669	1,689	1,709	1,729	1,749
Unconnected	100	80	60	40	20	0
Total TIC	1,749	1,749	1,749	1,749	1,749	1,749
Commercial ERCs						
Connected	734	749	765	781	797	813
Unconnected	79	64	48	32	16	0
Total Commercial	813	813	813	813	813	813
Governmental/Other ERCs						
Connected	725	742	759	775	792	809
Unconnected	84	67	50	34	17	0
Total Governmental/Other	809	809	809	809	809	809
Sales Revenues:						
Residential ERCs						
Connected	$503,226	$569,710	$636,194	$702,678	$769,162	$835,646
Unconnected	$73,022	$58,417	$43,813	$29,209	$14,604	$0
TIC ERCs						
Connected	$144,480	$146,232	$147,984	$149,736	$151,488	$153,240
Unconnected	$3,876	$3,101	$2,326	$1,550	$775	$0
Commercial ERCs						
Connected	$141,580	$144,620	$147,659	$150,699	$153,738	$156,778
Unconnected	$7,014	$5,611	$4,208	$2,806	$1,403	$0
Governmental/Other ERCs						
Connected	$139,895	$143,137	$146,380	$149,622	$152,864	$156,106
Unconnected	$7,482	$5,985	$4,489	$2,993	$1,496	$0
Total Sales Revenues	$1,020,575	$1,076,814	$1,133,053	$1,189,292	$1,245,530	$1,301,770
Other Operating Revenues:						
Connection Fees	$0	$0	$0	$0	$0	$0
Impact Fees	$0	$0	$0	$0	$0	$0
Total Operating Revenue	$1,020,575	$1,076,814	$1,133,053	$1,189,292	$1,245,530	$1,301,770
Operating Expenses	$541,814	$552,651	$563,704	$574,978	$586,477	$598,207
Pledged Revenues	$478,761	$524,163	$569,349	$614,314	$659,053	$703,563
Total Debt Service Requirements	$0	$172,047	$371,025	$366,825	$367,525	$368,025
Debt Service Coverage	N/A	3.05x[1]	1.53x	1.67x	1.79x	1.91x

Source: The District.

(1) Debt Service Requirements in Fiscal Year 2018 do not include any principal amortization. See "DEBT SERVICE REQUIREMENTS FOR THE SERIES 2017 BONDS."

BONDHOLDERS' RISKS

In analyzing the offering of the Series 2017 Bonds made by this Limited Offering Memorandum, prospective purchasers should carefully consider the following risk factors, among others, which may adversely affect the security for and timely payment of the Series 2017 Bonds. The material appearing under this caption, however, does not purport to summarize all risks that may be associated with purchasing or owning the Series 2017 Bonds and prospective purchasers are advised to read this Limited Offering Memorandum in its entirety for a more complete description of factors to be considered in investment decisions relating to the Series 2017 Bonds.

1. Operation and Maintenance Fund Not Pledged; Remedies May Be Subject To Discretion And Delay. As noted under "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—Pledged Revenues" the Gross Revenues of the Existing System are initially deposited to the Operation and Maintenance Fund, which is held by the District, and is not pledged under the Resolution. Only the Net Revenues transferred to the Trustee for further deposit to the Funds and the Accounts in the Sinking Fund as described under "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—Funds and Accounts—Flow of Funds" are included in the Pledged Revenues pledged to the Series 2017 Bonds.

The remedies available to the Owners of the Series 2017 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by federal, state and local law and in the Resolution and the Series 2017 Bonds, including, without limitation, enforcement of the obligation to pay fees and user charges imposed with respect to the Existing System may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds (including Bond Counsel's approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. The inability, either partially or fully, to enforce remedies available respecting the Series 2017 Bonds could have a material adverse impact on the interest of the Owners thereof.

2. Permits Must Be Obtained And Maintained; Demand May Exceed Permitted Allocation . The Existing System is required to obtain and maintain permits and approvals and periodic renewals thereof in connection with the operation of the Existing System. Although the District's Consulting Engineers have indicated that all of such required permits and approvals have been obtained or may be obtained in the ordinary course, there is no assurance that such permits and approvals will be maintained and/or obtained, as applicable. The District does not control the other users that withdraw water pursuant to the SFWMD Diversion and Impoundment Permit, as described under "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—Regulatory Compliance." Failure to obtain permits and approvals or renewals thereof or delays in obtaining same may have an adverse impact on the Existing System and Gross Revenues. In addition, although the Consulting Engineers' Report indicates that the existing SFWMD permitted allocation will be sufficient to serve the reserved and projected future connections in the Existing System Service Area, the District may be required to

seek additional water allocation from SFWMD to provide service to future connections and there is no assurance such allocation will be obtained. See THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—Regulatory Compliance" and the Consulting Engineers' Report attached hereto as "APPENDIX A."

3. There Is No Assurance Of A Liquid Secondary Market For The Series 2017 Bonds. There is no assurance that a liquid secondary market exists or will develop for the Series 2017 Bonds in the event a Beneficial Owner thereof determines to solicit purchasers for the Series 2017 Bonds it owns. Even if a liquid secondary market exists or develops, as with any marketable securities, there can be no assurance as to the price for which the Series 2017 Bonds may be sold. Such price may be lower than that paid by the current Beneficial Owner of the Series 2017 Bonds, depending on the progress of the development of the Existing System Service Area, existing real estate and financial market conditions and other factors.

4. No Assurance Reserved Unconnected Connections Will Connect to the Existing System; Concentration Risk Relating To TIC As Bulk Purchaser; There May Be Limitations On The District's Ability To Comply With Rate Covenant. There is no assurance that the unconnected reserved connections as of May 31, 2017 described under "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA" will connect to the Existing System. In addition, TIC, an entity affiliated with the Primary Landowner, is expected to purchase irrigation water service of the Existing System from the District on a bulk basis for resale to the TIC Customers as described under "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA." The TIC ERCs represented by the TIC Customers account for approximately 26% of the 6,710 total reserved connections to the Existing System as of May 31, 2017 (consisting of approximately 32% of the 5,119 reserved connected ERCs and 6% of the 1,591 reserved unconnected ERCs). As noted under "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA," the District is not aware of any on-going operations of TIC following the sale of the Existing System to the District, other than those relating to its rights and obligations under the contracts with the TIC Customers. There is no assurance that TIC will purchase irrigation water service of the Existing System from the District and no requirement that it do so. In the event that TIC ceases to purchase irrigation water service of the Existing System for any reason, including its bankruptcy or the termination of all or any of its contractual arrangements with TIC Customers, there may be a disruption in the collection of Gross Revenues, however, the District anticipates that the TIC Customers will elect to purchase irrigation water service of the Existing System, although there is no obligation to do so, and in such event, any disruption would be temporary. See "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—Franchise Agreement" for a discussion of alternative sources of irrigated water in the Existing System Service Area. Further, in the event of a bankruptcy of TIC, it is possible that TIC could seek to recapture amounts representing Gross Revenues paid to the District by TIC as a bulk purchaser of service of the Existing System during a period that could vary from 90 days to up to one year prior to the bankruptcy, depending on various factual matters. The District believes it would likely be able to assert a variety of reasonable defenses to any such claims, however, a court with jurisdiction over the matter would have broad discretion in accordance with equitable principles to make a final determination as to the validity of the claims.

In addition, amounts received by the District from rates, fees and charges relating to the Existing System fluctuate each year, depending on the rules and regulations implemented by the District from time to time to address water use conservation (which in turn, is dependent on requirements of SFWMD and other governmental entities with jurisdiction over the land in the Existing System Service Area) and the amount of water used by customers for irrigation purposes. For instance, higher than normal amounts of rainfall in a given period correlating to lower usage of water for irrigation purposes for the applicable period.

The District may be required to increase rates, fees and charges for use of the Existing System in order to maintain compliance with the Rate Covenant set forth in the Resolution, as a result of the failure of a significant number of the unconnected reserved ERCs to connect to the Existing System, the failure of TIC to purchase service of the Existing System as contemplated and TIC Customers to continue to purchase irrigation water service from the Existing System, the commencement of the requirement to purchase reuse water from the City pursuant to the Franchise Agreement (see "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—Franchise Agreement"), unanticipated increases in operating expenses, unanticipated decreases in operating revenues and/or other factors, many of which are outside the control of the District. The ability to increase rates, fees and charges is subject to action by the Board of the District and compliance with certain procedural requirements imposed by applicable law.

5. Consultants May Not Perform. While the District has represented to Citigroup that it has selected its District Manager, counsel, Trustee and other professionals with the appropriate due diligence and care, and while the foregoing parties have each represented in their respective areas as having the requisite experience to accurately and timely perform the duties assigned to them in such roles, the District does not guaranty any portion of the performance of these parties.

6. Future Development of Existing System Service Area and/or Issuance Of Additional Bonds May Adversely Impact Rate Covenant. There is no assurance that any additional development within the Existing System Service Area following the date of issuance of the Series 2017 Bonds will occur as anticipated, as described under "THE EXISTING SYSTEM AND THE EXISTING SYSTEM SERVICE AREA—Existing System Service Area." Also, the District may issue Additional Bonds on a parity with the Series 2017 Bonds. Any increase in the Principal and Interest Requirements on Outstanding Bonds as a result of the issuance of Additional Bonds may adversely impact the District's ability to comply with the Rate Covenant pursuant to the Resolution. See "SECURITY FOR AND SOURCES OF PAYMENT OF THE SERIES 2017 BONDS—Additional Bonds" herein.

7. Changes In Federal Tax Law May Adversely Affect Value Of Series 2017 Bonds; No Adjustment To Interest Rate In The Event Of A Change In The Tax-Exempt Status Of The Series 2017 Bonds. The Resolution does not provide for any adjustment to the interest rates borne by the Series 2017 Bonds or for a redemption of the Series 2017 Bonds in the event of a change in the tax-exempt status of the interest on the Series 2017 Bonds. Such a change could occur as a result of an adverse determination by the Service or a court with respect to the tax-exempt status of interest on the Series 2017 Bonds, because of the District's failure to comply with tax covenants contained in the Resolution, or because of a change in the United States income tax laws. Prospective purchasers of the Series 2017 Bonds should evaluate whether they

can own the Series 2017 Bonds in the event that the interest on the Series 2017 Bonds becomes taxable.

As noted under "THE DISTRICT---Additional Matters Relating to Special Districts," the Service has issued the TAMs and published proposed regulations designed to provide prospective guidance with respect to potential private business control of issuers by providing a new definition of political subdivision for purposes of determining whether an entity is an appropriate issuer of bonds the interest on which is excluded from gross income for federal tax purposes, which would not apply to the Series 2014 Bonds and Series 2017 Bonds but may apply to any bonds issued by the District in the future.

The Service has also established an on-going program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. There is no assurance that an audit by the Service of the Series 2017 Bonds will not be commenced.

Owners of the Series 2017 Bonds are advised that, if the Service does audit the Series 2017 Bonds, under its current procedures, at least during the early stages of an audit, the Service will treat the District as the taxpayer, and the owners of the Series 2017 Bonds may have limited rights to participate in such procedure. The District could settle an audit of the Series 2017 Bonds in which the Service determined the interest on the Series 2017 Bonds was not excludable from gross income or the District could file an administrative appeal with the Service; however, the District may not have available revenues to contest such determination or to enable it to enter into a financial settlement with the Service. If the District were to lose such an appeal, the interest on the Series 2017 Bonds could be declared subject to inclusion in gross income of the holders thereof from the issue date of the Series 2017 Bonds (unless the District entered into a settlement with the Service). In the event IRS determines in an audit that the interest on the Series 2017 Bonds is not excludable from gross income, unless an Owner of the Series 2017 Bonds refuses to pay tax on the interest it receives or pays such tax and sues the Service for a refund, there is no procedural avenue to bring the Service determination to a court for review and, consequently, the ability of an Owner of the Series 2017 Bonds to seek relief from a court is limited.

The commencement of an audit by the Service could adversely affect the market value and liquidity of the Series 2017 Bonds until the audit is concluded, regardless of the ultimate outcome. An adverse determination by the Service with respect to the tax-exempt status of interest on the Series 2017 Bonds may adversely impact any secondary market for the Series 2017 Bonds, and if a secondary market exists, will likely adversely impact the price for which the Series 2017 Bonds may be sold.

Various proposals are mentioned from time to time by members of the Congress of the United States of America and others concerning reform of the internal revenue (tax) laws of the United States. In addition, the Service may, in the future, issue rulings that have the effect of changing the interpretation of existing tax laws. Certain of these proposals and interpretations, if implemented or upheld, could have the effect of diminishing the value of obligations of states and their political subdivisions, such as the Series 2017 Bonds, by eliminating or changing the tax-exempt status of interest on certain of such bonds. Whether any of such proposals will ultimately become or be upheld as law, and if so, the effect such proposals could have upon the

value of bonds such as the Series 2017 Bonds, cannot be predicted. However, it is possible that any such law or interpretation could have a material and adverse effect upon the availability of a liquid secondary market and/or the value of the Series 2017 Bonds.

See "THE DISTRICT ---Additional Matters Relating to Special Districts" and "TAX MATTERS" herein.

8. Impact Of Existing And Potential Future Legislation Cannot Be Predicted. It is impossible to predict with certainty the impact that any existing or future legislation will or may have on the security for the Series 2017 Bonds. See the discussion of the Executive Order directing an examination of the role of special districts in Florida under "THE DISTRICT—Legal Powers and Authority." It should be noted that Section 190.16(14) of the Act provides in pertinent part that "The state pledges to the holders of any bonds issued under the Act that it will not limit or alter the rights of the district to levy and collect the … rates, fees and charges as provided hereunder and to fulfill the terms of any agreement made with the holders of such bonds … and that it will not impair the rights or remedies of such holders."

***

This section does not purport to summarize all risks that may be associated with purchasing or owning the Series 2017 Bonds and prospective purchasers are advised to read this Limited Offering Memorandum in its entirety (inclusive of Appendices) for a more complete description of investment considerations relating to the Series 2017 Bonds.

TAX MATTERS

PROSPECTIVE PURCHASERS OF THE SERIES 2017 BONDS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE SERIES 2017 BONDS AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE SERIES 2017 BONDS.

General

The Internal Revenue Code of 1986, as amended (the "Code"), imposes certain requirements that must be met on a continuing basis subsequent to the issuance of the Series 2017 Bonds in order to assure that interest on the Series 2017 Bonds will be excluded from gross income for federal income tax purposes under Section 103 of the Code. The District's failure to comply with these requirements may cause interest on the Series 2017 Bonds to be included in gross income for federal income tax purposes retroactive to their date of issuance. The District has covenanted in the Resolution to take all actions required by the Code in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Series 2017 Bonds. The opinion of Bond Counsel, the form of which is attached hereto as APPENDIX C, will be based upon and assume the accuracy of certain representations and certifications and is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with requirements such as described above subsequent to the issuance of the Series 2017 Bonds. The Resolution does not require the District to redeem the Series 2017 Bonds or to pay any additional interest or penalty in the event the interest on the Series 2017 Bonds becomes taxable.

In the opinion of Bond Counsel, assuming continuing compliance by the District with the tax covenants referred to above, interest on the Series 2017 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations under the Code. Bond Counsel is further of the opinion that, pursuant to the Act, the Series 2017 Bonds and the interest thereon are exempt from taxation under the laws of the State, except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income and profits on debt obligations owned by corporations as defined therein.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2017 Bonds.

Bond Counsel will render its opinions as of the issue date, and will assume no obligation to update the opinions after the issue date to reflect any future facts or circumstances, or any future changes in law or interpretation, or otherwise. The opinions of Bond Counsel are based on existing law, which is subject to change. As to questions of fact material to such opinions, Bond Counsel will rely upon representations and covenants made on behalf of the District, certificates of appropriate officers and others (including certifications as to the use of proceeds of the Series 2017 Bonds and of the property financed thereby), without undertaking to verify the same by independent investigation. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in law that may thereafter occur or become effective. Moreover, the opinions of Bond Counsel are only opinions and not a warranty or guaranty of the matters discussed or of a particular result, and are not binding on the Internal Revenue Service or the courts; rather such opinions represent Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

Additional Federal Income Tax Consequences

Prospective purchasers of the Series 2017 Bonds should be aware that ownership of, accrual or receipt of interest on or disposition of tax exempt obligations, such as the Series 2017 Bonds, may have additional federal income tax consequences for certain taxpayers, including, without limitation, taxpayers eligible for the earned income credit, recipients of certain Social Security and certain Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, financial institutions, property and casualty companies, foreign corporations and certain S corporations. Prospective purchasers of the Series 2017 Bonds should also consult with their tax advisors with respect to the need to furnish certain taxpayer information in order to avoid backup withholding.

PURCHASE, OWNERSHIP, SALE OR DISPOSITION OF THE SERIES 2017 BONDS AND THE RECEIPT OR ACCRUAL OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX CONSEQUENCES FOR CERTAIN INDIVIDUAL AND CORPORATE BONDHOLDERS, INCLUDING, BUT NOT LIMITED TO, THE

CONSEQUENCES DESCRIBED ABOVE. PROSPECTIVE BONDHOLDERS SHOULD CONSULT WITH THEIR TAX SPECIALISTS FOR INFORMATION IN THAT REGARD.

Purchasers of the Series 2017 Bonds at other than their original issuance at the respective prices indicated on the inside cover of this Limited Offering Memorandum should consult their own tax advisors regarding other tax considerations such as the consequences of market discount.

Changes in Federal Tax Law

Federal, state or local legislation, administrative pronouncements or court decisions may affect the tax-exempt status of interest on the Series 2017 Bonds, gain from the sale or other disposition of the Series 2017 Bonds, the market value of the Series 2017 Bonds, or the marketability of the Series 2017 Bonds, or otherwise prevent the owners of the Series 2017 Bonds from realizing the full current benefit of the exclusion from gross income of the interest thereon. For example, the federal legislative proposals have been made in recent years that would, among other things, limit the exclusion from gross income of interest on obligations such as the Series 2017 Bonds for higher-income taxpayers. If enacted into law, such proposals could affect the tax exemption of interest on the Series 2017 Bonds or the market price for, or marketability of, the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax and financial advisers regarding such matters.

For a discussion of proposed regulations currently under consideration that may affect the District and a related discussion of audit risk, see "BONDHOLDERS' RISKS –Item No. 8" herein. The opinion expressed by Bond Counsel is based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2017 Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

Additional Matters Relating to On-going IRS Audit Program and Special Districts

The Internal Revenue Service (the "IRS") has established an on-going program to audit tax-exempt obligations to determine whether interest on such obligations is includible in gross income for federal income tax purposes. In addition, reference is made to "BONDHOLDERS' RISKS – No Adjustment to Interest Rate in the Event of a Change in the Tax-Exempt Status of the Series 2017 Bonds" herein regarding recent developments with respect to certain special district financings.

Bond Counsel cannot predict whether the IRS will commence an audit of the Series 2017 Bonds. Owners of the Series 2017 Bonds are advised that, if the IRS does audit the Series 2017 Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the District as the taxpayer, and the owners of the Series 2017 Bonds may have limited rights to participate in such procedure. The commencement of audit could adversely affect the market value and liquidity of the Series 2017 Bonds until the audit is concluded, regardless of the ultimate outcome. As noted above, the Resolution does not require the District to redeem the Series 2017 Bonds or to pay any additional interest or penalty in the event the interest on the Series 2017 Bonds becomes taxable.

AGREEMENT BY THE STATE

Under the CDD Act, the State pledges to the holders of any obligations issued thereunder, including the Series 2017 Bonds, that it will not limit or alter the rights of the District to own, acquire, construct, reconstruct, improve, maintain, operate or furnish the projects subject to the CDD Act or to levy and collect taxes, assessments, rentals, rates, fees, and other charges provided for in the CDD Act and to fulfill the terms of any agreement made with the holders of such Series 2017 Bonds and that it will not in any way impair the rights or remedies of such holders.

LEGALITY FOR INVESTMENT

The CDD Act provides that the Series 2017 Bonds are legal investments for savings banks, banks, trust companies, insurance companies, executors, administrators, trustees, guardians, and other fiduciaries, and for any board, body, agency, instrumentality, county, municipality or other political subdivision of the State, and constitute securities which may be deposited by banks or trust companies as security for deposits of state, county, municipal or other public funds, or by insurance companies as required for voluntary statutory deposits.

SUITABILITY FOR INVESTMENT

This offering is limited by Citigroup to accredited investors within the meaning of Chapter 571, Florida Statutes and the rules of the Florida Department of Financial Services promulgated thereunder. This limitation of the initial offering to accredited investors does not denote restrictions on transfer in any secondary market for the Series 2017 Bonds. Investment in the Series 2017 Bonds poses certain economic risks. See "BONDHOLDERS' RISKS." Prospective investors in the Series 2017 Bonds should have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of an investment in the Series 2017 Bonds and have the ability to bear the economic risks of such prospective investment, including a complete loss of such investment. No dealer, broker, salesman or other person has been authorized by the District or Citigroup to give any information or make any representations, other than those contained in this Limited Offering Memorandum, and, if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATIONS

Rule 69W-400.003, Rules of Government Securities under Section 517.051(1), Florida Statutes, promulgated by the Florida Department of Financial Services, Office of Financial Regulation, Division of Securities and Finance ("Rule 69W-400.003"), requires the District to disclose each and every default as to the payment of principal and interest with respect to obligations issued or guaranteed by the District after December 31, 1975. Rule 69W-400.003 further provides, however, that if the District, in good faith, believes that such disclosures would not be considered material by a reasonable investor, such disclosures may be omitted. The District is not and has not since December 31, 1975 been in default as to principal and interest on its bonds or other debt obligations.

CONTINUING DISCLOSURE

Disclosure Agreement

In order to comply with the continuing disclosure requirements of Rule 15c2-12(b)(5) of the Securities and Exchange Commission (the "SEC Rule"), the District and Fishkind & Associates, Inc., as dissemination agent (the "Dissemination Agent"), will enter into a Continuing Disclosure Agreement (the "Disclosure Agreement"), the form of which is attached hereto as APPENDIX D, at the time of issuance of the Series 2017 Bonds.

Pursuant to the Disclosure Agreement, the District will covenant for the benefit of Bondholders to provide to the Dissemination Agent certain financial information and operating data relating to the District and the Series 2017 Bonds in each year to provide to the District and the Dissemination Agent certain financial information and operating data relating to the Existing System and the Existing System Service Area (the "District Annual Report") and to provide notices of the occurrence of certain enumerated material events and. The covenants in the Disclosure Agreement have been made in order to assist Citigroup in complying with the SEC Rule.

The District's obligations under the Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2017 Bonds, so long as there is no remaining liability of the District or if the SEC Rule is repealed or no longer in effect.

The District Annual Report will each be filed by the Dissemination Agent with the Repository, currently the Municipal Security Rulemaking Board's Electronic Municipal Markets Access ("EMMA") repository described in the form of the Disclosure Agreement attached hereto as APPENDIX D. The notices of material events will also be filed by the Dissemination Agent with EMMA. The specific nature of the information to be contained in the District Annual Report and the notices of material events are described in APPENDIX D.

With respect to the Series 2017 Bonds, no parties other than the District are expected to provide any continuing disclosure information with respect to the SEC Rule.

Compliance with Prior Undertakings

The District has previously entered into a written continuing disclosure undertaking with respect to the Series 2014 Bonds pursuant to the SEC Rule and with respect to the bonds refunded by the Series 2014 Bonds (collectively, the "Prior Undertakings"). Within the past five years, the District has been in compliance, in all material respects, with the requirements of the Prior Undertakings applicable to the District thereunder; provided, however, that the annual report required to be filed under the Prior Undertakings in 2012 was filed 177 days after it was due.

FINANCIAL STATEMENTS

The audited financial statements of the District for the fiscal year ended September 30, 2016 are attached hereto as APPENDIX E. Such audited financial statements are a public document and the consent of the auditors to the inclusion of the audited financial statements

herein has not been sought by the District nor have the auditors participated in the preparation of this Limited Offering Memorandum.

NO RATING

No application for a rating for the Series 2017 Bonds has been made to any rating agency, nor is there any reason to believe that an investment grade rating for the Series 2017 Bonds would have been obtained if application had been made.

ENFORCEABILITY OF REMEDIES

The remedies available to the Owners of the Series 2017 Bonds upon an event of default under the Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including the federal bankruptcy code, the remedies specified by the Resolution and the Series 2017 Bonds may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2017 Bonds will be qualified, as to the enforceability of the remedies provided in the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery.

LITIGATION

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Series 2017 Bonds, or in any way contesting or affecting the validity of the Series 2017 Bonds or any proceedings of the District taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Series 2017 Bonds, or the acquisition of the Existing System pursuant to the Asset Purchase Agreement, or the existence or powers of the District.

UNDERWRITING

Citigroup will agree, pursuant to a contract to be entered into with the District, subject to certain conditions, to purchase the Series 2017 Bonds from the District at an aggregate purchase price of $5,973,100.00 (representing the par amount of the Series 2017 Bonds of $6,095,000.00 and less an underwriter's discount of $121,900.00). See "ESTIMATED SOURCES AND USES OF PROCEEDS" herein. Citigroup's obligations are subject to certain conditions precedent and Citigroup will be obligated to purchase all the Series 2017 Bonds if any are purchased.

Citigroup and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Citigroup and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the District for which they received or will receive customary fees and expenses. In the ordinary course of their various business activities, Citigroup and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and

instruments. Such investment and securities activities may involve securities and instruments of the District.

DISCLOSURE OF MULTIPLE ROLES

Bondholders should note that Fishkind & Associates, Inc. Port St. Lucie and Orlando, Florida is acting in dual capacities as both District Manager responsible for the administrative operations of the District, Financial Advisor to the District in connection with its acquisition of the System and as Dissemination Agent under the Disclosure Agreement (as described under "CONTINUING DISCLOSURE AGREEMENT") and also provides management services to the Primary Landowner, as described under "TRADITION—The Primary Landowner." Greenspoon Marder, P.A., Fort Lauderdale, Florida, Bond Counsel and Disclosure Counsel in connection with the Series 2017 Bonds, has also represented the Primary Landowner and its affiliates, including affiliates of the Seller, in certain matters related to the Tradition community.

EXPERTS

The references herein to Kimley-Horn and Associates, Inc. as the Consulting Engineers to the District in connection with the System and the inclusion of "APPENDIX A—Consulting Engineers' Report" attached hereto will be approved by said firm. The Consulting Engineers' Reports should be read in its entirety for complete information with respect to the subjects discussed therein.

CONTINGENT FEES

Bond Counsel, Disclosure Counsel, District Counsel, the District's Consulting Engineers, Citigroup and counsel to Citigroup will receive fees for services rendered in connection with the issuance of the Series 2017 Bonds, which fees are contingent upon such issuance.

LEGAL MATTERS

Certain legal matters related to the authorization, sale and delivery of the Bonds are subject to the approval of Greenspoon Marder, P.A., Fort Lauderdale, Florida, Bond Counsel. Greenspoon Marder, P.A., Fort Lauderdale, Florida, is also acting as Disclosure Counsel in connection with the Series 2017 Bonds. Certain legal matters will be passed upon for Citigroup by its counsel Akerman LLP, Orlando, Florida. Certain legal matters will be passed upon for the District by its counsel, Gonano & Harrell, Fort Pierce, Florida. Certain legal matters will be passed upon for the Trustee by Holland & Knight LLP, Miami, Florida.

VALIDATION

The Series 2017 Bonds are part of an issue of Bonds that were validated on May 4, 2017 by the Circuit Court in and for St. Lucie County, Florida. The appeal period from such final judgment has expired with no appeal having been filed.

MISCELLANEOUS

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

The references herein to the Series 2017 Bonds and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and reference is made to such documents for full and complete statements of such provisions.

This Limited Offering Memorandum has been prepared in connection with the sale of the Series 2017 Bonds and may not be reproduced or used, as a whole or in part, for any purpose. This Limited Offering Memorandum is not to be construed as a contact with the purchaser or the Owner or Beneficial Owners of any of the Series 2017 Bonds.

This Limited Offering Memorandum has been duly authorized, executed and delivered by the District.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

By: /s/ James H. Anderson
Chairman, Board of Supervisors

APPENDIX A

CONSULTING ENGINEERS' REPORT

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2017 ENGINEERS REPORT
EXISTING IRRIGATION SYSTEM
(RAW WATER PUMPING, FILTRATION AND DISTRIBUTION FACILITIES)
OWNED BY
TRADITION IRRIGATION COMPANY, LLC

Prepared for:
Tradition Community Development District No. 1
10807 SW Tradition Square
Port St Lucie, FL 34987

Prepared by:
Kimley Horn and Associates, Inc.
1920 Wekiva Way, Suite 200
West Palm Beach, FL 33411

Dated: July 24, 2017

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   - 1 Tradition Irrigation Company Service Area 6
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6. **Exhibits:**
   - A. Condition Report prepared by Kimley Horn and Associates, Inc. dated July 2016 and Update dated May 2017 ..... (26 pages)

1. SYSTEM BACKGROUND

A. Existing System and Existing System Service Area

Tradition Irrigation Company, LLC ("TIC") owns and operates an irrigation treatment, pumping and distribution system (the "Existing System"). Pursuant to a written agreement (the "Acquisition Agreement") between TIC and Tradition Community Development District No. 1 (the "District"), joined in by Tradition Development Company, LLC (together with TIC), the "Seller", the District has agreed to purchase the Existing System and related items from the Seller. The District has also agreed to assume the rights and obligations of TIC under a non-exclusive franchise agreement (the "Franchise Agreement") between TIC and the City of Port St. Lucie, Florida (the "City"). The Franchise Agreement is more fully described later herein. The District plans to issue its Irrigation System Revenue Bonds, Series 2017 (Existing System) (the "2017 Bonds") to fund the cost of acquiring the Existing System and will thereafter own and operate the Existing System.

The service area that is subject of the Franchise Agreement (the "Franchise Agreement Service Area") is comprised of a portion of the Tradition Development of Regional Impact ("DRI") and the Southern Grove DRI, respectively. These two DRIs are part of the mixed-use master planned community within the City known as "Tradition". The District contemplates that, following its acquisition of the Existing System, the Franchise Agreement Service Area will have two components. The first, referred to as the "Existing System Service Area" is that portion of the Franchise Agreement Service Area for which the Existing System has capacity to provide service. The Existing System Service Area generally consists of approximately 2,368 gross acres of the approximately 2,700 gross acres in the Tradition DRI and approximately 457 gross acres of the approximately 3,600 gross acres in the Southern Grove DRI, for a total of 2,825 gross acres. The second component, referred to as the "Expansion Service Area" is the balance of the approximately 3,150 gross acres in the Southern Grove DRI in the Franchise Agreement Service Area for which the District will need to acquire and/or construct an irrigation system separate from the Existing System in order to provide irrigation service (referred to as the "Expansion System"). Any Expansion System would be operated separately from the Existing System. Accordingly, only the Existing System and the Existing System Service Area are addressed in this report. A map of the Existing System Service Area is attached hereto as Figure 1.

The Existing System provides, and will provide, irrigation quality water to commercial and residential customers in the Existing System Service Area. Currently, with respect to the Existing System Service Area, there are "reserved" connections, consisting of (i) 5,119 connections that are connected to the Existing System and are receiving irrigation service and (ii) 1,591 connections that have reserved capacity in the Existing System and will receive service once their residential or commercial property is ready to connect to the Existing System. In addition, 697 "future" connections are expected in the Existing System Service Area. These future customers are those that are projected by the District to exist within the Existing System Service Area upon its build-out, which is estimated to occur prior to 2030.

Although the Franchise Agreement is non-exclusive, the District anticipates the reserved connections that have not yet connected to the Existing System, as well as any future connections, will likely elect to use the Existing System for irrigation services, since (i) the development orders applicable to the land in the Existing System Service Area require residential landowners to obtain irrigation water through an irrigation distribution system, rather than through individual home wells; and (ii) another irrigation system, including one owned and operated by the City, would have

to overcome significant logistical, economic and regulatory obstacles which would likely result in any such irrigation system making irrigation service available at less favorable rates than can be provided by the District through the Existing System.

Table 1 below summarizes the "reserved" connections and the expectations as to the "future" connections, in each case, within the Existing System Service Area. The Existing System has the capacity to serve the Existing System Service Area through its anticipated build-out. It is noted that the allocation from the South Florida Water Management District (SFWMD) is 4% above the projected needs of the system. While this amount is adequate, it is expected to increase and create a larger cushion due to the positive impacts of conservation, continuation of current usage patterns and/or provision of supplemental reclaimed water from the City if, and when, available.

Table 1 – Existing System—Connections and Capacity Analysis

Tradition Irrigation Company					
Capacity Analysis					
Service Area*	7,407	ERC's	3,703,500	GPD	
SFWMD Permitted Allocation	7,700	ERC's	3,850,000	GPD	Corrected for six days/week
Existing Production Capacity	7,996	ERC's	3,998,000	GPD	Considers 2% backwash
Existing Distribution Capacity	9,900	ERC's	4,950,000	GPD	18 hr Operation/day. Peaking factor of 1.2
Reserved Capacity	6,710	ERC's	3,355,000	GPD	18 hr Operation/day. Peaking factor of 1.2
Connected Reserved Capacity	5,119	ERC's	2,559,500	GPD	18 hr Operation/day. Peaking factor of 1.2
Reserved Capacity %	84%				
Connected Capacity %	64%				
Connected Permit Capacity	66%				
Available Capacity	1,286	ERC's	643,000	GPD	
SFWMD Permitted Allocation	**3.29 MGD AADF**		**173.47**		**MGM**

	ADF	**% Permit ADF**	**Max Month**	**% Permit Max Month**	
2014	0.979	29.8%	38.226	22.0%	
2015	1.182	35.9%	57.272	33.0%	
2016	1.252	38.0%	51.048	29.4%	

*Based on projections provided by the District based on ERCs anticipated through build-out of the Existing System Service Area.
Source: The District.

B. General Description of Existing System

The Existing System provides for the production and distribution of irrigation quality water necessary to satisfy the irrigation demands for the residential and commercial properties, as well as the irrigation needs of many of the arterial right-of-ways and common areas. within the Existing System Service Area shown in Figure 1.

The original components of the Existing System were initially constructed and placed into service in 2003. The Existing System was subsequently expanded as warranted by the development within the Existing System Service Area. The existing facilities now comprising the Existing System are composed of four raw water pumps, 20 disk filters, 16 sand filters, a 2 million gallon (MG) above ground storage tank, 4 high service pumps, one jockey pump and the distribution pipe network

primarily located within the Existing System Service Area arterial and collector road right-of-ways. Kimley Horn and Associates, Inc. inspected the production facilities in July, 2016, and prepared a Condition Report which determined any physical factors that may affect value or operational costs over the next five years. The report was subsequently updated in May 2017. The Condition Report and Update are included in the attached Exhibit A. The report concludes that the facilities comprising the Existing System are well operated and maintained and there is no significant deferred maintenance.

The raw water pumps operate in a duplex configuration and withdraw lake water or canal water for delivery through the filtration system and into the above ground storage tank. The high service pumps withdraw water from the storage tank and operate to keep the distribution pipe network at a selected operating pressure. Following its acquisition, the District will be responsible for system operations and maintenance up to, and including, the meter.

All reserved connections to the Existing System have reserved capacity in the Existing System in the form of Equivalent Residential Connections (ERCs) based upon 5,000 square feet of irrigated area per residential lot. The ERCs are converted to a per acre basis by a factor of 8.7 ERC's/irrigated acre for common areas and commercial properties. There are currently 6,710 ERC reservations for capacity of which 5,119 ERC's are connected.

ERCs are reserved based upon a volume of 500 gallons/day/ERC delivered over a 3 days/week, 18 hr/day watering window. The customer's allocation is based upon the overall permitted allocation defined by the SFWMD Water Use Individual Permits #56-03440-W (issued 12/21/15; expires 12/21/35) and #56-01661-W (issued 10/26/15; expires 10/26/35). The application of the customer's allocation is routinely controlled by the customer. It is noted that, should it become necessary to reduce demands, manually operated values can be utilized to control flow. There is also an automated/remotely controlled system to facilitate such control should the need become routine. The system functionality is not regularly validated at this time because the need does not warrant its use. Should that change the system functionality will need to be confirmed.

C. Franchise Agreement

As noted earlier, the District will assume the rights and obligations of TIC under the existing Franchise Agreement. Among other matters, the Franchise Agreement requires payment of a franchise fee to the City. The Franchise Agreement also requires the owner of the Existing System to pay capacity charges for 1 million gallons per day (MGD) of reclaimed water within one year of availability from the City. This reclaimed water constitutes an additional water source for the Existing System. The estimated date of availability is within five years of the date of this report. The Franchise Agreement is valid through and including December 31, 2047.

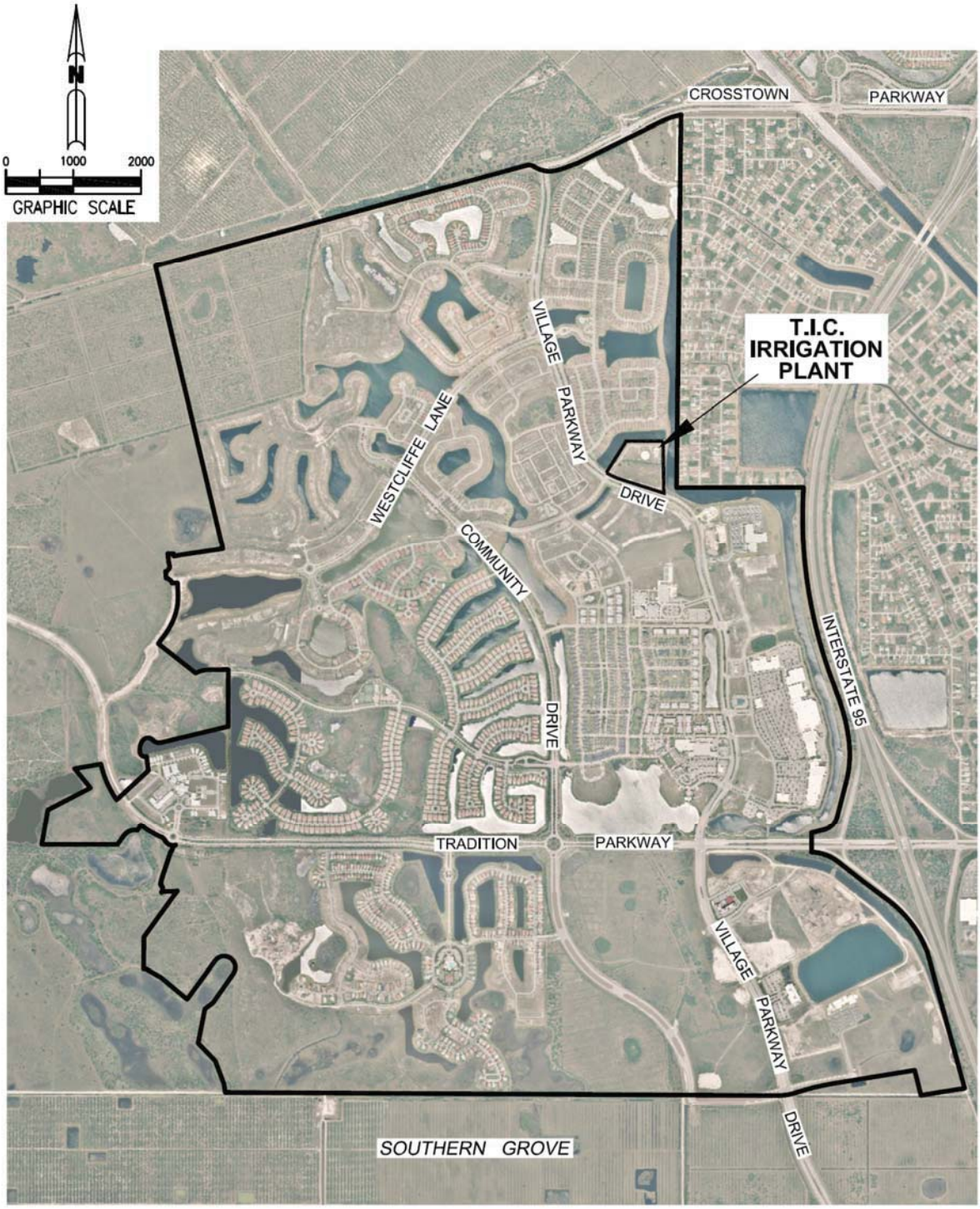


FIGURE 1
TRADITION IRRIGATION COMPANY
EXISTING SYSTEM SERVICE AREA

D. Existing System

The Existing System includes an approximate 4.13 acre site (Site) within the Existing System Service Area upon which the raw water pumps, filtration system, storage and high service distribution pumps are located.

1. Water Supply Sources

   The irrigation water source is the storm water lake system owned by the District or other community development districts with jurisdiction over the land in the Existing System Service Area (the "Other CDDs") and the C-24 canal as detailed in SFWMD Water Use Individual Permit #56-03440-W & #56-01661-W. These permits will be assigned to the District as part of its acquisition of the Existing System. It is understood that the volume of water available is directly related to the amount of annual rainfall and associated runoff into the storm water lake system and C-24 canal. It is noted that the SFWMD can impose water use restrictions at any time as a result of area-wide or localized water availability considerations.

2. Raw Water Pumps

   The existing plant facilities are fed by four raw water pumps operating in a duplex configuration. The existing raw water pumps are vertical turbine pumps manufactured by Flowserve Corporation. The raw water pumps are designed to deliver 2,800 gallons per minute (GPM) (4 MGD). The existing capacity is based upon 24 hours of continuous operation. These pumps are located within a chamber at the northeast corner of the plant site. The chamber is fed from one of two source locations. A pipe extends north from the intake structure into an existing storm water lake. A second pipe extends east from the intake into a storm water canal which is the furthest downstream basin for the storm water lake system owned by the District and the Other CDDs prior to offsite discharge. Each pipe extending from the intake structure is manually controlled by independent sluice gates. The primary withdraw source is the eastern intake which is commonly referred to as the I-95 borrow canal. The pumps discharge manifolds into a 10" ductile iron pipe extending from the raw water pump skid to the filtration system and on to the storage tanks. The pumping rate is monitored via metering equipment prior to filtration.

3. Filtration System

   The existing plant facilities, located at the Site contain two banks of ten disk filters and a bank of sixteen pressure sand filters. The disk filters are manufactured by Netafim USA and have a design capacity of 2,800 gpm based on each 10-unit system containing 140 mesh (120 micron) filters treating poor quality water. Raw water enters each disk filter bank in parallel prior to manifolding back into a single HDPE header pipe which is feeding 16 pressure sand filters. The pressure sand filters are manufactured by Netafim USA and have a design capacity of at least 3,600 gpm based on a 16-unit system and normal design rates for this type of equipment. The disk and pressure sand filters backwash independently based upon the filter system upstream versus downstream pressure differential. The filter backwash effluent is discharged into an onsite storm drain inlet that is directly connected to the northern storm water lake. The filtered water is discharged to an above ground storage tank prior to distribution.

4. Storage and High Service Distribution Pumps

The existing storage facility at the Site consists of a 2 MG above-ground, pre-stressed storage tank manufactured by The Crom Corporation. The tank has a diameter of approximately 130 ft. and 20 ft. of vertical storage equivalent to approximately 100,000 gallons per vertical foot of storage. The tank is equipped with mechanical and electronic level indicators as well as high and low level backup control floats. The operation of the raw water pumps is determined based upon the water surface level in the tank.

The distribution pumps consist of a jockey pump for maintaining pressure during periods of low flow demands and 4 high service pumps to satisfy higher demands. The single centrifugal jockey pump is manufactured by Aurora Pump Model 382-BF 3x3x9A, vertical close-coupled. The jockey pump was sized to provide a capacity of 200 gpm at a total dynamic head equal to 202 ft. (87 psi). The four centrifugal high service pumps were manufactured by Flowserve pump Model 5LRV-15D. Each pump has a capacity of 1375 gpm at a discharge pressure of 200 ft. (87 psi) of total dynamic head. The total pumping capacity of all four high service pumps is 4,200 gpm at a discharge pressure of 185 ft. (80 psi) of total dynamic head. System controls are located in the physical plant building. The pumps are automatically controlled to maintain a pressure set point. Standard operation of the lead pump is by a variable speed drive. Lag pumps are operated at a constant speed when called to run by the controls. The lead pump alternates for each cycle of the jockey pump. The controls are equipped with alarms and an auto-dailer to notify an operator of potential problems. The system can also be accessed remotely for monitoring and maintenance. The layout of the site and treatment, pumping and storage facility equipment are shown in Figure 2 and Figure 3, respectively.

5. Distribution System

The distribution system consists of irrigation mains ranging in size from 4" to 24" in diameter. The irrigation mains are generally located within the right-of-way of the arterial and collector roadway system in the Existing System Service Area. The Existing System's distribution system delivers irrigation water to points of service residential, commercial and other land uses at a minimum pressure of 50 psi. A distribution system map is included in Figure 4.

6. Point of Service Connections

Each customer is or will be provided with the appropriate number of connection points depending on site specific demand requirements. Connection points, with the exception of Bedford Park and Vitalia, have a meter and valve to allow for measurement of irrigation water and isolation of the customer's system from the Existing System. Customers that are unmetered will be billed by the District based on an irrigated acre basis. Bulk users will be charged by the District based on either a metered or an irrigated acre basis depending on whether the area receiving bulk service is metered or unmetered.

E. Management Operation and Maintenance

Following the District's acquisition of the Existing System, the office of the District Manager of the District, Fishkind and Associates, Inc., will be responsible for a day-to-day operation and maintenance of the Existing System, as well as the customer service, billing, management functions. Operations and maintenance is currently, and will be, performed on a daily basis as necessary seven days per week. System operations are overseen by a Florida Registered Professional Engineer.

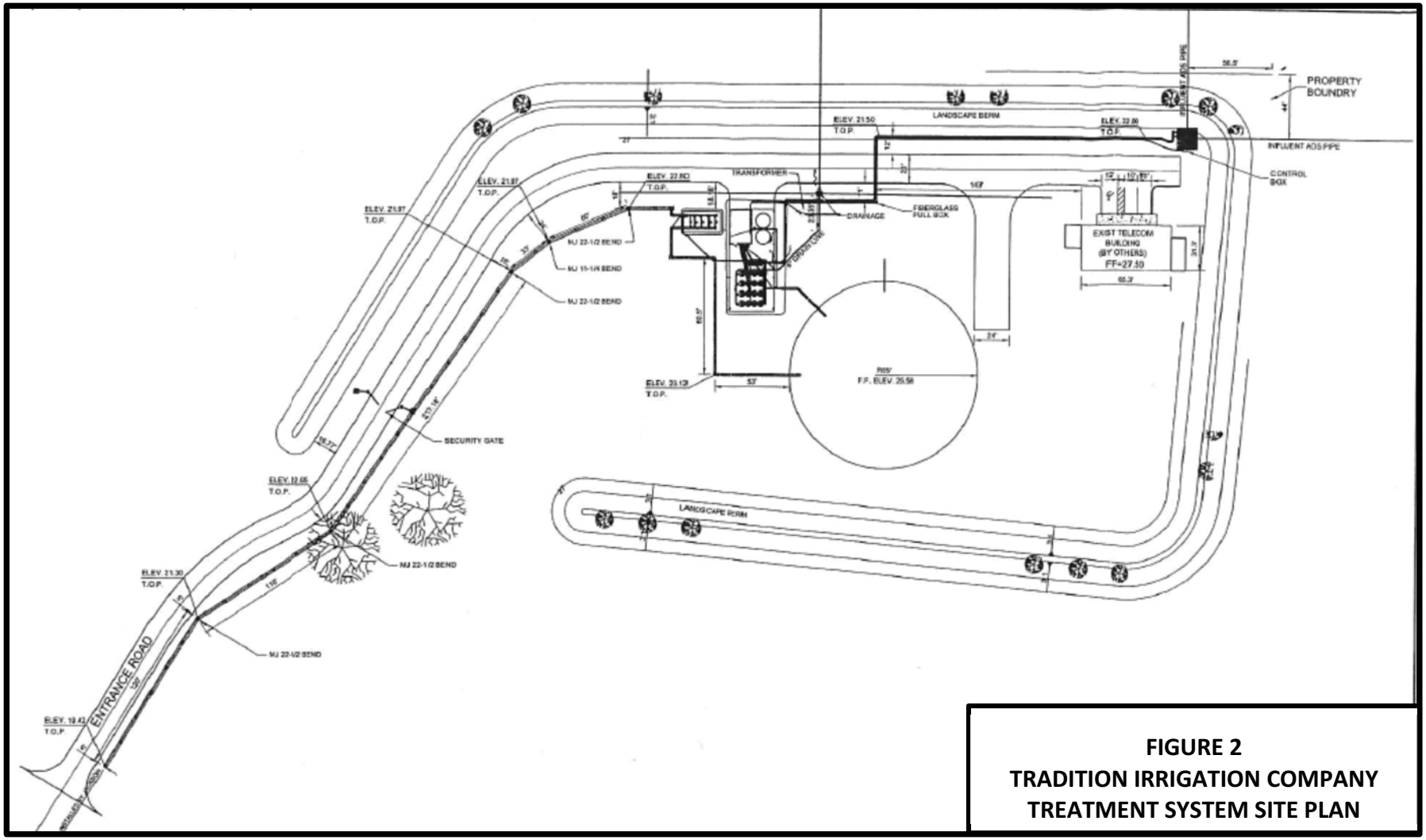


FIGURE 2
TRADITION IRRIGATION COMPANY
TREATMENT SYSTEM SITE PLAN

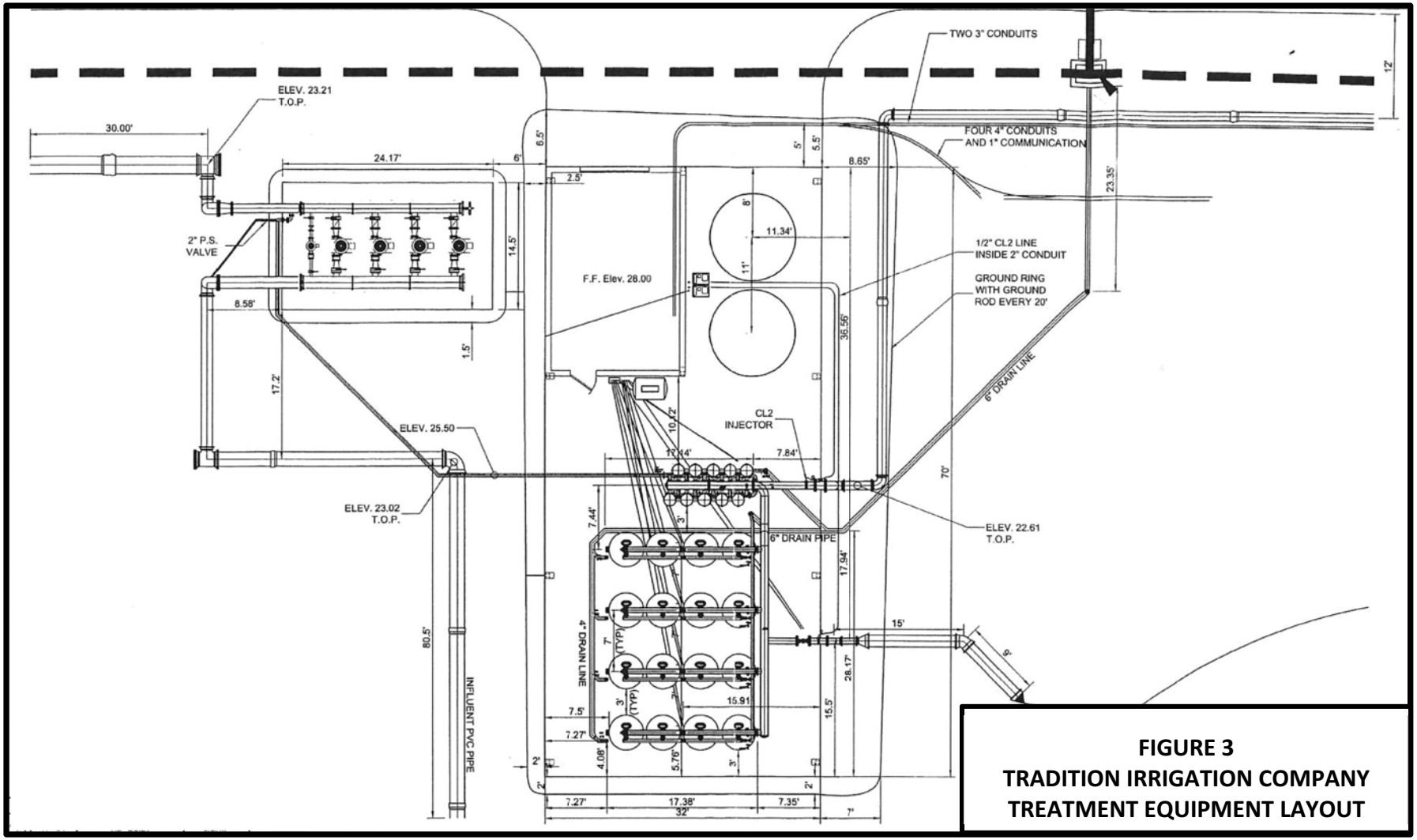


FIGURE 3
TRADITION IRRIGATION COMPANY
TREATMENT EQUIPMENT LAYOUT

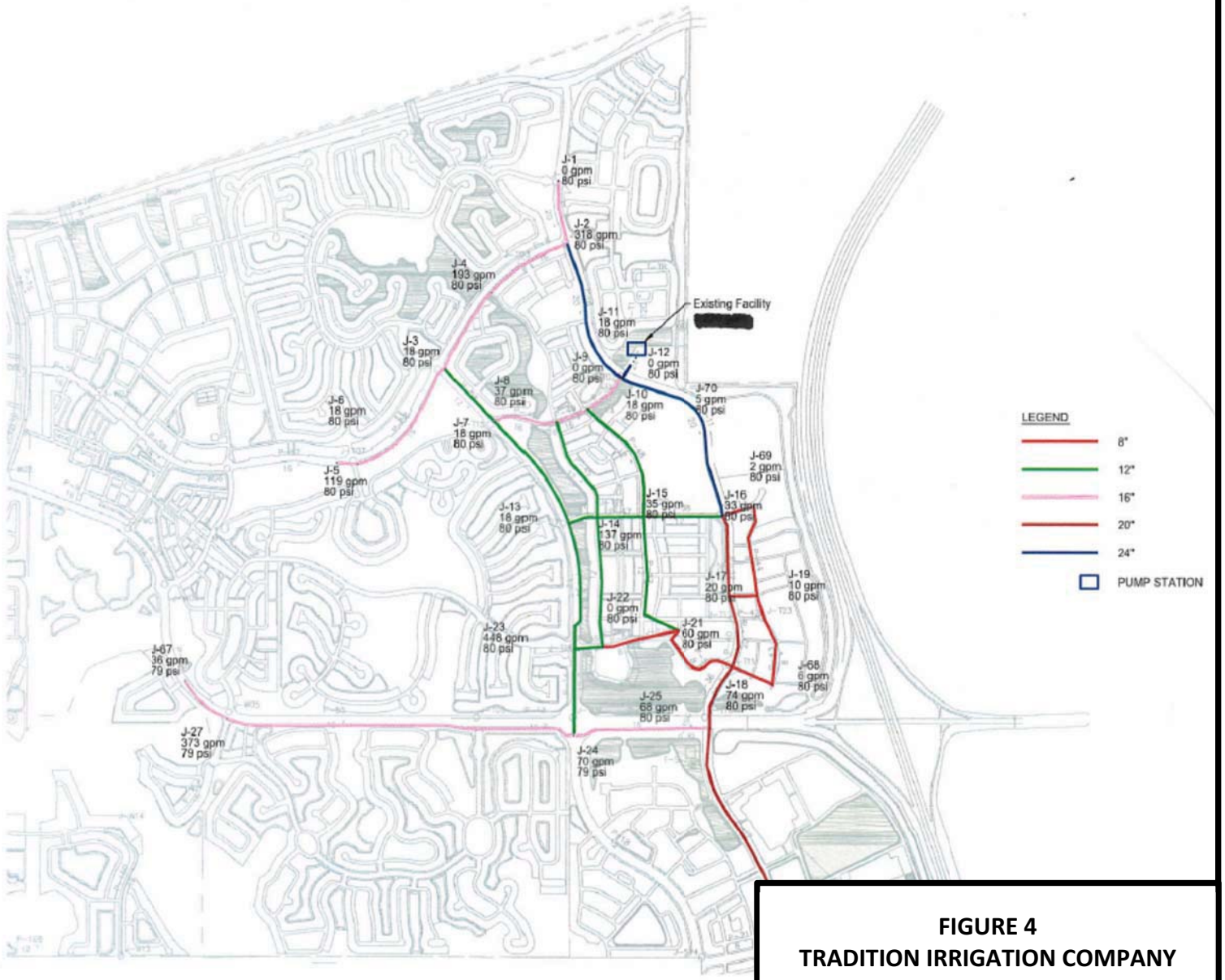


FIGURE 4
TRADITION IRRIGATION COMPANY
DISTRIBUTION SYSTEM MAP

F. Permitting Status

1. SFWMD Water Consumptive Use Individual Permit

There are two SFWMD permits held by TIC with respect to the Existing System which will be assigned to the District in connection with its acquisition of the Existing System. The first one is Permit No. 56-01661-W, which is the primary permit that allows the Existing System to distribute irrigation water. The primary source of water is from the I-95 Borrow Canal. The second one is Permit No. 56-03440-W, which is a Diversion and Impoundment Permit. This permit authorizes withdrawals from both the SFWMD C-23 and C-24 Canals. The water from C-24 Canal is distributed to multiple users, in addition to those in the Existing System Service Area, via the Peacock Canal. These withdrawals also serve as a supplemental source to achieve the allocation for the Existing System. A culvert connected to Peacock Canal allows gravity discharge into the water management lake system owned by the District and Other CDDs. This supplement water can be delivered to the Existing System's plant when the I-95 Borrow Canal water levels are low. The permits (56-03440-W and 56-01661-W) were issued on December 21, 2015, and October 26, 2015, respectively, and expire on December 21, 2035, and October 26, 2035, respectively. The permitted annual allocation for the Tradition Irrigation Company of 1,200.92 MG is for 969.38 acres of irrigated landscape/turf area. The permit establishes limits on the annual average daily flow (ADF) of 3.29 million gallons per day (mgd) and a maximum monthly allocation of 173.47 MG. The actual usage over the past three years is as follows:

	Annual Average Flow (mgd)	Maximum Monthly Flow (mgd)
2014	0.98	38.23
2015	1.18	57.23
2016	1.25	51.05

It is our opinion that the existing two SFWMD permits may be renewed in the ordinary course upon their respective expiration dates. The permitted capacity of 3,850,000 gpd (adjusted for a six day watering week) is noted to be approximately 4% greater than required to serve the projected build-out of the Existing System Service Area. It is expected that the District will realize an increase in the 4% difference between the SFWMD allocation and projected system needs due to benefits realized as a result of conservation measures or the fact that as the Existing System Service Area matures the higher consumption typical of "grow in" periods will diminish. It should also be noted that current usage patterns demonstrate the actual usage over the past three years shows that on an average annual daily flow basis the connected capacity availability is nearly two times the actual usage, indicating high probability the existing capacity will be adequate. An additional further resource to satisfy any shortfall would be reclaimed water from the City, if available.

The existing SFMWD permits have no known outstanding compliance issues as of the date of this report.

2. Florida Department of Environmental Protection

No permits were applied for or issued by the Florida Department of Environmental Protection ("FDEP") in connection with the Existing System. Currently, the Existing System discharges backwash effluent (washwater) into the stormwater management lake system in the Existing System Service Area. It is not clear whether a permit from FDEP is required or available in connection with this discharge of the backwash washwater. However, if, for any reason it is determined that an alternative method of discharging backwash waste is required by FDEP or any other governmental entity or regulatory agency with jurisdiction to meet water quality standards for the backwash effluent washwater, there are potentially alternative best management practices that could be implemented by the District to address turbidity of the backwash effluent and any potential regulatory issues that may arise in connection therewith.

A secondary, more costly, alternative to address the discharge would be to connect the Existing System's discharge to the City's Sanitary Sewer System. The associated cost of this option is estimated to be approximately $250,000 in construction cost, approximately $500,000 in one-time capacity charges payable to the City and approximately $3,000 per month in disposal fees which would need to be paid by all customers of the Existing System in the aggregate. It is noted that the estimated $250,000 construction cost is not identified in the Tradition CDD/Irrigation Company Condition Report Update, dated May, 2017.

G. Renewal and Replacement Fund Requirement.

In connection with the 2017 Bonds, the District will adopt a bond resolution (the "Bond Resolution") that will provide, among other matters, for the establishment of a renewal and replacement fund for the Existing System (the "Renewal and Replacement Fund"). The Bond Resolution contemplates that the Consulting Engineers or Qualified Independent Consultant (as defined in the Bond Resolution) may, from time to time, recommend to the District that it increase or decrease the minimum amount to be maintained on deposit in the Renewal and Replacement Fund. It is our opinion that the Renewal and Replacement Fund should be initially funded in an amount equal to and not less than $150,000 for Fiscal Year 2017-2018 of the District, subject to the fund-up requirements of the Bond Resolution.

2. IRRIGATION WATER DEMAND PROJECTIONS / AVAILABLE CAPACITY

Irrigation water demands will fluctuate seasonally based on rainfall, associated runoff and ground water table elevations. Demands will increase on average as reservations for capacity convert to connections. There is currently 3.35 MGD in reserved capacity, 2.56 MGD of which is connected capacity. Therefore, there are 0.79 MGD in anticipated conversions of existing reservations. The permitted allocation is 3.85 MGD. Therefore, there is approximately 0.50 MGD available of the permitted allocation and 0.65 MGD of available plant capacity. A Capacity Summary is provided below:

Permitted Allocation	3.85 MGD*
Existing Pumping Capacity	4.00 MGD
Reserved and Connected Capacity	3.35 MGD
Available Capacity	0.65 MGD
Connected Capacity	2.56 MGD

* (Permitted Allocation of 3.29 MGD is based upon a daily application 7 days /week. Since the permit prohibits irrigation on Friday, the 6 day/week allocation is adjusted by a factor of 7/6.)

It is noted that the actual usage on an ADF basis over the past three years represents 35 % of the SFWMD allocation. This compares favorably with the stated connected capacity usage (2.56 mgd) or 66 % of the SFWMD allocation (or nearly two times the actual usage).

3. FUTURE CAPITAL IMPROVEMENTS NECESSARY TO MEET WATER DEMAND PROJECTIONS

As detailed above, the Existing System has sufficient capacity to serve the reserved connections and projected future connections in the Existing System Service Area. As such, there are no anticipated future capital improvements necessary to serve the customers in the Existing System Service Area through its anticipated build-out. As noted earlier, the SFMWD permits will need to be modified to permit increased consumption to serve the Existing System Service Area through build-out, which modifications are expected to be obtained in the ordinary course.

It should be noted that implementation of effective water conservation measures constitutes a significant element of the plan to enable the Existing System to meet the irrigation demands of the Existing System Service Area, which are reflected in the rules and regulations adopted by the District in connection with the Existing System. The District has established a level of service for the Existing System to ensure that the consumptive needs of turf grass and landscape plants are met. This established level of service is based on irrigation needs to plants and watering restrictions periodically imposed by the SFWMD. All customers are expected to comply with the watering restrictions established by the District and SFWMD. Failure to comply with the restrictions may subject the customer to discontinuance of irrigation water service by the District. The District will give written or electronic notice of any reductions in allocation to the customer necessitated by a reduction mandated by SFWMD within forty-eight (48) hours of receipt of such notice by SFWMD. Upon the effective date of the restriction as provided in the notice, each customer shall receive its fair share of irrigation water, which fair share shall in no event be less than the pro rata share of any reduced allocation. In other words, any reduction shall be allocated by the District proportionally on the percentage allocation among all customers under normal operating conditions, subject to the provisions of

any applicable legal requirements. It is the policy of the District as reflected in the adopted rules and regulations relating to the Existing System to conserve water resources, not only in the drier months, but also throughout the year.

In implementing its water conservation program, the District has adopted a water conservation policy reflected in its rules and regulations relating to the Existing System.

4. CONCLUSION

The Existing System has sufficient capacity to supply irrigation quality water to the existing reserved connections and future connections expected in the Existing System Service Area. The facilities comprising the Existing System are well operated and maintained and there is no significant deferred maintenance.

EXHIBIT A

CONDITION REPORT AND
CONDITION REPORT UPDATE

Kimley»Horn

TRADITION CDD/TRADITION IRRIGATION COMPANY
CONDITION REPORT UPDATE

MAY, 2017

In July, 2016, the Tradition Community Development District (CDD) authorized Kimley-Horn Associates Inc. to prepare an evaluation of the irrigation system to identify physical factors that may affect value or operational costs over the next five years. The evaluation was limited to review of facilities, available system records and limited hydraulic and electrical testing. In May, 2017, the CDD requested Kimley-Horn & Associates, Inc. to update the report as follows:

- Perform a cursory site review to identify any significant changes to the system since the original evaluation was performed.
- Provide a service area map. The actual map to be supplied by others.
- Further investigate treatment system backwash discharge alternatives.

This document will present the findings of the work commissioned in May 2017.

CURSORY SITE REVIEW

A site review confirmed that the system condition remains essentially the same as it was at the time the original report was prepared. The system is properly designed, well operated and in above-average condition. There continues to be no significant deferred maintenance. Routine maintenance continues to be performed. The original report identified certain system recommendations to be implemented. Some have been implemented, others have not. It is important to note the recommendations are just that – recommendations. At this time, while they remain suggestions, none are considered critical to the operation. Additionally, certain maintenance items not identified in the original report have been performed. A summary of the performed maintenance and recommended items not implemented are listed below, in no particular order.

- A spare VFD was recommended and has not be secured.
- A spare compressor was recommended and has not been secured; however, a higher grade compressor is in use.

- The remote valving system operability has not been confirmed. System demands do not dictate a current need for this feature to be functional.
- The backpressure sustaining valve functionality is suspect but it does not currently impact the system operation.
- One raw water pump is reported to have been replaced. Recoating the raw water pump station remains an item requiring attention.
- At the time of the visit, one high pressure pump was out of service. It was reported that a replacement has been ordered. In addition, a spare high pressure pump rotating assembly has been ordered. This was not a recommendation but does display reasonable proactive maintenance.
- Continuing inspection of the disc and sand filters have been implemented with maintenance, as required.
- Certain electrical and control recommendations are under consideration for implementation. None are considered critical, although some remain recommended for short term implementation.

TREATMENT SYSTEM DISCHARGE

The original report indicated that there is currently no discharge permit and it is not clear whether one is required. This statement remains valid. To further investigate alternatives, we met with the City of Port St Lucie to determine the viability of discharging the washwater to the sanitary sewer (which the City owns and operates). This discharge would not require a permit. Although certainty of this approach cannot be determined without execution of agreements, the City indicated a high probability of acceptability. The cost to connect and the continuing cost for services are obvious relevant considerations. Both are based on flow. Information supplied by the CDD indicates that the washwater discharge flow, when the system is operating at capacity (4.0 MGD), is approximately 78,000 gpd. Since the system currently operates at 2.4 mgd, it is reasonable to conclude that the current discharge will be approximately 46,800 gpd. It is critically important to note that the discharge is not currently metered so the estimates need to be confirmed. It is

further noted that, while the discharge value is estimated as indicated, the instantaneous rate of washwater generation is considerably higher (up to an estimated 350 gpm). The duration of these flows is short and it should be anticipated that receiving tankage for any required pumping systems should be sufficiently large to attenuate the peak flows and deliver the flows at an ADF rate.

The relevant factors affecting discharge to the City sanitary sewer are as follows:

- The current connection charge for sanitary sewer is $2,567 / ERC with one ERC=250 gpd. For 46,800 gpd the resulting ERC's = 187. This yields a current connection charge of $480,029. Since the washwater has a very low biological load it may be possible to negotiate a lower rate.
- The monthly charge includes a base charge of $13.69 /ERC plus a commodity charge of $7.14 / 1,000 gal. This results in a monthly charge of $2,894. As with the connection charge, the nature of the washwater may make it possible to negotiate a lower rate.
- The City does have a 6-inch force main adjacent to the site so there would be no significant anticipated off-site capital costs to facilitate connection. It is noted that according to the City, the 6-inch force main receives no other flows until it reaches a larger force main.

Clearly connecting to the City would result in a significant financial factor, though it does constitute a viable option should it be determined that a permit is required and no other options are available.

With regard to other options, and with recognition of the fact that there is no measured flow data and no water quality data, the following items should be acknowledged.

- Based on physical appearance of the effluent only, other treatment options to make a permitted discharge possible may be viable. These include oxidation with chlorine or other oxidants followed by de-chlorination or filtration through an equivalent of a sand drying bed. Under the latter scenario, the washwater would be discharged into one of two sand before the effluent would be discharged. When one sand bed becomes plugged, the other would be rotated into service and the unused bed allowed to dry after which the surface

would be skimmed and hauled to waste. The challenge with all such options is that there are design standards to follow. The benefit, if successful, is that they would likely be considerably lower costs than discharge to sanitary sewer. Should it become necessary to address this matter, a pilot facility should be performed to confirm functionality prior to implementing plant scale.

TRADITION CDD/TRADITION IRRIGATION COMPANY
CONDITION REPORT
JULY, 2016

The Tradition CDD is considering purchase of the Tradition Irrigation Company irrigation system including intake, pumping systems, treatment systems, storage tank, distribution piping and associated power and control systems. Appraisal of the system pursuant to this potential purchase is being performed by others. The District has engaged Kimley-Horn and Associates, Inc. to review the system condition to determine physical factors that may affect value or operational cost over the next five years. The investigation will be based exclusively on site review of facilities, system records (where available) and limited hydraulic and electrical testing. The findings are as follows.

RAW WATER PUMP STATION

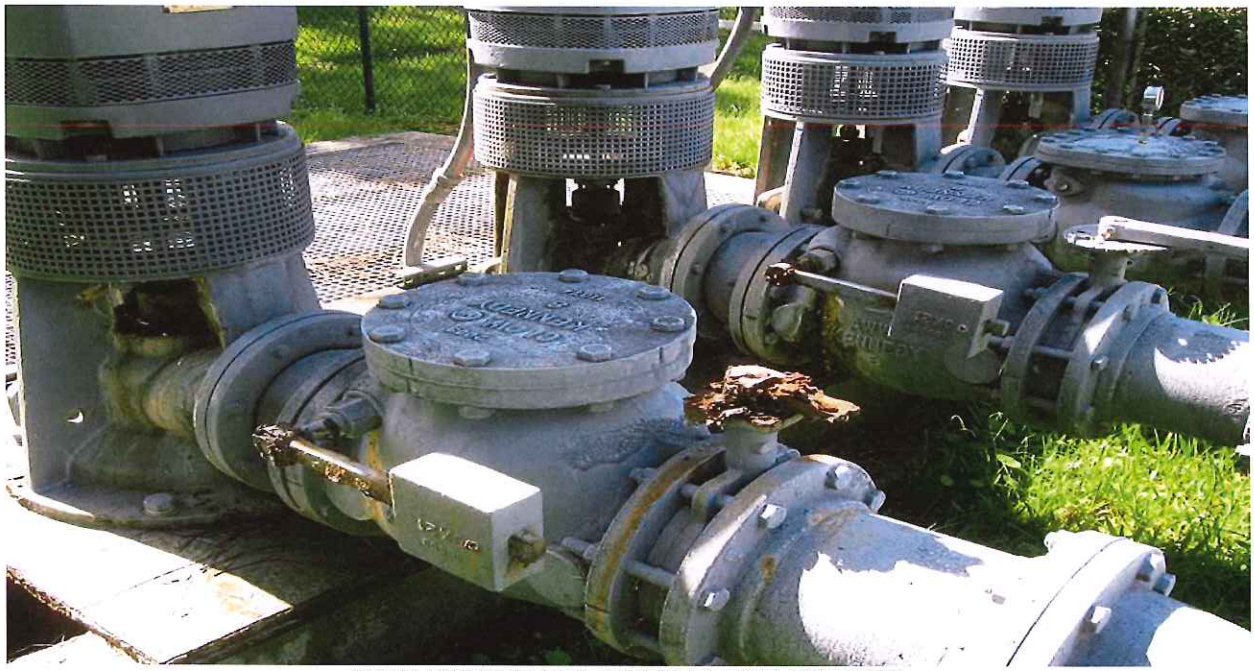
The raw water supply flows by gravity into a concrete wet well. The source is either an adjacent lake or adjacent canal. The intakes were not visible but are reported to be screened, albeit, not a typical wedgewire style river or lake intake. The slide gates were reported to be in marginal condition below the water level and are scheduled for replacement. The intakes were not visible but were reported to require nominal maintenance as long as normal maintenance vegetation in the canal is provided. It is noted that the raw water pumps have fully enclosed impellers (which will not be particularly tolerant of solids). The pumps do have strainers. Should plugging ever become a more frequent issue, the use of a wedgewire river intake screen with an air purge could be implemented. Given the reported performance there is no reason to implement unless a maintenance problem manifests.

The raw water pumps (4) are vertical turbine, two stage each designed for 1,400 GPM at 100 ft. TDH. The motors are 50 HP, and properly sized for the application. The motors carry an inverter duty rating which is unnecessary for these constant speed pumps. The pumps are

reported to be original for the installation making them approximately 14 years old. The normal PSC life expectancy for this type of pump is 20+ years so maintenance and replacement should be anticipated over the next 10 years. The packing on one of the pumps requires attention at this time. The pumps sit on a steel base with sole plate. Also there appears to be a steel baffle behind the pumps, presumably to make the station hydraulics compliant with Hydraulic Institute Standards. The column pipes are showing significant signs of corrosion. The pump station is controlled automatically based on the tank level. The pump station contains floats for low level pump protection, but functionality could not be confirmed. When overall maintenance is performed proper level switch operation should be checked.

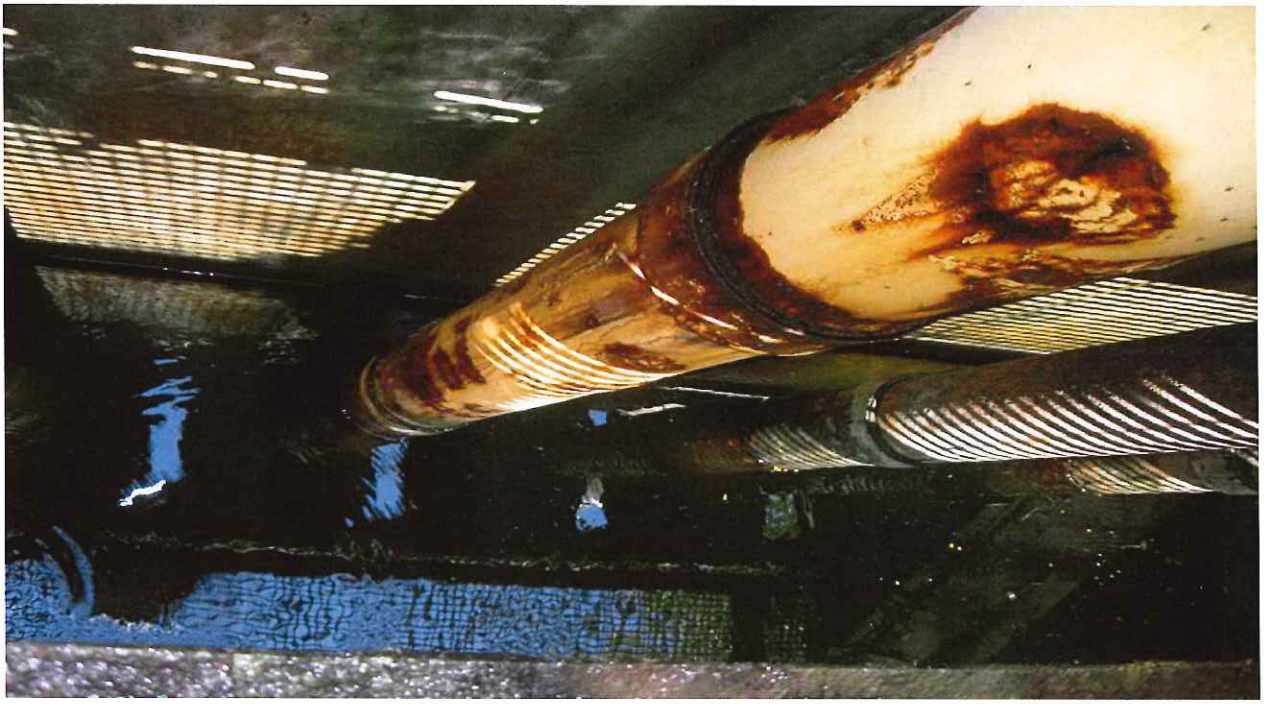
Removal from service for sand blasting and recoating should be contemplated within the next 1-2 years. Maintenance in this regard has not been unreasonably delayed at this point but deferring maintenance beyond this point increases the probability that replacement, rather than coating, of some elements will be required. It should be noted that when maintenance is performed some, or all, of the discharge header valving will need to be replaced. Operators on some of the valves and lever arms on the check valves are fully rusted away.

RAW WATER PUMP STATION



RAW WATER P.S. DISCHARGE VALVES

TWO RAW WATER PUMPS



RAW WATER PUMP COLUMN PIPE

Operationally, the pumps appear to be performing well. The pumps are automatically started based on storage tank level. The controls are simple in nature and appear to be properly operating. Power readings were as follows.

	VOLTS			AMPS		
	A – B	A – C	B – C	A	B	C
PUMP 1	491	486	486	47	44	42
PUMP 1	491	485	486	48	46	44
PUMP 2	489	486	484	49	46	44
PUMP 2	493	486	486	52	48	46

Full load amps (FLA) is 56. Based on a measured flow rate of 2626 GPM (from two pumps) the pumps should be drawing approximately 40 – 42 HP, which is roughly 80% of FLA. This equates to an anticipated amperage draw of roughly 45 amps. The average measured amperage draw is 47 amps (as shown above). This implies the pumps are drawing approximately 4% more power than anticipated, likely due to loss of efficiency. This is perfectly reasonable and even good for 14 year old pumps.

DISC FILTERS

The raw water pumps deliver the water to two Arkal Disc filters (and on through ARKAL sand filters and into the storage tank). One bank of disc filters was installed in 2003 and a second bank added in 2012. The operators report that, although the older units are labeled 55 micron and the new ones are 130 micron, they are actually both 130 micron. The disc filter manufacturer has advised that the current model is no longer offered. O-Rings and other maintenance items will be maintained, but when the internals fail an entire pod will need to be installed. The units appear to be working properly and to be sized properly. The Public Service Commission (PSC) life expectancy for this type of equipment is considered to be 20 years. Ferric components of the older units are showing some rust but there is no imminent threat of failure as a result. Normal maintenance should be anticipated.

DISC FILTERS

DISC FILTERS

SAND FILTERS

There are 16, 4 ft. diameter ARKAL pressure sand filters. The filter vessels are rated at 85 PSI which is above the deadhead condition of the raw water pumps (according to the information supplied). These units are typically rated at 20 – 25 GPM/ft ^{2}, depending on the quality of water supplied. At the plant rating of 4 MGD the corresponding filter rating is 13.8 GPM/ft^2, indicating they were sized very conservatively, or that the rating could be increased. There is certainly no harm in operating at a reduced loading rate. The sand filters appear to be in reasonable condition for their age and also appear to be functioning properly. Normal maintenance should be anticipated but there is no evidence of any imminent failure. It was noted that the pressure sustaining valve on the filter discharge appeared to be indicating the same pressure upstream and downstream. This would indicate a possible issue with plugged impulse piping or the diaphragm itself and should be evaluated for maintenance. Backwash produced from the treatment system is discharged to an inlet and then into a stormwater lake. There is a control structure between the canal and the lake. There is currently no discharge permit and it is not clear that one is required. The Owner should be aware that it is possible a discharge permit may be required at some point in the future.

SAND FILTERS

STORAGE TANK

The storage tank is a 2 MG pre-stressed concrete structure commonly used in South Florida and elsewhere. There are no visible problems with the tank and the volume is more than adequate based on the reported system demand of 2.5 – 3.0 MGD. The tank should be expected to have a service life of 30 – 40+ more years.

The tank was not internally inspected and the adequacy or condition of the internal piping, if any, could not be determined.

STORAGE TANK, ACID STORAGE, BUILDING

HIGH SERVICE PUMPS

Water is withdrawn from the storage tank as required to maintain system pressure. The pressure control is automatic and generally set at 80 PSI. The controls appear to be functioning properly. There are five high service pumps; four at 100 HP and one jockey pump at 20HP. There is a single VFD that operates whichever pump is in the lead position. The jockey pump maintains pressure during low demand periods. There is no hydropneumatic tank. Although not mandatory, the operation could likely benefit from a hydropneumatic tank by reducing pump starts. This benefit will increase as the system demand increases.

The pumps were fabricated and installed on a common skid. The entire assembly has been recently painted and appears to be in good condition. The motors on the four large pumps, should be, and are, inverter duty rated and of the proper horsepower for the pump size. The jockey pump motor at 20 HP will be overloaded when the head delivered by the pump drops below 77 PSI. This will cause the motor to operate into its service factor (which functions as a safety factor). This does not happen often since the set point pressure in 80 PSI. It is not recommended that the motor be changed unless the set point is dropped. Should that occur a 25 HP motor should be used. The existing starter is adequate but the breaker and wire size should be checked.

Operationally, the pumps appear to be performing well. It was only possible to secure data from the jockey pump and Pump 2. The power readings from these pumps is as follows.

	VOLTS			AMPS		
	A – B	A – C	B – C	A	B	C
Jockey Pump	492	489	489	25.1	23.9	22.5

Pump 2 was operating on the VFD at the following condition at the time of the visit: Frequency = 47.7 H_3

Voltage = 362, Current = 49.5 amps. The pump was delivering approximately 325 GPM @ 175 ft. TDH at the time of the test.

The jockey pump full load amps (FLA) is 24.6 and the other pumps FLA=111.

As noted above, the jockey pump will overdraw FLA under some conditions. Phase (A) was over-amping at the time of the test, even though the pressure was not above 77 PSI. This is likely due to loss of efficiency over time. No changes to either the jockey pump or the larger pumps are recommended at this time.

SERVICE PUMPS

REDUNDANCY

Since this facility supplies irrigation water and not potable water, it would not normally be built with the same level of redundancy that would be normal with a potable system. Accordingly, the system has no emergency generator. This is not recommended. It is simply noted. That said, it may be worth considering the following.

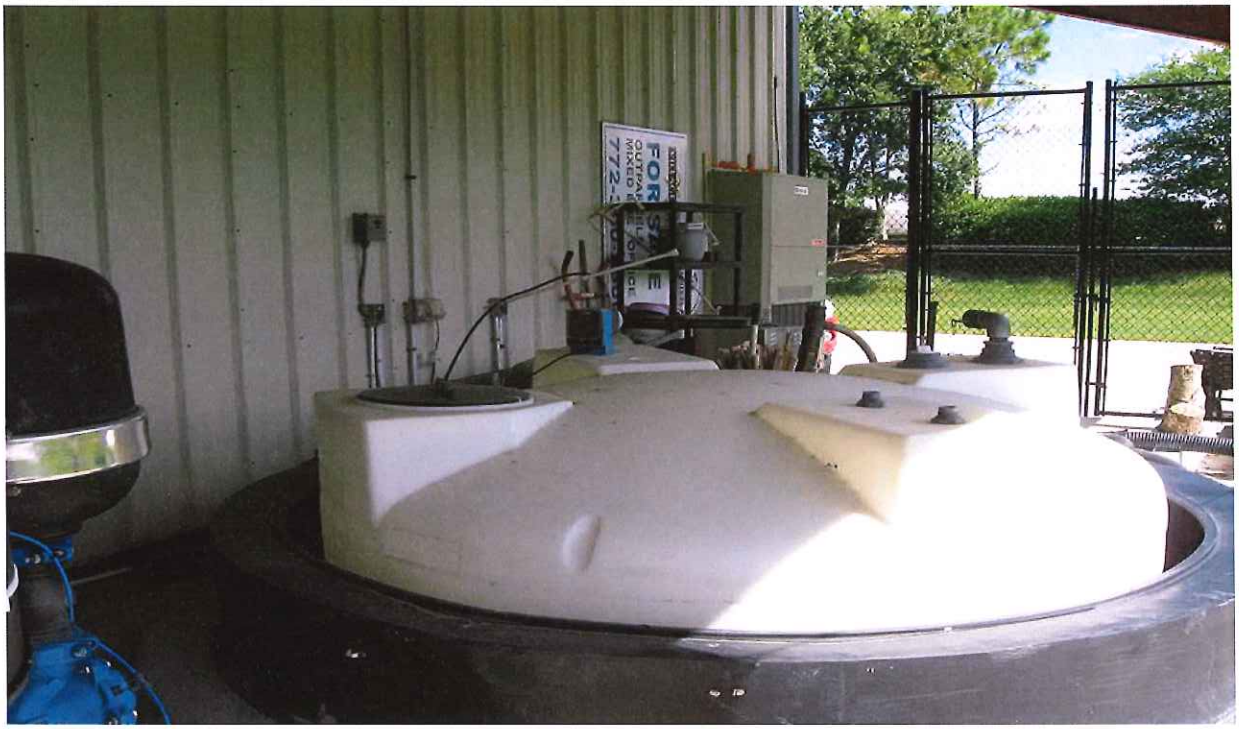
Air Supply – The entire control for the treatment system operates on pneumatic controls from a single compressor. A parallel compressor is relatively low cost and should be considered.

VFD – Installation of a VFD for all pumps is not recommended. However, one additional VFD (even as a shelf spare) may have value. With no hydropneumatic tank, the system control depends heavily on the presence of the VFD to prevent excessive motor starts. A single backup VFD could be a reasonable investment.

COMPRESSOR

CHEMICAL FEEDS

The facility includes provision to feed acid and/or sodium hypochlorite. Neither chemical is used nor is the probability of feeding acid due to cost and benefit considered low. There is no identifiable chemistry based logic for the acid feed and any horticultural benefit is considered to be marginal. Short term and intermittent treatment with sodium hypochlorite could be beneficial from time-to-time. The acid feed facilities should be permanently abandoned. If this does not occur over the short term, at a minimum, it should be confirmed that all acid has been removed. It is recommended that the sodium hypochlorite facilities be retained and exercised (with water) quarterly to maintain functionality.



SODIUM HYPOCHLORITE

BUILDING

The treatment system, excluding the acid feed system, is protected from the elements by a field fabricated, open sided metal building. The primary electrical components are housed in an enclosed, air conditioned space under the same roof. The building structure will require painting within the next 2 – 5 years to prevent deterioration but is fundamentally in sound condition.

BUILDING COLUMN

DISTRIBUTION SYSTEM

The distribution system is reportedly zoned to allow remote control as a means to limit localized flow as needed during peak periods. This is typically necessary during such periods since it is not reasonable or cost effective to configure a system that anticipates irrigation on the majority of properties at the same time. This problem is less noticeable, in a system planned for growth, in the early years where capacity far exceeds supply. Conversely as the system demands begin to approach capacity the ability to control usage by limiting supply to various zones will become increasingly necessary.

The current method to reduce flow, which occurs infrequently, is manual by verbal communication to developers. Although, it happens infrequently (1 - 2 times/yr.) the entire system has to be depressurized when demand exceeds supply. It is reported that there is an electronic system to remotely activate valves that open or close various zones. The reliable functionality of this system could not be confirmed. It is recommended that the viability of this control system be confirmed and exercised quarterly to maintain functionality.

As noted earlier, the system feed pressure set point is 80 PSI. Ductile iron pipe size PVC (C – 900) is common in potable water systems and it is reported that all piping installed after 2007 is C – 900. This pipe will carry a suitable rating for an 80 PSI operating pressure. Prior to 2007, the utility had not adopted the same pipe standard. Based on conversation, it is believed that the older system carries a suitable pressure rating, but this could not be confirmed.

It is noted that pressure surges can occur on pump start up and shutdown that could easily exceed 100 PSI. The VFD will mitigate this to a significant degree but the system is at risk of surges, especially where/if the VFD is unavailable. The lack of a hydropneumatic tank exacerbates the concern. It is recommended that C – 900 PVC be utilized wherever pipe size allows for new installation or repairs.

COST ESTIMATE

There are various recommended items identified in this report. In general, none of the items are required for short term implementation to maintaining the system functionality. The items identified as "recommended" are based on the assumption that the viability of the system will need to be maintained into the indefinite future.

A budgetary cost estimate for the items identified herein is given below. The estimates are conceptual in nature and developed 2016 dollars. It should be noted, in particular, that a significant number of the items are not recommended for immediate implementation. As a result, the items are listed individually and not totalized. Some items are listed as an allocation rather than a cost since the need is not known specifically. The items below are considered to be in addition to normal, routine maintenance. To assist with planning, the recommended items are identified with scheduling categories to indicate they should be performed at this time (current) within the next 1-2 years (intermediate) or in the future. Some of the "future" items are circumstance dependent and may not be required at all.

ITEM	ESTIMATED COST	SCHEDULING CATEGORY
Wedgewire River Intake [1]	$12,500	Future
Replace Raw Water Pump Packing	$ 250	Current
Blast and Coat Raw Water Pump Station	$25,000	Intermediate
Replace Raw Water Pump Station Valves	$10,000	Intermediate
Sand and Disc Filter Maintenance (Allocation)	$ 5,000/yr.	On-going
Backpressure Valve – Repair	$ 1,000	Current
Hydropneumatic Tank	$35,000	Future
Standby Compressor	$ 3,500	Intermediate
Shelf Spare VFD	$17,500	Intermediate
Abandon & Remove Acid Tank	$ 7,500	Intermediate
Paint Building Superstructure	$ 7,500	Future
Change PCP1 to Lockable Handle	$ 750	Intermediate
Jockey Pump Upsize Breaker, Cable	$ 2,500	Future
Power Pump Space Heaters	$ 3,500	Intermediate
High Service Pump – Lockable Disconnects	$10,000	Current
Raw Water Pumps – Lockable Clips on CB	$ 750	Current
Programming for Time Delays	$ 1,000	Intermediate

Make Remote Valving Functional (Allocation)	$50,000	Intermediate
Short Circuit Study	$12,000	Intermediate

(1) Not Currently Recommended

ELECTRICAL & CONTROL

Please refer to Appendix A.

CONCLUSIONS

The following conclusions are relevant.

1. In general, the system appears to be properly designed, well operated and in above average condition.

2. The system is well maintained and, while the need for some maintenance is indicated, there has been no significant deferred maintenance. It is noted that maintenance at an increasing rate should be anticipated due to normal aging.

3. System reliability can be reasonably enhanced by obtaining a spare VFD (can be a shelf spare) and air compressor.

4. The raw water pump facility will need to be coated in the short term to avoid excessive deterioration.

5. The automatic remote valving system needs to be confirmed functional to facilitate the ability to remotely shutoff various zones. System capacity versus demand makes this functionality at this time not urgent, but it is recommended that it be made operational before system demands dictate the need.

6. When the jockey pump motor fails, replace with a 25 HP. Confirm breaker and cable size is adequate.

7. Annually inspect the disc filters and sand filter internals. Maintain as needed.

8. Within the next five years paint the steel components of the building.

9. Consider adding a parallel (standby) compressor.

10. Refer to Appendix A for recommendations related to electrical and control items.

APPENDIX A

ELECTRICAL & CONTROL

J. H. HAM ENGINEERING, INC.

Electrical & Instrumentation • Engineering & Construction

August 8, 2016

Bill,

The following is a summary of electrical and Instrumentation systems and equipment survey that we conducted on 7/25/16.

The Tradition WTP is powered by a 1200 Amperes, three (3) phase, three (3) wire 480/277 WYE service from a pad mount transformer located just outside the WTP Electrical Equipment and Control Building. The 1200 Amperes service is an underground feeder that runs into a 1200 Amperes 480 VAC Main Distribution (MDP1) that has a 1200 Amperes thermal-magnetic molded case Main Circuit Breaker with a Long Time, Short Time, Instantaneous and Ground Fault (LSIG) trip unit. MDP1 is located inside the air conditioned Electrical Switchgear and Control Room. MDP1 has thermal-magnetic branch circuit breakers for the feeders to the Power and Control Panel (PCP1) with the starters and VFD for the five (5) High Service Pumps which is located in the same room as MDP1, the 112.5 kVA 480 V to 120/208 V three (3) phase transformer also located in the same room as MDP1 and the two (2) remote Power and Control Panels for the four (4) Raw Water Pumps located at the canal and retention pond. There are capped spare empty underground conduits that run from outside the Electrical and Equipment Building at a location for a future pad mount transformer to the Electrical Switchgear and Control Room for future MDP2 located adjacent to the existing MDP1.

The existing 1200 Amperes feeder and MDP1 have a connected load of four (4) 100 HP and one (1) 20 HP High Service Pumps, four (4) 50 HP Raw Water Pumps and a 112.5 kVA transformer. The full load Amperes on MDP1 from standard amperes tables for motors and the 112.5 kVA transformer is 895.47 Amperes and the feeder cables, the Main Circuit Breaker and the main buss in MDP1 must be sized for 125% of the full load Amperes which would be 1119.33 Amperes. The full load Amperes on MDP1 from the actual nameplate Amperes of all the motors is 811.47 Amperes and 125% would be 1014.33 Amperes. The 1200 Amperes capacity of the incoming service, the Main Breaker and MDP1 is correctly sized for 125% of the existing load as required by the NEC.

MDP1 is a Siemens P5 Cat. No. P5E75AD120EBS, Serial No. 17-47334-C00 Switchboard with fixed mount thermal-magnetic circuit breakers with exposed non-lockable handles. Unlike metal-clad switchgear with draw-out power circuit breakers that can be locked in the open position, MDP1 does not have provisions for locking the Main Circuit Breaker or any of the branch circuit breakers in the open position.

PCP1 is a custom fabricated power and control panel with two (2) full height doors with a single non-lockable handle for opening PCP1 to gain access to all of the low voltage Programmable Logic Controller (PLC) components and the 480 VAC incoming line power terminals blocks, motor circuit breakers, motor starters and the single common VFD. Unlike a standard Motor Control Center (MCC) where each combination motor starter with the motor circuit breaker is in an isolated individual MCC unit with a lockable external circuit breaker operating mechanism that is mechanically interlocked with the individual MCC unit door to prevent the associated door from being opened if the breaker is turned on, PCP1 exposes all of the electrical components for all five (5) High Service Pumps when the doors are opened. All of the motor and VFD circuit breakers are mounted adjacent to each other as are the motor starters. There is not any isolation of the electrical components in PCP1 so to work on one (1) specific pump motor, the individual non-lockable breaker is turned off leaving the remaining breakers turned on which energizes all

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of the remaining motor starters that are adjacent to one (1) you are working on. I would recommend that the external handle to PCP1 be changed to a lockable handle so that only authorized and properly protected Plant personnel can gain access to the power components inside PCP1. A short circuit study should be made for the entire Plant which will determine the maximum fault current available at the incoming power terminals inside PCP1. From the Short Circuit Study, an Arc Flash Study should be run which will generate warning labels that state the level of Personal Protection Equipment (PPE) that anyone should wear when opening the doors to work on anything inside PCP1.

The motor starter breakers and starters for all five (5) High Service Pumps are sized properly for the connected motors. The interlocked motor starters that run the 100 HP High Service Pumps either full voltage or variable speed from the VFD are NEMA Size 4 and are rated for a maximum of 100 HP at 460 VAC. The motor starter for the 20 HP full voltage High Service Jockey Pump is a NEMA size 2 starter that is rated for a maximum of 25 HP at 460 VAC. To increase the High Service Jockey Pump to 25 HP, the motor starter breaker would need to be changed to a 60 Amperes breaker, the overloads would have to be changed to match the FLA of a 25 HP motor which is approximately 34 Amperes and the wires from the breaker to the starter and from the starter to the new 25 HP motor would need to be changed to No.6 AWG THHN/THWN cables with a No.10 AWG ground wire in the existing conduit. The existing 40 Amperes motor starter breaker for the existing 20 HP High service Jockey Pump is marginal and should be changed to a 50 Amperes breaker. A 40 Amperes motor starter breaker is the proper size for a 15 HP 460 VAC motor.

The common VFD for the 100 HP High Service Pumps has properly sized 130 Amperes MTE Corporation Cat. No. RL-13003 three (3) phase reactors on the line side of the VFD for Harmonic Mitigation back into the feeder to PCP1 and on the load side of the VFD for reduction of voltage spikes to the motor leads and motor from the firing of the IGBTs to create a simulated sine wave for variable frequency speed control of the motors from the DC bus voltage in the VFD.

The 100 HP High Service Pump motors are Inverter Duty motors for use on Variable Frequency Drives (VFDs). The motors also have 120 VAC space heater in the windings of the motor that are not in service or connected back into PCP1. These motor space heaters should be connected and powered up whenever the motor is not running. It would require the addition of a 120 VAC circuit in PCP1 to power up the four (4) motor space heaters, the addition of two (2) normally closed auxiliary contacts to the four (4) interlocked starters for the 100 HP High Service Pumps so that power would be applied to the motor space heaters when each motor is shut down and the addition of four (4) 3/4" conduits from PCP1 to each 100 HP High Service Pump motor. An alternate conduit run from PCP1 to the four (4) motor space heaters would be running a single larger conduit with all four (4) motor heater circuits from PCP1 to a NEMA 4X stainless steel junction box at the motors and then running four (4) short runs of 3/4" conduit from the junction box to each of the four (4) motor space heaters.

Since the motor circuit breakers for each individual High Service Pump motor cannot be locked out for maintenance on the pump or motor and the motors are not in sight of the motor circuit breakers, NEMA 4X stainless steel or NEMA 3R/12 painted steel, Heavy Duty, HP rated lockable disconnects need to be added at each motor. The 20 HP High Service Jockey Pump requires a 30 Amperes disconnect and the 100 HP High Service Pumps require 200 Amperes disconnects.

The four (4) 50 HP Raw Water Pumps are powered from two (2) individual duplex Power and Control Panels located at the Raw Water Pump Station. As with PCP1, the two (2) Raw Water Pumps Power and Control panels are custom fabricated power and control panels, each with a single door with a single lockable handle for opening the panels to gain access to all of the low voltage control components and the 480 VAC incoming line power terminals blocks, motor circuit breakers and motor starters. The Raw Water Pumps Power and Control Panels are again unlike a standard Motor Control Center (MCC) where each combination motor starter with the motor circuit breaker is in an isolated individual MCC unit with a lockable external circuit breaker operating mechanism that is mechanically interlocked with the individual MCC unit door to prevent the associated door from being opened if the breaker is turned on. When either of the doors of the Raw Water Pumps Power and Control Panels is open, the person opening the door is exposed to all of the electrical components for each set of two (2) Raw Water Pumps. The motor circuit breakers are mounted adjacent to each other as are the motor starters. There is not any isolation of the electrical components in the panels so to work on one (1) specific pump motor, the individual non-lockable breaker is turned off leaving the remaining breaker turned on which energizes the remaining motor starter that is adjacent to one being worked on. The Plant wide short circuit study will determine the maximum fault current available at the incoming power terminals inside both Raw Water Pumps Power and Control panels. As with PCP1, from the Short Circuit Study, the Arc Flash Study will generate warning labels that state the level of Personal Protection Equipment (PPE) that anyone should wear when opening the doors to work on anything inside the Raw Water Pumps Power and Control Panels. Since the Raw Water Pump motors are within sight of the Power and Control panels, I would recommend adding lockable clips to the handles of the motor circuit breakers so that the breakers could be locked open when work is being done on the motors or pumps.

Each of the Raw Water Pumps Power and Control Panels is powered by a 250 Amperes thermal-magnetic feeder breaker in PCP1 and a 250 Amperes underground feeder from PCP1 to each of the Raw Water Pumps Power and Control Panels which have a 200 Amperes Main Circuit Breaker and 100 Amperes motor circuit breakers. Each of the existing 250 Amperes feeder breakers and feeders from PCP1 to the Raw Water Pumps Power and Control panels have a connected load of two (2) 50 HP Raw Water Pumps and a 2 kVA control power transformer. The full load Amperes on each of the 250 Amperes feeder breakers and feeders from standard amperes tables for motors and the 2 kVA transformer is 134.167 Amperes and the feeder cables, the 250 Amperes Feeder Breaker and the 200 Amperes Main Breaker in each of the Raw Water Pumps Power and Control Panels must be sized for a minimum of 125% of the full load Amperes which would be 167.71 Amperes. The full load Amperes from the actual nameplate Amperes of all the two (2) 50 HP motors is 118.17 Amperes and 125% would be 147.71 Amperes. The 250 Amperes capacity of the feeder breakers and feeder, the 200 Amperes Main Breakers are correctly sized for 125% of the existing loads as required by the NEC.

The 100 Amperes motor starter breakers and starters for all four (4) of the Raw Water Pumps are sized properly for the connected motors. The motor starters that run the 50 HP Raw Water Pumps are NEMA Size 3 and are rated for a maximum of 50 HP at 460 VAC.

When we were running the Raw Water Pumps to get motor Amperage readings, we found that there is a control logic problem in the PLC in PCP1 that operates the Raw Water Pumps. When the controls are switched from AUTO to MANUAL or from MANUAL to AUTO for an individual pump, the starters chattered cycling the NEMA Size 3 motor starters in and out very rapidly which is jogging the 50 HP motors. This is not good for the motors or the starters as you are plugging the motor and starters with motor starting inrush current which is 6 to 7 times the FLA of the motor. The control logic for the Raw Water Pumps should be modified to add time delays in the PLC logic that control the outputs calling for the motors to start or stop at the level control set points so that they are positive run or stop signals and not pulsing the outputs around the set points. They should also have a start and stop differential programmed that seals it in once it hits the start or stop level set points so that it is sealed in until the reset level is reached.

Jim

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APPENDIX B

THE RESOLUTION

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TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

IRRIGATION SYSTEM REVENUE BONDS
(EXISTING SYSTEM)

RESOLUTION NO. 2017-02

Dated: March 14, 2017

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RESOLUTION NO. 2017-02

A RESOLUTION OF TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 AUTHORIZING THE ISSUANCE FROM TIME TO TIME OF IRRIGATION SYSTEM REVENUE BONDS IN CONNECTION WITH THE EXISTING IRRIGATION SYSTEM TO BE OWNED AND OPERATED BY THE DISTRICT TO SERVE THE EXISTING SYSTEM SERVICE AREA, AS MORE FULLY DESCRIBED IN THIS RESOLUTION; PLEDGING CERTAIN NET REVENUES OF THE EXISTING IRRIGATION SYSTEM FOR THE PAYMENT OF SUCH BONDS; PROVIDING FOR THE RIGHTS OF THE HOLDERS OF SUCH BONDS; AUTHORIZING THE ISSUANCE OF SUCH BONDS IN VARIOUS SERIES; FIXING CERTAIN TERMS AND DETAILS OF SUCH BONDS; APPOINTING U.S. BANK NATIONAL ASSOCIATION, AS THE TRUSTEE, BOND REGISTRAR AND PAYING AGENT FOR BONDS TO BE ISSUED HEREUNDER; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING; REPEALING OTHER INSTRUMENTS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

NOW THEREFORE, BE IT RESOLVED BY TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 AS FOLLOWS:

ARTICLE I
STATUTORY AUTHORITY FINDINGS AND DEFINITIONS

SECTION 1.01 GENERAL MATTERS RELATING TO DEFINITIONS; AUTHORITY FOR THIS RESOLUTION. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in Article I, Section 1.04 of this Resolution. The Board of the Issuer is authorized to adopt this Resolution under the authority pursuant to the Act.

SECTION 1.02 FINDINGS. It is hereby found and determined that:

A. The Issuer is a local unit of special purpose government duly organized and existing under the provisions of the Act. The Issuer was established for the purpose, among other things, of delivering certain community development services and facilities as authorized by the Act, including planning, financing, constructing, acquiring, owning, operating and maintaining the Existing System within the Existing System Service Area, as further authorized by the Interlocal Agreement and the Franchise Agreement.

B. The Issuer hereby determines that it serves a paramount public purpose and it is in the best interests of the Issuer and the residents within its boundaries that the Issuer authorize the

issuance from time to time, in one or more Series, of Bonds pursuant to this Resolution for the purpose of financing and refinancing Projects from time to time, including the Series 2017 Project.

C. It will not be necessary nor has there been authorized the levy of ad valorem taxes on any property in the Issuer to pay the Bonds and the Bonds shall not constitute a lien upon any of the properties of the Issuer, except the Pledged Revenues and the Funds and Accounts, in the manner and to the extent set forth herein, nor shall the Bonds be secured by the full faith and credit of the Issuer.

SECTION 1.03 RESOLUTION TO CONSTITUTE CONTRACT. In consideration of the acceptance of the Bonds authorized to be issued hereunder or as permitted hereby by those who shall hold the same from time to time, this Resolution and any Series Resolution shall be deemed to be and shall constitute a contract between the Trustee, the Issuer and such Bondholders, and the covenants and agreements herein set forth to be performed by the Trustee and the Issuer shall be for the equal benefit, protection and security of the Bondholders, all of which shall be of equal rank and without preference, priority or distinction as to lien or otherwise of any of the Bonds over any other, except as expressly provided herein or in an applicable Series Resolution.

SECTION 1.04 DEFINITIONS. In addition to words and terms elsewhere defined in this Resolution, the following words and terms as used in this Resolution shall have the following meanings, unless some other meaning is plainly intended:

"Account" shall mean any account, and "Accounts" shall mean the accounts, held by the Trustee and created and designated by this Resolution, other than any account in the Rebate Fund.

"Accountant" shall mean the independent certified public accountants or firm of independent certified public accountants retained by the Issuer under the provisions of Section 7.04 of this Resolution to perform and carry out the duties imposed on the Accountant by this Resolution.

"Accreted Value" shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond at its initial offering plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the Compounding Date next preceding the date of computation, or the date of computation if a Compounding Date, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bond, if such date of computation shall not be a Compounding Date, a portion of the difference between the Accreted Value as of the immediately preceding Compounding Date (or the date of original issuance if the date of computation is prior to the first Compounding Date succeeding the date of original issuance) and the Accreted Value as of the immediately succeeding Compounding Date, calculated based on the assumption that Accreted Value accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve months of thirty days each. Interest shall accrue on any Capital Appreciation Bond and be compounded periodically at such rate and at such times as provided for in any Series Resolution relating to said Capital Appreciation Bond.

"Act" shall mean the Ordinance, Chapter 190, Florida Statutes, as amended, any successor statute thereto, the Florida Constitution and other applicable provisions of law.

"Additional Bonds" shall mean the Bonds issued pursuant to the provisions of Section 2.09 of this Resolution.

"Amortization Requirements" shall mean the money required to be deposited in the Principal Account for the purpose of the mandatory redemption of any Term Bonds issued pursuant to this Resolution, the specific amounts and times of such deposits to be determined in any Series Resolution relating to such Term Bonds.

"Annual Budget" shall mean the annual operating budget for the Existing System, as amended or supplemented, adopted or in effect for a particular Fiscal Year as provided in Section 5.02 of this Resolution.

"Appreciated Value" shall mean, with respect to any Capital Appreciation and Income Bond: (a) as of any date of computation prior to the Interest Commencement Date, an amount equal to the principal amount thereof on the date of original issuance plus the interest accrued on such Bond from the date of original issuance of such Bond to the Compounding Date next preceding the date of computation or the date of computation if a Compounding Date, such interest to compound periodically at the times and at the rate provided in any Series Resolution relating to said Bond, plus, if such date of computation shall not be a Compounding Date, a portion of the difference between the Appreciated Value as of the immediately preceding Compounding Date (or the date of original issuance if the date of computation is prior to the first Compounding Date succeeding the date of original issuance) and the Appreciated Value as of the immediately succeeding Compounding Date calculated based upon an assumption that Appreciated Value accrues during any period in equal daily amounts on the basis of a year of 360 days consisting of twelve months of thirty days each; and (b) as of any date of computation on and after the Interest Commencement Date, the Appreciated Value on the Interest Commencement Date.

"Asset Purchase Agreement" shall mean that certain Asset Purchase Agreement between the Issuer, as purchaser, and Tradition Irrigation Company, LLC (joined by Tradition Development Company, LLC), as seller, relating to the Issuer's acquisition of components of the Existing System, as same may be amended from time to time, to be executed by the Issuer and the Seller prior to or contemporaneously with the issuance of the Series 2017 Bonds.

"Authorized Officer" shall mean, when used with respect to the Issuer, the Chair(man), Vice Chair(man), Secretary, District Manager and any other officer of the Issuer designated from time to time by ordinance or resolution of the Issuer.

"Average Annual Debt Service Requirement" shall mean, as of any date, the arithmetic average of the Principal and Interest Requirements in the then current and each succeeding Bond Year.

"Board" shall mean the Board of Supervisors of the Issuer, acting as the governing body of the Issuer.

"Bond" or "Bonds" shall mean Outstanding Bonds of all Series, or any Bonds thereafter authenticated and delivered in lieu of or in substitution for such Bonds pursuant to Article II hereof, regardless of variations of maturity, interest rate or other provisions and, except where the context clearly requires otherwise, shall include bond anticipation notes issued in anticipation thereof, but shall not include any Subordinate Obligation.

"Bond Registrar" shall mean the bank or trust company either within or without the State of Florida, designated as such by ordinance or resolution of the Issuer, which shall perform such functions as Bond Registrar as are required by this Resolution. In the absence of any designation of a bank or trust company, the Issuer shall be deemed the Bond Registrar with respect to a Series.

"Bond Year" shall mean the period commencing the first day of October in each year and ending the last day of September the following year.

"Bondholder" (or "owner" or "holder" or "Holder") shall mean the registered owners of the Bonds as shown on the registration books of the Bond Registrar maintained pursuant to Section 2.04 of this Resolution.

"Capital Appreciation Bonds" shall mean any Bonds as to which interest is compounded periodically on each Compounding Date and which are payable in an amount equal to the then current Accreted Value only at maturity, earlier redemption or other payment date therefor, all as designated by any Series Resolution relating to such Bonds and which may be either Serial Bonds or Term Bonds.

"Capital Appreciation and Income Bonds" shall mean any Bonds as to which accruing interest is not paid prior to the Interest Commencement Date specified in any Series Resolution relating to such Bonds and with respect to which, until said Interest Commencement Date, the Appreciated Value is compounded periodically on each Compounding Date.

"Capitalized Interest" shall mean Bond proceeds set aside to pay the interest costs on said Bonds that will accrue during the construction of a Project or other specified period, the amount of which shall be set forth in any Series Resolution relating to such Bonds.

"Chair(man)" shall mean the Chair(man) of the Board, or in the Chair(man)'s absence or inability to act, any person authorized by ordinance or resolution of the Issuer or the Act to act in lieu of the Chair(man).

"Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated thereunder.

"Compounding Date" shall mean, with respect to any Capital Appreciation Bond and Capital Appreciation and Income Bond, the dates on which interest shall compound, as specified in any Series Resolution relating to such Bonds.

"Connection Charges" shall mean those charges imposed by the Issuer for connection to the Existing System, as set forth in the resolution of the Issuer establishing the rates, fees and charges

relating to the Existing System, as such resolution may be amended and supplemented from time to time, and shall exclude Impact Fees and any charges imposed by the Issuer for connection to the Expansion System.

"Construction Fund" shall mean the Fund of that name created and designated by Section 4.01 of this Resolution.

"Consulting Engineers" shall mean the engineer or engineering firm at the time retained by the Issuer pursuant to Section 7.04 of this Resolution to carry out and perform the duties imposed on the Consulting Engineers by this Resolution.

"Continuing Disclosure Agreement" shall mean, with respect to a Series of Bonds, the Continuing Disclosure Agreement (which may be referred to as a Continuing Disclosure Agreement), if any, entered into between the Issuer, the dissemination agent, if any, specified therein and such other Persons who are determined to be Obligated Persons with respect to such Bonds, as same may be amended from time to time, in order to comply with Rule 15(c)2-12 of the Securities and Exchange Commission.

"Convertible Bonds" shall mean Bonds issued under this Resolution which are convertible, at the option of the Issuer, into a form of Bonds which are permitted by this Resolution other than the form of such Bonds at the time they were issued.

"Cost" shall mean, as applied to any Project, the aggregate cost of acquisition and construction thereof, and all obligations and expenses relating thereto, including all items of cost which are set forth in Section 4.03 of this Resolution.

"Cost of Operation and Maintenance" of the Existing System shall mean the reasonable and necessary expenses of administration, maintenance, repair and operation of the Existing System, including, without limitation, all ordinary and usual expenses of maintenance and repair, all administrative expenses of the Issuer, insurance premiums, engineering expenses, legal expenses, any taxes which may be lawfully imposed on the Existing System or its income or operations and reserves therefor, and any other expenses required to be paid by the Issuer under the provisions of this Resolution or by law, as such expenses are determined to have been incurred in accordance with the method of accounting used in the official annual comprehensive financial statements of the Issuer including, to the extent so determined, expenses not annually recurring, but excluding (i) any reserves for extraordinary maintenance or repair, (ii) any allowance for depreciation or amortization, (iii) any payments or receipts relating to Interest Rate Swaps, and (iv) any deposits or transfers to the credit of the Funds and Accounts and the Rebate Fund: provided, however, that to the extent such Cost of Operation and Maintenance relates, all or in part, to a future period of time, they shall be prospectively determined by reference to the Annual Budget. The Cost of Operation and Maintenance excludes any costs of operating and maintaining the Expansion System.

"Credit Facility" shall mean an irrevocable letter of credit, policy of municipal bond insurance, surety bond, guaranty, purchase agreement, credit agreement or similar facility in which the entity providing such facility irrevocably agrees to provide funds to make payment of the principal of and interest on Bonds when due.

"Credit Provider" shall mean the provider of a Credit Facility or Liquidity Facility, if any, with respect to any Series of Bonds.

"Depository" shall mean any bank, savings association or trust company duly authorized by law to engage in its business and to receive Issuer funds and designated by an Authorized Officer as a Depository of monies under the provisions of this Resolution.

"District Counsel" shall mean general legal counsel to the Issuer or his or her designee or the person succeeding to his or her principal function.

"District Manager" shall mean the person or entity duly appointed to serve as the manager of the Issuer from time to time.

"Escrow Agent" shall mean a bank or trust company, either within or without the State of Florida, having fiduciary powers and designated as Escrow Agent in an Escrow Deposit Agreement and performing such functions as are required by such Escrow Deposit Agreement.

"Escrow Deposit Agreement" shall mean an Escrow Deposit Agreement, by and between the Issuer and an Escrow Agent, pursuant to which cash and/or Escrow Securities will be held by the Escrow Agent to provide for payment, in whole or in part, of one or more specified Series of Bonds.

"Escrow Securities" shall mean: (a) Government Obligations; (b) evidences of ownership of proportionate interests in Government Obligations or in future interest or principal payments thereon held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying Government Obligations and which Government Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated, and (c) municipal obligations, the payment of the principal of, interest and redemption premium, if any, on which is irrevocably secured by cash or obligations described in clause (a) or (b) of this definition; provided that the obligations described in clauses (a), (b) and (c) and the securities for the obligations described in clause (c) are not subject to redemption prior to their maturity, other than at the option of the holder thereof, or, to the extent subject to redemption prior to maturity, notice of redemption on a specified redemption date has been given and no other redemption may occur prior to maturity other than at the option of the holder thereof.

"Existing System" shall mean, collectively, the complete irrigation quality water supply, production, transmission, and distribution facilities to be acquired by the Issuer pursuant to the Asset Purchase Agreement and owned and operated by the Issuer to serve the Existing System Service Area, together with any and all improvements, extensions and additions thereto hereafter constructed or acquired either from the proceeds of Bonds or from other sources, and all property, real or personal, tangible or intangible, now or hereafter owned or used in connection therewith, to the extent owned and operated as part of the Existing System and needed to serve the Existing System Service Area. The Existing System excludes the Expansion System.

"Existing System Service Area" shall mean the geographic area within and without the boundaries of the Issuer and within the Service Area that is receiving or will receive irrigation services of the Existing System and comprised of the lands lying within the boundaries of the Issuer, Tradition Community Development District No. 2, Tradition Community Development District No. 3, Tradition Community Development District No. 4, Tradition Community Development District No. 5, Tradition Community Development District No. 6, and those portions of Southern Grove Community Development District No. 5 receiving or committed to receiving irrigation service from the Seller as of the date of issuance of the Series 2017 Bonds. The Existing System Service Area excludes the Expansion System Service Area.

"Expansion System" shall mean any portion of an irrigation system, including plant and facilities, constructed, acquired, installed, owned and operated by the Issuer after the date of issuance of the Series 2017 Bonds to serve the Expansion System Service Area. The Expansion System excludes the Existing System.

"Expansion System Service Area" shall mean shall mean the geographic area within and without the boundaries of the Issuer and within the Service Area that will receive irrigation services of the Expansion System and comprised of the lands lying within the boundaries of Southern Grove Community Development District No. 1, Southern Grove Community Development District No. 2, Southern Grove Community Development District No. 3, Southern Grove Community Development District No. 4, Southern Grove Community Development District No. 6, and those portions of Southern Grove Community Development District No. 5 not included in the Existing System Service Area. The Expansion System Service Area excludes the Existing System Service Area.

"Fiduciary" shall mean, collectively, the Trustee, the Bond Registrar and Paying Agent..

"Fiscal Year" shall mean the period established by applicable law as the Issuer's fiscal year, as the same may be amended from time to time.

"Franchise Agreement" shall mean the Amended and Restated Irrigation Franchise Agreement [Tradition and Southern Grove], as same may be amended from time to time, between the City of Port St. Lucie, Florida and Tradition Irrigation Company, LLC, pursuant to which the Seller has been granted a non-exclusive franchise to provide irrigation services in the Service Area, the rights and obligations under which agreement will be assigned to the Issuer pursuant to the Asset Purchase Agreement, as authorized by the Interlocal Agreement.

"Fund" shall mean any fund, and "Funds" shall mean the funds, held by the Trustee and created and designated by this Resolution, other than the Rebate Fund.

"Government Obligations" shall mean direct obligations of, or obligations the principal of and interest on which are guaranteed by, the United States of America.

"Gross Revenues" shall mean all fees, rentals, charges and other income, including any investment income from monies held on deposit in the Operation and Maintenance Fund and any of the Funds and Accounts created pursuant to this Resolution received by or accrued to the Issuer in connection with or as a result of its ownership or operation of the Existing System, including

Connection Charges and Impact Fees, all as calculated in accordance with the method of accounting used in the comprehensive annual financial statements of the Issuer: provided, however, Gross Revenues shall not include: (i) receipts and revenues derived from the imposition of an ad valorem tax or any other tax the Issuer is authorized, from time to time, to levy pursuant to applicable law; and (ii) any investment income earned on funds held in the Rebate Fund. For purposes of determining the Issuer's compliance with the test for issuing Additional Bonds set forth in Section 2.09 hereof and the rate covenant set forth in Section 5.03 hereof, to the extent that any Pledged Revenues are deposited to the Rate Stabilization Fund and applied to pay the Cost of Operation and Maintenance, such amounts shall be deemed to be part of Gross Revenues when so used. Gross Revenues exclude any revenues received by the Issuer as the result of its ownership and operation of the Expansion System.

"Impact Fees" shall mean the charges imposed by the Issuer from time to time on new users connecting to the Existing System, which charges represent a pro rata share of the costs which are attributable to the increased demand such new connections create upon the Existing System and exclude Connection Charges and are referred to in the Issuer's schedule of rates, fees and charges relating to the Existing System as "System Capacity Charges." Impact Fees exclude similar fees and charges relating to the Expansion System.

"Improvements" shall mean any extension, enlargement, improvement, equipping, construction, renovation, repair, replacement, rehabilitation or acquisition of all or any portion of a Project included in the Issuer's five-year capital improvement plan for the Existing System adopted from time to time.

"Interest Account" shall mean the Account of that name created and designated by Section 5.06 hereof.

"Interest Commencement Date" shall mean, with respect to any particular Capital Appreciation and Income Bonds, the date specified in any Series Resolution relating to such Bonds (which date must be prior to the maturity date for such Bonds) after which interest accruing on such Bonds shall be payable on a periodic basis, with the first such payment date being the applicable Interest Payment Date immediately succeeding such Interest Commencement Date.

"Interest Payment Date" shall mean, with respect to each Bond, such dates on which interest on such Bond is payable, as specified in any Series Resolution relating to such Bond.

"Interest Rate Swap" shall mean shall mean an agreement in writing by and between the Issuer and another entity (the "Counterparty") pursuant to which (1) the Issuer agrees to pay to the Counterparty an amount, either at one time or periodically, which is determined by reference to a rate of interest or formula and a "notional" amount specified in such agreement, during the period specified in such agreement and (ii) the Counterparty agrees to pay to the Issuer an amount, either at one time or periodically, which is determined by reference to a different rate of interest or formula but the same notional" amount specified in such agreement, during the period specified in such agreement.

"Interlocal Agreement" shall mean that certain Interlocal Agreement Relating to Irrigation Service within the Developments known as Tradition and Southern Grove (City of Port St. Lucie and Tradition Community Development District No. 1) dated March 8, 2010 between the City of Port St. Lucie, Florida and the Issuer, as same may be amended from time to time.

"Investment Securities" shall mean any of the following, to the extent the same are at the time legal for investment by the Issuer pursuant to applicable law, unless otherwise provided in a Series Resolution relating to a Series of Bonds: (a) Government Obligations; (b) obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America: Export-Import Bank, Farmers Home Administration, General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association, U.S. Department of Housing and Urban Development, Federal Housing Administration, Federal National Mortgage Association and any other agency or person controlled or supervised by, and acting as an instrumentality of, the government of the United States pursuant to authority granted by the Congress, which obligations are unconditionally guaranteed as to principal and interest by such agency or persons; (c) general obligations of any state of the United States or of any political subdivision of any state, which obligations are not rated lower than the three highest rating categories (without regard to numerical or other modifiers) applied by two nationally recognized rating agencies; (d) written repurchase contracts, reverse repurchase contracts or securities lending agreements (collateralized by cash or securities) with any securities dealer that is registered as a dealer under the Securities Exchange Act of 1934, as amended, and is monitored by, reports to, and is recognized as a primary dealer by the Federal Reserve Bank of New York, having a net capital of at least $200,000,000, for obligations of, or unconditionally guaranteed as to the payment of principal and interest by, the United States of America or obligations of, or unconditionally guaranteed as to the payment of principal and interest by, any Bank for Cooperatives, any Federal Intermediate Credit Bank, any Federal Home Loan Bank, the Export-Import Bank of the United States, any Federal Land Bank, the Farmers Home Administration, the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Financing Bank, or any other agency or instrumentality of, or corporation wholly owned by the United States of America, provided: (i) that at the time of entering into any such contract or agreement: (A) the market value as determined by such primary dealer (the "market value") of the obligations subject to any such repurchase contract is at least equal to the purchase price specified in such contract, (B) the purchase price specified in any such reverse repurchase contract is at least equal to the market value of the obligations subject to such contract or (C) the market value of the collateral for any such securities lending agreement is at least equal to the market value of the securities lent; and (ii) such obligations or collateral are held by a Depository in such manner as may be required to provide a perfected security interest in such obligations or collateral for the benefit of the Issuer; (e) unsecured certificates of deposit, time deposits (in addition to Time Deposits as defined herein), and bankers' acceptances (having maturities of not more than 365 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P and "Prime-1" by Moody's; (f) evidences of ownership of proportionate interests in Government Obligations or in future interest or principal payments thereon held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor on the underlying Government Obligations and which Government Obligations are not available to satisfy any claim of the custodian or any person claiming through the custodian or to whom the custodian may be obligated; (g) corporate debt obligations that are not rated lower than the two highest rating

categories (without regard to numerical or other modifiers) by two nationally recognized rating agencies; (h) any investment agreements with any bank or other financial institution, which has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated in the two highest letter rating categories by a nationally recognized rating agency, or is the lead bank of a parent bank holding company with an uninsured, unsecured and unguaranteed obligation meeting such rating requirements, provided: (1) interest is paid at least semi-annually at a fixed rate during the entire term of the agreement, and (2) monies invested thereunder may be withdrawn without any penalty, premium, or charge upon not more than one day's notice (provided such notice may be amended or canceled at any time prior to the withdrawal date), and (3) the agreement is not subordinated to any other obligations of such insurance company or bank, and (4) the Issuer and the trustee of the fund the moneys of which were invested in such agreements, if such trustee exists, receive an opinion of counsel that such agreement is an enforceable obligation of such insurance company or bank; (i) money market funds rated "AAAm" by Standard & Poor's Ratings Group; and (j) such other investment obligations as an Authorized Officer may approve from time to time, which are permitted investments of public funds under Florida law.

"Issuer" shall mean Tradition Community Development District No. 1, an independent special district and political subdivision of the State of Florida.

"Liquidity Facility" shall mean a letter of credit, policy of insurance, surety bond, guaranty, purchase agreement, credit agreement or similar facility in which the entity providing such facility agrees to provide funds to pay the purchase price of Put Bonds upon their tender by the holders thereof.

"Net Revenues" shall mean the Gross Revenues, after deduction of the Cost of Operation and Maintenance.

"Obligated Person(s)" shall mean, with respect to a Series of Bonds, any Person(s), other than Credit Providers, who either generally or through an enterprise, fund or account of such Person(s) are committed by contract or other arrangement to support payment of all or a part of the obligations on such Bonds, which Person(s) shall be identified as such in an applicable Series Resolution.

"Operation and Maintenance Fund" shall mean the Fund of that name created and designated pursuant to Section 5.05 hereof.

"Ordinance" shall mean Ordinance No. 01-010 of the Board of County Commissioners of St. Lucie County, Florida enacted on August 21, 2001, as amended, establishing the Issuer.

"Outstanding" shall mean all Bonds theretofore delivered except: (a) Bonds deemed to have been paid in accordance with Section 3.05 or Section 12.01 of this Resolution; (b) Bonds in lieu of which other Bonds have been issued pursuant to the provisions hereof relating to Bonds destroyed, mutilated, stolen or, lost; (c) Bonds paid, redeemed or delivered to or acquired by the Issuer for cancellation; and (d) for purposes of any consent or other action to be taken hereunder by the holders of a specified percentage of principal amount of Bonds, the Bonds held by or for the account of the Issuer.

"Paying Agent" shall mean, with respect to any Series of Bonds, either the bank or trust company at or from which principal, premium, if any, and interest on the Bonds is payable, as designated by the applicable Series Resolution. In the absence of any designation of a bank or trust company, the Issuer shall be deemed the Paying Agent with respect to a Series Resolution.

"Person" shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof, unless the context shall otherwise indicate.

"Pledged Revenues" shall mean the Net Revenues (provided, however, Impact Fees shall be included in the Pledged Revenues only to the extent permitted by applicable law) and, until applied in accordance with this Resolution, the monies on deposit in the Funds and Accounts.

"Principal Account" shall mean the Account of that name created and designated by Section 5.06 hereof.

"Principal and Interest Requirements" shall mean the respective amounts which are required in each Bond Year to provide:

(1) for paying the interest on all Bonds then Outstanding which is payable on each Interest Payment Date in such Bond Year;

(2) for paying the principal of all Serial Bonds then Outstanding which is payable upon the maturity of Serial Bonds in such Bond Year; and

(3) for paying the Amortization Requirements, if any, for all Term Bonds then Outstanding for such Bond Year.

For purpose of computing (1), (2) and (3) above, any principal, interest or Amortization Requirements due on the first day of a Bond Year shall be deemed due in the preceding Bond Year.

Except as otherwise provided in a Series Resolution, the following rules shall apply in determining the amount of the Principal and Interest Requirements for any Bond Year:

(i) the interest rate on Variable Rate Bonds shall be assumed to be: (A) for all purposes other than determining whether the test for issuing Additional Bonds set forth in Section 2.09 hereof is met, the "average rate" of interest on all Variable Rate Bonds during the twelve months ending with the month preceding the date of calculation or such shorter period of time as such Variable Rate Bonds may have been Outstanding or, in the event there were no Variable Rate Bonds Outstanding during the twelve months preceding the date of calculation, then the initial rate of interest; or (B) for purposes of determining whether the test for issuing Additional Bonds set forth in Section 2.09 is met, a rate equal to the lesser of (x) the initial rate of interest for the Issuer's payment obligations under the Variable Rate Bonds proposed to be issued as Additional Bonds and (y) the average rate of interest

for the prior Fiscal Year under a published variable interest rate index agreed upon by the Issuer which is generally consistent with the formula which shall be used to determine the Issuer's payment obligations as set forth in a Series Resolution authorizing the Variable Rate Bonds to be issued as Additional Bonds. "Average rate" shall mean the rate determined by dividing the total amount of interest paid on all Variable Rate Bonds during the period used in clause (A) hereof by the average principal amount of all Variable Rate Bonds Outstanding during that period;

(ii) in the case of Put Bonds, the date or dates on which the holder of such Put Bonds may elect or be required to tender such Bonds for payment or purchase shall be ignored if the source for said payment or purchase is a Credit Facility or a Liquidity Facility and the stated dates for Amortization Requirements and principal payments thereof shall be used for purposes of this calculation; provided, however, that during any period of time after the Credit Provider has advanced funds under a Credit Facility or Liquidity Facility and before such amount is repaid, Principal and Interest Requirements shall include the principal amount so advanced and interest thereon, in accordance with the principal repayment schedule and interest rate or rates specified in the Credit Facility or Liquidity Facility;

(iii) in the case of Capital Appreciation Bonds, the principal and interest portions of the Accreted Value becoming due at maturity or by virtue of an Amortization Requirement in that Bond Year's calculation shall be included;

(iv) in the case of Capital Appreciation and Income Bonds, the principal and interest portions of the Appreciated Value becoming due at maturity or by virtue of an Amortization Requirement in that Bond Year's calculation shall be included;

(v) in the case of Convertible Bonds, the calculations shall be based on the form of the Bonds as of the time of the calculation without regard to any unexercised conversion feature;

(vi) if interest on a Series of Bonds is payable from Capitalized Interest or from other amounts set aside irrevocably for such purpose at the time such Bonds are issued, or if principal, interest or Amortization Requirements are payable from investment earnings retained or deposited in an applicable Principal Account, Interest Account or Redemption Account in accordance with Section 6.02 hereof, interest, Principal and Amortization Requirements on such Series of Bonds shall be included in Principal and Interest Requirements only to the extent of the amount of interest, Principal and Amortization Requirements payable in a Bond Year from amounts other than amounts so funded to pay same; and

(vii) to the extent that the Issuer has entered into any Interest Rate Swap with respect to any Series of Bonds and notwithstanding the provisions of clauses (i) through (vi) above, while the Interest Rate Swap is in effect and the Counterparty has not defaulted thereunder, the interest rate with respect to the principal amount of such Bonds equal to the "notional" amount specified in the Interest Rate Swap shall be

assumed to be (A) if the Issuer's payment obligations under the Interest Rate Swap are computed based upon a fixed rate of interest, the actual rate of interest upon which the Issuer's payment obligations are computed under such Interest Rate Swap and (B) if the Issuer's payment obligations under the Interest Rate Swap are computed based upon a variable rate of interest, the average rate of interest for the Issuer's payment obligations under the Interest Rate Swap for the prior Fiscal Year for portion thereof while the Interest Rate Swap was in effect or if the Interest Rate Swap was not in effect during such prior Fiscal Year, then the lesser of (x) the initial rate of interest for the Issuer's payment obligations under the Interest Rate Swap and (y) the average rate of interest for the prior Fiscal Year under a published variable interest rate index agreed upon by the Issuer and the Counterparty which is generally consistent with the formula which shall be used to determine the Issuer's payment obligations; "average rate" with respect to the Issuer's payment obligations for the prior Fiscal Year shall mean the rate determined by dividing the total annualized amount paid by the Issuer under the Interest Rate Swap in such Fiscal Year or portion thereof by the "notional" amount specified in the Interest Rate Swap for such Fiscal Year.

"Project" shall mean any project of the Issuer relating to the Existing System, including Improvements, which project shall be fully described in a Series Resolution relating to the Additional Bonds which were issued to finance all or any portion of such project, as such project may be modified or amended as provided in Section 4.04 of this Resolution. For purposes hereof, the term "Project" shall be deemed to include the Series 2017 Project.

"Prudent Utility Practice" shall mean, in respect of any particular municipal utility industry, any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including but not limited to the practices, methods and acts engaged in or approved by a significant portion of such utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with reliability, safety and expedition.

"Put Bonds" shall mean all Bonds which, in accordance with any Series Resolution, may be tendered for payment or purchase by or on behalf of the Issuer prior to the stated maturities thereof.

"Qualified Independent Consultant" shall mean one or more qualified and recognized independent consultants, having favorable repute, skill and experience with respect to the acts and duties of the Qualified Independent Consultant to be provided to the Issuer, as shall from time to time be retained by the Issuer to perform the acts and carry out the duties herein provided for such consultants.

"Rate Stabilization Fund" shall mean the fund of that name created and designated by Section 5.06 of this Resolution.

"Rebate Fund" shall mean the fund of that name created and designated by Section 5.06 of this Resolution.

"Record Date" shall mean, with respect to any Bond, the date fifteen days next preceding an Interest Payment Date, whether or not a business day, or the date otherwise designated as such in any Series Resolution relating to said Bond.

"Redemption Account" shall mean the Account of that name created and designated by Section 5.06 of this Resolution.

"Refunding Bonds" shall mean the Bonds issued at any time under the provisions of Section 2.10 of this Resolution.

"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 of Florida, any political subdivision thereof and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the State of Florida, (c) the City of Port St. Lucie, Florida, St. Lucie County Florida, and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by such City or County, and (d) any other public body, whether federal, state or local or otherwise having regulatory jurisdiction and authority over the Issuer.

"Renewal and Replacement Fund" the fund of that name created and designated by Section 5.06 of this Resolution.

"Reserve Account" shall mean the Account of that name created and designated by Section 5.06 of this Resolution.

"Reserve Account Requirement" shall mean, as of any date of calculation: (a) as to all Series of Outstanding Bonds for which funds in the Reserve Account have not been segregated for that Series only, an amount, in the aggregate, equal to the lesser of: (i) the maximum Principal and Interest Requirements in the current or any future Bond Year for all such Series; or (ii) 125% of the Average Annual Debt Service Requirement for all such Series; and (b) as to a Series of Outstanding Bonds for which funds in the Reserve Account have been segregated for that Series only, an amount equal to the lesser of: (i) the maximum Principal and Interest Requirements in the current or any future Bond Year for such Series; (ii) 125% of the Average Annual Debt Service Requirement for such Series; or (iii) the amount provided in a Series Resolution with respect to such Series, which may be $0.00. The Reserve Account Requirement may be satisfied, in whole or in part, by the deposit of a Reserve Account Credit Facility.

"Reserve Account Credit Facility" shall mean an insurance policy, surety bond, irrevocable letter of credit or other credit agreement or similar facility maintained by the Issuer in lieu of or in partial substitution for cash or securities on deposit in the Reserve Account.

"Reserve Account Deposit Requirement" shall mean: (a) the amount, if any, as determined in a Series Resolution, required to be deposited monthly to the credit of the Reserve Account on account of the Bonds of that Series as a result of any amount having been withdrawn from the Reserve Account or a deficiency having been determined to exist upon valuation of the Reserve Account pursuant to Section 6.02 of this Resolution or (b) if not otherwise specified in a Series Resolution as contemplated by (a), an amount in each of the sixty successive months beginning with the month following any month in which any amount shall have been withdrawn from the Reserve Account or a deficiency is determined to exist upon valuation of the Reserve Account pursuant to Section 6.02 of this Resolution, equal to one-sixtieth of the deficiency created by such withdrawal or resulting from such valuation until such deficiency is made up.

"Resolution" shall mean this Resolution as same may be amended or supplemented from time to time in accordance with Article XI of this Resolution.

"Secretary" shall mean the Secretary or any Assistant Secretary to the Board.

"Seller" shall mean Tradition Irrigation Company, LLC, joined by Tradition Development Company, LLC, as seller under the Asset Purchase Agreement.

"Serial Bonds" shall mean the Bonds of a Series which are stated to mature in annual installments.

"Series" shall mean the Bonds delivered at any one time under the provisions of Article II of this Resolution.

"Series 2017 Bonds" shall mean the Issuer's Irrigation System Revenue Bonds (Existing System), Series 2017 authorized to be issued pursuant to Section 2.08 hereof.

"Series 2017 Project" shall mean the transactions to be consummated pursuant to the Asset Purchase Agreement with respect to the Issuer's acquisition of components of the Existing System in existence on the date of issuance of the Series 2017 Bonds.

"Series Resolution" shall mean one or more of the resolutions adopted by the Issuer prior to delivery of a particular Series of Bonds relating to the issuance, sale and payment of such Bonds and which shall provide for the matters required or permitted by this Resolution to be contained therein including, but not limited to, the details set forth in Section 2.02 hereof.

"Service Area" shall mean, collectively, the Existing System Service Area and Expansion System Service Area, in which the Issuer may provide services of the Existing System and the Expansion System as permitted by the Franchise Agreement and the Interlocal Agreement.

"Sinking Fund" shall mean the Fund of that name created and designated by Section 5.04 of this Resolution.

"Special Record Date" shall mean, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on the Bonds pursuant to Section 2.02 of this Resolution.

"Subordinate Obligation" shall mean an obligation or other evidence of indebtedness described in, and complying with the provisions of, Section 7.07 of this Resolution.

"Taxable Bonds" shall mean any Bond the interest on which is not intended at the time of issuance thereof to be excludable from the gross income of the holder thereof for federal income tax purposes.

"Term Bonds" shall mean Bonds which shall be stated to mature on one date and for amortization of which mandatory payments are required to be made into the Redemption Account and any other Bonds of a Series so designated in a Series Resolution relating to such Bonds.

"Time Deposits" shall mean time deposits, certificates of deposit or similar arrangements with any bank or trust company which is a member of the Federal Deposit Insurance Corporation and any federal or State of Florida savings and loan association whose deposits are insured by the Savings Association Insurance Fund (which may include the Trustee) and which are secured in the manner provided in Section 6.01 of this Resolution.

"Trustee" shall mean a bank or trust company, either within or without the State of Florida, having fiduciary powers and designated as Trustee by ordinance or resolution of the Issuer, which shall perform such functions as Trustee with respect to any Series of Bonds as are required by this Resolution or any Series Resolution.

"Variable Rate Bonds" shall mean Bonds issued with a variable, adjustable, convertible or other similar interest rate which is not fixed in percentage for the entire term thereof at the date of issue, and which may be convertible to a fixed interest rate.

SECTION 1.05 RULES OF CONSTRUCTION. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Words defined in Section 1.04 hereof that appear in this Resolution in lower case form shall have the meanings ascribed to them in the definitions in Section 1.04 unless the context shall otherwise indicate. The words "Bond," "owner," "holder" and "person" shall include the plural as well as the singular number and any other words importing singular number shall include the plural number in each case and vice versa.

ARTICLE II
AUTHORIZATION, DETAILS, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

SECTION 2.01 AUTHORIZATION OF BONDS. This Resolution sets forth the terms and conditions upon which the Issuer shall issue Bonds to pay all or part of the Cost of any Project and Refunding Bonds to refund existing indebtedness. Proceeds of Bonds issued in

accordance herewith may also be used to make deposits to the Funds and Accounts and to pay the costs of issuance and other expenses related to the issuance, sale and payment of the Bonds, including payments to Credit Providers, as contemplated by this Resolution. The total principal amount of Bonds that may be issued in accordance herewith is unlimited. Bonds may not be issued by the Issuer except in accordance with this Article. One or more Series Resolutions shall be adopted with respect to each Series of Bonds issued hereunder.

Upon the issuance of any Series of Bonds, under the terms, limitations and conditions herein provided, the Issuer shall provide for the funding of the Reserve Account in an amount equal to the Reserve Account Requirement, if any. Any such required amount may be paid in full or in part from the proceeds of such Series of Bonds. The Issuer may establish a separate subaccount in the Reserve Account for any Series of Bonds, including those secured by a Reserve Account Credit Facility, and provide a pledge of such subaccount to the payment of such Series of Bonds apart from the pledge provided herein. To the extent a Series of Bonds is secured separately by a subaccount of the Reserve Account, the holders of such Bonds shall not be secured by any other monies or Reserve Account Credit Facilities in the Reserve Account.

The Issuer shall appoint a Trustee with respect to all Bonds issued hereunder prior to the issuance and delivery of such Bonds and hereby collaterally assigns to said Trustee for the benefit of the Bondholders, and delivers to said Trustee, custody of the monies to be deposited in the Funds, Accounts or subaccounts established hereunder. The powers and obligations of any Trustee shall be as set forth herein or in the applicable Series Resolution and in such other agreements as may be entered into between the Issuer and the Trustee. The powers and obligations delegated to the Trustee in the Series Resolution shall supersede any grant of such powers and obligations to any Person set forth herein with respect to the applicable Series.

SECTION 2.02 DETAILS OF BONDS. The Bonds of each Series shall be designated "Tradition Community Development District No. 1 [Taxable] Irrigation System [Refunding] Revenue Bonds (Existing System), Series ____", in each case inserting the year of issuance and any identifying series letter, subject to such variations or changes as may be deemed necessary or appropriate by counsel with expertise in the field of tax-exempt municipal finance and specified by a Series Resolution. The Bonds shall be in such amounts, if any, of Serial Bonds and/or Term Bonds and in the form of Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Convertible Bonds, Put Bonds, Variable Rate Bonds or such other form of Bonds which may be marketable from time to time, or any combination thereof, as the Issuer may determine. Except as otherwise provided in a Series Resolution, the Bonds of each Series issued under the provisions of this Resolution shall be in fully registered form as to principal and interest, without coupons. Except as otherwise provided in a Series Resolution, both the principal of and the interest on the Bonds shall be payable in any coin or currency of the United States of America, or by check or wire payment in such currency, as, at the respective times of payment, in legal tender for the payment of public and private debts.

Payment of interest on any Interest Payment Date with respect to the Bonds, other than Capital Appreciation Bonds and interest on Capital Appreciation and Income Bonds that accrues prior to the Interest Commencement Date, shall be made to the person appearing on the registration books of the Issuer maintained pursuant to Section 2.04 hereof, as of the close of business on the

Record Date. Subject to the provisions of any Series Resolution, such interest shall be payable by check or draft on a Paying Agent and shall be mailed to each owner as of the Record Date, at his address as it appears on said registration books.

If and to the extent that the Issuer shall fail to make a required payment or provision for payment of interest on any Bond on any Interest Payment Date, that interest shall cease to be payable to the person who was the owner of that Bond as of the applicable Record Date. When monies become available for payment of interest on such Bond, the Trustee shall establish a Special Record Date for the payment of that interest which shall not be more than twenty, nor fewer than ten, days prior to the date of the proposed payment. Notice of the proposed payment and of the Special Record Date therefor shall be mailed to each owner of record on the fifth day prior to such mailing at his address as it appears on the registration books of the Issuer maintained pursuant to Section 2.04 hereof, not fewer than ten days prior to the Special Record Date. Thereafter, such interest shall be payable to the owners of such Bonds at the close of business on the Special Record Date. The provisions of this paragraph may be altered with respect to a Series of Bonds by the Series Resolution applicable to such Series.

Subject to the provisions of any Series Resolution, the principal of, and redemption premium, if any, on the Bonds, the Accreted Value of Capital Appreciation Bonds and the Appreciated Value of Capital Appreciation and Income Bonds shall be payable to or upon the order of the owner or his duly authorized attorney or legal representative, as the same falls due, upon the presentation and surrender of such Bonds at the designated corporate trust office of the Paying Agent or if the Issuer is the Paying Agent, at the office of the District Manager.

One or more Series Resolutions relating to a particular Series of Bonds shall establish the following:

(1) the purpose for which the Bonds are to be issued;

(2) the manner in which the proceeds of the sale of the Bonds are to be applied, including any required deposits to the Funds and Accounts;

(3) whether the Bonds shall be issued as Serial Bonds, Term Bonds, or a combination of the foregoing and whether such bonds shall be in the form of Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Convertible Bonds, Put Bonds, Variable Rate Bonds or any other form of Bond which may become marketable from time to time, or any combination of such forms as determined by the Issuer;

(4) the denomination in which each form of Bond included in the Series may be issued;

(5) the amounts, date, maturity dates (not exceeding the maximum number of years after the date of original issuance as is permitted by law), and interest rate (not exceeding the maximum rate permitted by law) with respect to the Bonds of a Series;

(6) the Interest Payment Dates;

(7) the redemption provisions, if any;

(8) the appointment of the Escrow Agent, Paying Agent, Bond Registrar, Trustee, remarketing agent, Credit Provider and the authority to execute agreements relating to the functions to be performed by any such Person, to the extent applicable to any of the Bonds of a Series;

(9) the identity of the purchasers of the Bonds and the authority to execute an agreement with the purchasers pursuant to which the Bonds shall be delivered in return for payment of the purchase price therein set forth;

(10) the approval of any documents to be used in connection with marketing the Bonds;

(11) the creation, within the Funds and Accounts, of subaccounts applicable to the Bonds of a Series;

(12) the Reserve Account Requirement, if any, with respect to the Series;

(13) the designated corporate trust office of the Bond Registrar and Paying Agent; and

(14) the Obligated Person(s), if any, with respect to a Series of Bonds as to which there will be a Continuing Disclosure Agreement; and

(15) such other matters as required by this Resolution to be established in a Series Resolution or otherwise deemed appropriate by the Issuer to be included therein and not inconsistent with the provisions of this Resolution.

SECTION 2.03 EXECUTION, AUTHENTICATION; BOND FORM. Except as otherwise provided in a Series Resolution, the Bonds shall be substantially in the form attached hereto as Exhibit A. Except as permitted or required by applicable law, the Bonds shall be signed by, or bear the facsimile signature of, the Chairman of the Board or his or her designee, and countersigned by, or bear the facsimile signature of, the Secretary of the Board; provided, however, that if required by law, each Bond shall be manually signed by at least one of such officers. The official seal of the Issuer or a facsimile thereof shall be imprinted on the Bonds. In case any officer whose signature or a facsimile of whose signature shall appear on any Bonds shall cease to be such officer before such Bonds have been authenticated and transferred by the Bond Registrar or delivered by the Issuer, such signature or such facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such authentication and transfer or delivery occurred. In addition, any Bond may bear the facsimile signature of, or may be signed by, such individuals as at the actual time of the execution of the Bond shall be the proper officers to execute such Bond although at the date of the Bond such individuals may not have been such officers.

Only such Bonds as have endorsed thereon a certificate of authentication as set forth in the form of Bond attached hereto or otherwise authorized by the Series Resolution relating to same, duly executed by the Bond Registrar, shall be entitled to any benefit or security under this Resolution. No Bonds shall be valid or obligatory for any purpose unless and until such certificate of authentication on the Bond has been duly executed by the Bond Registrar, and such certificate of the Bond Registrar upon any such Bond shall be conclusive evidence that such Bond has been duly authenticated and delivered under this Resolution. The Bond Registrar's certificate of authentication on any Bond shall be deemed to have been duly executed if signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds that may be issued hereunder at any one time.

SECTION 2.04 BOND REGISTRAR, REGISTRATION, TRANSFER AND EXCHANGE. The Issuer shall cause books for the registration and transfer of Bonds to be kept by the Bond Registrar. Unless otherwise provided in a Series Resolution, all Bonds shall be registered in such books upon presentation thereof to the Bond Registrar, who shall make notation of such registration thereon and shall not be registered to bearer. Bonds shall thereafter be transferred only by the owner of such Bonds, in person or by his duly authorized attorney or legal representative, upon the surrender thereof together with a written assignment duly executed by the owner or his duly authorized attorney or legal representative in such form as shall be satisfactory to the Bond Registrar. The registration of such transfer shall be made on such registration books and endorsed on the Bond by the Bond Registrar. Upon the transfer of any Bond, the Bond Registrar shall cause to be issued in the name of the transferee a new Bond or Bonds.

Upon surrender at the designated corporate trust office of the Bond Registrar with a written instrument of transfer duly executed by the owner or his duly authorized attorney or legal representative, in such form as shall be satisfactory to the Bond Registrar, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations of the same Series, interest rate and maturity. The Issuer shall execute, and the Bond Registrar shall authenticate and deliver such Bonds as the owner making the exchange is entitled to receive.

In all cases in which the privilege of exchanging or transferring Bonds is exercised, the Issuer shall execute and the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of this Resolution. All Bonds surrendered in any such exchanges or transfers shall forthwith be delivered to the Bond Registrar and canceled by the Bond Registrar in the manner provided in Section 2.05 of this Resolution.

No charge shall be made to any Bondholder for the privilege of registration, transfer or exchange hereinabove granted, but any Bondholder requesting any such registration, transfer or exchange shall pay any tax or other governmental charge required to be paid with respect thereto. The Issuer and Bond Registrar shall not be required to execute, transfer or exchange any Bond during the period beginning at the close of business on a Record Date (or Special Record Date) and ending at the close of business on the next Interest Payment Date (or date set for payment of interest for which the Special Record Date was set). The Issuer and Bond Registrar shall not be required to transfer or exchange any Bond: (a) during the fifteen days immediately preceding the date of mailing of notice of the redemption of such Bond; or (b) after such Bond has been selected for redemption or has matured.

Each Bond delivered pursuant to any provision of this Resolution in exchange or substitution for, or upon the transfer of the whole or any part of, one or more other Bonds, shall carry all of the right to interest which is accrued and unpaid, and which is to accrue, on the whole or part of the Bonds previously carried, and notwithstanding anything contained in this Resolution, such newly delivered Bond shall be dated or bear such notation so that neither gain nor loss in interest the payment of which is not in default shall result from any exchange, substitution or transfer.

The Issuer, the Trustee, the Paying Agent and the Bond Registrar may deem and treat the person in whose name any Bond is registered on the books maintained pursuant to this Section 2.04 of this Resolution as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and none of the Issuer, the Trustee, the Paying Agent or the Bond Registrar shall be affected by any notice to the contrary. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. Notwithstanding anything to the contrary in this Resolution, the Issuer may authorize the use of a book entry only system of beneficial ownership with respect to any Series of Bonds.

SECTION 2.05 CANCELLATION OF BONDS. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Paying Agent when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Issuer and delivered to the Paying Agent for cancellation, shall thereupon be promptly canceled. Bonds so canceled may at any time be destroyed by the Paying Agent, who shall execute a certificate of destruction in duplicate by the signature of one of its authorized officers, describing the Bonds so destroyed, and one executed certificate shall be filed with the Bond Registrar and the other executed certificate shall be kept by the Paying Agent.

SECTION 2.06 BOOK ENTRY ONLY SYSTEM. A blanket letter of representation has been entered into by the Issuer with respect to DTC (the "Letter of Representation"). It is intended that any Series of Bonds, if so specified in a Series Resolution relating to such Bonds, be registered so as to participate in a global book-entry system with DTC as set forth herein and in such Letter of Representation. Upon initial issuance, the ownership of any other Series of Bonds held in book-entry only form pursuant to the Letter of Representation shall be registered by the Bond Registrar in the name of Cede & Co., as nominee for DTC. With respect to Bonds registered by the Bond Registrar in the name of Cede & Co., as nominee of DTC, the Issuer, the Trustee, the Bond Registrar and Paying Agent shall have no responsibility or obligation to any broker-dealer, bank or other financial institution for which DTC holds Bonds from time to time as securities Depository (each such broker-dealer, bank or other financial institution being referred to herein as a "Depository Participant") or to any Person on behalf of whom such a Depository Participant holds an interest in the Bonds (each such Person being herein referred to as an "Indirect Participant"). Without limiting the immediately preceding sentence, the Issuer, the Trustee, the Bond Registrar and Paying Agent shall have no responsibility or obligation with respect to (a) the accuracy of the records of DTC, Cede & Co., or any Depository Participant with respect to the ownership interest in the Bonds, (b) the delivery to any Depository Participant or any Indirect Participant or any other Person, other than a registered owner of a Bond as shown in the registration books of the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption or (c) the payment to any Depository

Participant or Indirect Participant or any other Person of any amount with respect to principal of, premium, if any, or interest on, the Bonds. No Person other than a registered owner of a Bond as shown in the registration books of the Bond Registrar shall receive a Bond certificate with respect to any Bond. Upon delivery by DTC to the Bond Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions hereof with respect to the payment of interest by the mailing of checks or drafts to the registered owners of Bonds appearing as registered owners in the registration books maintained by the Bond Registrar at the close of business on the Record Date, the name "Cede & Co." in this Resolution shall refer to such new nominee of DTC.

In the event that the obligations of DTC under the Letter of Representations are terminated because (a) the Issuer determines that DTC is incapable of discharging its responsibilities described herein and in the Letter of Representation, or (b) the Issuer shall determine that it is in the best interests of the beneficial owners of the Bonds that the Bonds no longer be held in book-entry only form and that they obtain certificated Bonds, the Issuer shall notify DTC of the availability through DTC of Bond certificates and the Issuer shall request from DTC that the Bonds shall no longer be restricted to being registered on the registration books in the name of Cede & Co., as nominee of DTC. At that time, DTC may, in accordance with its rules and procedures allow such withdrawal; provided, DTC participants agree to such withdrawal pursuant to DTC's rules and procedures. If DTC grants a withdrawal request, the Issuer may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a universal book-entry system, as may be acceptable to the Issuer, or such depository's agent or designee, and if the Issuer does not select such alternate universal book-entry system, then the Bonds may be registered in whatever name or names registered owners of Bonds transferring or changing Bonds designate, in accordance with the provisions hereof. Notwithstanding any other provision of this Resolution to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Letter of Representations.

SECTION 2.07 BOND ANTICIPATION NOTES. Whenever the Issuer shall authorize the issuance of a Series of Bonds, the Issuer may by resolution, indenture or Series Resolution authorize the issuance of bond anticipation notes in anticipation of the sale of such authorized Series of Bonds in a principal amount not exceeding the principal amount of such Series and with a maturity date or dates not later than the date or dates permitted by the Act and other applicable law. The aggregate principal amount of Bonds of such Series and all other Bonds previously authenticated and delivered to pay the Cost of the Project for which the proceeds of the bond anticipation notes will be applied shall not exceed such Cost. The interest on such bond anticipation notes may be payable out of the Interest Account to the extent provided in the resolution or indenture of the Issuer or Series Resolution authorizing such bond anticipation notes. The principal of and interest on such bond anticipation notes and renewals thereof shall be payable from any moneys of the Issuer available therefore or from the proceeds of the sale of the Series of Bonds in anticipation of which such bond anticipation notes are issued. The proceeds of sale of bond anticipation notes shall be applied to the purposes for which the Bonds anticipated by such bond anticipation notes are authorized and shall be deposited in the appropriate Fund or Account established by the resolution or resolutions or Series Resolution relating to such bond anticipation notes for such purposes; provided, however, that the resolution or indenture or Series Resolution

authorizing such bond anticipation notes may provide for the payment of interest on such bond anticipation notes from the proceeds of sale of such bond anticipation notes and for the deposit of such interest in the Interest Account. In the event that the Issuer adopts a resolution or indenture other than a Series Resolution to authorize the issuance of bond anticipation notes, the Issuer will promptly furnish to the Trustee a copy of such resolution or indenture, certified by an Authorized Officer, together with such information with respect to such bond anticipation notes as the Trustee may reasonably request, including, without limitation, information as to the paying agent or agents for such bond anticipation notes. If authorized by resolution or indenture in lieu of Series Resolution, the Trustee shall have no duties or obligations to the holders of such bond anticipation notes unless specifically so authorized by the resolution or indenture of the Issuer authorizing the issuance of such bond anticipation notes and accepted in writing by the Trustee. The provisions of this Resolution shall apply to bond anticipation notes issued pursuant hereto, except where the context clearly requires otherwise or as otherwise provided in a Series Resolution.

SECTION 2.08 SERIES 2017 BONDS. The financing of the Cost of the Series 2017 Project as provided for herein is hereby authorized and approved. The Issuer's Series 2017 Bonds, designated as "Tradition Community Development District No. 1 Taxable Irrigation System Revenue Bonds (Existing System), Series 2017," is hereby authorized to be issued pursuant to this Section 2.08 and secured by this Resolution. The use of proceeds of the Series 2017 Bonds and the details of the Series 2017 Bonds will be as specified in one or more Series Resolutions related thereto adopted by the Issuer prior to the issuance of the Series 2017 Bonds. The principal of, redemption premium, if any, and interest on the Outstanding Series 2017 Bonds shall be payable from the Pledged Revenues and the monies on deposit from time to time in the Funds and Accounts, as more fully described herein and the related Series Resolution(s), on a parity basis with any Additional Bonds and Refunding Bonds hereafter issued and Outstanding hereunder.

The proceeds, including Capitalized Interest, if any, and premium, if any, received from the sale of the Series 2017 Bonds, shall be applied simultaneously with the delivery of the Series 2017 Bonds as shall be specified in one or more Series Resolutions related thereto. The Series 2017Bonds shall be deposited with the Trustee for delivery, but, as a condition precedent thereto, prior to or simultaneously with such delivery, there shall be obtained and filed with the Trustee and the Issuer the following:

(1) A copy, certified by the Secretary, of this Resolution and the Series Resolution(s) relating to such Series 2017 Bonds;

(2) A written opinion of the District Counsel stating that he or she is of the opinion that the issuance of such Series 2017 Bonds has been duly authorized and that the Series 2017 Bonds, this Resolution and any Series Resolution relating to the Series 2017 Bonds are legal, valid and binding obligations of the Issuer, subject to customary qualifications;

(3) A written opinion of the District Counsel stating that he or she is of the opinion that (a) the Issuer is authorized pursuant to the Franchise Agreement and the Interlocal Agreement or otherwise in accordance with the Act to provide the services and facilities of the Existing System within the Existing System Service Area; (b) any consents

of any Regulatory Bodies required in connection with the issuance of the Series of Bonds or in connection with the acquisition of the improvements included in the Project being financed with the proceeds of such Series of Bonds have been obtained or can be reasonably expected to be obtained (provided, however, no opinion is required to be expressed as to any environmental or land use permits or similar regulatory consents); and (c) if the acquisition of any real property or interest therein is included in the purpose of such issue, (i) the Issuer has or can acquire good and marketable title thereto free from all liens and encumbrances except such as will not materially interfere with the proposed use thereof or (ii) the Issuer has or can acquire a valid, subsisting and enforceable leasehold, easement, right-of-way or other interest in real property sufficient to effectuate the purpose of the issue (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) An executed opinion of bond counsel to the Issuer stating that the signer is of the opinion that such Series 2017 Bonds are valid, binding and enforceable obligations of the Issuer and, if such Series 2017 Bonds are not intended to be Taxable Bonds, that interest thereon is excludable from gross income of the Owners under the income tax laws of the United States in effect on the date such Series 2017 Bonds are delivered to their initial purchasers, subject to usual and customary qualifications for opinions of this type;

(5) A certificate of an Authorized Officer stating that provision has been made in an applicable Series Resolution to fund the Reserve Account Requirement, if any, as same will exist following issuance of such Series 2017 Bonds;

(6) A certificate of an Authorized Officer to the effect that no Event of Default as defined in Section 9.02 of this Resolution has occurred and is continuing as of the date of said certificate; and

(7) Executed copies of the Asset Purchase Agreement, together with evidence that the transactions provided for thereunder, including the assignment to the Issuer of the Seller's rights under the Franchise Agreement and the acquisition by the Issuer of the components of the Existing System to be acquired pursuant to the Asset Purchase Agreement, have been consummated as contemplated by the Asset Purchase Agreement.

When the documents mentioned above in this Section 2.08 shall have been filed with the Trustee and an Authorized Officer and when the Series 2017 Bonds shall have been executed as required by this Resolution, the Bond Registrar shall authenticate, and the Trustee shall deliver, such Series 2017 Bonds to or upon the order of the purchasers named in a Series Resolution related thereto or in a written certificate of an Authorized Officer, but only upon payment to the Trustee, on behalf of the Issuer, of the purchase price of such Series 2017 Bonds as set forth in the direction of the Issuer to authenticate and deliver the Series 2017 Bonds. The Trustee shall be entitled to rely upon any Series Resolution relating to the Series 2017 Bonds as to all matters stated therein.

SECTION 2.09 ADDITIONAL BONDS. In addition to the Series 2017 Bonds, Additional Bonds may be issued in accordance with this Section 2.09 and secured by this Resolution from time to time on a parity with the Series 2017 Bonds and any other Additional Bonds or

Refunding Bonds theretofore secured by this Resolution and then Outstanding, subject to the conditions hereinafter provided in this Section 2.09, and while the Series 2017 Bonds are Outstanding subject also to the conditions set forth in the Series Resolution authorizing the issuance of the Series 2017 Bonds, for the purpose of providing funds, together with other legally available funds, to pay all or any part of the Cost of a Project and, as shall be specified in any Series Resolution relating to the Additional Bonds, to make deposits to the Funds and Accounts and pay other costs of issuance and expenses relating thereto.

The Additional Bonds shall be deposited with the Trustee for delivery, but, as a condition precedent thereto, prior to or simultaneously with such delivery, there shall be obtained and filed with the Trustee and the Issuer the following:

(1) A copy, certified by the Secretary, of any Series Resolution relating to such Additional Bonds;

(2) A copy, certified by the Secretary, of a certificate of an Authorized Officer or a Qualified Independent Consultant stating that Gross Revenues generated by the Existing System, based on the rates, fees and other charges imposed on users of the Existing System in effect at the time the calculation is made, adjusted as provided below, less any amounts needed to pay the Cost of Operation and Maintenance, adjusted as provided below, in any twelve (12) month of the last eighteen (18) months immediately preceding the issuance of such Additional Bonds (the "Measurement Period") are at least equal to 110% of the maximum Principal and Interest Requirements becoming due in any Bond Year thereafter on (A) all Bonds Outstanding issued under this Resolution and (B) the Additional Bonds with respect to which such certificate is made. In making such calculation, the Authorized Officer or Qualified Independent Consultant, as the case may be, shall only include fifty percent (50%) of the Connection Charges actually collected, or caused to be collected by the Issuer during such twelve (12) month period. Notwithstanding anything to the contrary herein, for purposes of determining compliance with the provisions of this subsection, any Gross Revenues that were deposited into the Rate Stabilization Fund and thereafter transferred to the Operation and Maintenance Fund and used by the Issuer to pay the Cost of Operation and Maintenance of the Existing System shall be deemed to be Gross Revenues, when so used, for purposes of determining compliance by the Issuer with the provisions of this subsection.

For purposes of the foregoing, Gross Revenues during the Measurement Period may be adjusted, based on a certificate of Qualified Independent Consultant, to take into account increases in Gross Revenues as a result of (i) new customers of the Existing System attributable to an existing water or waste water system to be acquired with Additional Bonds, had the acquisition occurred at the beginning of the Measurement Period, (ii) new customers of the Existing System that by ordinance, resolution, agreement, law or regulation will be required to connect to the Existing System, or which the Qualified Independent Consultant projects will connect to the Existing System by virtue of their proximity to the service provided by the Project or otherwise, during any of the Fiscal Years of the Issuer that are the subject of a written forecast prepared by the Qualified Independent Consultant and reflected therein as the forecast period (the "Applicable Fiscal Years"), and (iii) any changes in the rate, fees and charges for customers and users of the Existing System which the Issuer shall

then have in effect, or shall have enacted or adopted by ordinance or resolution on or before the date of such certificate, which will be in effect or become effective in the Applicable Fiscal Years or any of them, assuming for purposes thereof that all of such changes to rates, fees and charges, in the aggregate, were in effect immediately prior to the first day of the Measurement Period (even if such adopted changes to rates, fees and charges are prospectively effective during the Applicable Fiscal Years or any of them). In the event that Gross Revenues are adjusted as aforesaid, the Cost of Operation and Maintenance during the Measurement Period shall also be adjusted, based on a certificate of a Qualified Independent Consultant, to take into account increases in the Cost of Operation and Maintenance that are estimated by the Qualified Independent Consultant to occur during the Applicable Fiscal Years, including as a result of the Project to be financed with the proceeds of the proposed Additional Bonds. Nothing herein shall be deemed to preclude the Consulting Engineers from serving as the Qualified Independent Consultant for purposes of this subsection;

(3) A written opinion of the District Counsel stating that he or she is of the opinion that the issuance of such Additional Bonds has been duly authorized, that all conditions precedent to the delivery of such Additional Bonds have been irrevocably provided for, fulfilled or otherwise satisfied and that this Resolution and any Series Resolution relating to the Additional Bonds creates a valid and enforceable pledge of the Pledged Revenues and a lien for the benefit of the Additional Bonds and Bondholders thereof on the monies on deposit in the Funds and Accounts and on the Pledged Revenues, prior to any other lien thereon, and on a parity with the Outstanding Series 2017 Bonds and any Outstanding Additional Bonds and Refunding Bonds;

(4) A written opinion of the District Counsel stating that he or she is of the opinion that (a) the Issuer is authorized pursuant to the Franchise Agreement and the Interlocal Agreement or otherwise in accordance with the Act to provide the services and facilities of the Existing System within the Existing System Service Area; (b) any consents of any Regulatory Bodies required in connection with the issuance of the Series of Bonds or in connection with the acquisition of the improvements included in the Project being financed with the proceeds of such Series of Bonds have been obtained or can be reasonably expected to be obtained (provided, however, no opinion is required to be expressed as to any environmental or land use permits or similar regulatory consents); and (c) if the acquisition of any real property or interest therein is included in the purpose of such issue, (i) the Issuer has or can acquire good and marketable title thereto free from all liens and encumbrances except such as will not materially interfere with the proposed use thereof or (ii) the Issuer has or can acquire a valid, subsisting and enforceable leasehold, easement, right-of-way or other interest in real property sufficient to effectuate the purpose of the issue (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);

(5) An executed opinion of bond counsel to the Issuer stating that the signer is of the opinion that such Series of Bonds are valid, binding and enforceable obligations of the Issuer and, if such Series of Bonds are not intended to be Taxable Bonds, that interest thereon is excludable from gross income of the Owners under the income tax laws of the

United States in effect on the date such Series of Bonds are delivered to their initial purchasers, subject to usual and customary qualifications for opinions of this type;

(6) A certificate of an Authorized Officer stating that provision has been made in an applicable Series Resolution to fund the Reserve Account Requirement, if any, as same will exist following issuance of such Additional Bonds; and

(7) A certificate of an Authorized Officer to the effect that no Event of Default as defined in Section 9.02 of this Resolution has occurred and is continuing as of the date of said certificate, which shall be dated within fifteen days prior to the date of issuance of the Additional Bonds.

When the documents mentioned above in this Section 2.09 shall have been filed with the Trustee and an Authorized Officer and when the Additional Bonds described in any Series Resolution relating to the same shall have been executed as required by this Resolution, the Bond Registrar shall authenticate, and the Trustee shall deliver, such Additional Bonds to or upon the order of the purchasers named in a Series Resolution, but only upon payment to the Trustee, on behalf of the Issuer, of the purchase price of such Additional Bonds as set forth in the direction of the Issuer to authenticate and deliver the Additional Bonds. The Trustee shall be entitled to rely upon any Series Resolution as to all matters stated therein.

SECTION 2.10 REFUNDING BONDS. In addition to the Bonds provided for under the provisions of Section 2.08 and 2.09 of this Resolution, Refunding Bonds may be issued in accordance with this Section 2.10 and secured by this Resolution from time to time on a parity with the Series 2017 Bonds and any Additional Bonds and Refunding Bonds theretofore secured by this Resolution and then Outstanding, subject to the conditions hereinafter provided in this Section 2.10, and while the Series 2017 Bonds are Outstanding subject also to the conditions set forth in the Series Resolution authorizing the issuance of the Series 2017 Bonds, for the purpose of providing funds, together with other legally available funds, for refunding all or any portion of the Bonds of any one or more Series issued under the provisions of this Resolution, and/or refunding any Subordinate Obligations, including in each case the payment of all amounts necessary to defease the refunded obligations in accordance with the provisions thereof, and, as shall be specified in any Series Resolution relating to the Refunding Bonds, to make deposits to the Funds and Accounts and pay other costs of issuance and expenses relating thereto.

The Refunding Bonds shall be deposited with the Trustee for delivery, but, as a condition precedent thereto, prior to or simultaneously with such delivery, there shall be obtained and filed with the Trustee and the Issuer the following:

(1) A copy, certified by the Secretary, of any Series Resolution relating to the Refunding Bonds;

(2) A written opinion of the District Counsel stating that he or she is of the opinion that (a) the issuance of such Refunding Bonds has been duly authorized, that all conditions precedent to the delivery of such Refunding Bonds, including defeasance of the Bonds to be refunded, have been irrevocably provided for, fulfilled or otherwise satisfied,

and that this Resolution and any Series Resolution relating to such Refunding Bonds creates a valid and enforceable pledge of the Pledged Revenues and a lien for the benefit of the Refunding Bonds and Bondholders thereof on the monies on deposit in the Funds and Accounts and on the Pledged Revenues, prior to any other lien thereon, and on a parity with the Outstanding Series 2017 Bonds and any Outstanding Additional Bonds and Refunding Bonds; and (b) the Issuer is authorized pursuant to the Franchise Agreement and the Interlocal Agreement or otherwise in accordance with the Act to provide the services and facilities of the Existing System within the Existing System Service Area;

(3) A copy, certified by the Secretary, of a certificate signed by an Authorized Officer, confirming any one of the following:

(i) that the maximum Principal and Interest Requirements for all Outstanding Bonds after issuance of the Refunding Bonds (excluding any Bonds being defeased by proceeds of the Refunding Bonds) is not greater than the maximum Principal and Interest Requirements for all Outstanding Bonds prior to issuance of the Refunding Bonds; or

(ii) that the Average Annual Debt Service Requirement for all Outstanding Bonds after issuance of the Refunding Bonds (excluding any Bonds being defeased by proceeds of the Refunding Bonds) is not greater than the Average Annual Debt Service Requirement for all Outstanding Bonds prior to issuance of the Refunding Bonds; or

(iii) that the sum of the present values of the Principal and Interest Requirements for each year for all Outstanding Bonds after issuance of the Refunding Bonds (excluding any Bonds being defeased by proceeds of the Refunding Bonds) is not greater than the sum of the present values of the Principal and Interest Requirements for each year for all Outstanding Bonds prior to issuance of the Refunding Bonds, using as a discount factor for computation of the present values the yield on the Bonds being defeased.

(4) An executed opinion of bond counsel to the Issuer stating that the signer is of the opinion that such Series of Bonds are valid, binding and enforceable obligations of the Issuer and, if such Series of Bonds are not intended to be Taxable Bonds, that interest thereon is excludable from gross income of the Owners under the income tax laws of the United States in effect on the date such Series of Bonds are delivered to their initial purchasers, subject to usual and customary qualifications for opinions of this type;

(5) a certificate of an Authorized Officer stating that provision has been made in an applicable Series Resolution to fund the Reserve Account Requirement, if any, as same will exist following issuance of such Refunding Bonds; and

(6) a certificate of an Authorized Officer to the effect that no Event of Default as defined in Section 9.02 of this Resolution has occurred and is continuing as of the date of

said certificate, which shall be dated within fifteen days prior to the date of issuance of the Refunding Bonds.

When the documents mentioned above in this Section 2.10 shall have been filed with the Trustee and an Authorized Officer and when the Refunding Bonds described in any Series Resolution relating to the same shall have been executed as required by this Resolution, the Bond Registrar shall authenticate, and the Trustee shall deliver, such Refunding Bonds to or upon the order of the purchasers named in a Series Resolution, but only upon payment of the purchase price of such Refunding Bonds to the Trustee, on behalf of the Issuer, as set forth in the direction of the Issuer to authenticate and deliver the Refunding Bonds. The Trustee shall be entitled to rely upon any Series Resolution as to all matters stated therein.

SECTION 2.11 PREPARATION OF DEFINITIVE BONDS; TEMPORARY BONDS. The definitive Bonds of each Series shall be lithographed or printed with or without steel engraved borders. Until the definitive Bonds of any Series are ready for delivery, there may be executed, and an Authorized Officer may deliver, or cause the Bond Registrar to deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, except as to identifying numbers, temporary printed, engraved, lithographed or typewritten Bonds in the denomination authorized by a Series Resolution or in any multiple thereof substantially of the tenor hereinabove set forth, and with appropriate omissions, insertions and variations as may be required. The Issuer shall cause the definitive Bonds to be prepared and to be executed, endorsed and delivered to the Bond Registrar, on behalf of the Authorized Officer, and the Bond Registrar, upon presentation to it of any temporary Bond, shall cancel the same and authenticate and deliver, in exchange therefor, at the place designated by the owner, without expense to the owner, a definitive Bond or Bonds of the same Series and in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects, including the privilege of registration if so provided, be entitled to the same benefit of this Resolution as the definitive Bonds to be issued and authenticated hereunder. The Bond Registrar shall promptly destroy all temporary Bonds that have been canceled and shall submit a certificate to the Secretary certifying that such temporary Bonds have been canceled and destroyed. Notwithstanding the foregoing, a Series Resolution may provide for the definitive Bonds of a Series to be in typewritten form or in such other form as provided therein.

SECTION 2.12 MUTILATED, DESTROYED, STOLEN OR LOST BONDS. In case any Bonds secured hereby shall become mutilated or be destroyed, stolen or lost, the Issuer may cause to be executed, and the Bond Registrar shall authenticate and deliver, a new Bond of like series, date, maturity, denomination and interest rate in exchange and substitution for and upon the cancellation of, such mutilated Bond or in lieu of and in substitution for such Bond destroyed, stolen, or lost, upon the owner's paying the reasonable expenses and charges of the Issuer and Bond Registrar in connection therewith and, in the case of a Bond destroyed, stolen or lost, his filing with the Issuer and Bond Registrar evidence satisfactory to them that such Bond was destroyed, stolen or lost, and of his ownership thereof, and furnishing the Issuer and Bond Registrar with indemnity satisfactory to them. In the event any such Bond shall be about to mature or has matured or been called for redemption, instead of issuing a duplicate Bond, the Issuer may direct the Paying Agent to pay the same without surrender thereof. Any Bond surrendered for replacement shall be canceled in the same manner as provided in Section 2.05 hereof.

Any such duplicate Bonds issued pursuant to this Section 2.12 shall constitute additional contractual obligations on the part of the Issuer, whether or not the lost, stolen or destroyed Bonds are at any time found, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the Pledged Revenues and monies on deposit in the Funds and Accounts with all other Bonds issued hereunder.

ARTICLE III
REDEMPTION OF BONDS

SECTION 3.01 REDEMPTION GENERALLY. The Bonds of each Series issued under the provisions of this Resolution shall be subject to redemption, either in whole or in part and at such times and prices, as may be provided in any Series Resolution relating to such Bonds.

If less than all of the Bonds of a Series or of any one maturity of a Series shall be called for redemption, the particular Bonds of such Series to be redeemed shall be selected by lot (by DTC or other applicable securities Depository in accordance with its then current procedures, when the Bonds of such Series are held in book-entry-only form) except to the extent otherwise provided in any Series Resolution applicable to such Bonds.

Subject to the provisions of any applicable Series Resolution, upon any redemption of any Series of Bonds (other than Bonds redeemed in accordance with scheduled Amortization Requirements), the Issuer shall cause to be recalculated and delivered to the Paying Agent revised Amortization Requirements recalculated so as to amortize the Outstanding Bonds of the Series so redeemed in substantially equal annual installments of principal and interest (subject to rounding to Authorized Denominations of principal) over the remaining term of the Series of Bonds so redeemed.

SECTION 3.02 NOTICE OF REDEMPTION. Except as otherwise provided in a Series Resolution, the Issuer shall provide written notice to the Trustee of its intent to redeem all or any portion of any Series of Bonds (other than Bonds redeemed in accordance with schedule Amortization Requirements) at least sixty (60) days prior to the redemption date of any Bonds. Except as otherwise provided in a Series Resolution, at least thirty (30) days, but not more than forty-five (45) days, before the redemption date of any Bonds, the Trustee shall cause a notice of such redemption to be (1) filed with each Paying Agent, (2) sent by registered or certified mail or overnight delivery service to registered securities depositories and to national information services that disseminate redemption notices, and (3) mailed, postage prepaid, to all holders of Bonds to be redeemed in whole or in part at their addresses as they appear on the registration books herein provided for. Failure to file any such notice with any Paying Agent or to mail any such notice to any Bondholder or to any securities depository or national information service or any defect therein shall not affect the validity of the proceedings for redemption, except to the extent a Bondholder is prejudiced thereby, and then, only with respect to such Bondholder. Except as otherwise provided in a Series Resolution, each such notice shall set forth (i) the date fixed for redemption, (ii) the redemption price to be paid, (iii) the CUSIP numbers and the certificate numbers of the Bonds to be redeemed, (iv) the name and address of the Paying Agent for the Bonds, (v) the dated date, interest

rate and maturity date of the Bonds, (vi) if less than all of the Bonds of a Series then Outstanding shall be called for redemption, the amounts of each of the Bonds to be redeemed, and (vii) the name, address and telephone number of the person or entity to be responsible for such redemption.

Any notice mailed as provided in this section may be contingent upon the occurrence of certain conditions, including the deposit of funds sufficient to pay the redemption price of the Bonds subject to such notice, and that if such conditions do not occur, the notice will be rescinded, provided notice of rescission shall be mailed in the manner described above to all affected Holders not later than the date of redemption.

SECTION 3.03 EFFECT OF CALLING FOR REDEMPTION. Subject to the provisions of the applicable Series Resolution, on the date so designated for redemption, notice having been given in the manner and under the conditions hereinabove provided, and, monies for payment of the redemption price being held in separate accounts by the Trustee or the Paying Agent in trust for the holders of the Bonds to be redeemed, all as provided pursuant to this Resolution, the Bonds so called for redemption shall become and be due and payable at the redemption price provided for redemption of such Bonds on such date, interest on the Bonds so called for redemption shall cease to accrue, such Bonds shall not be deemed to be Outstanding under this Resolution and shall cease to be entitled to any lien, benefit or security under this Resolution, and the holder of such Bonds shall have no rights in respect thereof, except to receive payment of the redemption price thereof, including accrued interest to the date of redemption.

SECTION 3.04 REDEMPTION OF PORTIONS OF BONDS. Subject to the provisions of any Series Resolution, any Bond which is to be redeemed only in part shall be surrendered at any place of payment specified in the notice of redemption (with due endorsement by, or written instrument of transfer in form satisfactory to the Bond Registrar duly executed by the owner thereof or his duly authorized attorney or legal representative in writing) and the Issuer shall execute and the Bond Registrar shall authenticate and deliver to the owner of such Bond, without charge, other than any applicable tax or other governmental charge, a new Bond or Bonds, of any authorized denomination, as requested by such owner in an aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bonds so surrendered. Notwithstanding the foregoing, when any Bond is held in book-entry-only form, no presentment or surrender shall be required pursuant to this Section 3.04.

SECTION 3.05 BONDS CALLED FOR REDEMPTION OR PAYMENT PROVIDED THEREFOR NOT OUTSTANDING. Subject to the applicable provisions of Article XII hereof, Bonds with respect to which "irrevocable instructions to redeem or pay" have been made, as hereinafter provided, shall not be deemed to be Outstanding under this Resolution and shall cease to be entitled to any lien, benefit or security under this Resolution. Irrevocable instructions to redeem or pay shall have been made if: (a) the Issuer has directed the Escrow Agent or the Paying Agent for the Bonds to: (i) call the Bonds for redemption pursuant to this Article; or (ii) pay the Bonds at their respective maturities and mandatory redemption dates; or (iii) any combination of such redemption and payment, and (b) "Sufficient Monies and/or Sufficient Escrow Securities" shall be held in separate accounts by such Escrow Agent or Paying Agent in trust for the holders of the Bonds to be redeemed and paid, all as provided in this Resolution. Sufficient Monies and/or Sufficient Escrow Securities shall mean cash, and Escrow Securities in such amounts, bearing

interest at such rates and maturing on such dates that the proceeds thereof, and the interest thereon, will provide sufficient monies for the payment of the redemption price and maturing principal amounts of the Bonds and the interest to accrue thereon to the date fixed for redemption or the dates of their respective maturities and mandatory redemption dates.

SECTION 3.06 EXPENSES OF REDEMPTION. The expenses of any redemption of Bonds pursuant to this Article shall be paid from any legally available funds of the Issuer, other than amounts on deposit in the Funds and Accounts and Rebate Fund, transferred by the Issuer to the Trustee for that purpose.

ARTICLE IV
CONSTRUCTION FUND

SECTION 4.01 CONSTRUCTION FUND. A special fund is hereby created and designated "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Construction Fund" (herein sometimes called the "Construction Fund") which shall be held by the Trustee and to the credit of which there shall be deposited amounts derived from the issuance of Bonds (including the Series 2017 Bonds) described in Section 2.08 and 2.09 of this Resolution. At the option of the Issuer, there may also be deposited for the credit of the Construction Fund, for such purposes as described in an ordinance or resolution of the Issuer authorizing such deposit, any monies received by the Issuer from any source, unless such monies are required by this Resolution to be otherwise applied.

The monies in the Construction Fund derived from the proceeds of Bonds shall be held in trust and applied to the payment of the Cost of the Series 2017 Project and any additional Project in accordance with this Article IV, Section 2.08 and 2.09 of this Resolution and any Series Resolution relating to such Bonds or to payment of such other Improvements or for such other purpose as specified in the ordinance or resolution authorizing the deposit. Pending such application, such monies shall be subject to a lien and charge in favor of the holders of the Outstanding Bonds in the manner provided herein until paid out as herein provided.

If the Issuer shall issue Additional Bonds, the Issuer shall create and designate a special account within the Construction Fund in to which shall be deposited an amount of proceeds of such Additional Bonds as is specified by any Series Resolution relating thereto. Additional special accounts may be created by the Issuer for deposit of funds, if any, from other sources, as provided in the ordinance or resolution directing such deposit.

SECTION 4.02 PAYMENTS FROM CONSTRUCTION FUND. Payment of the Cost of the Series 2017 Project and any additional Project shall be made from the Construction Fund as herein provided. All such payments shall be subject to the provisions and restrictions set forth in this Article and the Issuer covenants that it will not cause or permit to be paid from the Construction Fund any sums except in accordance with such provisions and restrictions. Monies in the Construction Fund shall be disbursed pursuant to the requisition substantially in the form attached hereto as Exhibit B. Amounts representing costs of issuance of a Series of Bonds may be deposited

in the Construction Fund and disbursed therefrom, unless otherwise provided in a Series Resolution relating to a Series of Bonds.

SECTION 4.03 COST OF A PROJECT. For the purposes of this Article IV, the Cost of the Series 2017 Project and any additional Project shall include, without intending to limit or to restrict any proper definition of Cost under the provisions of this Resolution or the Act, the following with respect to a Series of Bonds:

(1) obligations incurred for labor, materials, machinery and equipment in connection with the construction of enlargements, improvements, modifications and extensions, and for the restoration or relocation of property damaged or destroyed in connection with same and for the demolition and disposal of structures and all other obligations incurred to contractors, suppliers, materialmen, and laborers that are necessary or desirable in connection therewith;

(2) working capital in the form of a deposit to the Operation and Maintenance Fund to pay initial Operation and Maintenance Expenses and/or interest accruing upon the Bonds for any period, in each case, subject to any limitation in the Code with respect to Bonds (other than Taxable Bonds) and/or in any Series Resolution relating to such Series of Bonds;

(3) 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 of way, franchises, easements and other interests in lands constituting a part of, or as may be deemed necessary or convenient for the acquisition or construction of, the Series 2017 Project and any additional Project; the cost of 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 or construction of the Series 2017 Project and any additional Project;

(4) expenses of administration properly chargeable to the Series 2017 Project and any additional Project including legal expenses of consultants, financing charges, Trustee fees and expenses, bond counsel fees and expenses, the cost of preparing and issuing such Series of Bonds, the cost and charges of Credit Facilities and Liquidity Facilities, taxes or other municipal or governmental charges lawfully levied or assessed during construction upon a Project or any property acquired therefor, and premiums on insurance (if any) in connection with a Project during construction;

(5) fees and expenses of architects, engineers, surveyors, construction supervisors and similar professionals for making studies, surveys and estimates of cost and of revenue and for preparing plans and supervising construction, as well as for the performance of all other duties set forth herein in relation to the construction of a Project or the issuance of a Series of Bonds therefor;

(6) all items embraced within the term "cost", as defined in the Act, and other items of expense not elsewhere in this Section specified, incident to the acquisition or construction and equipping of a Project and the placing of any improvements in operation and to the acquisition of real estate, franchises and rights-of-way therefor, including abstracts of title and title insurance;

(7) any amounts hereafter advanced by any agency of the state or federal government for any of the foregoing purposes and any obligation or expenses heretofore or hereafter incurred by the Issuer for any of the foregoing purposes, including the cost of materials, supplies or equipment furnished by the Issuer in connection with the construction of a Project and paid for by the Issuer out of funds other than monies in the Construction Fund, and further including any bond anticipation notes issued by the Issuer in the future to pay all or any part of the Cost of a Project together with interest on any such bond anticipation notes; and

(8) the costs of any other Improvements to the Series 2017 Project and any additional Project as may be approved by subsequent Series Resolution.

SECTION 4.04 MODIFICATIONS AND AMENDMENTS TO PROJECT. With respect to any Project in addition to the Series 2017 Project, the Issuer may, in its sole discretion, modify or amend a Project to include such Improvements or other Project components as it deems appropriate; provided that such modification or amendment shall not adversely impact the tax-exempt status of any Outstanding Bonds (other than Taxable Bonds).

SECTION 4.05 DISPOSITION OF CONSTRUCTION FUND BALANCE. The completion of the Series 2017 Project shall be evidenced by a certificate of an Authorized Officer delivered to the Trustee stating the date of such completion, which may be the date of issuance of the Series 2017 Bonds. The completion of any additional Project shall be evidenced to the District Manager and Trustee by a certificate stating the date of such completion, signed and approved by the Consulting Engineers. Upon the completion of a Project and the Trustee's receipt of the foregoing certificates, the balance in the Construction Fund relating to that Project not reserved for the payment of any remaining part of the Cost thereof, or not otherwise required to be applied in any specified manner by any Series Resolution relating to Bonds issued to finance that Project, shall be transferred, at the discretion of the Issuer, to the credit of the Renewal and Replacement Fund, the Interest Account (for the payment of interest on the Bonds), the Principal Account (for the payment of principal of the Bonds), to the credit of the Redemption Account (for the purchase of Bonds) or to the Operation and Maintenance Fund (provided, however, that prior to any transfer to the Renewal and Replacement Fund or the Operation and Maintenance Fund, the Issuer shall have first obtained an opinion of counsel with expertise in the field of tax-exempt municipal finance to the effect that such transfer shall not cause interest on any Bonds, other than Taxable Bonds, to be subject to federal income taxation), or retained in the Construction Fund to pay the Cost of a different Project or as otherwise specified in a related Series Resolution.

ARTICLE V

REVENUES AND FUNDS

SECTION 5.01 PLEDGE OF PLEDGED REVENUES. Subject to the terms and conditions hereof and each Series Resolution, the Issuer hereby pledges and imposes a lien upon the Pledged Revenues and any and all other monies on deposit in the Funds and Accounts, including, without limitation, the investment earnings thereon, to secure the payment of the principal of, redemption premium, if any, and interest on the Bonds and the performance by the Issuer of its other obligations under this Resolution and each Series Resolution.

SECTION 5.02 ANNUAL BUDGET. The Issuer covenants that on or before the first day of each Fiscal Year it will adopt an Annual Budget for such Fiscal Year. The Issuer further covenants that the Annual Budget will establish and set forth the amounts to be deposited to the Renewal and Replacement Fund, the anticipated amounts to be deposited to the Rate Stabilization Fund and the amounts expected to be transferred from the Rate Stabilization Fund to the Operation and Maintenance Fund in each Fiscal Year. Copies of the Annual Budget shall be filed with the District Manager.

If for any reason the Issuer shall not have adopted the Annual Budget before the first day of any Fiscal Year, the Annual Budget for the preceding Fiscal Year shall, until the adoption of the Annual Budget, be deemed to be in force and shall be treated as the Annual Budget under the provisions of this Article.

The Issuer may at any time adopt an amended or supplemental Annual Budget for the remainder of the then current Fiscal Year, and the Annual Budget so amended or supplemented shall be treated as the Annual Budget under the provisions of this Article. Copies of any such amended or supplemental Annual Budget shall be filed with the District Manager.

The Issuer further covenants that the amount expended for Cost of Operation and Maintenance in any Fiscal Year will not exceed the reasonable and necessary amount thereof, except that in an emergency such amounts may be expended in excess of the Annual Budget as are subsequently ratified by the Issuer. Nothing contained herein shall limit the amount which the Issuer may expend for Cost of Operation and Maintenance in any Fiscal Year, provided any amounts expended therefore in excess of the total amount provided in the Annual Budget shall be received by the Issuer, and paid from, a source other than Gross Revenues in such Fiscal Year.

SECTION 5.03 RATE COVENANT.

(1) The Issuer covenants that, with respect to all direct or indirect connection with, and all use and services of, the Existing System, it will make, impose, charge and collect rates, fees and other charges in accordance with the Act.

(2) The Issuer covenants that the rates, fees and other charges referred to in this Section 5.03 will not be reduced unless (a) the amount then on deposit to the Reserve Account shall be not less than the Reserve Account Requirement, if any, for all Bonds Outstanding for which a Reserve

Account Requirement has been established, (b) the amount then on deposit to any other reserve established by this Resolution and any Series Resolution shall not be less than the amount required to be on deposit therein pursuant to this Resolution and any Series Resolution for the current Fiscal Year, and (c) the Gross Revenues for the preceding Fiscal Year shall have been not less than the sum of the Cost of Operation and Maintenance for the current Fiscal Year, as shown in the Annual Budget, 110% of the Principal and Interest Requirements for the current Fiscal Year and 100% of the principal and interest requirements on any Subordinate Obligations for the current Fiscal Year.

(3) The Issuer covenants that, from time to time and as often as it shall appear necessary or proper, the rates, fees and charges established for the Existing System will be adjusted so that the Gross Revenues in each Fiscal Year, together with other moneys available therefore, will not be less than the amount expected to be required for the payment of Cost of Operation and Maintenance for the current Fiscal Year, as shown in the Annual Budget, plus 110% of the Principal and Interest Requirements for such Fiscal Year, plus the requirements for deposits to reserves established by this Resolution and any Series Resolution for such Fiscal Year, plus 100% of the principal and interest requirements on any Subordinate Obligations for such Fiscal Year (the "Rate Covenant"). The Rate Covenant shall be calculated as of October 1 of each Fiscal Year.

(4) Any deficiency in the amounts deposited to the credit of the Sinking Fund or the Renewal and Replacement Fund in any Fiscal Year shall, as promptly as may be practicable, be added to the amounts referred to above for the remaining Fiscal Years in adjusting such rates, fees and other charges, the amount so to be added in each of such subsequent Fiscal Years to be approved by the Consulting Engineers or Qualified Independent Consultant.

(5) Anything in this Resolution to the contrary notwithstanding, if the Issuer shall comply with all recommendations of the Consulting Engineers or Independent Rate Consultant in respect of rates, fees and other charges, the failure to meet the requirements of the Rate Covenant in any Fiscal Year will not constitute an Event of Default under the provisions of this Resolution if Pledged Revenues are sufficient to pay the principal of, redemption premium, if any, and interest on the Bonds payable in such Fiscal Year when due.

(6) Notwithstanding any of the foregoing provisions of this Section 5.03, agreements and contracts for the use of the Existing System or any services of the Existing System in effect on the date of the enactment of this Resolution shall not be subject to revisions except in accordance with their terms, and the Issuer may enter into new agreements or contracts for the use of the Existing System on such terms and for such periods of time as it shall determine to be proper.

(7) Notwithstanding anything to the contrary herein, for purposes of determining compliance with the Rate Covenant set forth in this Section 5.03, any Gross Revenues that were deposited into the Rate Stabilization Fund and thereafter transferred to the Operation and Maintenance Fund in a subsequent Fiscal Year and used by the Issuer to pay the Cost of Operation and Maintenance of the Existing System shall be deemed to be Gross Revenues, when so used, for purposes of determining compliance by the Issuer with the Rate Covenant contained in this Section 5.03.

SECTION 5.04 SINKING FUND. A special Fund is hereby created and designated the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Sinking Fund" (herein called the "Sinking Fund") which shall be held in the custody of the Trustee.

SECTION 5.05 OPERATION AND MAINTENANCE FUND. A special Fund is hereby created and designated the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Operation and Maintenance Fund" (herein called the "Operation and Maintenance Fund") which shall be a non-pledged fund held in the custody of the Issuer. All Gross Revenues collected by the Issuer will be deposited, when initially received, to the credit of the Operation and Maintenance Fund. The Issuer shall separately account for Impact Fees on deposit in the Operation and Maintenance Fund and shall apply and take into account Impact Fees for the purposes of this Resolution only to the extent and in the manner permissible under applicable law and as provided in Section 7.07 hereof. Money in the Operation and Maintenance Fund shall be used solely for the purpose of paying the Cost of Operation and Maintenance as same becomes due and payable, making the deposits to the Funds and Accounts and Rebate Fund and making the other payments required hereby, including in Section 5.07 hereof, and for other lawful purposes of the Issuer relating to the Existing System. Amounts on deposit in the Rate Stabilization Fund may be transferred by the Trustee to the Issuer for deposit to the Operation and Maintenance Fund in accordance with Section 5.12 hereof.

SECTION 5.06 ACCOUNTS IN SINKING FUND AND OTHER FUNDS. There are hereby created in the Sinking Fund four separate Accounts designated the "Principal Account," "Interest Account," "Redemption Account," and "Reserve Account," respectively. Two additional special Funds, each of which shall be held in the custody of the Trustee are hereby created and designated as the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Renewal and Replacement Fund" (herein called the "Renewal and Replacement Fund") and the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Rate Stabilization Fund" (herein called the "Rate Stabilization Fund"), respectively. An additional non-pledged fund which shall be held in the custody of the Trustee is hereby created and designated the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Rebate Fund" (herein called the "Rebate Fund").

If required by the terms of any Series Resolution, the Issuer shall create and designate a separate sinking fund in connection with such Series of Bonds or provide within the Accounts in the Sinking Fund separate subaccounts in connection therewith and shall further provide for the funding thereof in the manner specified in such Series Resolution.

The monies in the Funds and Accounts (which excludes the monies in the Rebate Fund) shall be held in trust and applied as hereinafter provided with regard to each such Fund and Account and, pending such application, shall be subject to a lien and charge in favor of the Bondholders until paid out or transferred as herein provided.

SECTION 5.07 FLOW OF FUNDS. The Issuer shall transfer monies from the Operation and Maintenance Fund to the Trustee for deposit to the Rebate Fund at the times and in

the amounts required to be transferred in order to comply with the rebate covenants set forth in Section 7.10 hereof.

Subject to the provisions of Section 7.07 and Section 9.05 hereof, the Issuer shall transfer to the Trustee, monthly, but not later than the twenty-fifth (25th) day of each month commencing in the month immediately following the delivery of the Series 2017 Bonds, amounts sufficient to make deposits to the credit of the Funds or Accounts described below, in the following order of priority:

(1) to the credit of the Interest Account, such sums as shall be required to pay one-sixth of the interest which will become due on the next semi-annual Interest Payment Date on all Bonds then Outstanding (except as to Capital Appreciation Bonds and Capital Appreciation and Income Bonds prior to their applicable Interest Commencement Date); provided, however that such monthly deposits for interest shall not be required to be made to the extent that money on deposit therein is sufficient for such purpose; and provided, further, that amounts representing Capitalized Interest on deposit in a subaccount of the Interest Account shall only be credited to the particular Series of Bonds for which such subaccount was established in determining the amount required to be on deposit in the Interest Account;

(2) to the credit of the Principal Account, such sums as shall be required to pay one-twelfth of the amount of principal which will become payable on the next principal payment date on all Serial Bonds then Outstanding (including the Accreted Value and Appreciated Value of any Serial Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, coming due on such maturity dates) and an amount equal to one-twelfth of the principal amount of Term Bonds then Outstanding required to be retired in satisfaction of the Amortization Requirements, if any, for such Bond Year (including the Accreted Value and Appreciated Value of any Term Capital Appreciation Bonds and Capital Appreciation and Income Bonds, respectively, which are required to be redeemed during such Bond Year); provided, however, that such monthly deposits for principal and Amortization Requirements shall not be required to be made to the extent that money on deposit therein is sufficient for such purpose;

(3) to the credit of the Reserve Account, such amount, if any, after making the transfers under clauses (1) and (2) above, equal to the lesser of (i) the amount needed to make the amount on deposit to the credit of the Reserve Account equal to the Reserve Account Requirement for the Bonds then Outstanding or (ii) the amount as may be required to make the amount on deposit to the credit of the Reserve Account equal to the Reserve Account Deposit Requirement for the Bonds then Outstanding in accordance with the provisions of the fourth paragraph of Section 5.09 hereof, provided, however, no such transfer shall be required in any month if the amount then to the credit of the Reserve Account shall not be less than an amount equal to the Reserve Account Requirement applicable to the Outstanding Bonds;

(4) to the credit of the Renewal and Replacement Fund, such amount, if any, of any balance remaining after making the transfers and payments under clauses (1) through (3) above equal to one-twelfth (1/12th) of the amount to be deposited from Pledged Revenues, if any, during such Fiscal Year, such amount to be reflected in the Annual Budget, until the

amount therein is equal to the amount recommended in writing from time to time by the Consulting Engineers or Qualified Independent Consultant, as such recommendation may be modified from time to time under the provisions of Section 5.11 of this Resolution and certified in writing to the Trustee by an Authorized Officer prior to the date the transfer to the Renewal and Replacement Fund is to be made by the Trustee;

(5) to the credit of the Rate Stabilization Fund such amount, if any, of the balance remaining after making the transfers under clauses (1) through (4) above as shall be determined from time to time by the Issuer, in its sole discretion, and certified in writing to the Trustee by an Authorized Officer, for crediting thereto in order to prevent or minimize future increases in rates, fees, rentals and other charges of the Existing System, all as provided in Section 5.12 hereof, as shall be reflected in the Annual Budget; and

(6) to the payment of principal, interest, amortization installments, redemption premium, if any, and required reserve account deposit payments on any Subordinate Obligations or to any lawful other purpose of the Issuer related to the Existing System, all as shall be directed in writing by an Authorized Officer to the Trustee.

In the event that, with respect to the Bonds, the periods to elapse between Interest Payment Dates for the purposes of subsection (1) above or between the date of delivery of the Bonds and the next principal payment date for the purposes of subsection (2) above will be other than six months or twelve months, respectively, then such monthly payments shall be increased or decreased accordingly, in sufficient amounts to provide, as to such Series, the required interest or principal amount maturing on the next Interest Payment Date or principal payment date, as applicable.

In the case of Variable Rate Bonds, the calculation and timing of deposits for the funding of interest payable on the next Interest Payment Date shall be made as provided in the applicable Series Resolution for said Variable Rate Bonds if provision for same is made in such Series Resolution and such provision is different than provided for such calculation herein.

The Issuer retains the right to prepay amounts which would become due hereunder in any Bond Year. If the amount transferred in any month to the credit of any of the Funds or Accounts shall be less than the amount required to be transferred under the foregoing provisions of this Section 5.07, the requirement therefor shall nevertheless be cumulative and the amount of any deficiency in any month shall be added to the amount otherwise required to be transferred in each month thereafter until such time as all such deficiencies have been made up.

Except as otherwise provided in a Series Resolution with respect to a subaccount in the Reserve Account for a Series of Bonds, notwithstanding the foregoing provisions, in lieu of the required deposits into the Reserve Account, the Issuer may cause to be deposited a Reserve Account Credit Facility in an amount equal to the difference between the Reserve Account Requirement applicable thereto and the sums then on deposit in the Reserve Account, if any. Such Reserve Account Credit Facility shall be payable to the Paying Agent for such Series (upon the giving of notice as required thereunder) on any Interest Payment Date or redemption date on which a deficiency exists which cannot be cured by funds in the Principal Account, Interest Account and Redemption Account available for such purpose. The issuer providing such Reserve Account Credit

Facility shall at the time the Reserve Account Credit Facility is issued be either (a) an insurer: (i) whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated at least "A" (without regard to numerical or other modifiers) by Standard & Poor's Ratings Group and/or Moody's Investors Service and/or Fitch Ratings, or their successors; or (ii) who holds one of the two highest policyholder ratings accorded insurers by A.M. Best & Company, or any comparable service; or (b) a commercial bank, insurance company or other financial institution the bonds payable or guaranteed by which have been, or whose obligation to pay is guaranteed by, a commercial bank, insurance company or other financial institution which has been, assigned ratings by Standard & Poor's Ratings Group and Moody's Investors Service, or their successors, in one of the two highest rating categories (without regard to numerical or other modifiers).

As more fully provided for in Sections 5.09, 5.10, 5.11 and 5.12 hereof, and subject to the terms and conditions thereof, if the Issuer fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 hereof and, as a result, the monies held for the credit of the Principal Account and Interest Account shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds as such interest and principal and Amortization Requirements become due and payable, the Trustee shall withdraw monies held for the credit of the Redemption Account, Rate Stabilization Fund, Renewal and Replacement Fund and Reserve Account (to the extent pledged to a Series of Bonds for which a deficiency exists as aforesaid) in amounts sufficient to make up any such deficiency in the following order: first from any monies held for the credit of the Redemption Account, then from any monies held for the credit of the Rate Stabilization Fund, then from any monies held for the credit of the Renewal and Replacement Fund and then from any monies held for the credit of the Reserve Account, and deposit the amounts so withdrawn to the credit of the Principal Account and Interest Account.

SECTION 5.08 APPLICATION OF MONIES IN INTEREST ACCOUNT AND PRINCIPAL ACCOUNT. Except as otherwise provided in a Series Resolution with respect to a Series of Bonds, the Trustee shall, prior to each Interest Payment Date, (a) withdraw from the Interest Account and remit by mail or cause the Paying Agent to remit by mail to each owner of Bonds the amounts required for paying the interest on such Bonds as such interest becomes due and payable and (b) withdraw from the Principal Account and deposit in trust with the Paying Agent the amounts required for paying the principal and Amortization Requirements of all Bonds as such principal and Amortization Requirements become due and payable. Amounts representing Capitalized Interest on deposit in a subaccount in the Interest Account shall only be applied to pay interest coming due on the Series of Bonds for which such subaccount was established.

SECTION 5.09 APPLICATION OF MONIES IN RESERVE ACCOUNT. In the event the monies held for the credit of the Interest Account and Principal Account shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds when due, the Trustee shall immediately notify the Issuer in writing. In the event the Issuer fails, within three (3) business days after receipt of such notice, to transfer to the Trustee amounts on deposit in the Operation and Maintenance Fund sufficient to make up such deficiencies, then, subject to the provisions of Section 5.10, 5.11 and 5.12 hereof, monies held for

the credit of the Reserve Account shall be used for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds

If at any time the monies held for the credit of the Reserve Account shall exceed the Reserve Account Requirement, such excess shall be withdrawn and deposited, at the written direction of an Authorized Officer, to the credit of the Principal Account, Interest Account or Redemption Account.

In the event the Issuer establishes separate subaccounts in the Reserve Account pursuant to Section 2.01 hereof for each Series of Bonds Outstanding or provides for a Reserve Account Credit Facility in lieu of the required deposits to the Reserve Account as provided in Section 5.07, then in every such case, withdrawals from the Reserve Account shall be from the subaccount established for the respective Bonds for which the withdrawal is required, or if no priority is specified between Bonds, then on a pro rata basis; provided that all money in the applicable subaccount shall be depleted prior to drawing on a Reserve Account Credit Facility relating to that subaccount.

Whenever a withdrawal therefrom results in a deficiency in the Reserve Account, or a deficiency in the Reserve Account is determined to exist upon valuation of same pursuant to Section 6.02 hereof, the Issuer may make up such deficiency by making payments to the credit of the Reserve Account in the amount of the Reserve Account Deposit Requirement.

Whenever monies on deposit in the Reserve Account, together with the other available amounts in the Sinking Fund, are sufficient to fully pay in accordance with their terms, all Outstanding Bonds (including principal, premium, if any, and interest thereon) secured by the Reserve Account the funds on deposit in the Reserve Account shall be applied to the payment of such Bonds as and when same become due and fully payable, at their maturities or the earlier redemption thereof.

If on an Interest Payment Date, the Trustee shall determine that a deficiency exists in the amount of monies available to pay in accordance with the terms hereof interest and/or principal due on Bonds secured by a Reserve Account Credit Facility on such date, the Trustee shall immediately notify the issuer of the applicable Reserve Account Credit Facility, and the Credit Provider, if any, of the amount of such deficiency and the date on which such payment is due, and shall take all action to cause such issuer or Credit Provider to provide monies sufficient to pay all amounts due on such Interest Payment Date or principal payment date.

If a disbursement is made from a Reserve Account Credit Facility, the Issuer shall cause the maximum limits of such Reserve Account Credit Facility to be reinstated as soon as it is able following such disbursement, from monies legally available to the Issuer, other than the Funds and Accounts and Rebate Fund established hereunder, and prior to funding any cash requirement of the Reserve Account (other than subaccounts therein having priority over the subaccount relating to the Reserve Account Credit Facility) by depositing funds in the amount of the disbursement made under such instrument, with the issuer thereof, together with interest thereon to the date of reimbursement at the rate set forth in such Reserve Account Credit Facility, but in no case greater than the maximum rate of interest permitted by law. In addition, the Issuer shall reimburse the issuer of the Reserve Account Credit Facility for all reasonable expenses incurred by such issuer and required to be reimbursed by the terms of the Reserve Account Credit Facility.

The Issuer may evidence its obligation to reimburse the issuer of any Reserve Account Credit Facility by executing and delivering to such issuer a promissory note therefor, provided, however, that any such note shall not be a general obligation of the Issuer the payment of which is secured by its full faith and credit or taxing power, and shall be payable solely from the Pledged Revenues in the manner provided herein.

If any Reserve Account Credit Facility shall terminate prior to the stated expiration date thereof, the Issuer agrees that it shall fund the Reserve Account over a period not to exceed sixty months during which it shall make consecutive equal monthly payments for the credit of the Reserve Account (or applicable subaccount therein) in order that the amount on deposit in such account at the end of such period shall be equal to the Reserve Account Requirement; provided the Issuer may, with the prior written consent of the Credit Provider, if any, obtain a new Reserve Account Credit Facility in lieu of making the payments required by this paragraph.

SECTION 5.10 APPLICATION OF MONIES IN THE REDEMPTION ACCOUNT. Money held for the credit of the Redemption Account shall be applied to the retirement of Bonds as follows:

(1) An Authorized Officer may endeavor to purchase any Bonds secured hereby and then Outstanding, whether or not such Bonds shall then be subject to redemption, on the most advantageous terms obtainable with reasonable diligence, such price not to exceed the principal of such Bonds plus the amount of the redemption premium, if any, which might on the next redemption date be paid to the holders of such Bonds under the provisions of Article III of this Resolution if such Bonds should be called for redemption on such date from monies in the Sinking Fund. The Authorized Officer intending to purchase Bonds pursuant to this Section 5.10(1) shall, at least thirty-five days prior to the date fixed for redemption or such longer or shorter period of time as may be provided in a related Series Resolution, provide written directions to the Trustee to withdraw from the Interest Account and the Principal Account and transfer to the Redemption Account the interest accrued on such Bonds to date of settlement therefor and the purchase price for such Bonds. The Trustee may transfer funds from the Principal Account and Interest Account to the Redemption Account to effectuate a purchase of Bonds as aforesaid provided that said Authorized Officer determines that such transfer will not impair the ability to fully fund the Funds and Accounts as provided in Section 5.07 hereof.

(2) An Authorized Officer may call for redemption on each Interest Payment Date on which Bonds are subject to redemption, such amount of such Bonds as, with the redemption premium, if any, will exhaust the monies which will be held for the credit of the Redemption Account on said Interest Payment Date as nearly as may be; provided, however, that no less than Fifty Thousand Dollars principal amount of Bonds or such other principal amount as may be provided in a Series Resolution relating to the Bonds shall be called for redemption at any one time. Such redemption shall be made pursuant to the provisions of Article III of this Resolution. The Authorized Officer intending to call Bonds for redemption pursuant to this Section 5.10(2) shall, at least thirty-five days prior to the redemption date or such longer or shorter period of time as may be provided in a related Series Resolution, direct

the Trustee, in writing, to withdraw from the Interest Account and the Principal Account and transfer to the Redemption Account and then withdraw from the Redemption Account and set aside in separate accounts or deposit with the Paying Agent the respective amounts required for paying the interest on, and the principal and redemption premium of, the Bonds so called for redemption.

The expenses in connection with the purchase or redemption of any such Bonds shall be paid from any legally available funds of the Issuer, other than amounts on deposit in the Funds and Accounts and Rebate Fund, transferred by the Issuer to the Trustee for that purpose.

If the Issuer fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 hereof, the Trustee shall apply monies held for the credit of the Redemption Account to make up all such deficiencies prior to applying any money in the Rate Stabilization Fund, Renewal and Replacement Fund and Reserve Account for that purpose, unless funds on deposit in the Redemption Account are otherwise needed to accomplish the redemption of Bonds for which irrevocable notice of redemption has been provided. For purposes of clarification, if there are not sufficient funds in the Redemption Account, the order in which such shortfall shall be funded shall be made by withdrawing monies from the Trust Estate in the following order of priority: first from the Rate Stabilization Fund, then from the Renewal and Replacement Fund and then from the Reserve Account.

SECTION 5.11 APPLICATION OF MONIES IN RENEWAL AND REPLACEMENT FUND. Money held for the credit of the Renewal and Replacement Fund shall be disbursed upon the written direction of the Issuer only for the purpose of paying the cost of unusual or extraordinary maintenance or repairs to the Existing System, the cost of renewals and replacements to the Existing System and the cost of acquiring, installing or replacing equipment of the Existing System and engineering, legal and administrative expenses relating to the foregoing and the cost of providing a local share of monies required to entitle the Issuer to receive federal or state grants or participate in federal or state assistance programs related to the Existing System; provided, however, money in the Renewal and Replacement Fund, unless needed for the purposes set forth in the following paragraph, may be used in the event of an emergency occurrence certified as such by the Consulting Engineers or Qualified Independent Consultant, if there is insufficient money in the Operation and Maintenance Fund to rectify said emergency. Payments from the Renewal and Replacement Fund, except the withdrawal which the Trustee is authorized to make as hereinafter provided in this Section, shall be made in accordance with the provisions of Section 4.02 of this Resolution relating to requisitions for payments from the Construction Fund.

If the Issuer fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 hereof and, as a result, the monies held for the credit of the Principal Account, Interest Account, Redemption Account and Rate Stabilization Fund shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds as such interest and principal and Amortization Requirements become due and payable, the Trustee shall withdraw from any monies held for the credit of the Renewal and Replacement Fund and deposit to the credit of the Principal Account and Interest Account amounts sufficient to make up any such deficiency, after applying any

monies available for that purpose in the Redemption Account and Rate Stabilization Fund, and prior to applying any monies in the Reserve Account for that purpose.

Any monies so withdrawn from the Renewal and Replacement Fund and deposited to the credit of the Principal Account and Interest Account shall be restored from available monies in the Operation and Maintenance Fund, subject to the same conditions as are prescribed for deposits to the credit of the Renewal and Replacement Fund under the provisions of Section 5.07(5) of this Resolution.

The Consulting Engineers or Qualified Independent Consultant may, from time to time, recommend to the Issuer that it increase or decrease the minimum amount to be maintained on deposit in the Renewal and Replacement Fund. The Issuer may, in the event of a recommended decrease, direct the Trustee in writing to transfer any excess from the Renewal and Replacement Fund to the Operation and Maintenance Fund for application as provided herein. If the recommendation is to increase the minimum amount required to be maintained on deposit in the Renewal and Replacement Fund, the same shall be accomplished according to a schedule of monthly deposits to be made to the Renewal and Replacement Fund recommended by the Issuer or Qualified Independent Consultant and described in writing to the Trustee by an Authorized Officer and shall be reflected in the Annual Budget

SECTION 5.12 APPLICATION OF MONIES IN RATE STABILIZATION FUND. Moneys held for the credit of the Rate Stabilization Fund shall be disbursed by the Trustee, upon the written direction of an Authorized Officer, for transfer to the Issuer for deposit to the Operation and Maintenance Fund, at such times and in such amounts as the Issuer shall determine, as shall be reflected in the Annual Budget, and shall be used, prior to application of sums already on deposit in the Operation and Maintenance Fund to pay Cost of Operation and Maintenance. If the Issuer fails to cure a deficiency in the amounts held for the credit of the Principal Account and Interest Account within the time period set forth in Section 5.09 hereof and, as a result, the monies held for the credit of the Principal Account, Interest Account and Redemption Account shall be insufficient for the purpose of paying the interest on and the principal and Amortization Requirements of the Bonds as such interest and principal and Amortization Requirements become due and payable, the Trustee shall withdraw from any monies held for the credit of the Rate Stabilization Fund and deposit to the credit of the Principal Account and Interest Account amounts sufficient to make up any such deficiency, after applying funds in the Redemption Account available for that purpose, and prior to applying any monies in the Renewal and Replacement Fund and Reserve Account for that purpose.

SECTION 5.13 MONIES HELD IN TRUST. All monies which the Trustee shall have withdrawn from the Sinking Fund or that the Trustee shall have received from any other source and deposited with the Paying Agent, for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective owners of such Bonds. Any monies which shall be so set aside or deposited by the Issuer and which shall remain unclaimed by the owners of such Bonds for a period of six years after the date on which such Bonds shall have become due and payable shall be paid to the Issuer or to such officer, board or body as may then be entitled by law to receive the same, and thereafter the owners of such Bonds shall look only to the Issuer (to the extent permitted by law) or to such officer, board or body, as the

case may be, for the payment and then only to the extent of the amounts so received without any interest thereon, and the Trustee and Paying Agent shall have no responsibility with respect to such monies.

SECTION 5.14 SEPARATE ACCOUNTS. The monies required to be accounted for in each of the Funds and Accounts established herein may be deposited in a single bank account, and funds allocated to the various Funds and Accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the monies on deposit therein and such investments for the various purposes of such Funds and Accounts as herein provided.

The designation and establishment of the various Funds and Accounts in and by this Resolution shall not be construed to require the establishment of any completely independent, self-balancing funds as such term is commonly defined and used in governmental accounting, but rather is intended solely to constitute an earmarking of certain revenue for certain purposes and to establish certain priorities for application of such revenue as herein provided.

SECTION 5.15 PAYMENTS TO CREDIT PROVIDERS. Notwithstanding any other provision herein to the contrary, if any amount applied to the payment of principal of, premium, if any, and interest on the Bonds that would have been paid from the Sinking Fund is paid instead by a Credit Facility or a Liquidity Facility, amounts deposited in the Sinking Fund and allocable to such payment for such Bonds shall be paid by the Trustee, to the extent required in any agreement with the Credit Provider, to the Credit Provider having theretofore made said corresponding payment. A Series Resolution may establish one or more subaccounts within the Sinking Fund to segregate amounts to be paid to a Credit Provider and amounts paid from a Credit Facility or a Liquidity Facility.

ARTICLE VI
DEPOSITARIES OF MONIES, SECURITY FOR DEPOSITS AND INVESTMENT OF FUNDS

SECTION 6.01 SECURITY FOR DEPOSITS. All monies received by or on behalf of the Issuer or the Trustee, subject to the provisions of this Resolution, shall be held in accordance herewith and shall be deposited with a Depository or Depositaries, shall be held in trust, shall be applied only in accordance with the provisions of this Resolution and shall not be subject to lien or attachment by any creditor of the Issuer or the Trustee except as otherwise provided in this Resolution.

Except for deposits of the type specified in subsection (e) of the definition of Investment Securities, which need not be so insured or secured, all monies held by an Authorized Officer or the Trustee and deposited with any Depository hereunder in excess of the amount guaranteed by the Federal Deposit Insurance Corporation or other federal agency shall be continuously secured for the benefit of the Issuer and the owners of the Bonds in such manner as may then be provided by applicable State of Florida or federal laws or regulations regarding the security for, or granting a preference in the case of, the deposit of public funds; provided, however, that it shall not be necessary for the Trustee or Paying Agent to give security for the deposits of any monies with them

for the payment of the principal of or the redemption premium or the interest on any Bonds issued hereunder or for the Issuer to give security for any monies which shall be represented by obligations purchased under the provisions of this Article as an investment of such money.

SECTION 6.02 INVESTMENT OF MONIES. Monies held for the credit of the Construction Fund, the Sinking Fund, the Renewal and Replacement Fund and the Rate Stabilization Fund shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee pursuant to the written direction of the Issuer in Investment Securities which shall mature, or which shall be subject to redemption by the holder thereof at the option of such holder, not later than the respective dates when monies held for the credit of said Funds and Accounts will be required for the purposes intended (which, in the case of the Reserve Account, may be as late as the final maturity date of the Bonds), or in Time Deposits not otherwise provided for in the definition of Investment Securities; provided, however, that each such Time Deposit shall permit the monies so placed to be available for use at the time provided above. The Issuer agrees that any and all such investments shall comply with any requirements set forth in any certificate or other instrument of the Issuer with respect to preventing any Series of Bonds (other than Taxable Bonds) from being characterized as "arbitrage bonds" within the meaning of Section 148 of the Code or any successor provision thereto.

Investment Securities and Time Deposits not otherwise provided for in the definition of Investment Securities so purchased as an investment of monies in any such Fund or Account shall be deemed at all times to be part of such Fund or Account. The interest accruing thereon and any gain realized from such investment shall be credited to, and any loss resulting from such investment shall be charged to, the respective Fund or Account. Upon request of the Issuer, or on its own initiative, the Trustee, may sell or present for payment or redemption any Investment Securities so acquired whenever it shall be necessary in order to provide monies to make any payment from such Fund or Account. Neither the Issuer, the Trustee, nor any agent thereof, shall be liable, or responsible, for any loss resulting from any such investment. In computing the amount in any Fund or Account, obligations purchased as an investment of monies therein shall be valued at the market price thereof.

Any and all income received from the investment of monies in the Funds and Accounts in the Sinking Fund (excluding the Reserve Account) shall be retained in the Fund and Account in which such income is earned (provided, however, that income received from the investment of monies in any subaccount in the Interest Account to which Capitalized Interest has been deposited shall be retained therein until all amounts on deposit therein have been expended) and any and all income received from the investment of monies in the Renewal and Replacement Fund and the Rate Stabilization Fund shall be retained in the Fund in which such income is earned. Except as otherwise provided in a Series Resolution with respect to a Series of Bonds, any and all income received from the investment of monies in the Reserve Account shall be deposited upon receipt thereof to the Principal Account; provided, however, such income shall be retained in the Reserve Account in the event that amounts on deposit therein are less than the Reserve Account Requirement. Investments on deposit in the Reserve Account shall be valued within thirty (30) days after the end of each Bond Year.

Any income received from the investment of monies in the Construction Fund shall remain therein until completion of the Project for which such monies were held and, to the extent any excess

income remains at the completion of the Series 2017 Project or such other Project, same shall be applied in the manner set forth in Section 4.05 of this Resolution.

The Trustee shall invest monies as directed in writing by the Issuer, and in the absence of such direction, in accordance with written, standing direction from the Issuer. If the Issuer has not provided such standing direction, the Trustee shall not be obligated to invest such monies. Direction from the Issuer shall constitute a representation by the Issuer that the investment is an Investment Security and is permitted by applicable law, and the Trustee may conclusively rely thereon.

ARTICLE VII
PARTICULAR COVENANTS

SECTION 7.01 PAYMENT OF PRINCIPAL, INTEREST AND PREMIUM; LIMITED OBLIGATIONS. The Issuer covenants that it will promptly pay the principal of and the interest on the Bonds, and any premium required for the retirement of said Bonds by purchase or redemption, at the places, on the dates and in the manner specified herein and in said Bonds.

Except as otherwise provided in this Resolution, the principal, interest and premium on the Bonds are payable solely from the Pledged Revenues which are hereby pledged to the payment thereof and the monies on deposit from time to time in the Funds and Accounts, in the manner and to the extent hereinabove particularly specified, and nothing in the Bonds or in this Resolution shall be construed as obligating the Issuer to pay the principal, the interest and premium, if any, thereon except from the Pledged Revenues and the monies on deposit from time to time in the Funds and Accounts or as pledging the full faith and credit of the Issuer or as obligating the Issuer, directly or indirectly or contingently, to levy or to pledge any form of taxation whatever therefor.

SECTION 7.02 CONSTRUCTION OF THE PROJECTS; OPERATION AND MAINTENANCE. The Issuer covenants that it will acquire, construct or otherwise carry out the Series 2017 Project and each other Project for which Bonds shall be issued in accordance with any applicable Series Resolution and in conformity with law and the requirements of governmental authorities having jurisdiction thereover, and that it will complete, or cause the completion of, such Projects with all expedience practicable.

The Issuer further covenants that it will require each person, firm or corporation with whom it may contract for labor or materials in connection with a Project to furnish a performance bond, in such amount, if any, as may be required under Florida law or as may otherwise be required by the Authorized Officer charged with responsibility for establishing the amount of such performance bond, to insure completion and performance of such contract or, in lieu thereof to deposit with an Authorized Officer marketable securities having a market value equal to the amount of such payment and performance bond and eligible as security for the deposit of trust funds under regulations of the Board of Governors of the Federal Reserve System, and to carry such workmen's compensation or employers liability insurance and such builders' risk insurance, if any, as may be required by law. The Issuer further covenants and agrees that in the event of any default under any such contract and the failure of the surety to complete the contract, it will proceed to collect under any such performance bond or securities and the proceeds of any such performance bond or securities shall forthwith, upon receipt of such proceeds, be applied toward the completion of the contract in

connection with which such performance bond or securities shall have been furnished. The Issuer covenants and agrees that each such contract will also provide that payments thereunder shall not be made by the Issuer in excess of such retainages as required by the laws of Florida or as are established by the Issuer upon the recommendation of the Consulting Engineers.

The Issuer further covenants that it will establish and enforce reasonable rules and regulations governing the use of the Existing System and the operation thereof; that all compensation, salaries, fees and wages paid by it in connection with the maintenance, repair and operation of the Existing System will be reasonable, that no more persons will be employed by it than are necessary, that it will maintain and operate the Existing System in an efficient and economical manner and that, from the Gross Revenues thereof, it will at all times maintain the same in good repair and in sound operating condition and will make all necessary repairs, renewals and replacements.

SECTION 7.03 COVENANT AGAINST ENCUMBRANCES. The Issuer covenants that it will pay, from legally available funds, all taxes and assessments or other municipal or governmental charges lawfully levied or assessed upon or in respect of the Existing System or any Gross Revenues when the same shall become due and payable by the Issuer. Except to the extent permitted in this Resolution, the Issuer will not create or suffer to be created any lien or charge upon the Pledged Revenues received by the Issuer ranking equally with or prior to the Bonds except, to the extent provided in a Series Resolution, the lien for the benefit of any Credit Provider securing payment of the Bonds, and that, it will pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within sixty days after the same shall accrue, all lawful claims and demands against the Issuer for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Pledged Revenues received by the Issuer; provided, however, that nothing contained in this Section 7.03 shall require the Issuer 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 and by appropriate legal proceedings.

SECTION 7.04 RETENTION OF ACCOUNTANTS, CONSULTING ENGINEERS AND QUALIFIED INDEPENDENT CONSULTANTS; APPOINTMENT OF OFFICERS. The Issuer covenants that it will, for the purpose of performing and carrying out the duties imposed on the Accountants, Consulting Engineers and Qualified Independent Consultants by this Resolution, retain an Accountant, Consulting Engineers and/or Qualified Independent Consultants of recognized ability and standing. Except for any fees and expenses incurred under the provisions of Section 4.03 of this Resolution, the cost of retaining Accountants, Consulting Engineers and Qualified Independent Consultants shall be treated as part of the Issuer's Cost of Operation and Maintenance. The Issuer covenants that it will appoint and maintain a District Manager, a Secretary and such other Authorized Officers as it deems appropriate, and delegate to such persons the duties imposed or permitted to be imposed upon them by this Resolution.

SECTION 7.05 USE OF GROSS REVENUES. The Issuer covenants and agrees that none of the Gross Revenues received by the Issuer will be used for any purpose other than as provided in this Resolution. The Issuer further covenants that it will adopt such ordinances, resolutions, rules and regulations as may be necessary or appropriate to carry out the obligations of the Issuer under the provisions of this Resolution.

SECTION 7.06 RECORDS, ACCOUNTS AND AUDITS. The Issuer covenants that it will keep accurate records and accounts of all items of cost and all expenditures relating to the Issuer and the Gross Revenues received by the Issuer and the application thereof. All expenditures must be accounted for by proper invoices or approved charge documents prior to any such expenditure.

The Issuer further covenants that it will, at the end of each Fiscal Year, prepare financial statements in accordance with generally accepted accounting principles applicable to operations of the Issuer and that it will cause an audit of the financial statements to be made by the Accountant. Such audit will be conducted in accordance with generally accepted auditing standards applicable to operations of the Issuer. The audit will be completed within 270 days after the end of the Fiscal Year or such other time required by applicable State of Florida law. Within a reasonable time thereafter reports of such audit and copies of each report shall be filed with the District Manager. The scope of the Accountant's audit will be sufficient to enable it to report as to any material non-compliance by the Issuer of the conditions and covenants under this Resolution.

The Issuer further covenants that it will cause any additional reports relating to the Issuer to be made as required by law. The cost of such audits and reports relating to the Existing System shall be treated as a part of the Issuer's Cost of Operation and Maintenance.

All of the reports described in this Section 7.06 shall be made available to any Bondholder that requests same.

SECTION 7.07 SUBORDINATE OBLIGATIONS. Notwithstanding any other provision of this Resolution, but subject to the provisions of any Series Resolution, the Issuer may issue obligations other than the Bonds from time to time other than under this Resolution which are payable in whole or in part from the Pledged Revenues but only if such obligations are, by their terms, subordinated to the lien on Pledged Revenues in favor of all Bonds theretofore or thereafter issued under the provisions of this Resolution.

SECTION 7.08 OTHER INDEBTEDNESS. Nothing in this Resolution shall be construed as in any way prohibiting or limiting the power of the Issuer to enter into agreements, including Interest Rate Swaps, incur obligations, undertake indebtedness or otherwise enter into any financing transactions to the extent such agreements, obligations, indebtedness or financing transactions do not impose any lien upon the Pledged Revenues and are payable from sources other than Pledged Revenues. The foregoing shall include bond or revenue anticipation notes, including notes anticipated to be paid from proceeds of Bonds issued hereunder, and any other obligation of the Issuer payable from funds, and subject to appropriation thereof, other than Pledged Revenues. A Series Resolution may, however, impose such prohibition or limitation.

SECTION 7.09 INVESTMENTS AND USE OF PROCEEDS TO COMPLY WITH CODE; TAXABLE BONDS.

(1) The Issuer covenants with the holders of each Series of Bonds (other than Taxable Bonds), that it shall comply with the requirements of the Code necessary to maintain the exclusion of interest on the Bonds from gross income for purposes of federal income

taxation, including the payment of any amount required to be rebated to the U.S. Treasury pursuant to the Code, and, in particular, that it shall not make or direct the making of any investment or other use of proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause the interest on such Series of Bonds to be or become subject to federal income taxation, nor shall it fail to do any act which is necessary to prevent such interest from becoming subject to federal income taxation.

(2) The Issuer covenants with the holders of each Series of Bonds (other than Taxable Bonds) that neither the Issuer nor any other person under its control or direction will make any investment or other use of the proceeds of such Series of Bonds (or amounts deemed to be proceeds under the Code) in any manner which would cause such Series of Bonds to be "private activity bonds" as that term is defined in Section 141 of the Code (or any successor provision thereto), except as to any Series so categorized at the time of issuance, or "arbitrage bonds" as that term is defined in Section 148 of the Code and that it will comply with such sections of the Code throughout the term of the Bonds.

(3) The Issuer may, if it so elects, issue one or more Series of Taxable Bonds, the interest on which is (or may be) includable in the gross income of the holder thereof for federal income taxation purposes, so long as each Bond of such Series states in the body thereof that interest payable thereon is (or may be) subject to federal income taxation.

(4) Notwithstanding anything to the contrary contained in subparagraph (1) through (3) hereof, the Issuer may, if it so elects, issue one or more Series of Bonds as "private activity bonds," as that term is defined in Section 141 (or any successor provision thereto) of the Code and which are "qualified bonds," as that term is defined in Section 141 (or any successor provision thereto) of the Code and, in the event it does so, the Issuer covenants that it will not make or direct the making of any investment nor will it use the proceeds of any such Series in a manner which would make such Bonds not "qualified bonds."

SECTION 7.10 ARBITRAGE REBATE COVENANTS. The Issuer covenants and agrees to establish the Rebate Fund with the Trustee. A separate account in the Rebate Fund may be established for each Series of Bonds (other than Taxable Bonds). Prior to the issuance of each Series of Bonds (other than Taxable Bonds), the Issuer shall execute and deliver a certificate containing arbitrage rebate covenants (the "Rebate Covenants") as to said Series of Bonds. Amounts in the Operation and Maintenance Funds and in the Funds and Accounts other than the Rebate Fund shall be transferred to the Rebate Fund and excess amounts in the Rebate Fund shall be transferred, upon written direction of the Issuer, to the Principal Account at the times and in the amounts required under the Rebate Covenants. Any interest accruing on investments credited to the Rebate Fund and any gain realized from such investments shall be credited to, and any loss resulting from such investments shall be charged to, the Rebate Fund. The Trustee shall make or cause to be made payments, upon written direction of the Issuer, from amounts required to be deposited in the Rebate Fund to the United States of America in the amounts and at the times required by the Rebate Covenants. The Issuer covenants for the benefit of the Bondholders that it will comply with the requirements of the Rebate Covenants. There shall be excluded from the pledge and lien of this Resolution the Rebate Fund, together with all monies and securities from time to time held therein

and all investment earnings derived therefrom. Subject to the last sentence hereof, the Issuer shall not be required to comply with the requirements of this section, or with the Rebate Covenants, in the event that the Issuer obtains an opinion of counsel with expertise in the field of tax-exempt municipal finance that (a) such compliance is not required in order to maintain the federal income tax exemption of interest on the Bonds and/or (b) compliance with some other requirement is necessary to maintain the federal income tax exemption of interest on the Bonds or is a permissible substitute for any deleted requirement. The Issuer shall adopt an amendment to this Resolution, or to the Rebate Covenants, as may be applicable, to reflect the deletion or substitution of any such requirement. In addition, the Issuer shall not be required to comply with this section to the extent that any Bonds issued under this Resolution shall be intended by the Issuer, on the date of issuance of the Bonds, to be Taxable Bonds.

SECTION 7.11 COVENANTS WITH CREDIT PROVIDERS. The Issuer may make such covenants as it may, in its sole discretion, determine to be appropriate with any Credit Provider or other financial institution that shall agree to insure or to provide for Bonds of any one or more Series credit or liquidity support that shall enhance the security or the value of such Bonds or with any issuer of a Reserve Account Credit Facility. Such covenants may be set forth in the applicable Series Resolution or in a written agreement between the Issuer and the Credit Provider or issuer of the Reserve Account Credit Facility and shall be binding on the Issuer, the Trustee, the Bond Registrar, the Paying Agent and all the holders of Bonds the same as if such covenants were set forth in this Resolution; provided, however, such covenants may not impair the rights of any existing Bondholders in any manner that, pursuant to Section 11.02 hereof, would require all of the Bondholders to consent, or the rights of the Trustee or that may impose liability on the Trustee, without its prior written consent.

SECTION 7.12 CONTINUING DISCLOSURE. The Issuer agrees to enter into a Continuing Disclosure Agreement with respect to each Series of Bonds to the extent required by law and to comply with and carry out all of the provisions of any such Continuing Disclosure Agreement. Notwithstanding any other provision hereof, failure of the Issuer or the dissemination agent named therein to comply with any Continuing Disclosure Agreement shall not be considered as an Event of Default under Section 9.02 hereof; provided, however, the dissemination agent may (and, at the request of any "Participating Underwriter" within the meaning of Rule 15(c)2-12 of the Securities and Exchange Commission or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and receipt of indemnity satisfactory to it, shall) or any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order to cause the Issuer and the dissemination agent to comply with their respective obligations under this section and any applicable Continuing Disclosure Agreement.

To the extent there are Obligated Persons with respect to any Series of Bonds other than the Issuer, the Issuer shall, prior to the issuance of such Bonds, cause each Obligated Person to execute a written undertaking for the benefit of, and enforceable by, the Holders, from time to time, of such Bonds to provide with respect to each such Obligated Person such information and notices as may be required by Rule 15(c)2-12 of the Securities and Exchange Commission.

SECTION 7.13 INSURANCE. The Issuer shall provide protection for the Existing System both in accordance with the requirements of all agreements, if any, to which the Issuer may at the time be a party with respect to joint ownership of properties by the Issuer with others which is part of the Existing System, and in accordance with Prudent Utility Practice. Said protection may consist of insurance, self insurance and indemnities. The Issuer will keep, or cause to be kept, the works, plants and facilities comprising the properties of the Existing System insured, and will carry such other insurance against fire and other risks, accidents or casualties at least to the extent and of the kinds that insurance is usually carried by utilities operating like properties. Any insurance shall be in the form of policies or contracts for insurance with insurers of good standing, shall be payable to the Issuer and may provide for such deductibles, exclusions, limitations, restrictions, and restrictive endorsements customary in policies for similar coverage issued to entities operating properties similar to the properties of the Existing System. Notwithstanding anything to the contrary herein, the Issuer may institute and maintain self-insurance programs with regard to such risks as shall be consistent with the recommendations of the Consulting Engineers. Any self insurance shall be in the amounts, manner and of the type provided by entities operating properties similar to the properties of the Existing System. Notwithstanding the foregoing or any provisions of this Resolution to the contrary, the Issuer shall not be required to maintain insurance with respect to facilities for which insurance shall not be available or for facilities which, in accordance with Prudent Utility Practice, are not customarily insured.

The proceeds of all such insurance covering damage to or destruction of the Existing System shall be certified in writing as such to the Trustee by an Authorized Officer and deposited by the Issuer with the Trustee for further deposit to a special account in the Construction Fund established for such deposit and shall be available for and shall, to the extent necessary, be applied to the repair, replacement or reconstruction of the damaged or destroyed property, and shall be paid out in the manner hereinabove provided for payments from the Construction Fund. If such proceeds are more than sufficient for such purpose, the balance remaining shall be deposited by the Issuer to the credit of the Operating and Maintenance Fund. If such proceeds shall be insufficient for such purposes the deficiency may be supplied out of any monies in the Renewal and Replacement Fund and then from the Operation and Maintenance Fund. The proceeds of all insurance covering loss of Gross Revenues shall be deposited by the Issuer to the credit of the Operation and Maintenance Fund.

SECTION 7.14 NO FREE SERVICE. So long as there are any Bonds Outstanding, the Issuer will not render or cause to be rendered any free services of any nature by its Existing System or any part thereof, nor will any preferential rates be established for users of the same class, and in the event the Issuer, or any department, agency or instrumentality, officer or employee thereof, shall avail itself of the Existing System or services provided by the Existing System or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged to the Issuer and any such department, agency, instrumentality, officer or employee, provided, however, that this subsection shall not affect any rights of any person, firm or corporation under pre-existing agreements or contracts. Such charges shall be paid as they accrue, and the Issuer shall transfer from its general funds sufficient moneys to pay such charges. The revenues so received shall be deemed to be Gross Revenues and shall be deposited and accounted for in the same manner as other Gross Revenues.

SECTION 7.15 ENFORCEMENT OF COLLECTIONS. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the Existing System while there are any Bonds Outstanding and will take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges as shall become delinquent to the full extent permitted or authorized by law and will maintain accurate records with respect thereof, including, without limitation, enforcing any contracts with customers giving rise to fees, rentals of other charges for the services and facilities of the Existing System. The Issuer shall, to the full extent permitted by law, establish a written policy consistent with sound business judgment for the disconnection from the Existing System of any customer who fails to pay for services rendered by the Existing System, and shall enforce such policy diligently and fairly. All such fees, rentals or other charges shall, as collected, be held in trust to be applied as herein provided.

SECTION 7.16 CONNECTIONS WITH THE EXISTING SYSTEM; NO COMPETING FACILITIES. The Issuer will, to the full extent permitted by law, require all lands, buildings and structures within the Existing System Service Area of the Existing System which can use the facilities and services of the Existing System, to connect with and use the facilities and services of the Existing System, and to cease all other means and methods for the collection, purification, treatment and disposal of sewage and waste matter or the furnishing of water supply. The Issuer, to the full extent permitted by law, will not grant to Persons other than the Issuer any franchise, license or permit, for the construction or operation of any irrigation facilities which will be competitive with the services and facilities of the Existing System; provided, however, that this subsection shall not affect any vested rights of any Persons, firms or corporations now owning or operating irrigation facilities.

SECTION 7.17 SALE OR OTHER DISPOSITION OF THE EXISTING SYSTEM. Except as provided in this Section 7.17, the Issuer shall not sell or otherwise dispose of all or any part of the Existing System.

(1) To the extent permitted by law the Issuer, without restriction, may in any Fiscal Year sell, lease or otherwise dispose of assets forming a part of the Existing System, the aggregate value of which in each such Fiscal Year does not exceed the greater of $500,000 or one half of one per cent (1/2 of 1%) of the book value of the net property, plant and equipment of the Existing System as shown on the audited financial statements for the latest Fiscal Year for which such financial statements are available. The proceeds of a sale pursuant to this clause (1) shall be deposited to the Interest Account and Principal Account of the Sinking Fund, in such amounts as are directed in writing by an Authorized Officer, and applied as described in Section 5.08 of this Resolution, or to the defeasance of Bonds pursuant to Section 12.01 of this Resolution.

(2) To the extent permitted by law the Issuer may in any Fiscal Year sell, lease or otherwise dispose of assets forming a part of the Existing System in excess of the amount set forth in clause (1) of this Section, if, before any such transfer, there is delivered to the District Manager a report of the Consulting Engineers or an Independent Qualified Consultant demonstrating that the sale, lease or other disposition of such property will not have an adverse impact on the Pledged Revenues and stating the reasons therefor. In determining whether to render such report, the Consulting Engineers or the Independent

Qualified Consultant shall consider the usefulness of the assets to be disposed of to the operations of the Existing System, the uses to be made of any proceeds of a sale and the rental income to be received with respect to any lease thereof. The proceeds of a sale pursuant to this clause (b) shall be deposited to the Interest Account and Principal Account of the Sinking Fund, in such amounts as are directed in writing by an Authorized Officer, and applied as described in Section 5.08 of this Resolution, or to the defeasance of Bonds pursuant to Section 12.01 of this Resolution.

(3) To the extent permitted by law the Issuer may in any Fiscal Year sell, lease or otherwise dispose of any assets forming a part of the Existing System without regard to the limitations and conditions in paragraphs (1) and (2) above if the Board by resolution declares that such assets are not needed or serve no useful purpose in connection with the maintenance and operation of the Existing System. The proceeds of a sale pursuant to this clause (3) shall be deposited to the Interest Account and Principal Account of the Sinking Fund, in such amounts as are directed in writing by an Authorized Officer, and applied as described in Section 5.08 of this Resolution, or to the defeasance of Bonds pursuant to Section 12.01 of this Resolution.

(4) To the extent permitted by law, the Issuer may sell, lease or otherwise dispose of the assets of the entire Existing System, if, upon the application of the proceeds of any such sale as hereinafter required, there shall be no Bonds deemed to be Outstanding under the provisions of this Resolution and the Issuer shall have paid or made full provision for the payment of all other obligations of the Issuer payable from the Gross Revenues of the Existing System, including but not limited to, Cost of Operation and Maintenance then due and payable or to become due and payable, Subordinate Obligations and all other debt payable in any way from the Gross Revenues of the Existing System and all fees then due and owing or to become due in the future with respect to Credit Facilities. The proceeds of any sale, lease or other disposition permitted by this clause (4) shall be applied first to the payment or provision for payment of the obligations, including the Bonds, set forth above, and only after all such obligations shall have been paid or full provision for their payment been made, shall the Issuer apply any of the such proceeds to any other lawful purpose of the Issuer.

No sale or any other disposition of assets of the Existing System shall be consummated nor shall the proceeds of any such sale be applied unless prior to such consummation or application, there shall be delivered an opinion of counsel with expertise in the field of tax-exempt municipal finance to the effect that such sale and the application of the proceeds as required herein will have no adverse impact on the exclusion of interest on any of the Bonds, the Subordinate Obligations or other debt payable in any way from Gross Revenues from gross income for Federal income tax purposes.

SECTION 7.18 COMPLIANCE WITH CONTRACTS AND AGREEMENTS; ENFORCEMENT OF CONTRACTUAL ARRANGEMENTS The Issuer shall comply with and abide by all of the terms and conditions of any and all contracts and agreements which the Issuer enters into or assumes in connection with the Existing System, any Project or the issuance of Bonds, including, without limitation, the Interlocal Agreement and the Franchise Agreement and agreements with customers relating to fees, rentals or other charges for the services and facilities of the Existing

System. The Issuer shall maintain the Interlocal Agreement and the Franchise Agreement in full force and effect while any Bonds are Outstanding hereunder to the extent required by applicable law in connection with its ownership and operation of the Existing System.

ARTICLE VIII
CERTAIN MATTERS RELATING TO THE TRUSTEE, BOND REGISTRAR AND PAYING AGENT

SECTION 8.01 CERTAIN MATTERS RELATING TO THE TRUSTEE, BOND REGISTRAR AND PAYING AGENT. The Trustee appointed for a Series of Bonds and, if other than the Issuer, the Bond Registrar and Paying Agent for a Series of Bonds (hereinafter sometimes referred to collectively as the "Fiduciary") will signify the acceptance of the duties and obligations imposed upon the Fiduciary by this Resolution, any Series Resolution and any other agreements with the Issuer by executing and delivering to the Issuer a written acceptance thereof, and by executing such acceptance, the Fiduciary shall be deemed to have accepted such duties and obligations with respect to the Bonds, upon and subject to the provisions of this Article VIII.

SECTION 8.02 RESPONSIBILITIES OF FIDUCIARY. The statements contained herein and in the Bonds shall be taken as the statements of the Issuer and the Fiduciary assumes no responsibility for the correctness of same. The Fiduciary makes no representation as to the validity or sufficiency of this Resolution, any Series Resolution or as to the security afforded by the foregoing and the Fiduciary shall incur no liability with respect thereof. The Bond Registrar shall, however, be responsible for its representation contained in its certificate of authentication on the Bonds. The Fiduciary shall not be under any responsibility or duty with respect to the application of any monies paid by such Fiduciary in accordance with the provisions of this Resolution or any Series Resolution to or upon the order of the Issuer or to any other fiduciary. The Fiduciary shall not be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit with respect thereof, or to advance any of its own monies, or to follow any request or direction to take action or refrain from taking action, unless properly indemnified. The Fiduciary shall not be liable in connection with the performance of its duties hereunder except for its own gross negligence or willful default. The Trustee shall have only those duties expressly set forth hereon and no implied duties. Any permissible right of the Trustee shall not create any obligations of the Trustee.

SECTION 8.03 EVIDENCE ON WHICH FIDUCIARY MAY ACT. The Fiduciary, upon receipt of any notice, resolution, ordinance, request, consent, order, certificate, report, opinion, bond or other paper or document furnished to it pursuant to any provision of this Resolution shall examine such instrument to determine whether it conforms to the requirements of this Resolution and any Series Resolution and shall be protected in acting upon any such instrument believed by it to be genuine and to have been signed or presented by the proper party or parties. Each Fiduciary may reasonably consult with counsel and certified public accounting firms and other experts, who may or may not be counsel to, or accountants for, or experts of, the Issuer, and the opinion of such counsel or accountants or other experts shall be full and complete authorization and protection in respect of any action taken or suffered by it under this Resolution and any Series Resolution in good faith and in accordance therewith.

Whenever the Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under this Resolution and any Series Resolution, such matters (unless other evidence in respect thereof be therein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized Officer, and such certificate shall be full warrant for any action taken or suffered in good faith based thereon; but in its discretion, the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as may deem reasonable to it.

Except as otherwise expressly provided in this Resolution and any Series Resolution, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision thereof by the Issuer to the Fiduciary shall be sufficient if executed in the name of the Issuer by an Authorized Officer.

SECTION 8.04 COMPENSATION. Prior to its appointment, the Fiduciary shall file with the Issuer a negotiated schedule of anticipated fees and charges for services to be performed pursuant to this Resolution and any Series Resolution. The Issuer shall pay to the Fiduciary from time to time pursuant to such schedule reasonable compensation for all services rendered, and also all reasonable expenses, charges, counsel fees and other disbursements, including those of its attorneys, agents, and other persons not regularly in its employ, incurred in and about the performance of its powers and duties under this Resolution and any Series Resolution. To the extent permitted by law, the Issuer hereby agrees to indemnify the Fiduciary and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity brought by third parties, or any other expenses, fees or charges of any character or nature which it may incur or with which it may be threatened by reason of such third party threats or proceedings, except in the case of the Fiduciary's own gross negligence or willful default, and in connection therewith to indemnify the Fiduciary against any and all expenses, including attorneys' fees and the costs of defending any action, suit or proceeding or resisting any claim, including appellate proceedings. If the Issuer defaults in respect of the foregoing obligations, the Trustee may deduct the amount owing to it from any moneys received by the Trustee hereunder, other than moneys received by the Trustee from a Credit Facility or Reserve Account Credit Facility, together with any fees and expenses of the Trustee in enforcing the obligations of the Issuer hereunder. This provision shall survive termination of this Resolution and, as to any Trustee, its resignation or removal. As security for the foregoing, the Issuer hereby grants to the Trustee a security interest in and to the amounts on deposit in all Funds and Accounts (other than the Rebate Fund) subordinate and inferior to the security interest granted to the Holders of the Bonds from time to time secured thereby, but nevertheless payable in the order of priority as set forth in Section 9.05 upon an Event of Default.

SECTION 8.05 CERTAIN PERMITTED ACTS. To the extent permitted by law, the Fiduciary may act as Depository for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Resolution or any Series Resolution, whether or not any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding.

SECTION 8.06 MERGER OR CONSOLIDATION OF FIDUCIARY. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated

or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a bank or trust company organized under the laws of any state of the United States or a national banking association and shall be authorized by law to perform all duties imposed upon it by this Resolution and any Series Resolution, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act.

SECTION 8.07 ADOPTION OF AUTHENTICATION. In case any of the Bonds contemplated to be issued under this Resolution shall have been authenticated but not delivered, any successor Bond Registrar may adopt the certificate of authentication of any predecessor Bond Registrar so authenticating such Bonds and deliver such Bonds so authenticated; and in case any of the Bonds shall not have been authenticated, any successor Bond Registrar may authenticate such Bonds in the name of, but as successor to, the predecessor Bond Registrar, or in the name of the successor Bond Registrar; and, in all such cases, such certificate shall be given full force and effect.

SECTION 8.08 RESIGNATION OR REMOVAL OF THE PAYING AGENT AND APPOINTMENT OF SUCCESSOR. The Paying Agent may, at any time, resign and be discharged of the duties and obligations created by this Resolution and any Series Resolution by giving ninety (90) days' written notice to the Issuer and any other Paying Agent. So long as no Event of Default or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Paying Agent may be removed at any time by an instrument filed with such Paying Agent and signed by an Authorized Officer. Any successor Paying Agent shall be appointed by the Issuer and shall be a bank or trust company organized under the laws of any state of the United States or a national banking association willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Resolution.

In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any monies held by it as Paying Agent to its successor, or if there be no successor, to the Issuer. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Issuer shall act as such Paying Agent.

SECTION 8.09 RESIGNATION AND REMOVAL OF BOND REGISTRAR AND APPOINTMENT OF SUCCESSOR. The Bond Registrar may, at any time, resign and be discharged of the duties and obligations created by this Resolution and any Series Resolution by giving at least ninety (90) days' written notice to the Issuer. So long as no Event of Default or an event which, with notice or passage of time, or both, would become an Event of Default, shall have occurred and be continuing, the Bond Registrar may be removed at any time by an instrument filed with such Bond Registrar and signed by an Authorized Officer.

SECTION 8.10 RESIGNATION OF TRUSTEE. The Trustee may at any time resign and be discharged from the duties and obligations created by this Resolution and any Series Resolution by giving not less than sixty (60) days' written notice to the Issuer, and sending notice thereof by first-class, postage prepaid mail to the Bondholders. Such resignation shall take effect upon the date in such notice unless previously a successor Trustee shall have been appointed by the Issuer or the Bondholders as provided in Sections 8.12 and 8.13 hereof, in which event such

resignation shall take effect immediately on the appointment of such successor, provided that no resignation shall become effective until the appointment of a successor Trustee.

SECTION 8.11. REMOVAL OF TRUSTEE. The Trustee may be removed at any time with or without cause by any instrument or concurrent instruments in writing, filed with the Trustee, and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their duly authorized attorneys or legal representatives. So long as no default, or an event which with notice or passage of time, or both, would become an event of default, shall have occurred and be continuing, the Trustee may be removed at any time with cause as determined in the sole good faith discretion of the Issuer, which cause and removal shall be specified in a resolution of the Issuer filed with the Trustee. No removal shall become effective until the appointment of a successor Trustee. Notwithstanding anything to the contrary contained herein or in any Series Resolution, the Issuer shall pay to the Trustee all fees, charges and expenses owing to the Trustee together with all fees and expenses (including reasonable attorneys' fees and expenses) reasonably incurred by the Trustee in connection with its removal by the Issuer.

SECTION 8.12. APPOINTMENT OF SUCCESSOR TRUSTEE. In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, a successor shall be appointed by the Issuer by a duly executed written instrument signed by an Authorized Officer. The Issuer shall give notice of any such appointment made by it by mailing written notice of such appointment by first-class mail, postage prepaid, to the holders of the Bonds as their names and addresses appear in the books kept by the Bond Registrar, such notice to be given within thirty (30) days after such appointment.

If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five (45) days after the Trustee shall have resigned or been removed or after a vacancy in the office of the Trustee shall have occurred, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper, appoint a successor Trustee. The Issuer shall pay the Trustee all fees and expenses, including reasonable attorneys' fees and expenses and the costs of bringing such proceedings (including appellate proceedings) incurred by the Trustee in connection with obtaining such court appointment of a successor Trustee.

SECTION 8.13. TRANSFER OF RIGHTS AND PROPERTY TO SUCCESSOR TRUSTEE. Any successor Trustee appointed under this Resolution shall, except as provided in Section 8.06 hereof, execute, acknowledge and deliver to its predecessor Trustee, and also to the Issuer, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all monies, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee (except for those rights retained under Section 8.04 hereof). The Trustee ceasing to act shall, except as provided in Section 8.06 hereof, nevertheless, on the written request of the Issuer, or of the successor Trustee, execute, acknowledge and deliver such instrument of conveyance and further assurance and do such other things as may reasonably be required for more fully and certainly

vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Resolution and any supplemental resolution (except for those rights retained under Section 8.04 hereof), and shall (after payment of all amounts owed to the Trustee hereunder) pay over and assign to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Issuer be reasonably required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, power and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Issuer.

ARTICLE IX
EVENTS OF DEFAULT; REMEDIES

SECTION 9.01 EXTENSION OF INTEREST PAYMENT. In case the time for the payment of interest on any Bond shall be extended by operation of law, whether or not such extension be by or with the consent of the Issuer, such interest so extended shall not be entitled in case of default hereunder to the benefit or security of this Resolution except subject to the prior payment in full of the principal of all Bonds then Outstanding and of all interest the time for the payment of which shall not have been extended.

SECTION 9.02 EVENTS OF DEFAULT. Each of the following events is hereby declared an "Event of Default":

(1) payment of the principal of and the redemption premium, if any, on any of the Bonds shall not be made when the same shall become due and payable, either at maturity or by proceedings for redemption or otherwise; or

(2) payment of any installment of interest on any of the Bonds shall not be made when the same shall become due and payable; or

(3) redemption of Term Bonds in accordance with an Amortization Requirement shall not be made as required; or

(4) the Issuer admits in writing its inability to pay its debts generally as they become due, or files a petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver or trustee; or

(5) the Issuer is adjudged insolvent by a court of competent jurisdiction, or is adjudged a bankrupt or a petition in bankruptcy is filed against the Issuer, or an order, judgment or decree is entered by a court of competent jurisdiction appointing, without the consent of the Issuer, a receiver or trustee of the Issuer and any of the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within ninety days from the date of entry thereof; or

(6) the Issuer shall file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof; or

(7) under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Issuer or of the whole or any substantial part of its property, and such custody or control shall not be terminated within ninety days from the date of assumption of such custody or control; or

(8) the Issuer shall default in its obligation to duly and punctually perform any other of the material covenants, conditions, agreements and provisions contained in the Bonds or in this Resolution and such default shall continue for sixty days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the registered owners of not less than ten percent in aggregate principal amount of the Bonds then Outstanding; or

(9) written notice shall have been received by the Issuer from a Credit Provider that an event of default has occurred under the agreement underlying a Credit Facility or Liquidity Facility, to the extent said notice is established as an event of default under the terms of any Series Resolution relating to said Series of Bonds; or

(10) any other Event of Default described in a Series Resolution for any Outstanding Bonds occurs; provided, however such Series Resolution may provide that such Event of Default does not create a cross default with any other Series of Bonds Outstanding.

SECTION 9.03 ACCELERATION OF MATURITIES OF BONDS. Upon the happening and continuance of any Event of Default specified in clauses (1) through (10) of Section 9.02 of this Article, then and in every such case the Trustee may, and shall, upon the written request of the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by a notice in writing to the Issuer, declare the principal of all of the Bonds then Outstanding to be due and payable immediately, and upon such declaration the same shall become and be immediately due and payable, anything contained in the Bonds or in this Resolution to the contrary notwithstanding; provided, however, that if at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Resolution, monies shall have accumulated in the Sinking Fund sufficient to pay the principal of all matured Bonds then Outstanding, other than the principal of any Bonds not then due except by virtue of such declaration, and the interest accrued on such Bonds since the last Interest Payment Date, and all amounts then payable by the Trustee hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited by the Trustee or the Issuer with the Paying Agent, and every other default in the observance or performance of any covenant, condition, agreement or provision contained in the Bonds or in this Resolution (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this Section) shall have been remedied, then and in every such case the Trustee may, and shall, upon written notice from the holders of not less than a majority in aggregate principal amount of the Bonds not then due except by virtue of such declaration and then Outstanding, by

written notice to the Issuer, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 9.04 ENFORCEMENT OF REMEDIES BY BONDHOLDERS. Upon the happening and continuance of any Event of Default specified in Section 9.02 of this Article, the Trustee may, and shall, upon the written request of the holders of not less than twenty-five percent in aggregate principal amount of the Bonds then Outstanding hereunder (but subject to the other terms hereof), and upon receipt by the Trustee of indemnity satisfactory to it, proceed to protect and enforce the rights of the Bondholders, under Florida law or under this Resolution, by such suits, actions or special proceedings in equity or at law, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as such Bondholders shall deem most effectual to protect and enforce such rights. Notwithstanding anything to the contrary herein, upon the happening and continuance of an Event of Default specified in Section 9.02 of this Article, the holders of not less than a majority in aggregate principal amount of the Bonds Outstanding shall have the right, from time to time, notwithstanding anything in this Resolution to the contrary, to instruct the Trustee to modify the provisions of Section 9.05 (other than the provisions relating to the payment of the Trustee's fees and expenses), including with respect to the manner in which Gross Revenues held by the Trustee are required to be applied.

SECTION 9.05 PRO RATA APPLICATION OF FUNDS. The Issuer covenants that if an Event of Default shall happen and shall not have been remedied, the Issuer, upon demand of the Trustee, shall pay over or cause to be paid over to the Trustee all monies, securities and funds then held by the Issuer, or a Depository, in any fund or account held by the Issuer with respect to the Existing System, including any monies to be deposited to the Sinking Fund, and as promptly as practicable after receipt thereof, the Gross Revenues. Whenever monies transferred to the Trustee as aforesaid include Impact Fees, the Issuer shall provide the Trustee with a written statement indicating the amount of Impact Fees so transferred and the manner in which such Impact Fees may be applied to payment of the Bonds or for other purposes as provided in this Section 9.05 in accordance with applicable law and, in the absence of such direction, the Trustee shall have no obligation to ascertain whether funds transferred to it include Impact Fees. Subject to the provisions of Section 9.04, upon an Event of Default, monies in the Sinking Fund, Renewal and Replacement Fund and Rate Stabilization Fund, together with any Gross Revenues transferred to the Trustee and any other monies then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied, after payment of all fees and expenses owed to the Trustee, including those of counsel and/or other professionals engaged by the Trustee, as follows:

(a) Unless the principal of all the Bonds shall have become due and payable or shall have been declared due and payable, all such monies shall be applied:

First: to the payment of the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments become due and payable on the Bonds, and, if the amount available shall not be sufficient to pay in full any particular installment on the Bonds, then the payment

ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds;

Second: if all obligations described in the preceding paragraph have been satisfied, to the payment of the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which sufficient monies are held pursuant to the provisions of this Resolution), in the order of their due dates, with interest upon such Bonds at the respective rates specified therein from the respective dates upon which they became due, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds; and

Third: if all obligations described in the preceding paragraph have been satisfied, to the payment of the interest on and principal of the Bonds, to the purchase and retirement of Bonds and to the redemption of Bonds, all in accordance with the provisions of Article V of this Resolution.

(b) If the principal of all the Bonds shall have become due and payable or shall have been declared due and payable, all such monies shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amount due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded and annulled under the provisions of Section 9.03 of this Article, then, subject to the provisions of paragraph (b) of this Section in the event that the principal of all the Bonds shall later become due or be declared due and payable, the monies remaining in and thereafter accruing to the Sinking Fund shall be applied in accordance with the provisions of paragraph (a) of this Section.

The provisions of this Section are in all respects subject to the provisions of Section 9.01 of this Resolution.

Whenever monies are to be applied by the Trustee pursuant to the provisions of this Section, such monies shall be applied by at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such monies available for application and the likelihood of additional monies becoming available for such application in the future; the

deposit of such monies with the Paying Agent or otherwise setting aside such monies in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to any Bondholder, Credit Provider, or to any other person for any delay in applying any such funds, so long as the Issuer acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of this Resolution as may be applicable at the time of application. Whenever the Trustee shall exercise such discretion in applying such funds it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to the owner of any Bond until such Bond shall be surrendered to it for appropriate endorsement.

Notwithstanding anything to the contrary herein, no payments shall be made with respect to Subordinated Obligations, and holders of Subordinated Obligations may not exercise any remedies with respect to Subordinated Obligations, while an Event of Default has occurred and is continuing and until all amounts due and payable with respect to Outstanding Bonds have been satisfied as provided for herein.

SECTION 9.06 EFFECT OF DISCONTINUANCE OF PROCEEDINGS. In case any proceeding taken by the Trustee or any Bondholder on account of any default shall have been discontinued or abandoned for any reason, then and in every such case, the Issuer, the Trustee and the Bondholder shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Trustee and the Bondholders shall continue as though no such proceeding had been taken.

SECTION 9.07 RESTRICTION ON INDIVIDUAL BONDHOLDER ACTIONS. No holder of any of the Bonds hereby secured shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Resolution, or to enforce any right hereunder except in the manner herein provided, and all proceedings at law or in equity shall be instituted, had and maintained for the benefit of all holders of such Bonds.

SECTION 9.08 NO REMEDY EXCLUSIVE. No remedy herein conferred upon the Trustee or Bondholders is intended to be exclusive of any other remedy or remedies herein provided, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder.

SECTION 9.09 DELAY NOT A WAIVER. No delay or omission of the Trustee or a Bondholder to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Resolution to the Trustee and Bondholders may be exercised from time to time and as often as may be deemed expedient.

SECTION 9.10 RIGHT TO ENFORCE PAYMENT OF BONDS. If the Trustee shall fail to take actions required of it pursuant to this Resolution, nothing in this Resolution shall affect or impair the right of any Bondholder to enforce the payment of the principal of, premium, if

any, and interest on his Bond, or the obligation to pay the principal of, premium, if any, and interest on each Bond to the owners thereof at the time and place in said Bond expressed.

SECTION 9.11 RIGHTS OF CREDIT PROVIDER. In the event that, following an Event of Default under Section 9.02, a Credit Provider honors its obligation to make payments on a Series of Bonds, said Credit Provider shall be entitled to exercise the rights of the owners of the said Bonds for the purposes of this Article.

Anything in this Resolution to the contrary notwithstanding, while an Event of Default has occurred and is continuing hereunder, any Credit Provider or owners of a majority in principal amount of the Bonds then Outstanding hereunder shall have the right, by an instrument in writing executed and delivered to the Issuer and the Trustee, to direct the time and method of conducting all proceedings available to the Trustee under this Resolution or exercising any trust or power conferred on the Trustee by this Resolution; provided, however, that the Credit Provider shall have no such rights if it has defaulted under its obligations. Subject to the provisions of Section 7.11 hereof, in the event of a conflict between the directions of any Credit Provider and those of the owners of the Bonds, with respect to an Event of Default described in clauses (1) through (3) of Section 9.02 hereof, the directions of any Credit Provider shall prevail, and with respect to any other Event of Default the directions of the owners of the Bonds shall prevail.

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

SECTION 10.01 EXECUTION OF INSTRUMENTS BY BONDHOLDERS AND PROOF OF OWNERSHIP OF BONDS. Any request, direction, consent or other instrument in writing required or permitted by this Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders or their duly authorized attorneys or legal representatives. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Resolution and shall be conclusive in favor of the Issuer and the Trustee with regard to any action taken by either under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved by the verification of any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

(b) Ownership of Bonds should be proved by registration books of the Issuer, or the Bond Registrar on behalf of the Issuer, maintained as provided in this Resolution.

Nothing contained in this Resolution shall be construed as limiting the Issuer or Trustee to such proof, it being intended that the Issuer and Trustee may accept any other evidence of the matters

herein stated which it may deem sufficient. Any request or consent of the holder of any Bond shall bind every future holder of the same Bond in respect of anything done by the Issuer or Trustee pursuant to such request or consent.

ARTICLE XI
SUPPLEMENTS AND AMENDMENTS

SECTION 11.01 SUPPLEMENTAL RESOLUTION WITHOUT BONDHOLDERS' CONSENT. Subject to the provisions of Section 7.11 hereof, the Issuer, from time to time and at any time, without obtaining consent from Bondholders, may adopt such resolution supplemental hereto as shall not be inconsistent with the terms and provisions hereof (which Supplemental Resolutions shall thereafter form a part hereof):

(1) to cure any ambiguity or defect or omission or to correct any inconsistent provisions in this Resolution or in any Supplemental Resolution; or

(2) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Bondholders including, specifically, any Supplemental Resolution providing for appointment of a Trustee to take custody, for the benefit of the Bondholders, of any of the Funds and Accounts established hereunder and providing for the rights and obligations of such Trustee with respect to this Resolution and the Bonds; or

(3) to add to the conditions, limitations and restrictions on the issuance of Bonds under the provisions of this Resolution other conditions, limitations and restrictions thereafter to be observed; or

(4) to add to the covenants and agreements of the Issuer in this Resolution other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power herein reserved to or conferred upon the Issuer; or

(5) to permit the issuance of Bonds, the interest on which is intended to be exempt from federal income taxation, in coupon form, if as a condition precedent to the enactment of such Supplemental Resolution, there shall be delivered to the Issuer an opinion of counsel with expertise in the field of tax exempt municipal finance to the effect that the issuance of Bonds in coupon form is then permitted by law and that issuance of such Bonds in coupon form would not cause interest on such Bonds to be included in gross income for federal income tax purposes; or

(6) to qualify the Bonds or any of the Bonds for registration under the securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended; or

(7) to qualify this Resolution as an "indenture" under the Trust Indenture Act of 1939, as amended; or

(8) to make such changes as may be necessary to adjust the terms hereof so as to facilitate the issuance of Variable Rate Bonds, Capital Appreciation Bonds, Capital Appreciation and Income Bonds, Convertible Bonds, Put Bonds and such other form of Bonds as may be marketable from time to time, provided that such changes do not modify the provisions of Section 2.09 relating to the requirements that must be met to issue Additional Bonds or the provisions of Section 5.03 hereof relating to the Rate Covenant; or

(9) to make such changes as may be necessary to maintain the tax exemption applicable to any Series as said exemption was intended to exist, if at all, at the time of issuance of such Series; or

(10) to make such changes as may evidence the right and interest herein of a Credit Provider; or

(11) to make such changes as may be necessary in order to obtain a rating or ratings on any Series of Bonds from one or more nationally recognized rating agencies; or

(12) to specify and determine the matters and things referred to in Sections 2.08, 2.09 or 2.10 hereof, and any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Resolution as theretofore in effect, or to amend, modify or rescind any provision in this Resolution at any time prior to the first delivery of such Bonds.

The Issuer shall provide the Trustee with written notice of its intent to adopt a Supplemental Resolution pursuant to this Section 11.01 at least sixty (60) days prior to the date the Trustee is required by the terms of this Resolution to provide notice of the proposed adoption. At least thirty days prior to the adoption of any Supplemental Resolution for any of the purposes of this Section 11.01, the Trustee shall cause a notice of the proposed adoption of such Supplemental Resolution to be mailed, postage prepaid, to all owners of Bonds at their addresses as they appear on the registration books of the Issuer maintained by the Bond Registrar and to all rating agencies then rating the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the offices of the Issuer and Trustee for inspection by all Bondholders. A failure on the part of the Trustee to mail the notice required by this Section 11.01 shall not affect the validity of the Supplemental Resolution.

SECTION 11.02 SUPPLEMENTAL RESOLUTION WITH BONDHOLDERS' CONSENT. Subject to the terms and provisions contained in Section 7.11, this Section 11.02, Section 11.01 and 11.04 hereof, and not otherwise, the holders of not less than a majority in aggregate principal amount of each Series of Bonds then Outstanding and affected thereby shall have the right, from time to time, anything contained in this Resolution to the contrary notwithstanding, to consent to and approve the enactment of such resolution or resolutions supplemental hereto as shall be deemed necessary or desirable by the Issuer for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in this Resolution or in any Supplemental Resolution; provided, however, that nothing herein contained shall permit, or be construed as permitting, without the prior written consent of the Holders of 100% of the aggregate principal amount of all Series of Bonds affected thereby, (a) an extension of the maturity of the

principal of or the interest on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or the redemption premium or the rate of interest thereon, or (c) the creation of a lien upon or a pledge of Pledged Revenues other than the lien and pledge created by this Resolution or permitted to be created by this Resolution, or (d) a preference or priority of any Bond or Bonds over any other Bond or Bonds, or (e) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Resolution. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Resolution as authorized in Section 11.01 or Section 11.04 of this Article.

If at any time the Issuer shall determine that it is necessary or desirable to enact any Supplemental Resolution for any of the purposes of this Section, the Trustee shall cause notice of the proposed enactment of such Supplemental Resolution to be mailed, postage prepaid, to all owners of Bonds affected thereby at their addresses as they appear on the registration books and to all rating agencies then rating the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Resolution and shall state that copies thereof are on file at the registered office of the Issuer and the Trustee for inspection by all Bondholders affected thereby. The Trustee shall not, however, be subject to any liability to any Bondholder by reason of its failure to cause the notice required by this Section 11.02 to be mailed and any such failure shall not affect the validity of such Supplemental Resolution when consented to and approved as provided in this Section 11.02. A subsequent ordinance or resolution of the Issuer may provide that the form and manner of providing notice to Bondholders be in some different form if so determined by the Issuer.

Whenever the Trustee shall deliver to the Issuer an instrument or instruments in writing purporting to be executed by the holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding and affected thereby, which instrument or instruments shall refer to the proposed Supplemental Resolution and shall specifically consent to and approve the enactment thereof in substantially the form thereof referred to in such instrument, thereupon, but not otherwise, the Issuer may enact such Supplemental Resolution in substantially such form, without liability or responsibility to any owner of any Bond, whether or not such registered owner shall have consented thereto. Notwithstanding the foregoing, the Issuer may enact the proposed Supplemental Resolution prior to receiving the requisite consents provided the effective date of said resolution, by its terms, is delayed until, and conditioned upon, receipt of the required consents.

If the owners of not less than a majority in aggregate principal amount of the Bonds Outstanding and affected thereby at the time of the enactment (or effective date) of such Supplemental Resolution shall have consented to and approved the enactment thereof as herein provided, no owner of any Bond affected thereby shall have any right to object to the enactment of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the Issuer from adopting the same or from taking any action pursuant to the provisions thereof.

Any consent given by a Bondholder shall be binding with respect to all Bonds owned by said Bondholder on the date consent is given, and shall bind all future owners of said Bonds, so that said future owners shall have been deemed to consent to the proposed Supplemental Resolution to the same force and effect as if they had executed a consent as of the date of enactment thereof.

The consent of the owners of any Series of Bonds to be issued hereunder shall be deemed given if the underwriters or initial marketing group consent in writing to such Supplemental Resolution and the substance of such Supplemental Resolution is disclosed in the official statement or other offering document pursuant to which such Series of Bonds are offered and sold to the public.

Upon the enactment of any Supplemental Resolution pursuant to the provisions of this Section, this Resolution shall be and be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Resolution of the Issuer and all holders of Bonds then Outstanding and affected thereby shall thereafter be determined, exercised and enforced in all respects under the provisions of this Resolution as so modified and amended.

SECTION 11.03 SUPPLEMENTAL RESOLUTIONS PART OF RESOLUTION. Any Supplemental Resolution enacted in accordance with the provisions of this Resolution and approved as to legality by the District Counsel shall thereafter form a part of this Resolution, and all of the terms and conditions contained in any such Supplemental Resolution as to any provisions authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Resolution for any and all purposes. In case of the enactment and approval of any Supplemental Resolution, express reference may be made thereof in the text of any Bonds issued thereafter, if deemed necessary or desirable by the Issuer.

SECTION 11.04 SERIES RESOLUTION NOT A SUPPLEMENTAL RESOLUTION. For purposes of this Article XI, a resolution, such as a Series Resolution, that relates only to the issuance of a particular Series of Bonds hereunder and that does not purport to alter or amend the rights or security of any holders of any Bonds of any other Series issued hereunder shall not be deemed or considered to be a Supplemental Resolution for purposes of this Article XI.

ARTICLE XII
DEFEASANCE

SECTION 12.01 DEFEASANCE. If all the Outstanding Bonds shall have been paid as provided below, and the Issuer shall pay or cause to be paid to the Trustee, Paying Agent and Bond Registrar and any other agents and other parties designated by a Series Resolution, all sums of money due or to become due according to the provisions hereof and such other instruments as may be entered into with such agents and parties, then and in that case the right, title and interest of the bondholders hereunder shall cease, terminate and become void, and such Bonds shall cease to be entitled to any lien, benefit or security under this Resolution. In such event, this Resolution shall be discharged and released and amounts held in the Funds and Accounts created hereunder shall be released to the Issuer for its own purposes.

Any Bond shall be deemed to have been paid within the meaning and with the effect expressed in this Section 12.01 when the whole amount of the principal of and interest on such Bond shall have been paid or when (a) there shall have been deposited with the Paying Agent or other appropriate Escrow Agent solely for the owner of such Bond and other Bonds being defeased and specifically designated for the purpose of defeasance either monies, Escrow Securities, or any

combination thereof, in an amount which shall be verified by an Accountant as sufficient, with interest earnings thereon, to pay when due the principal of and premium, if any, and interest due and to become due on such Bonds on or prior to the redemption date or maturity date thereof, as the case may be, and (b) in the event such Bond does not mature and is not to be redeemed within the next succeeding sixty days, the Issuer shall have notified, as soon as practicable, the owner of such Bond, in the manner set forth in Article III hereof, stating that the deposit of monies and/or Escrow Securities required by clause (a) of this paragraph has been made with the Paying Agent or other Escrow Agent solely for the owner of such Bond and other Bonds being defeased, and that such Bond is deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which monies are to be available for the payment of the principal of and premium, if any, and interest on such Bond.

Except as hereinafter provided, neither the monies nor Escrow Securities deposited with the Paying Agent or other Escrow Agent pursuant to this Section 12.01 nor principal or interest payments on any such obligations shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal of and premium, if any, and interest on said Bonds. Monies and Escrow Securities held by an Escrow Agent may be substituted for other monies and Escrow Securities to the extent permitted by an Escrow Deposit Agreement.

As to Variable Rate Bonds, the amount required for the interest thereon shall be calculated at the maximum rate permitted by the terms of the provisions which authorized the issuance of such Variable Rate Bonds; provided, however, that if on any date, as a result of such Variable Rate Bonds having borne interest at less than such maximum rate for any period, the total amount of monies and Escrow Securities on deposit for the payment of interest on such Variable Rate Bonds is in excess of the total amount which would have been required to be deposited on such date in respect of such Variable Rate Bonds in order fully to discharge and satisfy such Bonds pursuant to the provisions of this Section, the Issuer may use the amount of such excess, free and clear of any trust, lien, security interest, pledge or assignment securing said Variable Rate Bonds or otherwise existing under this Resolution; subject however, to the Issuer's obtaining an opinion from a law firm with expertise in the field of tax-exempt municipal bonds that such use will not cause such Bonds to lose their federal tax exemption if interest on such Bonds was intended to be excluded from gross income for federal income tax purposes when originally issued.

Notwithstanding any of these provisions of this Resolution to the contrary, Put Bonds may only be fully discharged and satisfied either by paying the principal of and interest on said Bonds as they become due and payable or by depositing monies or Escrow Securities which shall be sufficient at the time of such deposit to pay when due the maximum amount of principal of and redemption premium, if any, and interest on such Put Bonds which could become payable to the owners of such Bonds upon the exercise of any options provided to the owners of such Bonds and the Issuer; provided, however, that if, at the time a deposit is made pursuant to this paragraph, the options originally exercisable on the Put Bonds are no longer exercisable, such Bonds shall not be considered Put Bonds for these purposes.

If any portion of the monies described for the payment of the principal of and redemption premium, if any, and interest on any portion of Bonds is not required for such purpose, the Trustee

may deliver the amount of such excess to the Issuer, free and clear of any trust, lien, security interest, pledge or assignment securing said Bonds or otherwise existing under this Resolution.

Notwithstanding the foregoing, the provisions of this Article XII shall not operate to extinguish the covenants and obligations of the Issuer set forth in Section 7.09 and 7.10 hereof.

ARTICLE XIII
MISCELLANEOUS PROVISIONS

SECTION 13.01 EFFECT OF COVENANTS. All covenants, stipulations, obligations and agreements of the Issuer and Trustee contained in this Resolution shall be deemed to be covenants, stipulations, obligations and agreements of the Issuer and of each department and agency of the Issuer to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall bind or inure to the benefit of the successor or successors thereof from time to time and any officer, board, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided in this Resolution, all rights, powers and privileges conferred and duties and liabilities imposed upon the Issuer by the provisions of this Resolution shall be exercised or performed by the Board of the Issuer or by such other officers, board, body or commission as may be required by law to exercise such powers or to perform such duties.

No covenants, stipulation, obligation or agreement herein contained shall be deemed to be a covenant, stipulation, obligation or agreement of any member, agent or employee of the Issuer in his individual capacity, and neither the Board of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 13.02 MANNER OF GIVING NOTICE. Any notice, demand, direction, request or other instrument authorized or required by this Resolution to be given to or filed with the Issuer shall be deemed to have been sufficiently given or filed for all purposes of this Resolution if and when sent by registered mail, return receipt requested to the Issuer at 10807 SW Tradition Square, Port St. Lucie, FL 34987 Attention: District Manager, Tradition Community Development District No. 1 and to the Trustee at U.S. Bank National Association, 550 West Cypress Creek Road, Suite 380, Fort Lauderdale, Florida, 33309, Attention: Corporate Trust Department. Notwithstanding anything herein to the contrary, any notice authorized or required by this Resolution to be given to Holders of Bonds may be sent by first class mail.

All documents received by the District Manager under the provisions of this Resolution shall be retained in his possession, subject at all reasonable times to the inspection of any Bondholder, and the agents and representatives thereof.

SECTION 13.03 SUCCESSORSHIP OF ISSUER. In the event that the offices of any officer of the Issuer mentioned in this Resolution shall be abolished or any two or more of such

offices shall be merged or consolidated, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the Issuer or otherwise, all powers conferred and all obligations and duties imposed upon such officer shall be performed by the officer succeeding to the principal functions thereof or by the officer upon whom such powers, obligations and duties shall be imposed by law. The Issuer may be dissolved or terminated in accordance with the Act only pursuant to a plan of transfer in connection with which an appropriate general purpose unit of local government agrees to accept and assume all obligations of the Issuer hereunder, including, specifically, the obligation to collect and enforce the fees, rentals and charges for the services and facilities of the Existing System and to pay the principal and interest on the Bonds from the Pledged Revenues and the monies on deposit in the Funds and Accounts.

SECTION 13.04 INCONSISTENT RESOLUTIONS. All resolutions and parts thereof which are inconsistent with any of the provisions of this Resolution are hereby declared to be inapplicable to the provisions of this Resolution.

SECTION 13.05 FURTHER ACTS. The officers and agents of the Issuer and the Trustee are hereby authorized and directed to do all the acts and things required of them by the Bonds and this Resolution, for the full, punctual and complete performance of all of the terms, covenants, provisions and agreements contained in the Bonds and this Resolution.

SECTION 13.06 HEADINGS NOT PART OF RESOLUTION. Any headings preceding the texts of the several Articles and Sections hereof and any table of contents, marginal notes or footnotes appended to copies hereof shall be solely for convenience of reference, and shall not constitute a part of this Resolution, nor shall they affect its meaning, construction or effect.

SECTION 13.07 TRUSTEE, ISSUER AND BONDHOLDERS ALONE HAVE RIGHTS UNDER RESOLUTION. Except as herein otherwise expressly provided, nothing in this Resolution, expressed or implied, is intended or shall be construed to confer upon any person, firm or corporation, other than the Trustee, the Issuer and the owners of the Bonds, any right, remedy or claim, legal or equitable, under or by reason of this Resolution or any provision hereof, this Resolution and all its provisions being intended to be and being for the sole and exclusive benefit of the Issuer and the owners from time to time of the Bonds.

SECTION 13.08 EFFECT OF PARTIAL INVALIDITY. In case any one or more of the provisions of this Resolution or of any Bonds shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any other provision of this Resolution or of the Bonds, but this Resolution and the Bonds shall be construed and enforced as if such illegal or invalid provision had not been contained therein. The Bonds are issued and this Resolution is adopted with the intent that the laws of the State of Florida shall govern their construction.

SECTION 13.09 SALE OF SERIES 2017 BONDS, ADDITIONAL BONDS AND REFUNDING BONDS. The Series 2017 Bonds, Additional Bonds and Refunding Bonds shall be issued and sold at one time or from time to times and at such price or prices consistent with law and the requirements of this Resolution as the Issuer shall hereafter determine by one or more Series Resolutions.

SECTION 13.10 AUTHORITY TO PURCHASE OR DEAL IN BONDS. Any bank or trust company acting as Trustee, Bond Registrar or Paying Agent under this Resolution, and its directors, officers, employees or agents may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholder may be entitled to take with like effect as if such bank or trust company were not the Trustee, Bond Registrar or Paying Agent under this Resolution.

SECTION 13.11 CAPITAL APPRECIATION BONDS AND CAPITAL APPRECIATION AND INCOME BONDS. For the purposes of (a) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity, or (b) receiving payment of a Capital Appreciation Bond if the principal of all Bonds becomes due and payable under the provisions of this Resolution, or (c) computing the amount of Bonds held by the holder of a Capital Appreciation Bond in giving to the Issuer or any trustee or receiver appointed to represent the Bondholders any notice, consent, request or demand pursuant to this Resolution for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value. For all of the foregoing purposes as they relate to Capital Appreciation and Income Bonds, the principal amount of a Capital Appreciation and Income Bond, on or prior to its Interest Commencement Date, shall be its Appreciated Value.

SECTION 13.12 PAYMENTS DUE ON SATURDAYS, SUNDAYS OR HOLIDAYS. Subject to the provisions of any Series Resolution with respect to a Series of Bonds, in any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of Bonds shall be a Saturday, Sunday or a day on which the Paying Agent is required, or authorized and not prohibited, by law (including executive orders) to close and is closed, then payment of such interest or principal and any redemption premium need not be mailed by the Paying Agent on such date but may be mailed on the next succeeding business day on which the Paying Agent is open for business with the same force and effect as if mailed on the date of maturity or the date fixed for redemption, and no interest shall accrue for the period after such date of maturity.

SECTION 13.13 SUSPENSION OF PUBLICATION OR MAIL. If, because of the temporary or permanent suspension of publication of any newspaper or financial journal, the suspension of delivery of registered mail or, for any other reason, the Trustee shall be unable to publish in a newspaper or financial journal or mail by registered mail any notice required to be published or mailed by the provisions of this Resolution, the Trustee shall give such notice in such other manner as in the judgment of the Issuer shall most effectively approximate such publication or mailing thereof, and the giving of such notice in such manner shall for all purposes of this Resolution be deemed to be in compliance with the requirement for the publication or mailing thereof.

Except as otherwise provided herein, for all purposes of this Resolution, anything required to be mailed shall be deemed mailed upon the deposit of the item with the U.S. Postal Service, by registered mail, return receipt requested and addressed to the addressee as set forth in Section 14.02 hereof or otherwise provided in this Resolution.

SECTION 13.14 VALIDATION. To the extent required by the Act or otherwise deemed advisable by the District Counsel and bond counsel to the Issuer, the District Counsel and/or

bond counsel to the Issuer are hereby authorized to institute appropriate proceedings for the validation of the Bonds and any and all other proceedings necessary for the Issuer to determine its authority to issue the Bonds, and the proper officers of the Issuer are hereby authorized to verify on behalf of the Issuer any pleadings in such proceedings and the Chairman or his designee, in consultation with District Counsel and bond counsel, is hereby authorized to determine the aggregate principal amount of the Bonds to be validated from time to time.

SECTION 13.15 BROKERAGE CONFIRMATIONS. The Issuer acknowledges that to the extent regulation of the Comptroller of the Currency or other applicable regulatory entity grant the Issuer the right to receive individual confirmations of security transactions at no additional cost, as they occur, the Issuer specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Issuer periodic cash transaction statements that include detail for all investment transactions made by the Trustee under this Resolution.

SECTION 13.16 RESOLUTION EFFECTIVE; REPEALER. This Resolution shall take effect immediately upon its adoption. Resolution Nos. 2016-08 and 2016-09 adopted on December 13, 2016 are hereby repealed and shall be of no further force and effect.

PASSED AND ADOPTED at a meeting of the Board of Supervisors of the Tradition Community Development District No. 1 this 14th day of March, 2017.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

[SEAL]

Chairman

ATTEST:

District Secretary

EXHIBIT A

FORM OF BONDS

REGISTERED **CUSIP: _____**
NO. R-

$_____

UNITED STATES OF AMERICA
STATE OF FLORIDA
PORT ST. LUCIE, FLORIDA
TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1
IRRIGATION SYSTEM [REFUNDING] REVENUE BOND (EXISTING SYSTEM), SERIES 20___

INTEREST RATE	MATURITY DATE	DATED DATE
%	October 1, 20	_____, 20

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ _____ Dollars

KNOW ALL MEN BY THESE PRESENTS, that the Tradition Community Development District No. 1, an independent special district of the State of Florida (hereinafter called "Issuer"), for value received, hereby promises to pay to the registered owner designated above, or registered assigns, solely from the special funds hereinafter mentioned, on the Maturity Date specified above (unless this Bond shall have been called for redemption prior to maturity and payment of the redemption price shall have been duly made or provided for), the Principal Amount shown above, upon the presentation and surrender hereof at the designated office of _____, as Bond Registrar, and to pay solely from such special funds, interest thereon at the Interest Rate per annum specified above, payable on _____, _____ and semiannually thereafter on April 1 and October 1 in each year. The principal of, premium, if any, and interest on this Bond are payable in lawful money of the United States of America. _____ is also acting as Trustee for the Series Bonds (hereinafter defined) of which this Bond is a part.

This Bond is one of an authorized issue of bonds of the Issuer designated its Irrigation System Revenue [Refunding] Bonds (Existing System), Series (the "Series Bonds"), in the aggregate principal amount of $_____ of like date, tenor and effect, except as to number, interest rate and date of maturity, issued as Bonds under the Resolution (as hereinafter defined), for the purpose of providing funds to: [(i) finance the acquisition, construction and equipping of [the

Series 2017 Project][certain Improvements to the Existing System;] [(ii) refund outstanding obligations of the Issuer or Outstanding Bonds or Subordinate Obligations;][(iii) fund the Reserve Account in an amount equal to the Reserve Account Requirement for the Series __ Bonds;] [(iv) pay Capitalized Interest on the Series __ Bonds;] and [(vi) pay the costs associated with the issuance of the Series Bonds.] The Series Bonds are being issued under the authority of and in full compliance with Ordinance No. 01-010 of the Board of County Commissioners of St. Lucie County, Florida enacted on August 21, 2001, as amended, establishing the Issuer, Chapter 190, Florida Statutes, as amended, any successor statute thereto, the Florida Constitution and other applicable provisions of law (collectively, the "Act") and Resolution No. 2017-02 of the Issuer adopted on March 14, 2017, as amended and supplemented, including by Series Resolution No. , of the Issuer adopted on ___ , 20 (collectively, the "Resolution") and is subject to all the terms and conditions of the Resolution. Modifications or alterations of the Resolution or of any resolutions supplemental thereto may be made only to the extent and in the circumstances permitted by the Resolution.

This Bond and the interest thereon are payable solely from and secured by a lien upon and pledge of the Pledged Revenues and the Funds and Accounts (as such terms are defined in the Resolution) in the manner provided in the Resolution.

The full faith and credit of the Issuer is not pledged for the payment of this Bond and this Bond does not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation. It is expressly agreed by the holder of this Bond that such holder shall never have the right to require or compel the levy or pledge of ad valorem taxes for the payment of the principal of and interest on this Bond or for the making of any sinking fund or other payment provided for in the Resolution. This Bond and the indebtedness evidenced hereby shall not constitute a lien upon any other property of or in the Issuer, but shall constitute a lien only upon the Pledged Revenues and the Funds and Accounts, in the manner provided in said Resolution.

Additional Bonds and Refunding Bonds on a parity with this Bond may be issued by the Issuer from time to time upon the conditions and within the limitations and in the manner provided in the Resolution.

Capitalized terms used herein but not otherwise defined herein shall have the meanings ascribed thereto in the Resolution.

The original registered owner, and each successive registered owner of this Bond, shall be conclusively deemed to have agreed and consented to the following terms and conditions:

1. [This Bond shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act a securities depository for the Bonds, with no physical distribution of Bonds to be made. Any provisions of the Resolution or this Bond requiring physical delivery of Bonds shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of beneficial ownership interests of DTC participants.

Beneficial ownership interests in this Bond may be transferred in accordance with the book-entry-only system maintained by DTC.]

2. [This Bond shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Bond is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof. Payment to DTC participants shall be the responsibility of DTC. Payments by DTC participants to individual beneficial owners shall be the responsibility of DTC participants and not of DTC, the Trustee, the Paying Agent, the Bond Registrar or the Issuer. By purchase and acceptance of a Bond or portion thereof in book-entry-only form, the beneficial owner agrees that the Issuer shall have no responsibility for the action or inaction of DTC or other registered depository or any of it participants, nominees or successors as depository in connection with the Bonds.]

3. This Bond shall be registered as to both principal and interest and shall not be registered to "bearer."

4. The Bond Registrar shall keep books for the registration of Series Bonds and for the registration of transfers of Series Bonds as provided in the Resolution. This Bond may be transferred only upon the books of the Issuer kept by the Bond Registrar under the Resolution upon surrender thereof at the principal office of the Bond Registrar by the registered owner thereof in person or by his duly authorized attorney in writing, but only in the manner, subject to the limitations and upon payment of a sum sufficient to cover any charge that may be imposed in connection with such transfer, as provided in the Resolution, together with a written instrument of transfer duly executed by the registered owner or his duly authorized attorney. Upon any such transfer, there shall be executed in the name of the transferee, and the Bond Registrar shall authenticate and deliver, a new registered bond or bonds in authorized denominations, in the same aggregate principal amount and of the same series, maturity and interest rate as the surrendered bond.

5. In like manner, subject to such conditions and upon the payment of a sum sufficient to cover any tax, fee or governmental charge, if any, that may be imposed in connection with such exchange, as provided in the Resolution, the registered owner of this Bond may surrender this Bond (together with a written authorization for exchange satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney) and upon such surrender the Bond Registrar shall authenticate and deliver a new registered bond or bonds in exchange for an equal aggregate principal amount of fully registered bonds in authorized denominations of the same series, maturity and interest rate as this Bond.

6. The Issuer, the Trustee and the Bond Registrar may treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond as the same becomes due, and for all other purposes, whether or not such Bond shall be overdue. All such payments so made to any 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 sums so paid. The person in whose name

any Bond is registered may be deemed the owner thereof by the Issuer, the Trustee and the Bond Registrar, and any notice to the contrary shall not be binding upon the Issuer, the Trustee or the Bond Registrar.

7. The registered owner of this Bond shall have no right to enforce the provisions of the Resolution, or to institute action to enforce the covenants therein, or to take any action with respect to any Event of Default under the Resolution, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Resolution.

8. Neither the Issuer nor the Bond Registrar shall be required to transfer or exchange any Bond after notice calling such Bond for redemption has been given as provided in the Resolution, nor during the period of 15 days preceding the giving of such notice of redemption.

[Redemption provisions]

This Bond is and has all the qualities and incidents of a negotiable instrument under the laws of the State of Florida. This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar.

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 statutes and Constitution of the State of Florida applicable thereto; and that the issuance of this Bond and of the issue of bonds of which this Bond is one, is authorized by and is in conformity with, and does not violate, any constitutional, statutory or charter limitation or provision.

IN WITNESS WHEREOF, the Tradition Community Development District No. 1 has issued this Bond and has caused the same to be executed by the manual or facsimile signature of the Chair(man) of its Board of Supervisors and its corporate seal or a facsimile thereof to be affixed, impressed, imprinted, lithographed or reproduced hereon and attested by the manual or facsimile signature of the Secretary to the Board, all as of the day of _____ , 20 ___.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

[SEAL]

Chair(man)

ATTEST:

_____

District Secretary

REGISTRAR'S CERTIFICATE OF AUTHENTICATION

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

_____, as Bond Registrar

By: _____
Authorized Signature

Date of Authentication _____

[STATEMENT OF VALIDATION]

EXHIBIT B

FORM OF REQUISITION

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1
IRRIGATION [REFUNDING] REVENUE BONDS (EXISTING SYSTEM),
SERIES ____

To: U.S. Bank National Association, as Trustee

The undersigned, an Authorized Officer of the Tradition Community Development District No. 1 (the "Issuer"), hereby submits the following requisition for disbursement from the Construction Fund [Renewal and Replacement Fund] established under and pursuant to the terms of Resolution No. 2017-2 adopted by the Issuer on March 14, 2017, as amended and supplemented from time to time (the "Resolution") (all capitalized terms used herein shall have the meaning ascribed to such term in the Resolution):

(A) Requisition Number:

(B) Name of Payee:

(C) Amount Payable:

(D) Purpose for which paid or incurred (refer also to specific contract if amount is due and payable pursuant to a contract involving progress payments, or, state costs of issuance, or state if amount is payable pursuant to the Asset Purchase Agreement or will be deposited in escrow pursuant to the Asset Purchase Agreement, as applicable):

The undersigned hereby certifies that:

1. obligations in the stated amount set forth above have been incurred, or are required to be deposited in escrow, by the Issuer,

or

this requisition is for costs of issuance that have not previously been paid;

2. each disbursement set forth above is a proper charge against the Construction Fund [Renewal and Replacement Fund pursuant to the first paragraph of Section 5.11 of the Resolution] or is otherwise a proper cost of issuance relating to the above-referenced Bonds;

3. each disbursement set forth above was incurred in connection with Costs of the Series 20 Project [costs properly payable from the Renewal and Replacement Fund pursuant to the first paragraph of Section 5.11 of the Resolution] or is otherwise a proper cost of issuance relating to the above-referenced Bonds;

4. each disbursement represents a Cost of the Series 20 Project [costs properly payable from the Renewal and Replacement Fund pursuant to the first paragraph of Section 5.11 of the Resolution] or a proper cost of issuance relating to the above-referenced Bonds which has not previously been paid.

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

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

Attached hereto are originals of the invoice(s) from the vendor of the property acquired or the services rendered with respect to which disbursement is hereby requested or a certified copy of the executed Asset Purchase Agreement and escrow deposit agreement referred to therein.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

By: _____
Authorized Officer

CONSULTING ENGINEER'S APPROVAL

If this requisition is for a disbursement from the Construction Fund, other than in connection with a disbursement relating to [costs of issuance], the undersigned Consulting Engineer hereby certifies that this disbursement is [for a Cost of the Series 20 Project and is consistent with: (i) the applicable contract; and (ii) the plans and specifications for the portion of the Series 20 Project with respect to which such disbursement is being made, to the extent applicable] [costs properly payable from the Renewal and Replacement Fund pursuant to the first paragraph of Section 5.11 of the Resolution and consistent with the applicable contract].

_____
Consulting Engineer

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TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

IRRIGATION SYSTEM REVENUE BONDS
(EXISTING SYSTEM), SERIES 2017

RESOLUTION NO. 2017-08

Dated: May 30, 2017

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RESOLUTION NO. 2017-08

A SERIES RESOLUTION OF TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 PROVIDING FOR THE ISSUANCE OF ITS NOT EXCEEDING $7,000,000 IRRIGATION SYSTEM REVENUE BONDS (EXISTING SYSTEM), SERIES 2017 FOR THE PURPOSE OF PROVIDING FUNDS NECESSARY TO ACQUIRE AN IRRIGATION SYSTEM, AS MORE FULLY DESCRIBED HEREIN, FUNDING CERTAIN OPERATION AND MAINTENANCE EXPENSES, FUNDING A SUBACCOUNT IN THE RESERVE ACCOUNT IN AN AMOUNT EQUAL TO THE RESERVE ACCOUNT REQUIREMENT FOR THE SERIES 2017 BONDS, AND PAYING COSTS OF ISSUANCE OF THE SERIES 2017 BONDS; DIRECTING THE APPLICATION OF THE PROCEEDS OF THE SERIES 2017 BONDS; FIXING CERTAIN TERMS AND DETAILS OF THE SERIES 2017 BONDS; CONFIRMING THE APPOINTMENT OF U.S. BANK NATIONAL ASSOCIATION AS THE INITIAL TRUSTEE, PAYING AGENT AND BOND REGISTRAR FOR THE SERIES 2017 BONDS; PROVIDING FOR THE NEGOTIATED SALE OF THE SERIES 2017 BONDS; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION, OF A BOND PURCHASE CONTRACT FOR THE SERIES 2017 BONDS; DELEGATING TO THE CHAIRMAN OR VICE-CHAIRMAN THE AUTHORITY TO AWARD THE SERIES 2017 BONDS WITHIN THE PARAMETERS SPECIFIED HEREIN; APPROVING THE FORM, AND AUTHORIZING THE USE, OF A PRELIMINARY OFFICIAL STATEMENT FOR THE SERIES 2017 BONDS; APPROVING THE DISTRIBUTION OF A FINAL OFFICAL STATEMENT FOR THE SERIES 2017 BONDS AND THE EXECUTION THEREOF; APPROVING THE FORM, AND AUTHORIZING THE EXECUTION, OF A CONTINUING DISCLOSURE AGREEMENT WITH RESPECT TO THE SERIES 2017 BONDS; AUTHORIZING OTHER REQUIRED ACTIONS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

NOW THEREFORE, BE IT RESOLVED BY TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 AS FOLLOWS:

SECTION 1. DEFINITIONS; AUTHORITY FOR THIS 2017 SERIES RESOLUTION; RESOLUTION CONSTITUTES CONTRACT. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Bond Resolution (hereinafter defined) or herein. The Issuer is authorized to adopt this resolution as a Series Resolution (the "2017 Series Resolution") under the authority granted by the provisions of the Act and other applicable law. To the extent necessary to effectuate the terms and conditions hereof, the Bond Resolution is hereby

incorporated herein by this reference. In consideration of the acceptance of the Series 2017 Bonds by those who shall own the same from time to time, the Bond Resolution and this 2017 Series Resolution (collectively, the "Resolution") shall be deemed to be and shall constitute a contract between the Issuer and such Holders of the Series 2017 Bonds.

SECTION 2. FINDINGS. It is hereby found and determined that:

A. Pursuant to Resolution No. 2017-02 (the "Bond Resolution") adopted by the Board on March 14, 2017, the Board, among other matters, authorized the issuance of the Series 2017 Bonds for the primary purpose of financing the Cost of the Series 2017 Project, subject to the further adoption by the Board of one or more Series Resolutions relating to the Series 2017 Bonds.

B. In furtherance of the foregoing, the Issuer confirms that is in its best interest to issue the Series 2017 Bonds and to apply the proceeds thereof, together with other legally available funds, if any, to finance the Cost of the Series 2017 Project and for such other purposes as set forth herein.

D. All of the provisions, covenants, pledges and conditions in the Bond Resolution, as supplemented hereby, shall be applicable to the Series 2017 Bonds.

E. Due to the present volatility of the market for tax-exempt obligations such as the Series 2017 Bonds and the complexity of the transactions relating to the Series 2017 Bonds, it is in the best interests of the Issuer to sell the Series 2017 Bonds by a delegated, negotiated sale, rather than at a specified advertised date, in order to permit the Issuer to enter the market at the most advantageous time and to obtain the best possible price and interest rate for the Series 2017 Bonds.

F. It is now appropriate to authorize the issuance of the Series 2017 Bonds and to provide for the terms and details thereof.

SECTION 3. AUTHORIZATION OF THE SERIES 2017 BONDS. Pursuant to the Bond Resolution, including Section 2.08 thereof, the Issuer hereby determines to issue the Series 2017 Bonds in the initial aggregate principal amount of not exceeding $7,000,000, for the purpose of providing funds, which together with other legally available funds of the Issuer, if any, will be applied to make a deposit to the Construction Fund to be used to finance the Cost of the Series 2017 Project, as more fully provided for herein, make a deposit to the Operation and Maintenance Fund in the amount provided for herein, fund the Series 2017 Reserve Subaccount (hereinafter established and defined) in the Reserve Account in an amount equal to the Series 2017 Reserve Requirement (hereinafter defined), and pay the costs of issuance of the Series 2017 Bonds. Notwithstanding anything to the contrary in the Bond Resolution, including Section 2.08 thereof, the Series 2017 Bonds shall be issued as a Series of Bonds the interest on which is intended at the time of issuance thereof to be excludable from the gross income of the holders thereof for federal income tax purposes and designated as "Irrigation System Revenue Bonds (Existing System), Series 2017" and any references to the word "Taxable" in the designation of the Series 2017 Bonds in the Bond Resolution shall be of no force and effect.

For purposes of the Resolution and the Series 2017 Bonds, a subaccount in the Reserve Account is hereby established for the Series 2017 Bonds which shall secure only the Series 2017 Bonds and designated as the "Series 2017 Reserve Subaccount." The Reserve Account Requirement for the Series 2017 Bonds shall be determined on the date of issuance of the Series 2017 Bonds and shall be an amount equal to the least of (i) the maximum annual Debt Service Requirements in the current or any future Bond Year for such Series 2017 Bonds; (ii) 125% of the Average Annual Debt Service Requirement for such Series 2017 Bonds; or (iii) 10% of the original stated principal amount (within the meaning of the Code) of the Series 2017 Bonds. The foregoing is referred to as the "Series 2017 Reserve Requirement."

Prior to the issuance of the Series 2017 Bonds, the Issuer shall comply with the conditions precedent to the issuance of the Series 2017 Bonds set forth in Section 2.08 of the Bond Resolution. As more fully provided in Section 5 hereof, the Series 2017 Bonds shall be substantially in the form attached as an exhibit to the Bond Resolution and shall be executed on behalf of the Issuer in the manner provided in the Bond Resolution. Upon satisfaction of the conditions precedent to the issuance of the Series 2017 Bonds set forth herein and in the Bond Resolution, the Chairman or Vice-Chairman is hereby authorized and directed to execute, and the Secretary or an Assistant Secretary is hereby authorized and directed to attest, the Series 2017 Bonds as provided in the Bond Resolution.

The appointment of U.S. Bank National Association as Trustee, Paying Agent and Bond Registrar with respect to the Series 2017 Bonds pursuant to the Bond Resolution is hereby confirmed and ratified.

The Series 2017 Bonds shall be issued in fully registered form, without coupons. The Series 2017 Bonds will be dated as of their date of issuance or such other date as is set forth in the final Official Statement. The Series 2017 Bonds and will be issued in authorized denominations of $5,000 or integral multiples thereof; provided, however, that if the Series 2017 Bonds are not rated in one of the three highest rating categories by S&P Global Ratings, a division of S&P Global Inc. ("S&P"), Fitch Ratings ("Fitch") and/or Moody's Investor Services, Inc. ("Moody's") (S&P, Fitch and Moody's each being defined as a "Rating Agency" for purposes hereof), the Series 2017 Bonds shall be initially (i.e., at the time of sale by the Underwriter [hereinafter defined] to the initial purchasers of the Series 2017 Bonds) issued in authorized denominations of $100,000 and integral multiples of $5,000 in excess thereof and, thereafter, in denominations of $5,000 and integral multiples thereof.

The Series 2017 Bonds will bear interest payable semi-annually on April 1 and October 1 of each year, commencing October 1, 2017 or such other date as may be set forth in the final Official Statement. Principal and/or Amortization Requirements on the Series 2017 Bonds shall be payable annually on October 1, commencing on October 1, 2018.

A book-entry only system of registration is hereby authorized for the Series 2017 Bonds, as contemplated by Section 2.06 of the Bond Resolution. So long as the Issuer shall maintain a book-entry-only system with respect to the Series 2017 Bonds, the following provisions shall apply:

The Series 2017 Bonds shall initially be issued in the name of Cede & Co. as nominee for The Depository Trust Company ("DTC"), which will act as securities depository for the Series 2017 Bonds and so long as the Series 2017 Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof and of the Bond Resolution. On original issue, the Series 2017 Bonds shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the beneficial ownership interests of its participants ("DTC Participants"), and other institutions who clear through or maintain a custodial relationship with DTC Participants ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Series 2017 Bonds ("Beneficial Owners").

Principal and interest prior to and at maturity shall be payable directly to Cede & Co., as the registered owner of the Series 2017 Bonds. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments to Indirect Participants shall be the responsibility of DTC Participants, and payments by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee, the Bond Registrar, the Paying Agent or the Issuer.

The Series 2017 Bonds shall initially be issued in the form of one fully registered Bond for each maturity. Individuals may purchase beneficial interests in the amount of $5,000 or integral multiples thereof in book-entry-only form, without certificated Series 2017 Bonds, through the DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE SERIES 2017 BONDS, ANY NOTICE TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICE TO DTC PARTICIPANTS AND DTC PARTICIPANTS SUALL BE RESPONSIBLE FOR NOTICE TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICE TO BENEFICIAL OWNERS.

The Issuer has entered into a customary letter of representations with DTC providing for such a book-entry-only system (the "DTC Agreement"). Such agreement may be terminated at any time by either DTC or the Issuer. In the event of such termination, the Issuer shall select another securities depository or discontinue such book-entry-only system. If the Issuer does not replace DTC, the Bond Registrar will register and deliver to the Beneficial Owners replacement Series 2017 Bonds in the form of fully registered Series 2017 Bonds in denominations of $5,000 or integral multiples thereof, in accordance with instructions from Cede & Co.

Neither the Issuer, nor the Bond Registrar have any responsibility or obligations to the DTC Participants, Indirect Participants or the Beneficial Owners with respect to: (a) the accuracy of any records maintained by DTC or any DTC Participant or Indirect Participant; (b) the payment by DTC or any DTC Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Series 2017 Bonds; (c) the delivery or timeliness of delivery by DTC or any DTC Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Resolution to be given to

Bondholders; (d) the selection of the Beneficial Owners to receive payments in the event of any partial redemption of the Series 2017 Bonds; or (e) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bondholder.

Nothing herein shall require the Issuer to issue the Series 2017 Bonds until and unless all conditions to the consummation of the transactions contemplated by the Asset Purchase Agreement have been complied with or waived by the Issuer as permitted by the Asset Purchase Agreement.

SECTION 4. REDEMPTION PROVISIONS. Subject to the provisions of Section 6 hereof, the Series 2017 Bonds shall be subject to such optional redemption, mandatory redemption and/or extraordinary redemption provisions as shall be set forth in the Authorized Officer Certificate (hereinafter defined) and in the final form of the Series 2017 Bonds. The Series 2017 Bonds may be issued, all or in part, as Serial Bonds and/or Term Bonds and the amounts, if any, required to be deposited in each year to the Principal Account shall constitute the Amortization Requirements for such Term Bonds.

SECTION 5. EXECUTION OF THE SERIES 2017 BONDS. The Chairman or his designee is hereby authorized and directed to execute, and/or to cause his facsimile signature to be placed on, and the Secretary or his or her designee is hereby authorized to attest by manual or facsimile signature, the Series 2017 Bonds and such officers are further authorized to cause the corporate seal of the Issuer to be imprinted or reproduced thereon and to deliver the Series 2017 Bonds to the Bond Registrar for authentication and delivery. The Series 2017 Bonds shall be substantially in the form set forth in Exhibit A to the Bond Resolution. Execution of the Series 2017 Bonds by the Chairman or his designee shall constitute conclusive approval thereof.

SECTION 6. SALE OF THE SERIES 2017 BONDS. The Series 2017 Bonds shall be sold to Citigroup Global Markets Inc., as the underwriter (the "Underwriter"), upon the terms and conditions set forth in the Bond Purchase Contract attached hereto as Exhibit A (the "Bond Purchase Contract"). Said Bond Purchase Contract, substantially in the form attached hereto, is hereby approved, with such insertions, modifications and changes as may be approved by the Chairman or Vice-Chairman. Upon such approval, the Chairman or Vice-Chairman is hereby authorized and directed to execute, and the Secretary or an Assistant Secretary is hereby authorized and directed to attest, the Bond Purchase Contract and to accept the disclosure and truth-in-bonding statement to be provided by the Underwriter pursuant to Section 218.385, Florida Statutes; provided, however that the terms of such Bond Purchase Contract must provide that (i) the aggregate principal amount of the Series 2017 Bonds shall not exceed $7,000,000; (ii) the final maturity of the Series 2017 Bonds shall not be later than October 1, 2047; (iii) the Series 2017 Bonds shall be subject to optional redemption no later than October 1, 2027 at a redemption price not greater than 100% of the principal amount of the Series 2017 Bonds to be redeemed; (iv) the price (exclusive of original issue discount and original issue premium) at which the Series 2017 Bonds shall be sold to the Underwriter shall not be less than 98% of the amount for which the Series 2017 Bonds are initially offered to the public as reflected in the Official Statement referred to in Section 7 hereof; and (v) unless the Series 2017 Bonds have an investment grade rating from a Rating Agency, the Series 2017 Bonds shall only be sold by the Underwriter to accredited investors within the meaning of the rules of the Florida Department of Financial Services. The execution and delivery of the Bond Purchase Contract by the

Chairman or Vice-Chairman shall constitute conclusive evidence of the approval by the Issuer thereof. The Issuer hereby authorizes the Underwriter and appropriate representatives of the Issuer to seek an investment grade rating for the Series 2017 Bonds from one or more of any Rating Agency.

SECTION 7. PRELIMINARY OFFICIAL STATEMENT AND FINAL OFFICIAL STATEMENT. The Preliminary Official Statement relating to the Series 2017 Bonds, in substantially the form submitted at this meeting and attached hereto as Exhibit B, is hereby approved with respect to the information therein contained. The printing, distribution and use of the Preliminary Official Statement in connection with the public offering for sale of the Series 2017 Bonds are hereby authorized. The execution by the Chairman or Vice-Chairman of a certificate deeming the Preliminary Official Statement final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, as amended, is hereby authorized. The Chairman or Vice-Chairman is hereby authorized to have prepared and to execute a final Official Statement to be dated the date of execution of the Bond Purchase Contract, and, upon such execution, to deliver the same to the Underwriter for use by it in connection with the sale and distribution of the Series 2017 Bonds. The Official Statement shall be substantially in the form of the Preliminary Official Statement, with such changes as necessary to conform the details of the Series 2017 Bonds and the requirements of the Bond Purchase Contract and such other insertions, modifications and changes as may be approved by the Chairman or Vice-Chairman, including the matters set forth herein to be reflected in the final Official Statement. The execution and delivery of the Official Statement by the Chairman or Vice-Chairman shall constitute conclusive evidence of the approval thereof. The Issuer hereby authorizes the Official Statement and the information contained therein to be used in connection with the offering and sale of the Series 2017 Bonds. In the event the Series 2017 Bonds do not receive an investment grade rating from at least one Rating Agency, the Preliminary Official Statement and final Official Statement, respectively, may instead be designated as the Preliminary Limited Offering Memorandum and final Limited Offering Memorandum, respectively, and all references to the Preliminary Official Statement and final Official Statement, as applicable, herein shall automatically be deemed to refer to such instruments as re-designated.

SECTION 8. CONTINUING DISCLOSURE. The Continuing Disclosure Agreement, substantially in the form attached hereto as Exhibit C, is hereby approved with such insertions, modifications and deletions as may be approved by the Chairman or Vice-Chairman. Fishkind & Associates, Inc. is hereby approved to serve as the initial Dissemination Agent thereunder. The Chairman or Vice-Chairman is hereby authorized to execute, and the Secretary or any Assistant Secretary is authorized and directed to attest, the Continuing Disclosure Agreement. The execution and delivery of the Continuing Disclosure Agreement by the Chairman or Vice-Chairman shall constitute conclusive evidence of the approval thereof.

SECTION 9. APPLICATION OF THE PROCEEDS OF THE SERIES 2017 BONDS; AUTHORIZED OFFICER CERTIFICATE. A certificate of an Authorized Officer, substantially in the form of Exhibit D hereto, shall be attached to the Bond Purchase Contract (the "Authorized Officer Certificate"). The Authorized Officer Certificate shall specify: (i) the amount, if any, to be deposited to the Operation and Maintenance Fund, which amount shall be determined by the Chairman, in consultation with the District Manager, and used solely for the purpose of paying the Cost of Operation and Maintenance as same becomes due and payable; (ii) the amount to be

deposited to the Construction Fund, which shall represent the amount, which together with other legally available funds of the Issuer, if any, shall be paid to the Seller by the Issuer pursuant to the Asset Purchase Agreement (the "Purchase Price") and which shall be applied to pay costs of issuance of the Series 2017 Bonds; and (iii) the provisions, if any, referenced in Section 10 hereof. The matters set forth in the Authorized Officer Certificate shall be deemed automatically incorporated herein and shall be part of the contract with Holders of the Series 2017 Bonds as contemplated by Section 1 hereof. Execution of the Authorized Officer Certificate by the Chairman or Vice Chairman shall be conclusive evidence of the approval thereof.

The disbursement of funds from the Construction Fund shall be made by requisition in accordance with Section 4.02 of the Bond Resolution.

The Renewal and Replacement Fund will be funded as provided for in Sections 5.02 and 5.03 of the Bond Resolution and no deposit will be made to the Renewal and Replacement Fund from proceeds of the Series 2017 Bonds.

SECTION 10. ADDITIONAL COVENANTS. Notwithstanding anything to the contrary set forth in the Bond Resolution, while the Series 2017 Bonds are Outstanding, for all purposes of the Resolution: (i) the reference to 110% set forth in Section 2.09(2) of the Bond Resolution relating to the issuance of Additional Bonds shall instead be deemed to be 125%; and (ii) the reference to 100% set forth in Section 5.03 of the Bond Resolution relating to the Rate Covenant shall instead be deemed to be 125%. The Authorized Officer Certificate may set forth covenants that are more restrictive than those set forth herein, including in the foregoing sentence, or in the Bond Resolution, to the extent required to market the Series 2017 Bonds and/or obtain an investment grade rating thereon from one or more of any Rating Agency, after approval by the Chairman, in consultation with the District Manager.

SECTION 11. GENERAL AUTHORITY. The Chairman, Secretary, District Manager, District Counsel and any other proper officials of the Issuer are hereby authorized to do all acts and things required of them by the Resolution, the Series 2017 Bonds, or that may otherwise be desirable or consistent with accomplishing the full, punctual and complete performance of all the terms, covenants and agreements contained in any of the foregoing and each member, employee, attorney and officer of the Issuer is hereby authorized and directed to execute and deliver any and all papers and instruments and to cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated thereby.

SECTION 12. SEVERABILITY, CONFLICTS AND INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, but not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way effect the validity of the other provisions hereof or of the Series 2017 Bonds. In the event the terms of the Series 2017 Bonds conflict with the terms of this 2017 Series Resolution or the Bond Resolution, the terms of the Series 2017 Bonds

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shall prevail. In the event of a conflict between the terms of this 2017 Series Resolution and the terms of the Bond Resolution, the terms of this 2017 Series Resolution shall prevail.

SECTION 13. BOND RESOLUTION TO CONTINUE IN FORCE. Except as herein expressly provided as to the Series 2017 Bonds, the Bond Resolution and all the terms and provisions thereof, are and shall remain in full force and effect.

SECTION 14. EFFECTIVE DATE. This 2017 Series Resolution shall be effective upon its adoption.

PASSED AND ADOPTED at a meeting of the Board of Supervisors of Tradition Community Development District No. 1 this 30th day of May, 2017.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

[SEAL]

ATTEST:

Secretary

Chairman

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TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

IRRIGATION SYSTEM REVENUE BONDS
(EXISTING SYSTEM), SERIES 2017

RESOLUTION NO. 2017-09

Dated: June 13, 2017

RESOLUTION NO. 2017-09

A SERIES RESOLUTION OF TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 SUPPLEMENTING AND AMENDING RESOLUTION NO. 2017-02 ADOPTED ON MARCH 14, 2017 AND RESOLUTION NO. 2017-08 ADOPTED ON MAY 30, 2017 RELATING TO CERTAIN MATTERS IN CONNECTION WITH THE DISTRICT'S NOT EXCEEDING $7,000,000 IRRIGATION SYSTEM REVENUE BONDS (EXISTING SYSTEM), SERIES 2017 TO CORRECT CERTAIN SCRIVENER'S ERRORS AND PROVIDE FOR CERTAIN ADDITIONAL TERMS AND CONDITIONS RELATING THE BONDS; AUTHORIZING OTHER REQUIRED ACTIONS; PROVIDING FOR SEVERABILITY; AND PROVIDING AN EFFECTIVE DATE.

NOW THEREFORE, BE IT RESOLVED BY TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 AS FOLLOWS:

SECTION 1. DEFINITIONS; AUTHORITY FOR THIS SERIES RESOLUTION; RESOLUTION CONSTITUTES CONTRACT. All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Bond Resolution (hereinafter defined), the Initial Series Resolution (hereinafter defined) or herein. The Issuer is authorized to adopt this resolution as a Series Resolution (the "First Supplemental Series Resolution") under the authority granted by the provisions of the Act and other applicable law. To the extent necessary to effectuate the terms and conditions hereof, the Bond Resolution and the Initial Series Resolution (collectively, the "Resolution") are hereby incorporated herein by this reference. In consideration of the acceptance of the Series 2017 Bonds by those who shall own the same from time to time, this First Supplemental Series Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Holders of the Series 2017 Bonds.

SECTION 2. FINDINGS. It is hereby found and determined that:

A. Pursuant to Resolution No. 2017-02 (the "Bond Resolution") adopted by the Board on March 14, 2017, the Board, among other matters, authorized the issuance of the Series 2017 Bonds for the primary purpose of financing the Cost of the Series 2017 Project, subject to the further adoption by the Board of one or more Series Resolutions relating to the Series 2017 Bonds. Pursuant to Resolution No. 2017-08 adopted by the Board on May 30, 2017, the Board, among other matters authorized the issuance of its Series 2017 Bonds in the initial aggregate principal amount of not exceeding $7,000,000.

B. The Bond Resolution contemplates that the Board may adopt one or more Series Resolutions in connection with a Series of Bonds such as the Series 2017 Bonds prior to the issuance thereof. The Series 2017 Bonds have not yet been issued.

C. It is now appropriate to correct certain scrivener's errors in the Resolution and provide for certain other matters relating to the Series 2017 Bonds, all as provided for herein.

SECTION 3. SUPPLEMENTS AND AMENDMENTS TO THE RESOLUTION.

(a) The Bond Resolution is hereby amended and/or supplemented as follows (underlining means additions and strike-throughs mean deletions):

(i) Two new definitions are added to Section 1.04 of the Bond Resolution as follows:

"Expansion Facilities" shall mean a Project, in addition to the Series 2017 Project, constructed or acquired or constructed to meet the increased demand upon the Existing System, whether actual or anticipated, created by new users connecting to the System.

"Impact Fee Debt Service Component" shall mean, as of any particular date of calculation, an amount of Impact Fees that may be applied pursuant to applicable law to pay the Principal and Interest Requirements on a Series of Bonds.

(ii) The definition of "Gross Revenues" in Section 1.04 of the Bond Resolution is hereby amended and restated in its entirety as follows:

"Gross Revenues" shall mean all fees, rentals, charges and other income, including any investment income from monies held on deposit in the Operation and Maintenance Fund and any of the Funds and Accounts created pursuant to this Resolution received by or accrued to the Issuer in connection with or as a result of its ownership or operation of the Existing System, including Connection Charges ~~and Impact Fees~~, all as calculated in accordance with the method of accounting used in the comprehensive annual financial statements of the Issuer; provided, however, Gross Revenues shall not include: (i) receipts and revenues derived from the imposition of an ad valorem tax or any other tax the Issuer is authorized, from time to time, to levy pursuant to applicable law; (ii) Impact Fees and (iii) any investment income earned on funds held in the Rebate Fund. For purposes of determining the Issuer's compliance with the test for issuing Additional Bonds set forth in Section 2.09 hereof and the rate covenant set forth in Section 5.03 hereof, to the extent that any Pledged Revenues are deposited to the Rate Stabilization Fund and applied to pay the Cost of Operation and Maintenance, such amounts shall be deemed to be part of Gross Revenues when so used. Gross Revenues exclude any revenues received by the Issuer as the result of its ownership and operation of the Expansion System.

(iii) The definition of Pledged Revenues in Section 1.04 of the Bond Resolution is hereby amended and restated in its entirety as follows:

Pledged Revenues" shall mean the Net Revenues ~~(provided, however, Impact Fees shall be included in the Pledged Revenues only to the extent permitted by applicable law)~~ and, until applied in accordance with this Resolution, the monies on deposit in the Funds and Accounts (provided, however, Impact Fees shall be included in the Pledged Revenues only to the extent permitted by applicable law).

(iv) The second full paragraph of Section 2.09(2) of the Bond Resolution is hereby amended and supplemented as follows:

For purposes of the foregoing, Gross Revenues during the Measurement Period may be adjusted, based on a certificate of Qualified Independent Consultant, to take into account increases in Gross Revenues as a result of (i) new customers of the Existing System attributable to an existing water or waste water irrigation system to be acquired with Additional Bonds, had the acquisition occurred at the beginning of the Measurement Period, (ii) new customers of the Existing System that by ordinance, resolution, agreement, law or regulation will be required to connect to the Existing System, or which the Qualified Independent Consultant projects will connect to the Existing System by virtue of their proximity to the service provided by the Project or otherwise, during any of the Fiscal Years of the Issuer that are the subject of a written forecast prepared by the Qualified Independent Consultant and reflected therein as the forecast period (the "Applicable Fiscal Years"), and (iii) any changes in the rate, fees and charges for customers and users of the Existing System which the Issuer shall then have in effect, or shall have enacted or adopted by ordinance or resolution on or before the date of such certificate, which will be in effect or become effective in the Applicable Fiscal Years or any of them, assuming for purposes thereof that all of such changes to rates, fees and charges, in the aggregate, were in effect immediately prior to the first day of the Measurement Period (even if such adopted changes to rates, fees and charges are prospectively effective during the Applicable Fiscal Years or any of them). In the event that Gross Revenues are adjusted as aforesaid, the Cost of Operation and Maintenance during the Measurement Period shall also be adjusted, based on a certificate of a Qualified Independent Consultant, to take into account increases in the Cost of Operation and Maintenance that are estimated by the Qualified Independent Consultant to occur during the Applicable Fiscal Years, including as a result of the Project to be financed with the proceeds of the proposed Additional Bonds. Nothing herein shall be deemed to preclude the Consulting Engineers from serving as the Qualified Independent Consultant for purposes of this subsection;

(v) Sections 5.03(3) and 5.03(6) of the Bond Resolution are hereby amended and restated in their entireties as follows:

(3) The Issuer covenants that, from time to time and as often as it shall appear necessary or proper, the rates, fees and charges established for the Existing System will be adjusted so that the Gross Revenues in each Fiscal Year, together with other moneys available therefore (other than Impact Fees), will not be less than the amount expected to be required for the payment of Cost of Operation and Maintenance for the current Fiscal Year, as shown in the Annual Budget, plus 110% of the Principal and Interest Requirements for

such Fiscal Year, plus the requirements for deposits to reserves established by this Resolution and any Series Resolution for such Fiscal Year, plus 100% of the principal and interest requirements on any Subordinate Obligations for such Fiscal Year (the "Rate Covenant"). The Rate Covenant shall be calculated as of October 1 of each Fiscal Year.

(6) Notwithstanding any of the foregoing provisions of this Section 5.03, agreements and contracts for the use of the Existing System or any services of the Existing System in effect on the date of the enactment of this Resolution shall not be subject to revisions that have the effect of reducing the amounts received thereunder or otherwise except in accordance with their terms, and the Issuer may enter into new agreements or contracts for the use of the Existing System on such terms and for such periods of time as it shall determine to be proper.

(vi) Section 5.05 of the Bond Resolution is hereby amended and restated in its entirety as follows:

SECTION 5.05 OPERATION AND MAINTENANCE FUND. A special Fund is hereby created and designated the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Operation and Maintenance Fund" (herein called the "Operation and Maintenance Fund") which shall be a non-pledged fund held in the custody of the Issuer. All Gross Revenues collected by the Issuer will be deposited, when initially received, to the credit of the Operation and Maintenance Fund. ~~The Issuer shall separately account for Impact Fees on deposit in the Operation and Maintenance Fund and shall apply and take into account Impact Fees for the purposes of this Resolution only to the extent and in the manner permissible under applicable law and as provided in Section 7.07 hereof.~~ Money in the Operation and Maintenance Fund shall be used solely for the purpose of paying the Cost of Operation and Maintenance as same becomes due and payable, making the deposits to the Funds and Accounts and Rebate Fund and making the other payments required hereby, including in Section 5.07 hereof, and for other lawful purposes of the Issuer relating to the Existing System. Amounts on deposit in the Rate Stabilization Fund may be transferred by the Trustee to the Issuer for deposit to the Operation and Maintenance Fund in accordance with Section 5.12 hereof.

(vii) Section 5.06 of the Bond Resolution is hereby amended to add a sentence at the end of the first paragraph of that section as follows:

An additional special account in the Sinking Fund, which shall be held in the custody of the Trustee, is hereby created and designated as the "Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System) Impact Fee Account" (herein called the "Impact Fee Account"). The District shall deposit Impact Fees as received into the Impact Fee Account. Amounts in the Impact Fee Account shall be used only for the purpose of paying the Cost of a Project attributable to Expansion Facilities or Impact Fee Debt Service Components, as applicable. An Authorized Officer of the District shall direct the Trustee in writing as to the application of amounts in the Impact Fee Account to pay the Cost of a Project attributable to Expansion Facilities, which shall be subject to the requisition

process set forth in Section 4.02 hereof relating to the application of amounts in the Construction Fund to pay the Cost of a Project. With respect to the application of amounts in the Impact Fee Account to pay Impact Fee Debt Service Components, no later than five business days prior to each Interest Payment Date, an Authorized Officer of the District shall direct the Trustee as to whether to apply amounts on deposit in the Impact Fee Account to make up any deficiencies in the Interest Account and/or Principal Account relating to the Impact Fee Debt Service Components and/or to replenish withdrawals from the Reserve Account relating to the payment therefrom of Impact Fee Debt Service Components.

(viii) Section 5.07 (4) of the Bond Resolution is hereby amended and restated in its entirety as follows:

(4) to the credit of the Renewal and Replacement Fund, such amount, if any, of any balance remaining after making the transfers and payments under clauses (1) through (3) above equal to one-twelfth (1/12th) of the amount to be deposited from Pledged Revenues, if any, during such Fiscal Year, ~~such amount to be reflected in the Annual Budget~~, until the amount therein is equal to the amount recommended in writing from time to time by the Consulting Engineers or Qualified Independent Consultant, as such recommendation may be modified from time to time under the provisions of Section 5.11 of this Resolution and certified in writing to the Trustee by an Authorized Officer prior to the date the transfer to the Renewal and Replacement Fund is to be made by the Trustee;

(ix) The first sentence of Section 5.10(2) of the Bond Resolution is hereby amended and restated in its entirety as follows:

(2) An Authorized Offer may call for redemption on Interest Payment Date or on any other dates specified in or authorized by a Series Resolution on which Bonds are subject to redemption, such amount of such Bonds as, with the redemption premium, if any, will exhaust the monies which will be held for the credit of the Redemption Account on said Interest Payment Date as nearly as may be; provided, however, that no less than Fifty Thousand Dollars principal amount of Bonds or such other principal amount as may be provided in a Series Resolution relating to the Bonds shall be called for redemption at any one time."

(b) The Initial Series Resolution is hereby amended and/or supplemented as follows (underlining means additions and strike throughs mean deletions):

(i) Section 4 of the Initial Series Resolution is hereby amended to add a new sentence at the end thereof as follows:

The third full paragraph of Section 3.01 of the Bond Resolution relating to the recalculation of Amortization Requirements upon the redemption of a Series of Bonds, other than Bonds redeemed in accordance with scheduled Amortization Requirements, shall not be applicable to the Series 2017 Bonds.

(ii) Section 10 of the Initial Series Resolution is hereby amended and restated in its entirety as follows:

SECTION 10. ADDITIONAL COVENANTS. Notwithstanding anything to the contrary set forth in the Bond Resolution, while the Series 2017 Bonds are Outstanding, for all purposes of the Resolution: (i) the reference to 110% set forth in Section 2.09(2) of the Bond Resolution relating to the issuance of Additional Bonds shall instead be deemed to be 115 125% and (ii) the reference to 110 100% set forth in Section 5.03(3) of the Bond Resolution relating to the Rate Covenant shall instead be deemed to be 115 125%. The Authorized Officer Certificate may set forth covenants that are more restrictive than those set forth herein, including in the foregoing sentence, or in the Bond Resolution, to the extent required to market the Series 2017 Bonds and/or obtain an investment grade rating thereon from one or more of any Rating Agency, after approval by the Chairman, in consultation with the District Manager.

SECTION 4. GENERAL AUTHORITY. The Chairman, Secretary, District Manager, District Counsel and any other proper officials of the Issuer are hereby authorized to do all acts and things required of them by this First Supplemental Series Resolution, the Resolution, the Series 2017 Bonds, or that may otherwise be desirable or consistent with accomplishing the full, punctual and complete performance of all the terms, covenants and agreements contained in any of the foregoing and each member, employee, attorney and officer of the Issuer is hereby authorized and directed to execute and deliver any and all papers and instruments and to cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated thereby.

SECTION 5. SEVERABILITY, CONFLICTS AND INVALID PROVISIONS. If any one or more of the covenants, agreements or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, but not expressly prohibited or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way effect the validity of the other provisions hereof or of the Series 2017 Bonds. In the event the terms of the Series 2017 Bonds conflict with the terms of this First Supplemental Series Resolution or the Resolution, the terms of the Series 2017 Bonds shall prevail. In the event of a conflict between the terms of this First Supplemental Series Resolution and the terms of the Resolution, the terms of this First Supplemental Series Resolution shall prevail.

SECTION 6. RESOLUTION TO CONTINUE IN FORCE. Except as herein expressly provided as to the Series 2017 Bonds, the Resolution and all the terms and provisions thereof, are and shall remain in full force and effect.

SECTION 7. EFFECTIVE DATE. This First Supplemental Series Resolution shall be effective upon its adoption.

PASSED AND ADOPTED at a meeting of the Board of Supervisors of Tradition Community Development District No. 1 this 13th day of June, 2017.

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

[SEAL]

Chairman

ATTEST:

Secretary

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APPENDIX C

FORM OF OPINION OF BOND COUNSEL

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[Form of Bond Counsel Opinion]

August 10, 2017

Board of Supervisors
Tradition Community Development District No. 1
Port St. Lucie, Florida

Re: Tradition Community Development District No. 1 $6,095,000 Irrigation System Revenue Bonds (Existing System), Series 2017

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by Tradition Community Development District No. 1 (the "District") of its $6,095,000 Irrigation System Revenue Bonds (Existing System), Series 2017 (the "Bonds") initially issued and delivered on this date pursuant to Ordinance No. 01-010 enacted by the Board of County Commissioners of St. Lucie County, Florida on August 21, 2002, as amended through and including the date hereof, Chapter 190, Florida Statutes (the Uniform Community Development District Act of 1980), as amended, the Florida Constitution and other applicable provisions of law (collectively, the "Act") and Resolution Nos. 2017-02, 2017-08 and 2017-09 adopted on March 14, 2017, May 30, 2017 and June 13, 2017, respectively (collectively, the "Resolution") by the Board of Supervisors of the District.

All capitalized terms not otherwise defined herein shall have the meaning ascribed thereto in the Resolution.

We have examined the Act, the Resolution, the Federal Tax Certificate dated of even date herewith executed by the District in connection with the Bonds (including the respective certificates attached thereto of Tradition Land Company, LLC, Fishkind & Associates, Inc., Kimley Horn and Associates, Inc., Public Resources Management Group, Inc. and KapilaMukamal, LLP), the proceedings for validation in Case No. 56-2017-CA-000428-OC in the Nineteenth Circuit Court in and for St. Lucie County, Florida (the "Validation Proceedings"), the Standby Plan for Accelerated Conversion from Election of the Members of the Board of Supervisors by Landowners to Election of Members by Qualified Electors of the District adopted by the District on April 8, 2014 and such certified copies of the proceedings of the District and such other documents and opinions as we have deemed necessary to render this opinion and we are relying on certain findings, covenants and agreements of the District set forth therein and such certified copies of the proceedings of the District and such other documents and opinions as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and other certifications and representations of public officials and others which have been furnished to us without undertaking to verify the same by independent investigation. In rendering the opinions set forth herein, we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also

assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings, the authenticity of documents submitted as originals, the conformity to originals of documents submitted as copies and the legal capacity of all natural persons. Reference is made to the opinion of even date herewith of Gonano & Harrell, P.A., counsel to the District, on which we have relied, as to the due creation and valid existence of the District, the due adoption of the Resolution and other proceedings of the District relating to the Bonds, including with respect to the acquisition of the Existing System by the District and the adoption of the rules and regulations pertaining to the Existing System. We have also relied upon all findings in the final judgment of the Circuit Court in and for St. Lucie County, Florida rendered in the Validation Proceedings. Reference is also made to the opinion of even date herewith of counsel to the Trustee, on which we have relied, as to the due authorization and execution of the written acceptance by the Trustee of its acceptance of the duties of the Trustee under the Resolution.

Based on the foregoing, we are of the opinion that:

1. Subject to the terms and conditions set forth in the Resolution, the Resolution creates the valid pledge which it purports to create on the Pledged Revenues, on a parity with all other Additional Bonds and Refunding Bonds to be issued and Outstanding under the Resolution.

3. The issuance and sale of the Bonds has been duly authorized by the District and the Bonds constitute the valid and binding special limited obligations of the District, payable in accordance with, and as limited by, the terms of the Resolution.

4. Under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations under the Internal Revenue Code of 1986, as amended (the "Code").

The opinions set forth in the preceding paragraph are subject to the condition that the District complies with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be excluded from gross income for federal income tax purposes. The failure to meet these requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. The District has covenanted in the Indenture to take the actions necessary to comply with such requirements.

In rendering the opinions set forth in the preceding paragraph, we have assumed continuing compliance with the requirements of the Code that must be met after the issuance of the Bonds in order that interest on the Bonds not be included in gross income for federal income tax purposes. The opinions set forth in the preceding paragraph are predicated upon present law and interpretations thereof and we assume no affirmative obligation with respect to any change of circumstances or law that may adversely affect the exclusion of interest on the Bonds from gross income for federal income tax

purposes. Ownership of the Bonds may result in collateral federal tax consequences to certain taxpayers. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds.

5. The Bonds and interest thereon are not subject to taxation under the laws of the State of Florida except as to estate taxes and taxes imposed by Chapter 220, Florida Statutes, on interest, income or profits on debt obligations owned by corporations as defined in Chapter 220. We express no opinion regarding other state tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Bonds.

6. The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Resolution is exempt from qualification under the Trust Indenture Act of 1939.

This opinion is predicated upon present laws and interpretations thereof. The scope of our engagement in relation to the issuance of the Bonds has been limited solely to the examination of facts and law incident to rendering the opinions expressed herein.

The opinions set forth herein are qualified to the extent that the rights of the holders of the Bonds and the enforceability of the Bonds and the Resolution may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, now or hereafter in effect, and by the and by the exercise of judicial discretion in appropriate cases in accordance with equitable principles.

In our capacity as Bond Counsel, we have not been engaged or undertaken to review the accuracy, sufficiency or completeness of the Limited Offering Memorandum dated August 1, 2017 or other offering material relating to the Bonds and we express no opinion relating thereto (except to the extent stated in our supplemental opinion dated of even date herewith addressed to Citigroup Global Markets, Inc., as the underwriter of the Bonds or in our opinion dated of even date herewith addressed to the District in our capacity as Disclosure Counsel to the District in connection with the Bonds). In addition, we have not been engaged to, and therefore, do not express any opinion as to compliance by the District with any federal or state statute, regulation or ruling with respect to the sale and distribution of the Bonds. The opinions expressed herein shall not be deemed or treated as offering material or as an offering circular, prospectus or Limited Offering Memorandums and are not intended in any way to be a disclosure statement used in connection with the sale or delivery of the Bonds.

We wish to call to your attention that the Bonds are special limited obligations of the District payable solely in accordance with, and as limited by, the terms of the Resolution and neither the full faith and credit nor the taxing power of the District, St. Lucie County, Florida, the City of Port St. Lucie, Florida, the State of Florida or any other political subdivision thereof is pledged as security for the payment of the Bond and the Bonds do not constitute an indebtedness of the District within the meaning of any constitutional or statutory provision or limitation.

This opinion is rendered to you in connection with the Bonds. This opinion letter may not be relied upon by you for any other purpose, or relied upon by, or furnished to, any other person, firm or corporation without our prior written consent. This is only an opinion letter and not a warranty or guaranty of the matters discussed herein.

Respectfully submitted,

GREENSPOON MARDER, P.A.

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated as of August 10, 2017 is executed and delivered by Tradition Community Development District No. 1 (the "District") and Fishkind & Associates, Inc., as exclusive Dissemination Agent (the "Dissemination Agent") and joined in by the Disclosure Representative and the Trustee (as such terms are herein defined) for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "SEC") under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

SECTION 1. General Provisions.

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the District and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). The Dissemination Agent will not provide any advice or recommendation to the District or anyone on the District's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary. The Dissemination Agent is not serving as a "Municipal Advisor" as such term is defined in Section 15B of the Securities Exchange Act of 1934, as amended, and related rules.

This Disclosure Agreement is being executed and delivered by the District for the benefit of the Owners of the Bonds and to assist the Participating Underwriter (herein defined) in complying with the applicable provisions of the Rule. The District has no reason to believe that this Disclosure Agreement does not satisfy the requirements of the Rule and the execution and delivery of this Disclosure Agreement, as it relates to the respective obligations of each entity hereunder, is intended to comply with the Rule. To the extent it is later determined by a court of competent jurisdiction, a governmental regulatory agency, or an attorney specializing in federal securities law that the Rule requires the District to provide additional information, the District, agrees to promptly provide such additional information.

The provisions of this Disclosure Agreement are supplemental and in addition to the provisions of the Resolution (herein defined) with respect to reports, filings and notifications provided for therein, and do not in any way relieve the District, the Trustee or any other person of any covenant, agreement or obligation under the Resolution (or remove any of the benefits thereof) nor shall anything herein prohibit the District, the Trustee or any other person from making any reports, filings or notifications required by the Resolution or any applicable law.

SECTION 2. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the

Rule, in the Limited Offering Memorandum (hereinafter defined). The capitalized terms shall have the following meanings:

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

"Bond Resolution" shall mean Resolution No. 2017-02 adopted by the District on March 14, 2017, as supplemented and amended.

"Business Day" means any day other than a Saturday, Sunday or a day on which the District is required, or authorized or not prohibited by law (including executive orders), to close and is closed.

"Disclosure Representative" shall mean the person or entity serving as District Manager (within the meaning of Chapter 190, Florida Statutes) from time to time or such other officer or employee of the District as the District shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean Fishkind & Associates, Inc. or any successor Dissemination Agent designated in writing by the District (which may be the District) and, if other than the District, which has filed with the District and Trustee a written acceptance of such designation.

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

"Limited Offering Memorandum" shall mean the final Limited Offering Memorandum relating to the Bonds, as more fully described on Exhibit A.

"Listed Event" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" shall mean the MSRB, through its Electronic Municipal Market Access ("EMMA") system described in Securities and Exchange Commission Release No. 34-59062.

"Obligated Person(s)" shall mean, with respect to the Bonds, those person(s) who either generally or through an enterprise fund or account of such persons are committed by contract or other arrangement to support payment of all or a part of the obligations on such Bonds. The Obligated Person as of the date hereof is the District.

"Owners" shall have the meaning ascribed thereto in the Resolution with respect to the 2017 Bonds and shall include beneficial owners of the 2017 Bonds, including those that have the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any

2017 Bonds (including persons holding 2017 Bonds through nominees, depositories or other intermediaries), or are treated as the owner of any 2017 Bonds for federal income tax purposes.

"Participating Underwriter" shall mean Citigroup Global Markets Inc., in its capacity as the original underwriter of the 2017 Bonds required to comply with the Rule in connection with offering of the 2017 Bonds.

"Repository" shall mean the National Repository and each State Repository, if any.

"Resolution" shall mean the Bond Resolution, as supplemented by Resolution Nos. 2017-08 and 2017-09 adopted by the District on May 30, 2017 and June 13, 2017, as further amended and supplemented.

"State" shall mean the State of Florida.

"State Repository" shall mean the state information repository, if any, designated by the State and with which filings are required to be made by the District in accordance with the Rule.

"Trustee" shall mean U.S. Bank National Association, as trustee under the Resolution and its successors and assigns.

"2017 Bonds" mean the District's Irrigation System Revenue Bonds (Existing System), Series 2017, as more fully described on Exhibit A.

SECTION 3. Annual Report.

(a) The District's Annual Report shall contain or incorporate by reference the following, which includes an update of certain of the financial and operating data of the District to the extent presented in the Limited Offering Memorandum. All information in the Annual Report shall be presented for the immediately preceding Fiscal Year and, to the extent available, the current Fiscal Year and shall contain updates of the following operating and financial data in the Limited Offering Memorandum:

(i) A description of any Additional Bonds and Refunding Bonds which are issued and Outstanding under the Resolution.

(ii) A description of any material litigation which would have been disclosed in the Limited Offering Memorandum if such litigation had occurred and been ongoing at the time the Limited Offering Memorandum is dated.

(iii) A statement setting forth the Gross Revenues and the Cost of Operation and Maintenance for the Fiscal Year.

(iv) The current fund and account balances in all Funds and Accounts established under the Resolution.

(v) A description of any changes to the Existing Service Area or the Franchise Agreement.

(vi) A description of any material changes to permits and approvals related to the System.

(vii) A calculation provided by the District evidencing that the Rate Covenant referred to in Section 5.03 of the Bond Resolution was met.

(viii) Information depicting the total principal amount of the Series 2017 Bonds outstanding under the Resolution.

(ix) Information depicting the total amount of principal and interest to be paid on the Series 2017 Bonds in the current year.

(x) A description of any significant changes in management or operations of the System.

(xi) An update of the information in the table in the Limited Offering Memorandum under the caption "THE EXISTING SYSTEM AND THE EXISTING SERVICE AREA—Historical Connections and Collections —Existing System."

(xii) The most recent audited financial statements of the District, which shall be prepared in accordance with governmental accounting standards promulgated by the Government Accounting Standards Board.

(b) To the extent any of the items set forth in subsections (i) through (xii) above are included in the audited financial statements referred to in subsection (xii) above, they do not have to be separately set forth. Any or all of the items listed above may be incorporated by reference from other documents, including offering documents of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the SEC. If the document incorporated by reference is a final offering document, it must be available from the MSRB or EMMA. The District shall clearly identify each such other document so incorporated by reference.

SECTION 4. Provision of Annual Reports.

(a) Subject to the following sentence, the District shall provide the Annual Report to the Dissemination Agent no later than 270 days after the close of the District's Fiscal Year, commencing with the Fiscal Year ended September 30, 2017 (the "Annual Filing Date"). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3(b) of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and may be submitted in accordance with State law, which currently requires such audited financial statements to be provided up to, but no later than, nine months after the close of the District's Fiscal Year. The

District shall cause the Dissemination Agent to provide to each Repository the components of an Annual Report which satisfies the requirements of this subsection 4(a) within one Business Day following receipt by the Dissemination Agent of such Annual Report. In furtherance thereof, the Dissemination Agent shall request the Annual Report (which request shall be in writing and may be made via e-mail to the Disclosure Representative) at least thirty (30) days prior to the Annual Filing Date. If the District's Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 7.

(b) If on the fifteenth (15th) day prior to each Annual Filing Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the District of its undertaking to provide the Annual Report pursuant to this Section 4. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report in accordance with Section 4(a) above, or (ii) instruct the Dissemination Agent in writing that the District will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Listed Event as described in Section 5(a)(xvi) has occurred and to immediately send a notice to the National Repository and the State Repository (if any) in substantially the form attached as Exhibit B accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Dissemination Agent has not received an Annual Report by 6:00 p.m. on the Annual Filing Date for the Annual Report, a Listed Event described in Section 7(a)(xvi) shall have occurred and the District hereby directs the Dissemination Agent to immediately send a notice to the National Repository and the State Repository (if any) in substantially the form attached as Exhibit B accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit C-1.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of the National Repository and each State Repository, if any; and

(ii) promptly upon fulfilling its obligations under subsection (a) above, file a notice with the District stating that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date(s) it was provided.

SECTION 5. Reporting of Significant Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any Listed Event set forth below:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;*

(v) substitution of credit facility providers, or their failure to perform; *

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the 2017 Bonds, or other material events affecting the tax status of the 2017 Bonds;

(vii) modifications to rights of holders of the 2017 Bonds, if material;

(viii) Bond calls, if material, and tender offers;

(ix) defeasances;

(x) release, substitution, or sale of any property securing repayment of the 2017 Bonds, if material;

(xi) rating changes*;

(xii) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District);

(xiii) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(xiv) the appointment of a successor or additional trustee or the change of name of a trustee, if material;

(xv) occurrence of any Event of Default under the Resolution (other than as described in clause (i) above), if material; and

---

* There is no credit enhancement or rating for the 2017 Bonds.

* There is no rating for the 2017 Bonds.

(xvi) failure to provide the Annual Report as required under this Disclosure Agreement that contains, in all material respects, the information required under Section 4 of this Disclosure Agreement, which failure shall, in all cases, be deemed material; and

(b) For purposes of the foregoing, a matter shall be deemed to be "material" within the meaning set forth above, if the District, in reliance upon the advice of counsel expert in federal securities laws, which may include its Bond Counsel, determines that the matter in question is material under federal securities laws. The District shall notify the Dissemination Agent in writing of the occurrence of any Listed Event in (i) through (xvi) and direct the Dissemination Agent to file a notice of the occurrence of such Listed Event with each National Repository and the State Repository (if any); provided that such notice to the Dissemination Agent must be provided in sufficient time to ensure that the Dissemination Agent will file notice of the occurrence of such Listed Event with each National Repository and the State Repository (if any) in a timely manner not in excess of ten (10) Business Days after the occurrence of the Listed Event.

(c) If the Dissemination Agent has been instructed in writing by the District to file notice of the occurrence of a Listed Event or is otherwise authorized by this Disclosure Agreement to file such notice, the Dissemination Agent shall immediately file notice of such Listed Event with each National Repository and the State Repository (if any). The notice shall be substantially in the form of Exhibit B to this Disclosure Agreement and shall be accompanied by a cover sheet completed by the Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 6. Termination of Disclosure Agreement. This Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the 2017 Bonds.

SECTION 7. Dissemination Agent. The District has appointed Fishkind & Associates, Inc. as exclusive Dissemination Agent under this Disclosure Agreement. The District may, upon thirty days written notice to the Dissemination Agent and the Trustee, replace or appoint a successor Dissemination Agent. Upon termination of the Dissemination Agent's services as Dissemination Agent, whether by notice of the District or the Dissemination Agent, the District agrees to appoint a successor Dissemination Agent or, alternately, agrees to assume all responsibilities of Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the District shall remain liable, until payment in full, for any and all sums owed and payable to the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty days' prior written notice to the District. If at any time there is not any designated Dissemination Agent hereunder, the District shall be the Dissemination Agent.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, acceptable to the District, to the effect that such amendment or waiver would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the District shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change in accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c); and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event. Any additional information filed by the Dissemination Agent pursuant to this Section 9 with each National Repository and the State Repository (if any) shall be accompanied by the appropriate cover sheet as set forth in Exhibit C-2 or C-3, as applicable.

SECTION 10. Default. In the event of a failure of the District, the Disclosure Representative or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding 2017 Bonds and receipt of indemnity satisfactory to the Trustee, shall), or any beneficial owner of a bond may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District, the Disclosure Representative or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. No default hereunder shall be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District, the Disclosure Representative or the Dissemination Agent, to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the District has provided such information to the Dissemination Agent as required by this Disclosure Agreement. The Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the District and shall not be deemed to

be acting in any fiduciary capacity for the District, the Holders of the Bonds or any other party. The Dissemination Agent shall have no responsibility for the District's failure to report to the Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the District has complied with this Disclosure Agreement. The Dissemination Agent may conclusively rely upon certifications of the District at all times.

The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and defeasance, redemption or payment of the Bonds.

The Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the District.

All documents, reports, notices, statements, information and other materials provided to the MSRB under this Disclosure Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The District and the Disclosure Representative represent and warrant that they will supply, in a timely fashion, any information reasonably requested by the Dissemination Agent that is necessary in order for the Dissemination Agent to carry out its duties under this Disclosure Agreement.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Disclosure Representative, the Dissemination Agent, the Trustee, the Participating Underwriter and Owners of the 2017 Bonds (the Dissemination Agent, the Trustee, the Participating Underwriter and Owners of the 2017 Bonds being hereby deemed express third party beneficiaries of this Agreement), and shall create no rights in any other person or entity.

SECTION 13. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 14. District, Disclosure Representative and Trustee Cooperation. The District and the Disclosure Representative agree that the Dissemination Agent, in such capacity hereunder, may receive, upon request, from the District, the Disclosure Representative and the Trustee, on a timely basis, any information or reports within their respective control which the Dissemination Agent requests in furtherance of the Dissemination Agent's duties hereunder, including balances in the Funds and Accounts established under the Resolution and such other information as it deems necessary to review compliance by the other parties hereto with their respective obligations hereunder and the District directs the Trustee, at the expense of the District, to deliver such information as requested by the Dissemination Agent to such Dissemination Agent.

SECTION 15. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of Florida and Federal law and venue shall be in any state or federal court having jurisdiction in St. Lucie County, Florida.

SECTION 16. Binding Effect. This Disclosure Agreement shall be binding upon each party and upon each successor and assignee of each party and shall inure to the benefit of, and be enforceable by, each party and each successor and assignee of each party.

IN WITNESS WHEREOF, the Dissemination Agent, the District, the Trustee and the Disclosure Representative have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

[Signatures on following pages]

SIGNATURE PAGE FOR
CONTINUING DISCLOSURE AGREEMENT
(Tradition Community Development District No. 1)

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

ATTEST

_____
Name: _____
Title: _____

TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1

By:_____
Chairman, Board of Supervisors

FISHKIND & ASSOCIATES, INC., as Dissemination Agent

By:_____
Name: _____
Title: _____

SIGNATURE PAGE FOR
CONTINUING DISCLOSURE AGREEMENT
(Tradition Community Development District No. 1)

Joined by Fishkind & Associates, Inc., as Disclosure Representative for purposes of Section 4, Section 10, Section 11, Section 12 and Section 14 only.

DISCLOSURE REPRESENTATIVE

Fishkind & Associates, Inc., District Manager

By: _____
Name: _____
Title: _____

SIGNATURE PAGE FOR
CONTINUING DISCLOSURE AGREEMENT
(Tradition Community Development District No. 1)

Joined by U.S. Bank National Association, as Trustee for purposes of Section 10, Section 12 and Section 14 only.

TRUSTEE:

U.S. BANK NATIONAL ASSOCIATION

By: _____
Name: _____
Title: _____

EXHIBIT A
NAME AND CUSIP NUMBERS OF BONDS

Name of Obligor:	Tradition Community Development District No. 1
Obligated Person:	Tradition Community Development District No. 1
Name of Bond Issue:	Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System), Series 2017
Date of Issuance:	August 10, 2017
Date of Limited Offering Memorandum:	August 1, 2017

Initial CUSIP Numbers:

89269JAA5

89269JAB3

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL DISCLOSURE REPORT

Name of Obligor	Tradition Community Development District No. 1
Obligated Person	Tradition Community Development District No. 1
Name of Bond Issue:	Tradition Community Development District No. 1 Irrigation System Revenue Bonds (Existing System), Series 2017
Date of Issuance:	_____, 2017

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Disclosure Report with respect to the above-named Bonds as required by the Disclosure Agreement between the District and Fishkind & Associates, Inc., as Dissemination Agent, and the other parties named therein. The District has notified the Dissemination Agent that it anticipates that the Annual Disclosure Report will be filed by _____.

Dated: _____

Fishkind & Associates, Inc., as Dissemination Agent, on behalf of the District

_____

cc: Obligor

EXHIBIT C-1

EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

_____

Issuer's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

_____

Number of pages attached: _____

____ Description of Notice Events (Check One):

1._____"Principal and interest payment delinquencies;"
2._____"Non-Payment related defaults, if material;"
3._____"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4._____"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5._____"Substitution of credit or liquidity providers, or their failure to perform;"
6._____"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7._____"Modifications to rights of securities holders, if material;"
8._____"Bond calls, if material;"
9._____"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____ Title: _____

Date:

EXHIBIT C-2

VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB.

Issuer's and/or Other Obligated Person's Name:

_____

Issuer's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

_____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1._____"amendment to continuing disclosure undertaking;"
2._____"change in obligated person;"
3._____"notice to investors pursuant to bond documents;"
4._____"certain communications from the Internal Revenue Service;"
5._____"secondary market purchases;"
6._____"bid for auction rate or other securities;"
7._____"capital or other financing plan;"
8._____"litigation/enforcement action;"
9._____"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____Title: _____

Date:

EXHIBIT C-3

VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB.

Issuer's and/or Other Obligated Person's Name:

_____

Issuer's Six-Digit CUSIP Number:

_____

_____

or Nine-Digit CUSIP Number(s) of the bonds to which this notice relates:

_____

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1._____"quarterly/monthly financial information;"
2._____"change in fiscal year/timing of annual disclosure;"
3._____"change in accounting standard;"
4._____"interim/additional financial information/operating data;"
5._____"budget;"
6._____"investment/debt/financial policy;"
7._____"information provided to rating agency, credit/liquidity provider or other third party;"
8._____"consultant reports;" and
9._____"other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

_____

Name: _____Title: _____

Date:

APPENDIX E

AUDITED FINANCIAL STATEMENTS

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TRADITION COMMUNITY DEVELOPMENT DISTRICT 1
FINANCIAL STATEMENTS
September 30, 2016

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DMHB

DIBARTOLOMEO, MCBEE, HARTLEY & BARNES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Tradition Community Development District 1
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Tradition Community Development District 1 (the "District") as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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591 S.E. Port St. Lucie Blvd., • Port St. Lucie, Florida 34984 • 772-878-1952 • Fax: 772-878-1709

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 5 and page 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 26, 2017, on our consideration of Tradition Community Development District 1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Tradition Community Development District 1's internal control over financial reporting and compliance.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Tradition Community Development District 1 (the "District") discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the District's financial activity and financial statements, (c) identify changes in the District's financial position, (d) identify any material deviations from the District's budget, and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Auditor's Report (beginning on page 1) and the District's financial statements (beginning on page 6.)

FINANCIAL HIGHLIGHTS

- Expenses exceeded revenues by $1,239,221 in the governmental funds, general fund decreased $571.
- Net position decreased $808,756 due to the recording of depreciation in the amount of $2,778,988.
- Total costs of all programs were $4,873,958 in 2016 compared to $5,092,703 in 2015.
- The District expended $3,817,431 towards debt service for infrastructure projects.
- During fiscal year 2016, the District implemented Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application, GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, and GASB Statement No. 79, Certain External Investment Pools and Pool Participants. Please see New Accounting Standards Adopted in Note A of the financial statements for additional information

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and Statement of Activities (pages 6 & 7) provide information about the activities of the District as a whole and present a longer-term view of the District's finances. Fund Financial Statements begin on page 8. For governmental activities, these Statements tell how these services were financed in the short term as well as what remains for future spending. Fund Financial Statements also report the District's operations in more detail by providing information about the District's most significant funds.

REPORTING THE DISTRICT AS A WHOLE

Our analysis of the District as a whole begins on page 6. One of the most important questions asked about the District's finances is, "Is the District as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These Statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used in most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two Statements report the District's net position and changes in them. You can think of the District's net position – the difference between assets and liabilities – as one way to measure the District's financial health, or financial position. Over time, *increases* or *decreases* in the District's net assets, is one indicator of whether its *financial* health is improving or deteriorating.

Tradition Community Development District 1
Statement of Net Position

	2016	2015
Current assets	$ 9,351,798	$ 10,071,787
Non-current assets	1,465,003	1,517,694
Capital assets	39,869,213	41,196,254
Total Assets	50,686,014	52,785,735
Deferred outflows of resources	201,001	218,432
Current liabilities	4,278,007	3,733,617
Long-term liabilities	47,991,479	49,844,265
Total Liabilities	52,269,486	53,577,882
Net assets		
Net investment in capital assets	(7,709,442)	(6,953,261)
Restricted for debt service/capital projects	4,436,052	4,488,056
Unrestricted	1,890,919	1,891,490
Total Net Assets	$ (1,382,471)	$ (573,715)

Certain net asset classifications have been made to prior year for comparability purposes.

Governmental Activities

In the Statement of Net Position and the Statement of Activities, the District has one activity. The changes in net position of governmental activities were ($808,756), as reflected below.

Tradition Community Development District 1
Changes in Net Position

	2016	2015
Program Revenues		
Charges for services	$ 4,059,532	$ 4,024,591
General Revenues		
Investment earnings	5,670	1,875
Total Revenues	4,065,202	4,026,466
Expenses		
General government	97,381	98,167
Physical environment	2,778,988	2,778,986
Interest on long-term debt	1,997,589	2,215,550
Total Expenses	4,873,958	5,092,703
Change in Net Assets	(808,756)	(1,066,237)
Net assets - beginning of year	(573,715)	492,522
Net assets - end of year	$ (1,382,471)	$ (573,715)

FUND FINANCIAL STATEMENTS

Governmental funds – all of the District's services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

Governmental Type Funds

As of year-end, the governmental funds (as presented on page 10) reported a combined fund balance of $7,720,826 compared to the beginning of the year $8,960,047. Several of the governmental fund expenditures are capital expenditure related and, therefore, may reflect capital expenditures (which are reflected in the current financial resource-based Fund Financial Statements) as a spending of a portion of available net assets or an increase in net assets from unspent net position. The General Fund experienced a net decrease of $571.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During the fiscal year 2015-2016 the District continues to maintain infrastructure projects to support the Tradition master planned community. As of September 30, 2016, the District had $39,869,213 invested in land and infrastructure.

Debt

At the end of the year, the District had total bonded debt outstanding of $49,816,479. The District's debt represents bonds secured by a special revenue source. Additional information on the District's long-term debt can be found in the notes to financial statements.

ECONOMIC FACTORS, NEXT YEAR'S BUDGET AND OTHER INFORMATION

For the fiscal year 2017, the District anticipates that the cost of general operations will remain fairly constant. In connection with the District's future infrastructure maintenance and replacement plan, the District Board has included in the budget, an estimate of those anticipated future costs and has assigned a portion of current available resources for that purpose.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens and members with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the District Finance Department at 12051 Corporate Blvd, Orlando, Florida 32817.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

STATEMENT OF NET POSITION

September 30, 2016

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash	$ 2,967,991
Investments	5,771,436
Due from other governments	39,429
Due from other funds	488,227
Other receivables	33,868
Prepaid items	8,309
Restricted:	
Investments	42,538
Prepaid bond insurance (net of amortization)	1,465,003
Capital assets	
Depreciable	25,538,410
Non-depreciable	14,330,803
TOTAL ASSETS	50,686,014
DEFERRED OUTFLOW OF RESOURCES	
Deferred charge on refunding (net of amortization)	201,001
TOTAL DEFERRED OUTFLOW OF RESOURCES	201,001
LIABILITIES	
Accounts payable	$ 237,086
Retainage payable	93,232
Accrued interest payable	822,035
Due to other governments	15,292
Due to other funds	488,227
Due to developer	27,088
Unearned revenue	652,288
Deposits	117,759
Short-term liabilities	1,825,000
Long-term liabilities	
Due after one year	47,991,479
TOTAL LIABILITIES	52,269,486
NET POSITION	
Net investment in capital assets	(7,709,442)
Restricted for debt service/capital projects	4,436,052
Unrestricted	1,890,919
TOTAL NET POSITION	$ (1,382,471)

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Functions/Programs	Expenses	Program Revenues Operating Contributions	Net (Expense) Revenues and Changes in Net Position Governmental Activities
Governmental Activities			
General government	$ 97,381	$ 4,059,532	$ 3,962,151
Physical environment	2,778,988	-	(2,778,988)
Interest on long-term debt	1,997,589	-	(1,997,589)
Total Governmental Activities	$ 4,873,958	$ 4,059,532	(814,426)
General Revenues:			
Investment earnings			5,670
Total General Revenues			5,670
Change in Net Position			(808,756)
Net Position - October 1, 2015			(573,715)
Net Position - September 30, 2016			$ (1,382,471)

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

BALANCE SHEET – GOVERNMENTAL FUNDS

September 30, 2016

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL ACTIVITIES
ASSETS			
Cash	$ 2,967,991	$ -	$ 2,967,991
Investments	286,456	5,484,980	5,771,436
Due from other governments	39,429	-	39,429
Due from other funds	10,666	477,561	488,227
Other receivables	33,868	-	33,868
Prepaid items	8,309	-	8,309
Restricted:			
Investments	-	42,538	42,538
TOTAL ASSETS	$ 3,346,719	$ 6,005,079	$ 9,351,798
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	$ 165,790	$ 71,296	$ 237,086
Retainage payable	-	93,232	93,232
Due to other governments	15,292	-	15,292
Due to other funds	477,561	10,666	488,227
Due to developer	27,088	-	27,088
Unearned revenue	652,288	-	652,288
Deposits	117,759	-	117,759
TOTAL LIABILITIES	1,455,778	175,194	1,630,972
FUND EQUITY			
Restricted			
Debt service	-	3,125,062	3,125,062
Capital projects	-	2,704,823	2,704,823
Unassigned	1,890,941	-	1,890,941
TOTAL FUND EQUITY	1,890,941	5,829,885	7,720,826
TOTAL LIABILITIES AND FUND EQUITY	$ 3,346,719	$ 6,005,079	$ 9,351,798

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2016

Total Governmental Fund Balances in the Balance Sheet, Page 8	$ 7,720,826
Amount reported for governmental activities in the Statement of Net Position are different because:	
Capital asset used in governmental activities are not financial resources and therefore are not reported in the governmental funds:	
Governmental capital assets	64,426,143
Less accumulated depreciation	(24,556,930)
Deferred charges on refunding of long-term debt are shown as deferred outflows of resources in the government-wide financial statements: however, this amount is not reported in the governmental financial statements.	201,001
Governmental funds record bond insurance costs as expenditures when these costs are first incurred. Prepaid bond insurance is amortized over the term of the refunding bonds in the government-wide financial statements.	1,465,003
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest payable	(822,035)
Governmental bonds payable	(49,816,479)
Net Position of Governmental Activities, Page 6	$ (1,382,471)

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
Year Ended September 30, 2016

	GENERAL FUND	CAPITAL PROJECTS	TOTAL GOVERNMENTAL ACTIVITIES
REVENUE			
Stormwater fees	$ 63,659	$ -	$ 63,659
Engineering revenue fees	6,911	-	6,911
On-roll assessments	23,277	3,938,385	3,961,662
Other assessments	-	26,085	26,085
Other income	1,215	-	1,215
Interest income	1,031	4,639	5,670
TOTAL REVENUES	96,093	3,969,109	4,065,202
EXPENDITURES			
General government	35,045	-	35,045
Capital outlay	61,619	1,390,328	1,451,947
Debt service:			
Principal	-	1,805,000	1,805,000
Interest	-	2,012,431	2,012,431
TOTAL EXPENDITURES	96,664	5,207,759	5,304,423
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(571)	(1,238,650)	(1,239,221)
FUND BALANCE			
Beginning of year	1,891,512	7,068,535	8,960,047
End of year	$ 1,890,941	$ 5,829,885	$ 7,720,826

The accompanying notes are an integral part of this financial statement

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended September 30, 2016

Net Change in Fund Balances - Total Governmental Funds, Page 10	$ (1,239,221)
Amount reported for governmental activities in the Statement of Activities are different because:	
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,805,000
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are depreciated over their estimated useful lives:	
Current year provision for depreciation	(2,778,988)
Capital outlay	1,451,947
Certain items reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported expenditures in the governmental funds:	
Change in accrued interest payable	14,842
Provision for amortization of bond premium	7,786
Provision for amortization of deferred charges	(17,431)
Provision for amortization of bond insurance	(52,691)
Change in Net Position of Governmental Activities, Page 7	$ (808,756)

The accompanying notes are an integral part of this financial statement

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tradition Community Development District 1 (the "District") conform to generally accepted accounting principles as applicable to governments. The District was formerly known as Westchester Community Development District 1 and lawfully changed its name to Tradition Community Development District 1 effective August 14, 2006. The following is a summary of the more significant policies:

Reporting Entity

The District is an independent unit of special-purpose local government of the State of Florida created by law and established in accordance with the Uniform Community Development District Act of 1980, Chapter 190, Florida Statutes, as amended by ordinance of St. Lucie County, Florida, effective on August 21, 2001 as amended. The Act provides for a five member Board of Supervisors to serve as the governing body of the District. The District has no component units. Its purpose is to manage and finance basic community development systems, facilities and services, including capital infrastructure.

Basis of Presentation

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and statement of activities, present information about the District as a whole. These statements include the non-fiduciary financial activity of the primary government and its component units.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business segment is self-financing or draws from the general revenues of the District.

The effects of inter-fund activity have been eliminated from the government-wide financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (continued)

Fund Financial Statements - Fund financial statements report detailed information about the District in the governmental, proprietary, and fiduciary funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, the reconciliation is presented with each of the governmental fund financial statements.

Major Governmental Fund Types

General Fund - The general fund is the general operating fund of the District. All general tax revenue and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The general operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the general fund.

Capital Project Fund - Capital project funds are established to provide common infrastructure to support the master planned community.

New Accounting Standards Adopted

During fiscal year 2016, the District adopted three new accounting standards as follows:

GASB 72, Fair Value Measurement and Application

The Statement improves financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No.6, Measurement of Elements of Financial Statements, and other relevant literature.

GASB 76 - The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments

The Statement identifies-in the context of the current governmental financial reporting environment-the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles (GAAP) and the framework for selecting those principles.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Standards Adopted (continued)

GASB 79 - Certain External Investment Pools and Pool Participants

This Statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost.

Assessments

Assessments are non-ad valorem assessments on benefited lands within the District. Assessments are levied to pay for the operations and maintenance of the District. The fiscal year for which annual assessments are levied begins on October 1 with discounts available for payments through February 28 and become delinquent on April 1. The District's annual assessments for operations are billed and collected by the County Tax Collector. The amounts remitted to the District are net of applicable discounts or fees and include interest on monies held from the day of collection to the day of distribution.

Equity Classifications

In the fund financial statements, governmental funds report non spendable and restricted fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Assignments of fund balance represent tentative management plans that are subject to change. Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances are required to be reported according to the following classifications:

Non-Spendable Fund Balance – Amounts that are (a) not in spendable form or (b) legally or contractually required to be maintained intact. “Not in spendable form” includes items that are not expected to be converted to cash (such as inventories and prepaid amounts) and items such as long-term amount of loans and notes receivable, as well as property acquired for resale. The corpus (or principal) of a permanent fund is an example of an amount that is legally or contractually required to be maintained intact.

Restricted Fund Balance – Amounts that can be spent only for specific purposes stipulated by (a) external resource providers such as creditors (by debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications (continued)

Committed Fund Balance – Amounts that can be used only for the specific purposes determined by a formal action (resolution) of the Board of Supervisors. Commitments may be changed or lifted only by the Board of Supervisors taking the same formal action (resolution) that imposed the constraint originally. Resources accumulated pursuant to stabilization arrangements sometimes are reported in this category.

Assigned Fund Balance – Includes spendable fund balance amounts established by the Board of Supervisors that are intended to be used for specific purposes that are neither considered restricted nor committed.

Unassigned Fund Balance – Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District first uses committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Cash and Cash Equivalents

Florida Statutes require state and local governmental units to deposit monies with a financial institution classified as a "Qualified Public Depository," which is a state insurance pool for banks and other financial institutions. The pool requires each bank to render as collateral a percentage of all state and local monies on deposit. Upon default of a particular financial institution within the pool, the pooled collateral is used to reinstate the state and local government deposits. This pool is additional insurance above the federal depository insurance. The District has cash deposits only with qualifying institutions as of September 30, 2016.

Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand and demand deposits (interest and non-interest bearing).

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 (17) Florida Statutes. The District may invest any surplus public funds in the following:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
c) Interest bearing time deposits or savings accounts in qualified public depositories;
d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

Money Market, with varying interest rates	
no set maturity	$ 5,813,974

Credit Risk:

Florida Statutes require the money market mutual funds held by the District to have the highest credit quality rating from a nationally recognized rating agency.

Interest Rate Risk:

Florida Statutes state that the investment portfolio be structured in such manner as to provide sufficient liquidity to pay obligations as they come due. All holdings are currently invested to meet current obligations.

Concentration of Credit Risk:

The District places no limit on the amount the District may invest in any one issuer. More than 5% of the District's investments are with one issuer.

Custodial Credit Risk:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At September 30, 2016, the District is exempt from this requirement.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deposits and Investments (continued)

Fair Value Measurement - When applicable, the District measures and records its investments using fair value measurement guidelines established in accordance with GASB Statements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques.

These guidelines recognize a three-tiered fair value hierarchy, in order of highest priority, as follows:

- Level 1: Investments whose values are based on unadjusted quoted prices for identical investments in active markets that the District has the ability to access;
- Level 2: Investments whose inputs - other than quoted market prices - are observable either directly or indirectly; and,
- Level 3: Investments whose inputs are unobservable.

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the entire fair value measurement. Valuation techniques used should maximize the use of observable inputs and minimize the use of unobservable inputs.

Capital Assets

Capital assets, which include land and land improvements, buildings and improvements, infrastructure, machinery and equipment, are reported in the governmental activities column.

The District defines capital assets as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. The valuation basis for all assets is historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation of capital assets is computed and recorded by utilizing the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Buildings and improvements	7-39 years
Infrastructure	20-40 years
Machinery and equipment	5-10 years

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unearned Revenue

Governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Management Company

The District has contracted with a management company to perform management advisory services, which include financial and accounting advisory services. Certain employees of the management company also serve as officers (Board appointed non-voting positions) of the District. Under the agreement, the District compensates the management company for management, accounting, financial reporting, and other administrative costs.

Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to September 30, 2016, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended September 30, 2016. Management has performed their analysis through May 26, 2017.

NOTE B - BUDGETARY INFORMATION

The District is required to establish a budgetary system and an approved Annual Budget. Annual Budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end.

The District follows these procedures in establishing the budgetary data reflected in the financial statements.

a) Each year the District Manager submits to the District Board a proposed operating budget for the fiscal year commencing the following October 1.
b) Public hearings are conducted to obtain public comments.
c) Prior to October 1, the budget is legally adopted by the District Board.
d) All budget changes must be approved by the District Board.
e) The budgets are adopted on a basis consistent with generally accepted accounting principles.
f) Unused appropriation for annually budgeted funds lapse at the end of the year.

NOTE C – PROPERTY AND EQUIPMENT

A summary of changes in general fixed assets follows:

	September 30, 2015	Increases	Decreases	September 30, 2016
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	$ 12,861,574	$ -	$ -	$ 12,861,574
Construction in progress	17,282	1,451,947	-	1,469,229
Total capital assets, not being depreciated	12,878,856	1,451,947	-	14,330,803
Capital assets, being depreciated				
Infrastructure	25,692,842	-	-	25,692,842
Improvements other than buildings	24,402,498	-	-	24,402,498
Total capital assets, being depreciated	50,095,340	-	-	50,095,340
Less accumulated depreciation for:				
Infrastructure	6,636,202	867,534	-	7,503,736
Improvements other than buildings	15,141,740	1,911,454	-	17,053,194
Total accumulated depreciation	21,777,942	2,778,988	-	24,556,930
Total capital assets, being depreciated - net	28,317,398	(2,778,988)	-	25,538,410
Governmental activities capital assets - net	$ 41,196,254	$ (1,327,041)	$ -	$ 39,869,213

Depreciation expense recorded in governmental activities was $2,778,988 for 2016.

NOTE D – GENERAL LONG-TERM DEBT

$53,170,000 Special Assessment Refunding Bonds, Series 2014 – On April 9, 2014, the District issued $53,170,000 Special Assessment Refunding Bonds, Series 2014. The Bonds are payable in annual principal installments through May 2035. The bond bears interest ranging from 2.0% to 4.5% payable semi-annually on the first day of each May and November. Principal is due serially each May 1, commencing May 2015. The bonds are collateralized through pledged liens on approximately 3,100 acres of residential and commercial land.

NOTE D – GENERAL LONG-TERM DEBT (CONTINUED)

Refunded Bonds

The District refunded the Series 2003 Capital Improvement Revenue Bonds, which had an outstanding balance of $53,775,000 at the time of the refunding with the proceeds from the Series 2014 Bonds and available funds on hand. As a result of this transaction, the District decreased its aggregate debt service payments for Series 2014 Bonds by $16,576,475 over the next 20 years, which resulted in an economic gain of approximately $7,565,000. The series 2003 Bonds have been paid off as of September 30, 2014.

The following is a summary of transactions of bonds payable for the year ended September 30, 2016:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Special assessment refunding bonds, series 2014	$ 51,405,000	$ -	$ 1,805,000	$ 49,600,000	$ 1,825,000
	51,405,000	-	1,805,000	49,600,000	1,825,000
Unamortized bond premium	224,265	-	7,786	216,479	-
	$ 51,629,265	$ -	$ 1,812,786	$ 49,816,479	$ 1,825,000

The debt service requirement for the bonds payable is as follows:

September 30,	Principal	Interest	Total
2017	1,825,000	2,012,880	3,837,880
2018	1,875,000	1,977,180	3,852,180
2019	1,940,000	1,940,688	3,880,688
2020	2,010,000	1,875,056	3,885,056
2021	2,080,000	1,807,156	3,887,156
2022-2026	11,715,000	7,860,830	19,575,830
2027-2031	14,325,000	5,427,630	19,752,630
2032-2035	13,830,000	2,318,438	16,148,438
	$ 49,600,000	$ 25,219,858	$ 74,819,858

NOTE E - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and environmental remediation. The District has obtained commercial insurance from independent third parties to mitigate the costs of these risks; coverage may not extend to all situations. Settled claims from these risks have not exceeded commercial insurance coverage over the past three years.

NOTE F – DEPENDENCY ON SUPPORT

The District receives the majority of its funding from local tax revenue. A reduction in the level of advances would have a substantial effect on the District's projects and activities.

TRADITION COMMUNITY DEVELOPMENT DISTRICT 1

STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL – GENERAL FUND

Year Ended September 30, 2016

	* BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUE			
Stormwater fees	$ 13,252	$ 63,659	$ 50,407
Engineering revenue fees	-	6,911	6,911
On-roll assessments	21,792	23,277	1,485
Other income	-	1,215	1,215
Interest income	-	1,031	1,031
TOTAL REVENUES	35,044	96,093	61,049
EXPENDITURES			
Arbitrage Calculation	25	-	25
Audit	6,500	6,500	-
Bank fees	6	124	(118)
Building maintenance	214	177	37
Contingency	629	496	133
Contractual services	377	692	(315)
Capital outlay	-	61,619	(61,619)
Copies	21	60	(39)
Dissemination agent	50	69	(19)
District counsel	277	455	(178)
Dues, licenses & fees	175	176	(1)
Electric	1,383	892	491
Engineering	473	498	(25)
Field management	3,039	3,039	-
Financial advisor	-	167	(167)
Flower & plant replacement	-	106	(106)
Fountain maintenance & chemicals	88	125	(37)
General - insurance	10,506	8,343	2,163
Holiday decorations	314	303	11
Hydrilla control	628	548	80
Impact fee administration	142	142	-
Irrigation	1,823	1,785	38
Irrigation parts & repairs	251	286	(35)
Lake maintenance	1,320	1,184	136
Landscaping maintenance & materials	5,597	5,150	447
Legal advertising	22	56	(34)
Management	509	479	30
Meeting room	6	5	1
Miscellaneous	2	-	2
Office supplies	1	4	(3)
Pest control	-	300	(300)
Postage & shipping	4	4	-
Road cleaning	13	-	13
Road repair	82	34	48
Security	289	263	26
Sidewalk repair & cleaning	94	64	30
Stormwater management	314	60	254
Streetlights	1,131	508	623
Supervisor fees	664	572	92
Telephone	2	-	2
Travel & per diem	7	44	(37)
Tree replacement & trim	440	285	155
Trustee services	176	142	34
Web site maintenance	900	900	-
Wetland upland maintenance	151	8	143
Wetlands monitoring	31	-	31
TOTAL EXPENDITURES	38,676	96,664	(57,988)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ (3,632)	$ (571)	$ 3,061

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

An operating budget was adopted and maintained by the governing board for the District pursuant to the requirements of Florida Statutes, The budget is adopted using the same basis of accounting that is used in preparation of the fund financial statements, The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Supervisors, Actual general fund expenditures exceeded appropriations for the fiscal year ended September 30, 2016.

The variance between budgeted and actual general fund revenues is not considered significant. The actual general fund expenditures for the current fiscal year were higher than budgeted amounts due primarily to costs being higher than anticipated.

DMHB

DIBARTOLOMEO, MCBEE, HARTLEY & BARNES, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Tradition Community Development District 1
Port St. Lucie, Florida

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Tradition Community Development District 1, as of September 30, 2016 and for the year ended, which collectively comprise the Tradition Community Development District 1's basic financial statements and have issued our report thereon dated May 26, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

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

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any purpose.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH THE REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES, REQUIRED BY RULE 10.556(10) OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Directors
Tradition Community Development District 1
Port St. Lucie, Florida

We have examined the District's compliance with the requirements of Section 218.415, Florida Statutes with regards to the District's investments during the year ended September 30, 2016. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2016.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017

Management Letter

Board of Directors
Tradition Community Development District 1
Port St. Lucie, Florida

Report on the Financial Statements

We have audited the financial statements of the Tradition Community Development District 1 as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated May 26, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States and Chapter 10.550, Rules of the Auditor General.

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards;* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated May 26, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. Refer to Note A in the notes to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not Tradition Community Development District 1 has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the Tradition Community Development District 1 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Tradition Community Development District 1's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Tradition Community Development District 1 for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Chairman and Members of the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

DiBartolomeo, McBee, Hartley & Barnes

DiBartolomeo, McBee, Hartley & Barnes, P.A.
Fort Pierce, Florida
May 26, 2017

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TRADITION COMMUNITY DEVELOPMENT DISTRICT NO. 1 (PORT ST. LUCIE, FLORIDA) • IRRIGATION SYSTEM REVENUE BONDS (EXISTING SYSTEM), SERIES 2017

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