MINUTES OF MEETING
MEDITERRA SOUTH
COMMUNITY DEVELOPMENT DISTRICT

A Regular Meeting of the Mediterra South Community Development District's Board of Supervisors was held on **Wednesday, January 18, 2012** at **11:30 a.m.**, at **The Club at Mediterra, 15755 Corso Mediterra Circle, Naples, Florida 34110**.

Present and constituting a quorum were:

Kenneth Nails	Chair
Frank Godshall	Vice Chair
Kenneth Tarr	Assistant Secretary
Bill Rowe	Assistant Secretary
Dallas Luby	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Jonathan Johnson	District Counsel
Dave Robson	District Engineer
Brett Sealy	MBS Capital Markets, LLC
John Kessler	FMS Bonds
Cliff Verderber	Mediterra Community Association
Tom Wallace	Mediterra Community Association
Dan Abrams	Resident

FIRST ORDER OF BUSINESS **Call to Order/Roll Call**

Mr. Nails called the meeting to order at 11:30 a.m., and noted, for the record, that all Supervisors were present, in person.

SECOND ORDER OF BUSINESS **Administrative Items**

a. Consideration of October 19, 2011 Regular Meeting Minutes

Mr. Nails presented the October 19, 2011 Regular Meeting Minutes and asked for any additions, deletions or corrections. The following changes were made:

Line 105: Change "they" to "the"

Regarding the putting green encroachment on Lake 20, Mr. Tarr raised a question about whether the slope of the lake bank was altered. Mr. Adams indicated the upper section was altered a bit but the District Engineer did not find it to be a compliance issue. Mr. Tarr stated his opinion that Collier County has ordinances regarding lake bank slopes. Mr. Adams indicated it is usually set by the county. Mr. Tarr asked if a letter was sent to the resident. Mr. Adams replied no, indicating he plans to meet with the resident on site to review the area. Mr. Tarr asked that this item be added to the next agenda, as he has conducted research regarding altering lake banks and wishes to discuss his findings. Mr. Adams recalled the discussions at the last meeting and indicated he will ask the District Engineer to revisit the issue from the county level codes and ordinances.

On MOTION by Mr. Tarr and seconded by Mr. Godshall, with all in favor, the October 19, 2011 Regular Meeting Minutes, as amended, were approved.

THIRD ORDER OF BUSINESS **Other Business**

a. Discussion: Golf Club Pending Payoff of CDD Debt Service and Presentation by MBS Capital/FMS Regarding Potential Refinancing of Remaining Mediterra South Series 1999/2001 and Mediterra North Series 2001 Bond Debt

Mr. Adams recalled previous discussions regarding the potential refinancing of Mediterra South and North's older bonds. FMS and Prager Sealy were engaged, initially, to proceed with obtaining a credit assessment. At the time, the Districts had difficulty obtaining a favorable rating due to the concentration of risk related to the golf club ownership of approximately half of the bonds and the unfavorable markets. Mr. Adams felt things have changed recently and the golf club sought ways to pay off their debt and lower that exposure. When the golf course pays off their concentration of risk/debt in March, it will create an opportunity for the remainder of the bonds to be refinanced because of the diversity of ownership amongst the residential portions.

Mr. Adams indicated Mr. Sealy is with a new company, MBS Capital Markets, LLC, and he has revisited the matter and worked with the golf course in the payoff process.

Mr. Sealy explained the formation of his new firm and indicated MBS Capital was formed to take over the land-secured finance portion of Prager Sealy; it was an amicable split.

Mr. Sealy reviewed the updated refinancing opportunities, provided as a handout. He discussed the Standard & Poor's (S&P) considerations regarding concentration of top ten (10) taxpayers and the debt service reserve fund (DSRF) stress test. He noted that the Districts will no longer have the confusion of the concentration of the golf course debt playing a part in the S&P credit assessment. He highlighted the various bonds and the top ten (10) taxpayers and undeveloped lots associated with each, to arrive at percentages.

Mr. Tarr asked if combining the North and South's bonds poses any issues. Mr. Sealy indicated there is precedent, whereby a district can take the lead in issuing, on behalf of the other. In similar situations, he has had the non-issuing CDD enter into an interlocal agreement with the issuing CDD, whereby they would levy assessments equal to their share of the debt service and remit those assessments to the issuing CDD to ensure 100% payment of the debt service. Mr. Nails asked if legislative approval is needed for this type of interlocal agreement. Mr. Johnson indicated no approval is necessary. Mr. Sealy indicated he also consulted tax counsel.

Mr. Tarr referred to the Mediterra South 1999A bonds and questioned if it could be refinanced as a standalone to obtain a better rating. Mr. Tarr voiced his opinion that the refinance may be a detriment to property owners in that area. Mr. Sealy indicated he analyzed that possibility; however, given the current strength of the market, there is a limited amount of spread, as it relates to interest rates between obtaining a medium-grade or lower-grade investment rating. Mr. Sealy was confident that the 1999 bonds, as a standalone, could receive a medium-grade investment rating; however, the cost of issuance would wipe out the interest rate benefit of the better rating. Given that fact, Mr. Sealy felt it makes better sense to proceed with the three (3) bond issues, together, to obtain a medium rating but, if they do not, then the matter must be reevaluated.

In response to a question, Mr. Sealy explained that the bonds would be investment grade and would go into the market and be traded. He stated they will be liquid.

Mr. Sealy reviewed the horizontal and vertical development status of the bonds and acknowledged that the 1999A bonds' aggregate total reduces from 97% to 85% but combining benefits the other bonds, overall.

Mr. Sealy explained the proposed refinancing structure and estimated refinancing results. He highlighted the projected annual reduction of debt service assessments based on receiving a low or a medium investment grade rating. He reiterated that the differential between receiving a low or medium investment grade rating is negligible.

Mr. Dan Abrams, a resident, asked Mr. Sealy if he figured in the possibility of a sinking fund reserve; in other words, the Districts could negotiate a lower reserve. Mr. Sealy indicated, ideally, one can negotiate with the bondholders; however, because they must first obtain the rating, the Districts are really negotiating with S&P. Mr. Sealy indicated the reserve funds are currently set at one (1) year's principal and interest but the projections presented assume reducing it to 75% of that amount, with the excess bond proceeds going as a source of funds towards the refunding. Mr. Sealy confirmed his numbers already reflect the reduction in the reserve fund. A question was raised regarding whether not reducing the reserve fund would enhance the rating. Mr. Sealy stated it is a possibility but that is only one (1) item S&P considers and the categories are strictly pass/fail.

Mr. Sealy compared the estimated coupon rates from June to what is expected today. Mr. Kessler detailed the market status last June, as compared to now; he feels this is a good time in the market to consider the refinance.

Mr. Abrams pointed out that the maturity of the bonds is identical to the current bonds.

Mr. Sealy indicated the next step is for the Board to authorize his firm to proceed with the resubmission of a credit package to S&P. In response to a question of cost, Mr. Sealy confirmed his firm will take the risk of obtaining the rating and will incur S&P's estimated $15,000 charge to submit the credit package.

Mr. Tarr noted the District must first accept Prager Sealy's resignation and asked if MBS Capital Markets, LLC's contract terms will be the same and, if so, the District must agree to hire them. Mr. Sealy indicated he will have Prager Sealy deliver a resignation letter to the District.

Mr. Sealy confirmed, for the record, that MBS Capital will charge the same rates as the last four (4) deals completed.

On MOTION by Mr. Godshall and seconded by Mr. Luby, with all in favor, the resignation of Prager Sealy, subject to receipt of a resignation letter, was accepted.

On MOTION by Mr. Tarr and seconded by Mr. Luby, with all in favor, engagement of MBS Capital Markets, LLC/FMS, under the same terms of the November 16, 2010 agreement with Prager Sealy, was approved.

Mr. Sealy indicated they will first obtain a confidential rating and present it to the Board, prior to having it become a public rating.

In response to Mr. Tarr's question, Mr. Adams confirmed the refinancing will have no impact on those property owners who have already paid off their bond debt. Mr. Sealy confirmed his firm will take the risk of the cost of the rating and the only time the Districts will pay for the rating is if they elect to proceed with the refinancing and his firm successfully completes the refinancing; those costs would be part of the costs of issuance.

On MOTION by Mr. Luby and seconded by Mr. Godshall, with all in favor, authorizing MBS Capital Markets, LLC/FMS to proceed with resubmitting a credit package to obtain a credit assessment from Standard & Poor's, was approved.

****Mr. Sealy and Mr. Kessler left the meeting.****

Informal discussion took place regarding the golf course loan.

b. Consideration of Revised Proposals for Lake Bank Restoration Project

Mr. Adams recalled previous discussions regarding lake bank erosion repairs. Based on the results presented at the last meeting, additional and/or revised proposals were obtained. Mr. Adams reviewed the cost breakdown between CDD lakes, Lake #34 and residential repair areas. Lake #34 repairs are being considered separately, as they are more extensive and will involve use of geotube. Mr. Tarr questioned why Mediterra South is considering the Lake #34 repairs, since it is part of Mediterra North. Mr. Adams explained that this is a joint repair project, as the permit covers the entire system, throughout both Districts. Mr. Adams indicated Anchor Marine specializes in geotube type repairs and submitted a proposal for $5,500 for the Lake #34 repairs.

Mr. Adams highlighted the CDD and resident expense proposal breakdowns. He indicated the goal is to notify the residents of their area needing repair and offer them the opportunity to repair it, simultaneously with the Districts' repairs, with the option of using the Districts' contractor or one of their choosing. In response to a question regarding what happens if the residents do not complete the repairs, Mr. Adams stated the Districts could impose their rights to require the repairs but he hoped it would not come to that. Mr. Adams estimated the average cost to be a few hundred dollars per property. Mr. Adams anticipated very little, if any, resistance from residents. Letters will be sent and follow-up will be by mail, door hangers or personal visits with the homeowners.

Management has evaluated the proposals and Mr. Adams recommended contracting with Gulf Scapes for the CDD and resident repair portions. The CDD expenses are $18,904, plus the Lake #34 expense of $5,500, for a total CDD cost of $24,404. The proposed repair costs for the resident portion is $23,338.

On MOTION by Mr. Godshall and seconded by Mr. Luby, with all in favor, authorizing Staff to enter into a contract with Gulf Scapes for lake bank erosion repairs, in a not-to-exceed amount of $18,904 for the CDD portion, and with Anchor Marine Services for repairs to Lake #34, in a not-to-exceed amount of $5,500, subject to Mediterra North's approval and appropriate prorating of costs, was approved.

FOURTH ORDER OF BUSINESS **Staff Reports**

a. Attorney

There being nothing additional to report, the next item followed.

b. Engineer

Mr. Adams discussed the Board's request that Mr. Robson research the Collier County codes/ordinances related to lake bank changes.

c. Manager

Mr. Nails asked Mr. Adams to report on the status of the lake and wetland maintenance contract with LakeMasters, approved at the last meeting, in the amount of $133,000. Mr. Adams indicated he was able to negotiate a contract of $129,000, with LakeMasters. Regarding savings, Mr. Adams stated the prior year's contract price was $146,000 or $147,000.

In response to a question, Mr. Adams indicated he received the December water testing results; he will input the data and forward the information for review by a water quality expert.

i. Unaudited Financial Statements as of November 30, 2011

Mr. Adams presented the Unaudited Financial Statements as of November 30, 2011, noting little expense or revenue activity has occurred.

ii. NEXT MEETING DATE: May 16, 2012 at 11:30 A.M.

Mr. Nails indicated the next regular meeting is scheduled for May 16, 2012. Mr. Adams anticipated meeting prior to that date.

FIFTH ORDER OF BUSINESS **Audience Comments/Supervisors' Requests**

There being no audience comments or Supervisors' requests, the next item followed.

SIXTH ORDER OF BUSINESS **Adjournment**

There being no further business, the meeting adjourned.

On MOTION by Mr. Godshall and seconded by Mr. Rowe, with all in favor, the meeting adjourned at 12:39 p.m.

Secretary/Assistant Secretary

Chair/Vice Chair