MINUTES OF MEETING
MEDITERRA SOUTH
COMMUNITY DEVELOPMENT DISTRICT

A Special Meeting of the Mediterra South Community Development District's Board of Supervisors was held on **Thursday, April 11, 2012** at **1:00 p.m., in the Sun Room** 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
Michael Szymonowicz (via telephone)	Wrathell, Hunt and Associates, LLC
Jonathan Johnson (via telephone)	District Counsel
Brett Sealy	MBS Capital Markets, LLC
Jon Kessler (via telephone)	FMS Bonds
Danny Tyler	Nabors, Giblin & Nickerson, P.A.
Irwin Teich	Resident
Mike Mischoveresky	Resident

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

Mr. Nails called the meeting to order at 1:00 p.m., and noted, for the record, that all Supervisors were present, in person.

SECOND ORDER OF BUSINESS **Consideration of Certain Documents Related to Refinancing Certain CDD Bonds**

Mr. Sealy recalled his presentation at the March meeting and the Board's authorization to proceed with resubmitting a credit package to Standard & Poor's (S&P) for refinancing of the three (3) bond series, under a single bond series, utilizing the S&P confidential rating. Following today's meeting, a request will be made to S&P to convert this to a public rating.

Mr. Sealy reminded the Board that the three (3) bond series will be blended into one (1) to improve the credit characteristics sufficiently enough for all three (3) to qualify for the BBB-low investment grade rating. This scenario will generate the best outcome for both Districts.

Mr. Sealy advised that, as Mediterra South will be the issuer, on behalf of both Districts, an interlocal agreement, between the Districts, is necessary. He explained that the process includes a delegation resolution authorizing the Chair, or Vice Chair, to execute a bond purchase agreement with the underwriters, subject to certain minimum parameters, as it relates to reduction in debt service, and maximum parameters, as related to the interest rate.

Mr. Johnson presented the interlocal agreement. He directed the Board to Section 2, Cooperation on Refunding of Bonds, beginning on Page 7. Mr. Johnson explained that Mediterra South CDD is proposed to issue bonds, in a sufficient amount, to be applied to refinance and refund the existing Mediterra South CDD debt, pay cost of issuance, make deposits into reserves and loan the balance of the funds to the Mediterra North District, who will apply those proceeds to refund and redeem their outstanding debts. Section B, on Page 8, makes clear the requirement that those bond debt series will be repaid by special assessments, which Mediterra South will issue, within its jurisdictional boundaries. Likewise, Mediterra North will issue within their boundaries and will remit those monies to Mediterra South, within the time prescribed in the interlocal agreement, which will be applied in accordance with the indenture documents. Mr. Johnson indicated Section 2 is the sum and substance of the business deal of the transaction. He proposed that, at the end of the meeting, if the Board is comfortable with the agreement, they should approve the interlocal agreement substantially, in the form presented, and authorize the Chair to consider any further revisions.

Mr. Nails referred to the sections identifying outstanding principal amounts for all bonds and noted that this deal involves only three (3) of the bonds, not all of them. Mr. Adams concurred. Mr. Johnson stated the procedural history captures all of the prior actions but, with the defined terms cross-referencing to the indenture, the only debt proposed to be affected, pursuant to this interlocal agreement, are those encompassed within the proposed 2012 issuance.

Mr. Tarr asked Mr. Johnson to explain what happens if Mediterra North CDD should default. Mr. Johnson indicated the provisions in the agreement were drafted, intentionally, to be very broad to reserve any and all legal rights, giving either party the ability to obtain both injunctive and mandatory relief, as well as pursue causes of action for any damages. Mr.

Johnson stated, pragmatically, the structure of the proposed transaction requires Mediterra North to levy assessments and, if Mediterra North fails to levy or collect those assessments intentionally, or through no fault of their own, and the monies were not remitted, Mediterra South would not have sufficient revenues to pay the debt service on the bonds. There is no flexibility in the indentures being presented to the Boards; neither can opt out of the levy and collection of the assessments.

Regarding what happens if a default by Mediterra North causes Mediterra South to default, Mr. Tyler, Bond Counsel for both Districts, stated the only remedy the bondholders have is to enforce the collection and payment of assessments. The bondholders have no recourse against Mediterra South, other than requiring payment of their obligated assessment amount and the amounts received from Mediterra North. Mr. Tyler assured Mr. Tarr that Mediterra South residents will not incur any financial liability due to a default by Mediterra North and, on the contrary, Mediterra North is not liable for anything more than their assessments, should Mediterra South default. Mr. Johnson summarized that the bondholders' remedy is to direct Mediterra South to go forth and take whatever action is necessary to ensure that Mediterra North fulfills its obligations. Mr. Tyler explained the Florida Statutes governing assessments. Mr. Tarr asked for a letter to the Board clearing stating those terms.

Mr. Tarr recalled the comment that Mediterra South, as issuer of the bonds, could be directed to take actions against Mediterra North and voiced his opinion that this is an added burden to Mediterra South, if they must pursue the taxpayers of Mediterra North. Mr. Tyler stated the South does not have authority to chase taxpayers in the North; the only thing the South Board could do is mandamus the North Board to do what it agreed to do in the interlocal agreement, which is collect the assessments in accordance with the assessment proceedings. Mr. Johnson stated, if a landowner in the North does not pay, the Mediterra South Board has neither the authority nor the obligation to chase the money; however, the North Board will be obligated to initiate foreclosure or other collection mechanisms. Mr. Tyler added that Mediterra South would have a breach of contract, should Mediterra North refuse to honor their obligation. Mr. Tarr reiterated his desire to have that position provided to the Board, in writing.

Mr. Tarr questioned if the only issue is the concentration of London Bay Holdings' lots in Mediterra North. Mr. Tarr asked for confirmation, on the record, that, if a person in the South owes, or does not owe, a balance on their CDD debt, no matter what happens in the North CDD,

that person's balance will remain unchanged. Mr. Tyler replied affirmatively. Mr. Tarr asked if it is fair to state that the largest entity that holds lots in the North CDD is London Bay. Mr. Adams replied affirmatively.

Mr. Tarr asked what happens to the South Board, and residents, if they default because funds are not received from Mediterra North. Mr. Sealy indicated that, as an issuer, Mediterra South would likely have a difficult time borrowing again if it has an outstanding bond issue currently in default.

Mr. Tarr voiced his opinion that the bond documents state the District cannot issue any additional bonds. Referring to Page 23, regarding no additional bonds, Mr. Tyler indicated it means that, so long as there are outstanding bonds, the District will not cause or permit a lien or charge against the trust estate; meaning, it will not pledge these assessments or any monies in the funds' accounts or loan repayments to any other series of bonds. Mr. Nails questioned if it prevents the District from issuing additional bonds. Mr. Tyler replied affirmatively. Mr. Johnson stated the District could issue additional bonds for some other new project for which it would have to levy a new series of assessments, which would not be a part of this trust estate.

Mr. Sealy indicated that, based upon the tax roll, as of November, London Bay owned 16 lots in Mediterra North, which are a part of this deal. Mr. Tarr felt that London Bay owns more than 200 lots. Mr. Sealy reminded him that those may be part of the Mediterra South 2003 Series bonds, which are not part of this deal. Mr. Sealy advised that, as of September, Mediterra South contained 25 London Bay properties in the 2001 area, 23 of which are vacant and undeveloped. London Bay had two (2) lots in the 1999 area. Mr. Sealy clarified London Bay has 26 lots in Mediterra North, equating to 7.6% of the assessments.

Discussion continued regarding the impact on Mediterra South, should Mediterra North default. Mr. Sealy confirmed that a failure of payment by North could result in a drain of the debt service reserve fund, which is pledged to all of the bonds. In response to Mr. Tarr's question, Mr. Sealy explained that, if the reserve fund was depleted, the tax certificate would be sold and those funds would come in to replenish the reserve fund; if it did not sell, the assessment would remain. Mr. Sealy explained the tax certificate sale process.

Mr. Tarr asked how Mediterra South would recoup legal fees, if required to take action. Mr. Johnson indicated Mediterra South would be responsible for its legal fees but the agreement could include a provision stating that attorneys' fees and costs are recoverable by the prevailing

party, should such action be necessary. The Board asked that the provision be included. Mr. Johnson advised that Section 5 of the agreement already provides for recovery of fees and costs.

Mr. Tyler presented Resolution 2012-1 and explained that the Board will adopt a delegated award resolution authorizing the Chair to enter into the transactions, if the transactions presented by the underwriter are within the parameters set forth at the end of the resolution. Both Mediterra South and North's original bonds were issued under master and first supplemental trust indentures. Mr. Tyler stated the Board is approving the form of the supplemental indenture, pursuant to which the new bonds will be issued by the South District. The supplemental indenture is a contract between the District and U.S. Bank, as the trustee; a trustee is required by Florida law to prevent landowners from taking the money. The trustee holds the money and administers it in accordance with the terms of the trust indenture. The trust indenture establishes several funds and accounts into which the monies that come in are deposited and applied as written in the contract. Mr. Tyler advised that, when the bonds are issued, the trustee receives the money, makes a deposit into the revenue account to pay debt service that comes before new assessments are received. Funds are also deposited into an escrow fund pursuant to an escrow deposit agreement and the escrow trustee either holds the funds in cash or invests them in direct obligations of the United States; that money is to pay off the old bonds in the 30 days it takes to call the old bonds. Under the escrow deposit agreement, the old bonds officially end the day the money is deposited for their payment. Mediterra South will essentially loan proceeds to Mediterra North, which they will direct to be deposited into an escrow account to be used to redeem their outstanding bonds.

Mr. Tyler explained that the master and supplemental indentures, when read together, contain the mechanical terms and conditions of the bonds, such as how they can be redeemed, how they are paid, that they are in fully registered form. The indentures also contain the default provisions, what happens to the monies in a default, how funds are taken and put into the reserve fund and the forms of the bonds.

Mr. Tyler presented the bond purchase agreement. With this, the underwriter states they will offer to enter into this agreement after marketing the bonds; then, the underwriter will present a bond purchase agreement, along with a proposal of the maturity amounts, interest rates and redemption provisions. If the agreement terms are within the parameters set by the Board, the Chair is authorized to sign it, under his delegated authority set forth in Resolution 2012-1.

Mr. Tyler noted Resolution 2012-1 states that a negotiated sale is in the District's best interest. He explained that, with the Districts' bonds being combined, this structure required an underwriter to be in place from the beginning, in order to conceive it and determine the best way for the two (2) Districts to market the bonds and carry it through to a rating.

Mr. Tyler explained that, through Resolution 2012-1, the Board is approving the form of the supplemental indenture, the interlocal agreement, the preliminary official statement, the official statement and the continuing disclosure agreement. The resolution includes statements that the District is conducting these actions in the open and authorizing the Chair, Vice Chair, Secretary and Assistant Secretary to execute and deliver the documents necessary to affect the closing of the transaction. The resolution directs the money to be deposited in the way previously explained. Additionally, the resolution approves the undertaking of the refunding, the form of escrow deposit agreement, execution and delivery of other instruments and appointment of a verification agent, which are accountants who are experts in these transactions, and issue an opinion on it. Schedule I, included as an attachment, lists the parameters.

Referring to the Schedule I document detailing the parameters, Mr. Sealy indicated a number of parameters can be established in order to provide latitude, as it relates to the timing of pricing the bonds. He stated most districts are interested in the debt service annual reduction percentage and amount that would be generated, as a result of the refunding. The parameters can also define the maximum true interest cost, net present value amount and minimum annual debt service reduction percentage not less than amount. Mr. Sealy indicated the estimated average annual debt service reduction percentage for this deal is approximately 13% and voiced his confidence that he can deliver a 13% reduction. He noted the current schedule lists this amount as 10%, as a placeholder amount, but the Board can adjust it.

Mr. Tarr disclosed, for the record, that he paid his CDD obligation, in full, in 2001; therefore, his questions are in the interests of his neighbors. Mr. Tarr referred to the data presented today, noting the estimated annual debt service, for a house on his street, will reduce from $1,163.76 to $992.25. Mr. Sealy clarified that Mr. Tarr is referring to the 1999 bond area and advised that the reduction is 13.17%. Mr. Tarr stated he calculated a higher percentage amount of about 15%. Mr. Tarr referred to the 10% minimum reduction figure listed on the parameters schedule and questioned if that figure is the minimum reduction that someone in his neighborhood would realize, under the deal. Mr. Sealy reiterated his early statement that the

10% figure was included as a placeholder but is open to discussion by the Board. For the purposes of explaining this to his constituency, Mr. Tarr asked if the District is targeting 15% as the minimum reduction amount. Mr. Sealy replied no, they are not targeting 15%, they are targeting the best, highest percentage possible. In response to Mr. Sealy's question, Mr. Szymonowicz stated that the area Mr. Tarr is discussing is not one that had a variance. Mr. Sealy clarified that the lots with a variance in the percentage are London Bay lots.

Based on the data presented, Mr. Tarr asked if it would be fair for him to report to his HOA that the Districts hope to achieve a 15% reduction but the parameters will state that they are willing to accept a reduction as low as 10%. Mr. Sealy stated he would agree with the statement, other than his figures are in the 13% range, not 15%.

Mr. Luby questioned if the maximum true interest cost includes the frictional cost of completing the deal. Mr. Sealy indicated the true interest cost will take into account the underwriters discount, the cost of issuance and any original issue discount or premium, depending on how they must price the bonds. Mr. Luby summarized it is the cost of completing the deal, plus the true interest. Regarding the 5.60% figure listed on the parameters, Mr. Sealy advised that there is some latitude, as the last set of figures returned a 5.35% rate.

Mr. Irwin Teich, a resident, referred to the existing sinking fund and asked if there was a debt service reserve and, if so, whether it must be established in the same amount, for the new bond. Mr. Sealy indicated his firm plans to market a reduced reserve requirement of 50% of maximum annual debt service, which is different from the current requirement equal to one (1) year. Mr. Sealy recalled a prior handout that detailed the estimated new reserve fund requirement, post refinancing.

Mr. Nails recalled Mr. Adams advising him that the allocations of the old bonds are about the same as the new bond. Mr. Adams clarified that the allocations are the same but different amounts; Mr. Szymonowicz will review the methodology later.

Mr. Tarr identified a mistake in millage rate on Page 12 of the Mediterra South offering memorandum. Mr. Sealy acknowledged the figure should be 16.18, and reminded the Board that they are approving the documents in substantially, final form but none will be fully finalized until all professionals have signed off on them.

Discussion ensued regarding whether to adjust the parameters.

Mr. Adams indicated the escrow deposit agreement and continuing disclosure agreements are standard, in nature.

Mr. Tyler presented the supplemental trust indenture, which is standard in form. Mr. Tyler indicated more changes are likely and the Board is approving them in substantially, final form; the structure of the transaction will not change but minor tweaks may be necessary.

Mr. Nails polled the Board for their schedules, should another meeting be necessary, prior to the next scheduled meeting.

Mr. Tarr questioned what Mr. Tyler is referring to when he says "tweak". Mr. Tyler indicated a tweak refers to something that will not substantively affect the terms of the transaction. Mr. Tarr requested specific examples of what Mr. Tyler considers to be "tweaks". Mr. Tyler indicated tweaks might be changes to language, for clarification, and involving refining the documents. Mr. Tarr asked if Mr. Nails, as Chair, would receive a marked-up version for comparison. Mr. Tyler confirmed that a redline version can be provided to Mr. Nails. Mr. Tyler reminded Mr. Tarr that District Counsel will review all documents, prior to the Board signing them, and the Board generally relies on Counsel's final review to identify whether there have been substantial changes.

****Break in audio.****

Audio resumed during additional discussion of the parameters attached to Resolution 2012-1. Mr. Sealy indicated that the minimum annual debt service reduction % not less than parameter amount of 10% is because of a handful of lots which should reflect a 10% reduction in annual debt service when comparing the current annual debt service of the existing 1999 and 2001 bonds separately. For the record, Mr. Sealy recalled a conversation, on the record, about the individual units and stated he wishes to ensure he did not lose his latitude to price the deal within those parameters, specifically because there are a handful of lots which were identified for which there is a different ratio because there was no payment. Mr. Sealy further noted, for the record, he feels the solution is that the reduction in annual debt service would be based upon the total annual debt service from the prior 1999 and 2001 bond issues, separately, and a 10% reduction on the 1999 and a 10% reduction on the 2001, when comparing the total debt service. Mr. Sealy stressed that he does not want a failing because of one (1) or several units that someone elected not to buydown, resulting in a lower than 10% reduction. Mr. Sealy

recommended modifying Schedule I to state it is a 10% reduction, individually, on the Mediterra South 1999 and Mediterra North and South 2001 bond issues, to the current annual debt service.

Mr. Teich thanked the Board for their work on this matter and Mr. Sealy for his work on the refinancing, along with the golf course debt payoff.

Mr. Adams indicated the remaining documents are standard in form and asked if there were any questions. He indicated the Supplemental Special Assessment Methodology Report was prepared by Mr. Szymonowicz, of Wrathell, Hunt and Associates, LLC. He explained that the report considers the blending of all three (3) bond series to be refinanced and applies the original methodology of spreading those costs over the various product types that were previously determined to benefit, under the prior reports. The new numbers, as a result of the refinancing, are applied and a new principal and annual assessment amounts are reflected.

Mr. Szymonowicz presented the Supplemental Special Assessment Methodology Report dated April 9, 2012, and identified as Version 2. He reiterated that the methodology report essentially restates the conclusions of previous methodology reports written for the prior bond series. Mr. Szymonowicz advised that those reports concluded that the benefit received, through the infrastructure that was funded, in part with proceeds of those original issuances, was equal to or exceeded the cost or assessments paid by the property owners. This fact continues to occur with the new issue; meaning, they are essentially swapping the old bonds with higher interest rates for new bonds with lower interest rates, which will result in reductions to the principal amount of debt that will continue to be levied on the properties in the District, that are within the bond areas. Mr. Szymonowicz stated this will result in lower annual debt service assessments, with savings targeted over 10%, or greater. Mr. Szymonowicz pointed out that the report took into account the per unit that was outstanding on every unit in the subject assessment areas and reduced them, pro rata, to reconcile those amounts with the new amounts, based on the proposed bond schedule. He confirmed Mr. Sealy's statement that the preliminary numbers, reflected in the methodology, are preliminary and asked the Board to view them as only a general indication of the method that will be used in calculating the final figures.

Mr. Szymonowicz reviewed the assessment tables contained in the report, which reflect the current levels in Table 1 and the proposed amounts in Table 2. He reiterated that three (3) types of units were unique, due to issues related to properties owned by London Bay.

Mr. Tarr pointed out that the report provided to the Board is dated March 29, 2012. Mr. Adams asked Mr. Szymonowicz to comment on any difference between the March 29 and April 9 reports. Mr. Sealy felt the differences related to comments by Mr. Johnson. Mr. Johnson reminded the Board that they are not proposing to adopt the methodology in order to make changes to the current assessment liens. That matter would come back to the Board, once the bonds are sold; the current lien cannot be altered until the bonds are sold. Mr. Tarr questioned what necessitated a new version of the methodology. Mr. Szymonowicz indicated they were comments on Pages 5 regarding issuance date, along with a few others, but nothing substantial.

Mr. Szymonowicz advised that the figures included are preliminary and the document must be changed, as the numbers change. Mr. Tarr asked if, in the new schedule, any resident, in either District, is being disadvantaged, vis-à-vis, London Bay, because of the lack of the paydown. Mr. Sealy stated what London Bay may have done, as it relates to a buydown of assessments, would be a private contractual arrangement between London Bay and the homeowner. London Bay had no responsibility to carry on what Bonita Bay was doing, as it relates to potentially buying the principal amount of an assessment down to bring down the annual debt service. Mr. Sealy commented that what London Bay did or did not do has no bearing on what the Board is taking action on.

Mr. Nails asked if the methodology reflects the full assessment, irrespective of whether there was a buydown or if it is paid in the future. Mr. Tarr questioned why London Bay would even be mentioned. Mr. Sealy indicated London Bay was mentioned because of questions raised by Mr. Tarr regarding his personal calculations compared to those presented, as related to the annual reduction in debt service.

Assuming the bonds are issued by June, Mr. Nails questioned if the homeowners will be first affected when they receive their November tax bills. Mr. Adams concurred. Mr. Szymonowicz discussed the assessment process and dealings with the county tax collector. Mr. Sealy confirmed taxpayers should be paying 13% less debt service beginning with their November tax bill and continuing through the maturity of the bonds. A Board Member asked what happens to the realized savings if the deal is completed in June. Mr. Sealy indicated that any excess, beyond what is needed to make the November payment, will be used as a source of funds towards the bonds.

> **On MOTION by Mr. Godshall and seconded by Mr. Rowe, with all in favor, Resolution 2012-1 the Delegation Resolution, was adopted.**

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

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

Mr. Adams indicated the next regular meeting is scheduled for May 16, 2012.

A question was raised regarding how many bond issues are being refinanced. Mr. Sealy indicated three (3) bond series are being refinanced and one (1), the 2003 series, is not.

Mr. Godshall asked Mr. Sealy to state, for the record, what the response should be to owners who were not part of the refinance. For the record, Mr. Sealy advised that the current credit dynamics of that assessment area, in conjunction with the call provisions and interest rate, do not lend itself to generating an economic benefit, at this time. Mr. Adams confirmed the 2003 bond area is the only one not being refinanced.

Mr. Godshall expressed his enjoyment serving as a Supervisor and reluctantly informed the Board of his pending resignation, effective April 23, 2012, due to his relocation to Lee County.

Mr. Nails thanked Mr. Godshall for his service to the District.

Discussion ensued regarding the importance of Mr. Godshall's Vice Chair position, during the refinancing process. To facilitate a smooth transition, Mr. Godshall resigned his Vice Chair position, effective immediately.

> **On MOTION by Mr. Rowe and seconded by Mr. Nails, the resignation of Mr. Frank Godshall, as Vice Chair, effective immediately, was accepted.**

Mr. Adams asked for nominations to fill the vacated Vice Chair position. Mr. Dallas Luby was nominated.

On MOTION by Mr. Godshall and seconded by Mr. Rowe, with all in favor, appointment of Mr. Dallas Luby, as Vice Chair, with the remaining slate of officers unchanged, was approved.

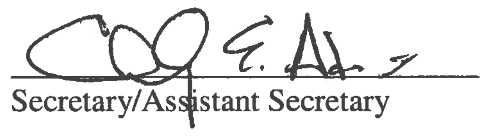
In response to Mr. Tarr's question regarding the pending Board vacancy, Mr. Adams recommended the Board discuss possible candidates at the next meeting, once Mr. Godshall's formal resignation has been received and accepted. Mr. Nails pointed out that the term expires in November, 2012.

Discussion ensued regarding items for the May agenda, including consideration of an interim Supervisor to fill the vacated position, pond/water quality analysis results, notice of the November general election and the seats, the county's position on the putting green encroaching on the lake easement, the draft budget for Fiscal Year 2013 and setting the public hearing and advertisement of a request for qualifications for auditing services. As a result of the recent fire, Mr. Tarr asked that a discussion item regarding a fire road be included on the May agenda.

FOURTH ORDER OF BUSINESS Adjournment

There being no further business to discuss, the meeting adjourned.

On MOTION by Mr. Godshall and seconded by Mr. Luby, with all in favor, the meeting adjourned at approximately 2:38 p.m.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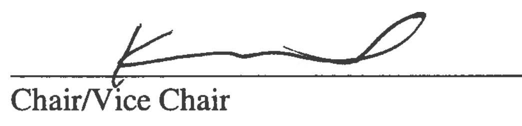
Chair/Vice Chair