

TURNBULL CREEK
COMMUNITY DEVELOPMENT DISTRICT

A special meeting of the Board of Supervisors of the Turnbull Creek Community Development District was held Thursday, January 15, 2015 at 2:00 p.m. at the Murabella Amenity Center, 101 Positano Avenue, St. Augustine, Florida.

Present and constituting a quorum were:

Aage G. Schroder, III	Chairman
Kathleen Venezia	Vice Chairman
Joseph Quinto	Supervisor
Brian J. Wing	Supervisor
Chuck Labanowski	Supervisor

Also Present were:

Dave deNagy	District Manager
Mike Eckert	District Counsel
Preston Doub	District Engineer
Rhonda Mossing	MBS Capital Markets

The following is a summary of the minutes and actions taken at the January 15, 2015 meeting and a copy of the proceedings can be obtained by contacting the District Manager.

FIRST ORDER OF BUSINESS

Roll Call

Mr. deNagy called the meeting to order at 2:00 p.m.

SECOND ORDER OF BUSINESS

Audience Comments

There being none, the next item followed.

The next item taken out of order.

EIGHTH ORDER OF BUSINESS

Discussion of Deferred Costs

Mr. Eckert stated I have been speaking with the developer in terms of what they would be willing to compromise the deferred costs liability for that the district has and I provided a memorandum to the board, which explains the concept of deferred costs. From the developer's perspective they are looking at getting the \$545,000 over 20 years plus payments in the amount

of about \$10,000 a year that they estimate they would get over a 20 year period so their starting number is around \$745,000. I went back and forth with them several times in terms of trying to get them to come up with something I thought had the potential the board would be receptive to. I wasn't authorized to negotiate specific offers on behalf of the board only to try to get their best offer to bring to you. Where they are now is a payout from the bond proceeds of \$345,000 that would be paid from the reserve fund that is set up on your current bonds and the remainder of what is in the reserve fund would be available for you to use for your refinancing of the 2005A Bonds. Those deferred costs are paid out to 8 to 12 different people and when they are making an offer of the \$345,000 that is something they have had to get buy-in from a lot of different people who may or may not have the exact same interests.

If you want to refinance the 2005 A Bonds you have to deal with the deferred cost issue. Because of some of the things that have been stated and alleged at board meetings, if the developer is willing to compromise on the deferred costs they want a release in exchange for anything related to the construction of the ponds. That would be a condition of them compromising on the deferred cost issue. The reason we need to get that resolved is because we can't come up with solid numbers on what the bond funds will generate until we know how much of the reserve fund we can use towards the refinancing. The bottom line is they don't believe that they are at fault they believe that they hired professionals to do what they needed to do and that the district reviewed it and accepted the ponds and the county reviewed it and the water management district reviewed it so they believe they didn't do anything wrong but quite frankly they have told me because there are lots of people who have said things in meetings imputing that they did something wrong that if they are going to cooperate with us on reducing the amount of deferred costs they want a release to be able to walk away. That is a policy decision for the board to decide whether or not you want to do that. It is a threshold issue for us as your team to try to put together the financing that is appropriate. We have to know where the board stands on that particular issue. To me there are two issues you ought to be focused on, one is the amount and the other is the release. I think they are two very important issues the board needs to debate and give us some direction.

Mr. Schroder stated based on what we have heard here and my few discussions with you I think it would be very difficult to pursue this with litigation because we are not only talking about the developer but we are talking about contribution from the county, the engineer, the

contractor and so forth. It would take a lot of money to figure out what that is and a lot of money to carry out the lawsuit. I'm inclined to think that we probably need to go ahead with the release.

Ms. Venezia stated I agree with that.

Mr. Labanowski asked can we go with the release with a little bit better dollar value?

Mr. Schroder stated I think that is the way you need to go but that would be no. 2.

Mr. Eckert stated I have no problem talking to them and trying to get a lower number but the board needs to understand that at least their front they are presenting to me is that we don't think we are the problem, we want a release but at the end of the day we just don't want to get sued and have the cost of litigation, we don't think we did anything wrong. We would get a release of deferred costs for the 2005A Bonds, when we go to refinance our 2006 Bonds, which we can't do right now because there is call protection built into the bond documents but we are going to have this exact same issue because we have the same deferred cost issue in the 2006 Bonds. The bond documents were fairly similar in that regard.

Mr. Quinto moved to authorize district counsel to negotiate a deferred cost payout of \$300,000 in connection with the refinancing of the 2005 Bonds and that we will provide a release and they will provide a release for us for all future deferred costs in relation to the 2006 Bonds and Mr. Labanowski seconded the motion.

Mr. Foster stated you said the developer doesn't have any assets and that seems strange to me. I guess you are saying he set up an LLC and we cannot get to his assets.

Mr. Eckert stated developers do this all over the state when they have a project they set up a limited liability company that is just specific to that project and the way the law works unless you are really treating that LLC as your own personal piggybank or something like that we are not going to be able to go beyond that LLC. Whatever the LLC owns is what would be available to attach to pay any judgment we would receive if we litigated against them and all I'm saying is if they don't own any land and they probably aren't going to have any bank accounts at that point in time we may spend a lot of money pursuing litigation against somebody who doesn't have the ability to pay us at the end of the day.

Mr. Foster asked are you satisfied that is the case because you have checked it and know that there are no assets?

Mr. Eckert responded I have not checked their bank accounts or tried to run any search on their bank accounts. I know that the only land that the LLC owned was within this community and my understanding is that almost all of that land has been sold to DR Horton and other builders over a period of time. My guess is whatever they own if it is not a lot it is probably not developable and it is a strip of land that somebody has missed along the way.

Mr. Schroder stated we know for a fact that all 959 lots have been sold.

On voice vote with all in favor the motion passed.

THIRD ORDER OF BUSINESS

Presentation of Preliminary Assessment Methodology

Mr. Eckert stated Jim Perry and Dave deNagy prepared some methodology reports in connection with the underwriter based on certain assumptions and one of the assumptions was a payout of \$345,000 in deferred costs and that was at my direction to try to give the board something to consider today.

I want to speak briefly about benefit in terms of assessments as we move forward. The original engineer's reports for this district treat the stormwater management system as one complete system of improvements that everybody within the project benefits from. There are two series of bonds that were issued to finance what we call the one system of improvements. When we talked about refinancing the 2005 bonds any savings that would be generated from doing that would go to the benefit of the people who pay the 2005 assessments, which is really the original district before we added the pieces into the district. In terms of the new money to reconstruct the pond banks that need to be reconstructed for this reconstruction project as well as anything in the future the methodologies that have been presented to you spread that benefit among everybody in the community because we don't know next year when we refinance the 2006 Bonds what ponds are going to need to be reconstructed at that point in time so that gives us the most flexibility on where to employ that money we get from refinancing those bonds and also if you treat the benefit equally throughout the community it is more consistent with the original engineer's report, which is it is one system that benefits the whole community. The board is the one that makes the decision on benefit in terms of which properties benefit from the projects that you choose to undertake and the board could come up with a different way to determine benefit but we were trying in what we presented to you initially to be true to the

original engineer's report, which treated it as one system of improvements that benefits all land within the district. That is how the initial documents are but the final say is you not us. We are going to defer approval of the draft to give people an opportunity to take a hard look at them and also Rhonda is here and the assessments kind of relate to the financing too and I would like her to speak for a little bit about that. But items 3, 4, 5, and 6 we are going to defer until our next meeting. We are going to talk about whether you want a special meeting between now and the 27th or just deal with all of this on the 27th. I'm not prepared as your counsel to say you should proceed on adopting the assessment methodologies or resolutions today just because of the timeframe within which you have received them, which has been within the last 24 hours.

Mr. Schroder stated I thought a lot about this and I think all the lots are benefited because it is one system. To me it clearly ought to be spread equally among the 959 lots.

Ms. Venezia stated I agree because everyone in here is a community and everyone benefits by the stormwater management.

Mr. Schroder stated that is consistent with the initial assessments.

FOURTH ORDER OF BUSINESS

**Consideration of Resolution 2015-05, 170.03
Declaring Assessments**

This item deferred to the next meeting.

FIFTH ORDER OF BUSINESS

**Consideration of Resolution 2015-06, 170.07
Setting Assessment Hearing**

This item deferred to the next meeting.

SIXTH ORDER OF BUSINESS

**Consideration of Forms of Mailed and
Published Notices**

This item deferred to the next meeting.

SEVENTH ORDER OF BUSINESS

**Update on MBS Capital Markets, LLC
Regarding Financing**

Ms. Mossing stated the board has made several decisions today that have given us some direction now that we can move forward in putting together a structure for your refinancing. The first decision was the settlement of the deferred costs, which allows you to do the refunding concurrent with the issuance of new money. Prior to today you couldn't do that so you were only looking at a new money issue and if you were only doing a new money issue then you may

have only been looking at a bank loan because of the size of it then you have limitations with a bank loan in that banks aren't willing to loan you money for 20 or 30 years most banks are limited to a ten year term and that would have made your annual assessment much higher if you only had a ten year term than they would be if you went out 20 or 30 years. Your cap is 30 years if you do a public financing. In the numbers we are proposing in the two methodologies before you today in the A-2 Bonds, which is your new money proposal for your bank restoration program that amortization is over 30 years, which is your cap and that is going to keep your assessments the lowest on a per unit basis. We are doing that concurrent with your refunding, which we can do now that you are proposing to settle the deferred costs and we are doing that one over 20 years because that is the remaining life on your existing bonds so we are not extending the life of your existing bonds we are keeping that maturity exactly the same. We are proposing to refund it at a lower interest rate and it appears that you are going to save about \$2 million in interest doing the refunding based upon conservative market rates today and we think when we go to price it if the market remains the same as it is today we would probably do even better than that. Doing the two together at the same time you will have the same cost of issuance as if you had done just the new money but you are saving the cost of issuance by blending those costs over both bond issues at the same time.

Mr. Eckert stated the number we are using is the \$1.6 million in construction costs that was in the engineer's report that we used for validation. We are very hopeful that the bids will be significantly less than that number but we always have to go on the high side until we refine it down to the correct number. Unfortunately the timing probably won't work out but we are going to get the bids in the 27th of this month and our next meeting is the 27th but we are not going to have time to run reports between now and then. You can stretch it out so you get the costs in then rerun the reports based on the actual numbers plus whatever contingency that Preston thinks we need to have in there for some of the other issues. The problem is if you keep stretching that out you are going to be doing construction in the wet season, which is not what you want to do. You are probably going to over notice people on what their assessment increase would be but it gives you the flexibility to deal with it in a more timely manner.

Mr. Schroder stated we need to move as aggressively as we can. I had a conversation earlier with Dave and Rhonda about the notices. I suggest we mention the annual increase first

rather than the 30 years, the numbers are the same but they need to clearly understand that it is only this much per year.

Mr. Eckert stated we will work with you on the notices. The notices right now contain what the two different statutes that apply to us require, we can always add more, we can move stuff around, we just can't delete content from the notices.

NINTH ORDER OF BUSINESS

Discussion of Deadlines for Fence Removal

Mr. Eckert stated the timeline I put together was intended to make sure that when we issued a notice to proceed to a contractor around the first of March that we didn't have any obstructions in the contractor's way to perform the work. There were early deadlines for removal of fences and obstructions in our easement areas and my understanding is that Dave has received many calls related to that most of which have been people who want to be cooperative but don't want to have their fence down for longer than is absolutely necessary. That is a legitimate request but at the same time if we get to a point where we are working with the contractor and say proceed and we have someone saying they are not taking their fence down take me to court we are going to have a delay in getting the work done while we fight through that issue. Those are the two interests that are balancing against each other and we wanted to bring that to the board's attention and find out what dates you want us to firm on in terms of the removal of obstructions that are in our way to do the work.

After further discussion by the board and residents the timeline for notice to residents and selection of a contractor was as follows: Receive bids on the 27th, have another RFP committee meeting and another board meeting on February 2nd or 3rd depending on the availability of the RFP committee members.

TENTH ORDER OF BUSINESS

Consideration of Financing Program

This item deferred to the next meeting.

ELEVENTH ORDER OF BUSINESS

Supervisor's Requests and Audience Comments

Mr. Longstretch stated I noticed a lot of trees that are pretty close to the edge of the embankment and I understand part of the remedy to the problem in addition to drainage in the middle of the yard is a french drain that usually requires trenching and that is going to trash any

of those tree's root systems pretty badly. Be prepared that some of those trees even though you try to work around them aren't going to survive.

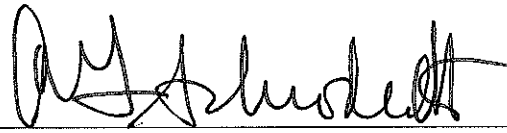
TWELFTH ORDER OF BUSINESS

**Next Scheduled Meeting – January 27, 2015
at 6:00 p.m. at the Murabella Amenity
Center**

Mr. deNagy stated our next meeting will be January 27, 2015 at 6:00 p.m, the pond bank reconstruction RFP committee meeting is at 1:30 p.m. January 27th at the GMS offices and that is the bid opening.

On MOTION by Mr. Quinto seconded by Mr. Labanowski with all in favor the meeting adjourned at 3:35 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman