

**MINUTES OF MEETING
WENTWORTH ESTATES
COMMUNITY DEVELOPMENT DISTRICT**

The Regular Meeting of the Wentworth Estates Community Development District's Board of Supervisors was held on Thursday, October 12, 2017, at 9:00 a.m., at the TPC Tour Club, 9800 Treviso Bay Boulevard, Naples, Florida 34113.

Present and constituting a quorum were:

Joseph Newcomb	Chairman
James Oliver	Vice Chairman
Paul Zotter	Assistant Secretary

Board members absent:

Russell Smith	Assistant Secretary
David Negip	Assistant Secretary

Also present were:

James Ward	District Manager
Greg Urbancic	District Attorney

Audience present were:

J.W. Howard	Morgan Stanley
Brett Sealy	MBS Capital Markets

1. Call to Order & Roll Call

Mr. Ward called the meeting to order at 9:00 a.m., and roll call determined all members of the Board were present with the exception of Supervisors Smith and Negip.

2. Consideration of Minutes: August 10, 2017

Mr. Ward stated copies of the minutes had been previously distributed and asked if there were any additions, corrections or deletions. Hearing none, he called for a motion.

Motion was made by Mr. Zotter and seconded by Mr. Newcomb to approve the minutes, and with all in favor, the motion was approved.

3. Discussion of the Refinancing of the District's Series 2006A Bonds

Mr. Ward stated as a result of the discussion of refinancing at the last Board meeting, he had asked MBS Capital Markets and Morgan Stanley to provide credentials with respect to handling the refinancing of the bonds. Mr. Ward said in order to hear a financing proposal correctly, SEC regulations required an underwriter be retained in order to listen to the proposals. He said the alternative procedure would be to retain an outside financial consultant who could prepare the proposal for the Board, and then an underwriter could be obtained.

Mr. Ward continued in his opinion the retention of a financial consultant was not worth the additional expense at this point in time. He said he would advise the Board to listen to the two proposals before them; and if they desired, he could request other underwriters with whom he was familiar to present proposals also.

Mr. Ward introduced Mr. Sealy to present his proposal.

Mr. Ward explained that the Sunshine Law permits anyone to be in the meeting room during an open noticed meeting, usually however, when professionals are making presentations, they may excuse themselves from the room during the other professionals presentation. Mr. Howard indicated that he would leave the room while Mr. Sealy was presenting, and vice versa, as a professional courtesy.

Mr. Sealy began by saying he was a managing partner of MBS Capital Markets, which was headquartered in Florida. He said his firm had specialized solely in Special Tax District Finance for the last 30 years. Over the past six years, he stated MBS Capital Markets had underwritten over \$2 billion in tax exempt bonds specifically for Florida community development districts. He then gave some figures regarding his firm's experience as the leader in Florida for special assessment CDD finance transactions. He stated they had represented 136 separate transactions since May of 2011.

Mr. Sealy stated prior to 2011, he and his partners ran the Special District's Finance Group, an organization known as Prager, Sealy and Company. He said this company

had underwritten \$11 billion of tax exempt bonds specifically for Florida CDDs, representing over 700 transactions.

Mr. Sealy was asked what caused him to leave Prager. He responded there were two sides of the business: the west coast run by Prager and east coast run by Doug Sealy, Brett Sealy's father. He explained these two sides of the business were quite different and so amicably decided to split.

Mr. Sealy was asked what the source of his funds were to do the bonds, and he responded it was his own source.

Mr. Sealy continued his goal was to tell them what his company could do and deliver. He added the fact of the matter was his firm had cleared the market on \$2 billion in the last six years. Therefore, he said there was no doubting their distribution network, capabilities or capital structure.

Mr. Sealy explained various aspects of the written proposal before the Board beginning with Page 4. He was asked to explain what happened between 2016 and 2017. Mr. Sealy responded deals come in cycles and sometimes it took as much as 5 years to complete a project. He said currently there was \$500 billion of engaged forward twelve month business, and the timing in a particular year or cycle would affect whether there was a \$500 billion year or a \$7 million year.

In response to a question about business being done in Collier County, he said the developers were varied and not one particular client. He said in an effort to be transparent, his firm had provided a refinancing specific list on special assessment deals. He said information about his and his competitors businesses was a matter of public record, and he added Morgan & Stanley's experience was primarily on the finance side was limited to recreational revenue bonds and utility bonds.

Mr. Sealy continued his firm had experience with every possible refinancing structure for special assessment deals, and he listed those and said this was evidence of his firm's willingness to commit the resources to achieve the best result.

Mr. Sealy said his firm had already done the credit work for the District. He said this was done before a proposal was put forth. He said his firm was ready to submit today, and Assured Guarantee had already done a site visit. A discussion ensued concerning which recent CDDs had been refinanced and the savings which had resulted. Mr. Sealy stated based upon their credit work, he said this CDD's deal lined up very similar to a number

of others. He said there would be two series of bonds structured senior subordinate so that 100% of the cash flow would go to the senior until fully paid and then to the subordinates. He said this allowed for every landowner in the District to share equitably in the annual reduction. A discussion ensued of the structure which would be used.

Mr. Sealy was asked what type of information he needed to get to this point. He responded the tax roll was the big piece. He said his company went through the county's GIS as well as the appraiser system to extract assessed values. He said at the end of the day, his firm had to sell bonds. He said the whole key to getting the deal done was getting the rating and credit enhancement.

Mr. Sealy said his firm has vast experience in terms of helping Districts like Wentworth Estates which have not reached full credit maturity.

Mr. Sealy repeated the credit package was done and was ready to be shipped to the rating agencies and a handful of banks which would do a 20-year deal as well as the bond insurers.

Mr. Sealy was asked if it would be beneficial to wait until the District was fully developed. He responded waiting was certainly an option, but then the District would be subject to interest rate risk. He said there was a 70% chance the rates would be raised in December.

Mr. Sealy said his firm would pay for the cost of getting the rating and the insurance, and this would cost \$10,000 to submit. He said they may end up submitting many times. He said his firm bore the risk.

Mr. Sealy was asked at what level of community ownership it made sense to do the refinance. Mr. Sealy responded generally when the community was in the 5¼% to 5¾% original interest; 70% was needed. He said this would generally generate somewhere about 10% annual reduction. He said other factors come into play, and those were discussed.

Mr. Sealy was asked from the research he had done, did the numbers make sense and would there be a savings to the residents. He said he could not make any recommendations, but what he could say from his research was he would not be there if there was not a level of savings commensurate with a number of other districts which had proceeded with refinancing.

Mr. Ward stated if the Board retained the underwriter, they had the ability to decide to move forward or not, and if not, they could then terminate the agreement at no cost to the Board.

Mr. Sealy said if the Board felt his company was not going to get the level of savings it wanted, there was no deal.

Mr. Sealy was asked to explain his fee structure. He responded his firm received a percentage of the principal amount of the bonds issued, typically 1 ½ %. He said the agreement before them was 1% to be competitive.

Mr. Sealy summarized his firm's accomplishments, and answered questions about his fee. He was asked to elaborate on what a senior subordinate structure was and he did so. He also stated as a stand-alone senior only, the stress tests which S&P ran through for their credit requirements would not be met. He said his firm structures around the ability to meet these stress tests. A discussion ensued about the risks of certain types of property owners and how this affected the finance structure.

Mr. Ward was asked what the balance was for the District, and he responded approximately \$25.4 million.

Mr. Sealy was asked if the District would increase the principal to absorb the fees, and he responded affirmatively. He said it was prohibited under Florida law to extend the maturity, and the bonds were originally structured with 30 installments. He said to the extent that the principal assessment was being increased even though the annual debt service would come down, mail notices were required to be sent to every affected landowner and a public hearing would be held.

A comment was made to verify the District would owe more but pay less, and Mr. Sealy explained further. A discussion ensued among the Board members concerning this issue.

The Board thanked Mr. Sealy for his presentation.

Mr. Ward called for a five-minute break.

Following the break, the meeting continued at 9:48 a.m. Mr. Ward introduced Mr. J.W. Howard from Morgan Stanley.

Mr. Howard began his presentation by providing a written summary of his firm's qualifications. He complimented the work of MBS Capital Markets saying they were good at what they did. Mr. Howard said his company was committed to presenting the Board with a great option, and he said he was grateful for the opportunity.

Mr. Howard continued his company had entered into a joint venture with Citigroup, which had much experience in this field, and so their proposal was offering the best prices and execution for their bonds. He said refinancing of bonds was about distributing the bonds at the best possible price.

In referring to his proposal, Page 2, he said the benefit of the joint proposal was the exceptional team, who had a deep understanding of the capital bond market and structuring community development districts and Special Assessment Bonds. He said between the two firms in the last three years, \$176 billion in tax exempt financing had been done. He said combined experience over \$10 million in Community Development Districts was \$1.4 billion. He said he had the full resources of his firm and of Citigroup, which would back the CDD. He added his company had the best in class institutional sales, trading and underwriting with 300 professionals between the two firms. He said his firm was engaged daily with the tax exempt market. He said Morgan Stanley's average inventory per day was \$2.8 billion, and this meant the Board would be engaging with investors. He said he thought his firm would be able to market the District's bonds at a favorable price.

Mr. Howard stated Morgan Stanley had over 15,000 financial advisors, and Citigroup had over 9,600. He said Page 3 contained their commitment and guaranteed full transparency. Mr. Howard stated his firm would provide one of the best opportunities to get a low cost capital distribution and was committed to the Naples community. He also said if there were individuals in the local community who wanted to participate in these bonds, his firm had the ability to help them purchase the bonds through either a Morgan Stanley or Citigroup account.

Mr. Howard said in conclusion he was personally motivated to get this done for them. He had been in the business for 27 years, since 1990, and had done all types of tax exempt financing. He covered the state of Florida for Morgan Stanley and lived in Weston. He said he respectfully asked for their vote of confidence for his firm.

Mr. Howard was asked how much time he had had to prepare for the proposal. He responded last week on Tuesday he was contacted. Mr. Ward apologized for not

making him aware sooner. Mr. Howard said he was still very prepared, and it was not a problem.

Mr. Howard was asked if the Board engaged him, how much time would it take to get the package together. He responded Mr. Ward would have to put together the legal team, and his firm would be ready by then. He said it would be the speed of the legal team and the amount of disclosure which had to be put together. He said he would work closely with Mr. Ward and the bond counsel. He stated his firm was currently working with Florida Gulf Coast University, where his firm had been hired in August and would be pricing the end of October.

Mr. Howard was asked if his firm would be able to absorb the bond counsel cost. He responded bond counsel was the District's counsel. Mr. Ward confirmed this, and Mr. Howard stated he had underwriter's counsel.

Mr. Ward explained the direct costs to the District would be his fees, Mr. Urbancic's fees, bond counsel, trustee's counsel, and the underwriting fee itself.

Mr. Howard was asked how much Morgan Stanley was focusing on Florida. He responded Florida was one of the biggest municipal holdings for retail accounts. He said he would deliver the whole firm to the District and he had gone through the assessment rolls for the District and looked at them and analyzed them line by line to see what the percentages were. He said he could not show them the results because his company had not been engaged yet. He said he knew the savings would be good. He thanked the Board for their attention.

Mr. Ward directed the Board to consider the two proposals. He reiterated the Board had the option to hire a financial consultant, but he felt the two presenters knew what they were doing.

The Board began discussion, and it was said this transaction should not be rushed even though the interest rates could go up, and either firm could get the job done, but possibly other proposals should be considered.

In response, the point was made that probably any new proposals would be about the same, and in going through the proposals carefully, he would vote for Mr. Sealy's firm. He said he liked his presentation and demeanor. He said he had no concerns about engaging either firm, but he was concerned about waiting longer.

Mr. Ward stated the interest rate was the biggest risk. He said the best structure of the bonds was the senior subordinate type. He said the waiting time would be helpful because it would give Lennar more time to sell more units, and thereby, reduce the senior subordinate structure. He added even if the process was begun today, it would not be completed until January.

Mr. Ward was asked if ultimately the bonds would be priced at the time they were distributed. So if the refinancing was ready in January, the pricing would be based on whatever Lennar could get sold by December and whatever the interest rate would be.

A comment was made that if money can be saved, there would be no reason not to, especially if interest rates might go up. The District would be saving a couple million dollars, and so the decision should be simple.

It was pointed out that there was a termination right, which said if the Board did not like the deal, it could be terminated.

Mr. Ward was asked if he had dealt with Sealy before, and he responded that he had. He added he had done \$3 billion in financing in his career, much had been with Prager Sealy and then MBS Capital Markets. He stated they were good to work with.

A comment was made concerning the offer to sell bonds to friends and family. Mr. Ward provided in his experience, this was not unusual.

Mr. Ward said the choice was the Board's. He was more concerned with the attorney chosen because that was who he would work most closely with. It was said there were not too many attorneys who did this work.

A discussion continued of the savings which would be realized and being able to explain this to residents who might ask how this was calculated. Mr. Ward mentioned there would be a public hearing which would be well attended, and Mr. Ward, Mr. Urbancic and the underwriter would answer the residents' questions.

Mr. Ward asked for a decision between the proposals. Each member weighed in with his final choice.

A discussion of approximate final costs ensued, which totaled \$200,000.

Mr. Ward was asked what risk was involved in this refinancing. He responded the risk was if it was decided to not go forward after the work was done, the District would then be required to pay fees of approximately \$100,000.

Mr. Ward said after an underwriter was chosen by the Board, the next step would be to listen to a presentation of the financial side of the transaction and then decide if they wished to refinance.

Mr. Ward stated firms which did this type of work were well regulated by the SEC. He had not worked with Morgan Stanley, but he had worked with MBS Capital Investments, FMS Bonds, and others. He commented they were all good.

Mr. Zotter commented the decision came down to whom they wanted to deal with, Wall Street or somebody local.

Motion was made by Mr. Zotter and seconded by Mr. Newcomb to accept the underwriting agreement of Brett Sealy with MBS Capital Markets, and with all in favor, the motion was approved.

Mr. Ward stated the other professional who would be needed was a bond counsel, and this did not need to be done today, but he would reach out to some he knew, including Denise Ganz with Greenspoon Marder, and Bob Gang with Greenberg Traurig. It was noted both were familiar with the project. He gave a brief history of experiences with both.

Mr. Ward was asked when Lennar's year ended, and he responded November 30, and that would be helpful timing wise.

Mr. Ward informed the two presenters of the Board's decision.

4. Staff Reports

- i) District Attorney – No report.
- ii) District Manager

Mr. Ward stated as a governmental body, the Board hired three professionals: Mr. Ward as District Manager, a District Attorney, Mr.

Urbancic and a District Engineer. He reported the District's Engineer was a firm called Stantec, located in Naples. He noted that a few months ago the board had asked for a map of the infrastructure and attempting to get this done by Stantec had been difficult.

He also noted that he had heard from other's that Stantec was not interested in providing services to CDD's on an on-going basis. As such, he requested the Board to authorize the retention of a different engineer on an interim basis while Mr. Ward issued a request for proposals for hiring a new engineer. He said this would take 30-45 days to complete this process.

Motion was made by Mr. Newcomb and seconded by Mr. Oliver to issue a Request for Proposals for an engineer as discussed above, and with all in favor, the motion was approved.

5. Audience Comments and Supervisor's Requests

Mr. Zotter was asked about emails received concerning flooding in Bella Firenze, which was the result of storm drainage issues. He asked that some follow up be done by the Board and Mr. Ward to be sure of what the agreement was and their responsibility in the issue.

Mr. Ward responded there would be no cost to the District as the agreement required the HOA to maintain and operate the storm drainage system.

6. Adjournment

Motion was made by Mr. Oliver and seconded by Mr. Zotter to adjourn the meeting, and with all in favor the motion was approved.

The meeting was adjourned at 10:40 AM.


James P. Ward, Secretary


Joseph Newcomb, Chairman