

**MINUTES OF MEETING OF HERITAGE HARBOUR NORTH
COMMUNITY DEVELOPMENT DISTRICT**

The Regular Meeting of the Heritage Harbour North Community Development District's Board of Supervisors was held on Thursday, March 2, 2017, at 2:00 p.m., at the River Strand Golf and Country Club (Clubhouse), 7155 Grand Estuary Trail, Bradenton, Florida 34212.

Present and constituting a quorum were:

Terrence Kirschner	Chairperson
Nancy Lyons	Vice Chairperson
John Wisz	Assistant Secretary
Pauline Tasler	Assistant Secretary
Mike Fisher	Assistant Secretary

Absent was:

None

Also present were:

James P. Ward	District Manager
Greg Urbancic (on phone)	District Counsel
Jonathan Hartness (on phone)	Carr Riggs & Ingram
Denise Ganz (on phone)	Bond Counselor, Greenspoon Marder
Brett Sealy	MBS Marketing

Audience present were:

None

1. Call to Order & Roll Call

Mr. Ward called the meeting to order at 2:20 p.m., and roll call determined that all members of the Board were present.

2. Consideration of the Minutes of the February 2, 2017 Regular Meeting

Mr. Ward asked if there were any additions, corrections, or deletions to the minutes. It was suggested Page 2 of the minutes should read credit "improvement" rather than credit "return." With that correction, Mr. Ward asked for a motion to approve the minutes as amended.

Motion was made by Mr. Fisher and seconded by Ms. Tasler, to approve the February 2, 2017 minutes as amended, and with all in favor, the motion was approved.

- 3. Consideration of Resolution 2017-3 Accepting the Certification of the District Engineer that the Series 2007 Project as Complete; Declaring the Series 2007 Project Complete; Finalizing the Special Assessments Securing the District's Series 2007 Special Assessment Bonds; Providing for a Supplement to the Improvement Lien Book; Declaring that Certain True-up Obligations Remain the Same; Providing for Severability, Conflicts and an Effective Date**

Mr. Ward stated that when bonds were issued, there is a provision under the statute where the Board went through the process and said the project was deemed complete. He said that a completion certificate was codified in resolution format and adopted by the Board. The exhibit to the resolution was the engineers' certificate saying the project was complete. Mr. Ward said this resolution basically deemed the project completed.

He said that in the original issuance of the bonds there was what we refer to as a deferred cost concept which meant that as money was released from the reserve account, the developer had the ability to acquire those funds from the acquisition by the CDD of additional facilities that have not been constructed from those excess proceeds in the reserve account. He added the completion certificate basically said that the project was complete for purposes of construction of the facilities that were required to be constructed pursuant to the engineers' report, and it moved those deferred cost monies into a redemption account, or in this instance, would be used toward the refinancing of the District's bonds. He said the District would get, as a part of the closing with Lennar, a certificate that indicated that there were no further obligations that could be considered redeemable pursuant to the deferred cost concept. He said the Board releases Lennar and Lennar releases the CDD and their obligations to complete the project pursuant to the acquisition agreement were, in fact, completed also.

Motion was made by Ms. Lyons and seconded by Ms. Tasler, to approve Resolution 2017-3 as described above, and with all in favor, the motion was approved.

- 4. Consideration of Resolution 2017-4 Authorizing the Issuance of Its Not Exceeding \$20,895,000 Capital Improvement Revenue Refunding Bonds, Series 2017, the Proceeds of Which Will Be Used, Together with Other Legally Available Funds of the District, to Refund and Redeem the District's Outstanding Capital Improvement Revenue Bonds, Series 2007, Fund the Series 2017 Reserve Account Requirement for the Series 2017 Bonds, to**

the Extent such Series 2017 Reserve Account Requirement Is Not Satisfied by a Reserve Account Insurance Policy, and Pay Costs of Issuance of the Series 2017 Bonds, including Payment of the Premiums for a Municipal Bond Insurance Policy and/or Reserve Account Insurance Policy, if Deemed Necessary and Appropriate as Provided for Herein; Providing for the Refunding and Redemption of the Outstanding Series 2007 Bonds; Providing for the Application at the Time of Issuance of the Series 2017 Bonds, of Certain Monies Held in the Funds and Accounts for the Series 2007 Bonds; Approving the Form, and Authorizing the Execution, of an Escrow Deposit Agreement and Appointing an Escrow Agent thereunder; Approving the Form of a Second Supplemental Trust Indenture in Connection with the Series 2017 Bonds and Authorizing the Execution and Delivery thereof; Appointing a Trustee, Paying Agent and Bond Registrar for the Series 2017 Bonds; Authorizing the Application of the Proceeds of the Series 2017 Bonds; Providing for Redemption of the Series 2017 Bonds; Providing for Redemption of 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 and to Determine whether to Obtain a Municipal Bond Insurance Policy and/or Reserve Account Insurance Policy for the 2017 Bonds; Approving the Form, and Authorizing the Use, of a Preliminary Official Statement for the Series 2017 Bonds; Approving the Distribution of a Final Official 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; Providing for Severability; and Providing an Effective Date

Mr. Ward said this was the most important item on the agenda today and was consideration of Resolution 2017-4 which authorizes the issuance of the Series 2017 Capital Improvement Revenue Bonds. He indicated Ms. Denise Ganz, Bond Counsel with the firm of Greenspoon Marder, was on the phone, she and her colleagues had prepared the resolution and she would go through it with them. He said the form of the resolution had changed based upon some of the financing structure and Brett Sealy would go through with the Board some of the financing details.

Ms. Ganz said the resolution would allow the Board to move forward to accomplish the refunding of the outstanding 2007 bonds and to put into place all of the authorizations that were needed subject to certain parameters that were set forth in the resolution. She stated the resolution authorizes the issuance of refunding bonds to be issued sometime in the next month or so. She explained the parameters that were set forth in Section 7 must be established for the bonds to be issued. Other than that, the resolution approved the form of the supplemental indenture that had the details of the refunding bonds and contemplated that the refunding bonds would be issued in two series, provided for the new bonds to have their own redemption provisions established,

provided for the proceeds of the new bonds to be applied in connection with the refunding of the 2007 Bonds together with other monies that were already held by the trustee. She added it authorized them to seek an investment grade rating for the senior bonds; it approved the form of a preliminary official statement; it authorized their team to seek insurance on the senior bonds and/or an insurance policy that would be placed on the reserve account for the senior bonds in lieu of making a cash deposit.

[Mr. Kirschner left the meeting.]

Ms. Ganz continued and said it included a form for the continuing disclosure agreement. She said approving the resolution gave the ability to move forward to complete the bond transaction by the end of this month or early April. She added for the record that this resolution also approved a form of a bond purchase contract to MBS Capital Markets.

A Board member asked Ms. Ganz what the changes were in the revised document they had just been given. Ms. Ganz responded that the changes were sprinkled throughout the document, but they had one purpose, which was to provide for the bonds to be able to be issued as a senior lien issue and as a subordinate lien issue and to clarify that the rating and the insurance would be on the senior lien piece not the subordinate piece.

Mr. Sealy said as they were working with the rating agency on the rating, it became clear to them that if they modified the proposed structure of the bond slightly, it would have a better economic result as related to the proposed refunding. When the numbers were calculated, Mr. Sealy said they had assumed the District would achieve a rating in the BBB category and with hopes of getting into the A category. He said the blended rate of the senior subordinate would be a lower rate than a stand-alone deal. He said to the extent they could obtain bond insurance on the senior component, the bonds could price to AA minus. He said their efforts in modifying the structure have been to create a better economic result for the District. He said he looked at the potential Fed rate increase in March, and if for nothing else, this would be a hedge. He said in summary, they were going through the process as a modification in order to create a better economic result, and they had employed this structure for a number of other CDD refinancing. He assured it would not slow them down.

One of the Board members asked what the cost of the deal would be. Mr. Sealy said he would run an analysis at the time that they received the rating, the pricing on the insurance commitment and the pricing on the proposed surety bond for the reserve fund in lieu of a cash funded reserve. He said to the extent that there was no benefit to utilizing the credit enhancer, the insurance or the surety bond, they would not do so.

Mr. Sealy was asked what was left to build. He said 3.6%, and with the rating agencies, you have to overflow every bucket. He said there were units under construction, and they would keep adjusting the percentage until the last available day.

Ms. Ganz added that they had made one clean-up change in one of the parameters on the underwriter's discount.

Mr. Ward asked Mr. Sealy about the timing of this transaction. Mr. Sealy said he would know within a week what the rating, cost of insurance and surety bond would be. He said they would mail an offering document by March 14, 2017, and close by March 27, 2017.

Mr. Ward asked for further questions and complimented Mr. Sealy's firm for their amazing job and asked for a motion to adopt the resolution.

One further question was asked concerning if there was a floor on what they would accept. Mr. Sealy said right now there was a place holder in the delegation resolution that required a minimum of 10% annual debt service reduction in order to proceed. He said last meeting they were projecting 19%, and they were still in about the same place.

Motion was made by Mr. Wisz and seconded by Ms. Lyons, to adopt Resolution 2017-4 as described above, and with all in favor, the motion was approved.

5. Consideration of Acceptance of the Audited Financial Statement for the Fiscal year ended September 30,2016

Mr. Ward introduced Jonathan Hartness who highlighted the audit by beginning with the report of the audit which said they gave a "clean" opinion on the financial statements, an unmodified opinion. He said the audit went very smoothly, and there were no issues and no material judgements proposed. He pointed out some items on Page 12. All items were in order and as they should be.

Mr. Ward stated there were no questions from the Board, the report had been filed as a matter of law with the appropriate regulatory agencies, and called for a motion to accept the Audited Financial Statement.

Motion was made by Ms. Lyons and seconded by Mr. Fisher to accept the Audited Financial Statement for Fiscal Year ended September 30, 2016, and with all in favor, the motion was approved.

6. Staff Reports

- a. **Attorney** – Mr. Urbancic reminded the Board to be cognizant of public records requests. He said if they do receive a request, to let him or Mr. Ward know so they can respond. He said for them to be aware if they receive a request for a document related to a CDD that they may constitute a public records request and must be responded to.
- b. **Engineer** – Mr. Ward said there was no report.
- c. **Manager** - Mr. Ward said he had no report

9. Supervisor's Requests and Audience Comments

Mr. Ward asked for comments from the Board, and there were none, and there was no audience present.

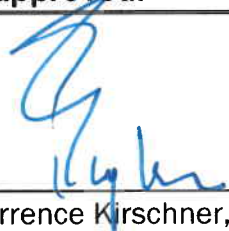
10. Adjournment

Motion was made by Ms. Lyons and seconded by Ms. Tasler to adjourn the meeting, and with all in favor, the motion was approved.

The meeting was adjourned at 2:52 p.m.



James P. Ward Secretary



Terrence Kirschner, Chairman