

**MINUTES OF MEETING
TERN BAY
COMMUNITY DEVELOPMENT DISTRICT**

The Regular Board Meeting of the Tern Bay Community Development District's Board of Supervisors was held on **Thursday, May 5, 2011, at 9:00 a.m.**, at the **office of Charlotte Engineering and Surveying, 1700 El Jobean Road, Port Charlotte, Florida 33948.**

Present and constituting a quorum were:

Matt Morris	Chairman
Neale Montgomery	Vice Chairperson
Richard Brylanski	Assistant Secretary
Mark Gillis	Assistant Secretary

Also present were:

James Ward	District Manager
Joe Menen	District Engineer
Scott Clark	District Counsel (Telephonic)
Bill Riley	CAS Asset Management
Stephen Riggs	Carr, Riggs & Ingram (Telephonic)

General Audience were:

Ceil Fillenworth	Tom Fillenworth
Bill Karlen	Kathy Karlen

FIRST ORDER OF BUSINESS

Call to Order /Roll Call

Mr. Ward called the meeting to order at 9:00 a.m. and noted, upon Roll Call, and noted that all Board Members were present at roll call with the exception of Supervisor Montgomery.

SECOND ORDER OF BUSINESS

**Consideration of Minutes of the
March 3, 2011 Regular Meeting**

Mr. Ward asked if there are any additions, corrections or deletions, it would be appropriate at this time to so indicate; otherwise, a motion for their approval would be in order.

Mr. Gillis stated I had a couple minor edits, so I could give those to you after the meeting, if you want.

Mr. Ward: That's fine

Mr. Brylanski asked Mr. Gillis if the change was on page four.

Mr. Gillis indicated that it was.

On MOTION by Mr. Gillis and seconded by Mr. Brylanski with all in favor, the Minutes of March 3, 2011, were approved as amended.

THIRD ORDER OF BUSINESS

Consideration of Acceptance of the Audited Financial Statements for Fiscal Year 2010, which covers the period October 1, 2009 through September 30, 2010

Mr. Ward stated the third item on your agenda is the consideration of the acceptance of the audited financial statements for Fiscal Year (FY) 2010, which I did on September 30 of 2010. Stephen Riggs with the auditing firm of Carl, Riggs and Ingram is on the phone with us today, and he's responsible for the preparation of the financial statement, and I'm going to ask him to take a few moments and go through those with you, and then answer any questions or comments that you may have with respect to those audited financials.

Mr. Riggs stated that I believe in your audit package you have a copy of the September 30, 2010, financials. If you'll go and turn right past the table of contents is our opinion letter. The report we gave was a clean audit opinion. We did have on the fourth paragraph an emphasis of matter, just pointing out to you that the original developer had abandoned the project, and it's caused a lot of financial difficulty for the District.

Pages two through six are our management discussion and analysis, summarized financials; you'll see a little discussion of what's going on with the District.

Mr. Ward: Stephen, can I interrupt one second; the record will reflect that Supervisor Montgomery has joined us. We are on item three, the audited financial statements; just got started. Go ahead.

Mr. Riggs stated I'm just going to direct you to page two real quick, at the very top: financial highlights. The most significant thing going on from an auditing perspective is, again, that the original developer abandoned the project and, since that time, the District has levied over \$11 million, all of which remains unpaid and unlikely to ever be paid. The second paragraph under financial highlights is associated with capital project fund monies being used to operate the District, and at September 30, 2010, you have used approximately \$1.3 million associated with these funds.

On pages seven and eight, again, those are government-wide financial statements, because these statements are on two different basis of reporting, I believe it's more useful for the Board to try to look at page 9 at which time. I think you will recognize it as a balance sheet at the fund level. If you look at the balance sheet, you can see in the General Fund, the Debt Service Fund, we have a pretty significant deficit, obviously caused by the lack of collectability of assessments.

The Capital Projects Fund does still have some remaining cash in it, so it does have about a \$4 million Fund Balance but that is a little depleted because of where the projects stand. Again, currently, the bondholders and the trustees are using portions of these funds to operate the District, and will continue to allow that to happen until they decide what they want to do. On page 11, this looks like our income statement; again, you will see in revenues there's hardly anything. At expenses, you can see that we have some pretty significant expenditures. Especially in the Debt Service Fund; now we do not actually pay these amounts. They are amounts that came due in the current year that remained unpaid, so that is how we got such a large deficit balance in the Debt Service Fund.

Below expenditures, again, you can see where we took \$160,000 out of the Debt Service Fund and moved it over to Capital Projects; part of the trustee for use to operate the District. Notes start on page 13. Note one is very standard language of the nature of the organization. Same thing on Note 2, which is significant accounting policies. I believe in the note that starts on page 18 with note three, and it will give you a summary of your investments, credit risks and the actual maturities. Four is capital assets and, as you can see, there were no additions, and the project is currently on hold.

Let's move over to page 19, which gives a little more discussion on the original information of the project and the current time is unknown. Note five is the bonds payable;

you get a lot of detail there on issuance and terms and all that. The most significant paragraph is the third paragraph on page 19 underneath bonds payable. It's letting you know that the requirement has not been met for the Debt Service Fund reserve requirement, due to the fact that those funds were used, originally, to either pay partial payments of principal from money out of the Debt Service Fund for the general operations.

Let's go to page 21. This note is on related party transactions. Again, it's a little weird, because the original developer is no longer involved, so we didn't want to highlight that properties that were previously owned by the original developer are now owned by other entities, and they were assessed in the current years at approximately \$700,000 and \$3.4 million, in the General Fund and Debt Service Fund. Last year, there was about \$7.1 million that has not been paid; that jumped up to over \$11 million in the current year. On note nine, concentration, again, we just kind of go into a little more detail on the status of the project and the adverse effect that it has on the District.

Note ten is the contingencies. There is a vendor out there that has come up for some litigation, and I understand that the District is aggressively defending against that liability. Note 11 on page 21 and note 12 on page 22, all we're doing there is just pointing out the interfund balances and interfund transfers of the District. Now if you go to page 23 that is the budget to actual comparison schedule and, again, this common theme for Tern Bay right now, where we have an original budgeted amount, and collect a very small fraction of that. Likewise, the District Manager has been trying to spend as little money as possible until the District is in better shape.

Page 24 and 25, this is the report on internal control; there was no deficiencies in internal control for the District. At the bottom of page 24, you'll see compliance and other matters; and moving onto page 25, it highlights the other compliance-type issues, and one of the compliance-type issues is the District has used its Debt Service Fund and your reserve requirements for uses that had not been originally set up.

Page 26 and 27, this is our Florida Auditor General Report; 26 is rather benign, there's no comments in there, it's just standard language. On 27, in the second and fourth paragraph, we have to report to the Auditor General the financial condition and any other significant issues. So, basically, just summarize some of the things I already briefly discussed in the notes. Lastly, I believe behind part of the financial statements, you have

another letter in there that we're required to give to the Board called "Communication with Those Charged with Governance." I have already discussed or highlighted all the issues that we have in this letter. Then we're required to put together another letter to let you know the significant items for the District. With that, Jim, I'll open it up to you, the Board or anyone else if you have questions.

Mr. Ward asked if there any questions from the Board? Steve and I did not put the SAS 114 letter in there, but I'll send it to you separately. It basically says exactly what all the other Board letters say.

Mr. Riggs stated I have the option of verbally or in a letter; I kind of do them both. You've got the verbal version of it, and there's nothing in that letter that I did not say.

Mr. Ward stated from my perspective, there's only two things I'll highlight to you. I spent a significant amount of time with Steve in this past audit season putting these in a format that I think is much more consistent with what this District looks like. But there are two things in here that I still think we will work on for the audit year that's coming up September 30 ending. One is on page seven, and that deals with the fact that we're showing roughly \$448,000 as a payable in Capital Projects, and those are old vendor invoices that had been submitted to the district probably three or four years at this point, one of which happens to be the Ryan Golf matter. But we'll need to take a closer look at that and make a determination as to whether or not those are still even reasonable to show on our books. I don't think anybody has ever looked at any of those requisitions to make the determination.

The other one I wanted to point out is on page 18, I believe, in the capital assets note. At the very bottom of that page there's a paragraph that talks about what we call impairment of the assets. What that is indicating to you is that, of the \$45 million in infrastructure that has been put on the books, there has really been no determination made as to whether or not any of those assets should be written down, any of the value of those assets should be written down because of what has occurred in this project over the last couple of years.

Ms. Montgomery stated yes, somewhere in here explains, I think, that that's because it's not finished.

Mr. Ward stated it's not finished, so I think that's probably an important point to make in these audited financial statements, that we need to just leave it here as is, but at some point there may be what we call an impairment value taken, which means we'll reduce the value of the assets on the District's books below the \$45 million based upon what happens as we move forward. But those are the only two things I wanted to point out to you.

Mr. Ward asked if there are no other questions from the Board? Any questions from the audience? They'll be filed as a matter of record with the appropriate state agencies, and the motion to accept the audited financial statements will be in order.

On MOTION by Mr. Morris and seconded by Mr. Gillis with all in favor, the Audited Financial Statements for Fiscal Year 2010, covering the period October 1, 2009 through September 30, 2010, were accepted.

FOURTH ORDER OF BUSINESS**Consideration of Amendment 1 to the Audit Agreement with Carr, Riggs and Ingram**

Mr. Ward stated Stephen, if you could just stay for this one item; it's your audit amendment, and I'll just go through that with the Board real quick.

Mr. Riggs stated sure.

Mr. Ward state item four is the consideration of Amendment number 1 to the audit agreement that we have with Carr Riggs. As I indicated to you in the transmittal letter, we bid this service a couple of years ago and authorized Carr Riggs to perform for three years at the time. There was a sliding scale rate in there from \$6,500 to \$7,500 to \$8,750 for three years. I asked Stephen if they would be willing to extend that for three more years at a reduced fee equal to, roughly, \$6,000 for the audit for the next three years, which would be a very good rate for this District. Even if we rebid it, it is unlikely we would be able to lower the fee at that point in time.

He's agreed to do that, so I thought it would be appropriate to put an amendment to the agreement on your agenda to extend the audit agreement for three years to allow them

to audit the 2011, 2012 and 2013 year ends of the District with compensation equal to \$6,000 per year, for that fixed fee. With that, if you have any questions.

Mr. Gillis stated just a minor point; should Exhibit A be attached to the agreement, because it's referenced a couple of times, like the fourth whereas. Then on the next page, number three, references Exhibit A.

Mr. Ward stated yes, we can put it in there; that would be appropriate.

Mr. Gillis stated that, I'll move the recommendation.

Ms. Montgomery stated that I just had a question when I looked at this. It seems like last year we had a lot of problems.

Mr. Ward stated I think we had more problems with Rizzetta; I had more problems with the way the books were done from Rizzetta's office than I did with Stephen.

Ms. Montgomery stated that was really the question; I know we went around and round for months and so, it was like, well, if we had all those problems, why do we want to do this again? That really is my question.

Mr. Ward stated that was the bigger issue. Stephen Riggs and the firm did an excellent job this year. I mean we went through these; these are substantially different looking and written differently than what we saw in the prior years.

Ms. Montgomery stated right, right.

Mr. Ward stated he was very helpful and considerate in incorporating all of the changes that I recommended.

Ms. Montgomery stated I just wanted to ask that question before we voted.

Mr. Riggs stated those were Rizzetta's financials, and they wanted to term things a certain way. We were able to work with Jim this year; I agree, the financials make a lot more sense, and we didn't have that issue this year, going around and around. We were able to come to terms and agree in a reasonable period of time.

Ms. Montgomery stated thanks. I mean I wasn't really necessarily picking on you. I just know we did go a lot around and round last year.

Mr. Riggs stated yes, there was a lot of around and round last year, and I think that was primarily driven by the prior management company.

On MOTION by Mr. Gillis and seconded by Mr. Brylanski with all in favor, Amendment 1 to the Audit Agreement with Carr, Riggs and Ingram with Exhibit A attached was approved.

FIFTH ORDER OF BUSINESS**Consideration of Resolution 2011-7 Approving the Proposed Budget for Fiscal Year 2012 and Setting a Public Hearing for September 1, 2011, on the Proposed Budget**

Mr. Ward stated item five on your agenda, the primary purpose of your meeting today is to start the FY 2012 budgeting process for the District. Our fiscal year starts on October 1 and ends on September 30 of the following year, and we're required statutorily to present to you a budget prior to June 15 of each year, which you are required to approve or modify. But you are required to approve a budget so we can get to the point of setting a public hearing.

The resolution that you have in front of you sets your public hearing for September 1st, 2011, at nine o'clock at the offices of Charlotte Engineering at 1700 El Jobean Road, Port Charlotte, Florida. I thought what might be appropriate is we go ahead and spend some time and go through the budget with you to get any comments, and then at the end of the discussion we simply need to move Resolution 2011-7, so we can get the public hearing part started.

I do this a little backwards simply because it's a little easier to understand when you're reading it. I'm going to start with page eight. We have what we call two funds in Tern Bay, one's the Debt Service Fund, which accumulates the special assessments that are necessary to pay the bonds, and then shows what we call the appropriation or the payment of the bonds in the current fiscal year. In grand total, there's roughly \$3.4 million in assessments that we will levy to pay the debt service associated with the bonds for next year. In Tern Bay, the only amounts that we put, what we call "on roll" or "on the tax roll" are those for properties that are not subject to the foreclosure action.

For next fiscal year, that is about \$110,000 worth of assessments that will be on the roll in order to make the debt service, and then \$3.3 million of it is off roll, or that gets billed to various property owners that are subject to the foreclosure action, which have never paid the assessments to date, and probably will not pay in the fiscal year 2012. This particular

budget is relatively easy and simple to deal with, simply because it doesn't do anything, really, other than show the debt service associated with the bonds.

There is one change that I did make in this budget, other than what you saw last year. Deals with the way the trustee handles the internal affairs of the trust accounts are they move money out of this Debt Service Fund equal to what the assessments were for those residents who have paid on the tax roll. They move that to the District's General Fund, and then they subsidize that with whatever is needed from the construction account in order to pay our total operating expenses. So you'll see in this budget, we have \$110,000 in estimated assessments that will be on roll. You'll see what we call an operating transfer out, which is the exact same number which shows how much is going to be paid to the District for operations.

That means, at the end of the day, there's really no money left in what we call the Debt Service Fund bank accounts, and you'll see even this, what we call, the Fund Balance, is roughly in a negative position and roughly \$5.4 million. So that's how this particular fund works, and it's relatively simple.

Ms. Montgomery stated I know last year, again, we had the huge issue of what's on roll and off roll, so that's solved?

Mr. Ward stated yes, that's finished. That's been completed and, yes, we know exactly what's on there now and what's not. I turn your attention back to the Capital Projects Fund, which is almost to the last page. This particular fund, you see what is proposed for the FY 2012 budget, you see the \$110,000 coming from the assessments that are levied on the roll. Then what you see is what we call a carry forward from the construction account of \$442,000; that's the deficit, the amount of money that's needed above and beyond those on roll \$110,000 assessments in order to fund the General Fund for next year.

Then down at the bottom on the right side, what you see is a cash analysis. This, for example, shows you at the beginning of the current year, we had \$3.3 million based upon what we will pay out this year and our accrued liabilities of \$448,000 that I mentioned to you during the audit presentation, plus what we will need to pay next year's balance that leave you a net available cash balance by the end of next year of roughly \$1.66 million

remaining in the bank accounts, all of the bank accounts that are held with the trustee for the next year.

So that sort of gives you the flavor of, roughly, where we will be. Based upon the current spending habits, that will last you, maybe, three more years after the end of next year. So that's how the Debt Service and the Capital Projects Funds work. They're relatively easy to deal with. I want to turn back, beginning on pages one and two, which is your General Fund.

For Fiscal Year 2012, this is relatively consistent with what we did in the prior year, and I'll just go down some of these line items with you. Legislative and Board fees are relatively simple. I kept that the same based upon 12 meetings a years. If we meet 12 times, fine; if we don't, it will be less than that. It just is what it is. Executive professional management, accounting and assessment roll services, all of my fees; there has been no change in those for FY 2012. Audit fees I've reduced to the \$6,000 level based upon the agreement that we just approved.

Arbitrage rebate is the GNP services that we use to calculate the arbitrage requirements under the bond issue and, if you recall, this past year we caught that all up, and we will do that this year and on a going forward basis, so we will be about \$1,100. Legal advertising I left relatively the same. Most of that money is actually spent from this point in the year to September 30th. The biggest portion of the expense, as relative to holding the public hearing and the notice of the levy of the assessments, they're generally, relatively expensive ads. Trustee, dissemination agent, bank service fees I've left relatively consistent, and I think they'll be fine for next year.

Moving on down into the communications and the freight services, I think we should be fine with those. The insurance was not correct in the current year, so I've corrected the insurance for FY 2012 to what it should be. Rizzetta actually had this in two separate line items. I just put it all in one line item, because insurance is insurance to me. Whatever little bit might have been in the line item is now just here, so we can see our total insurance bill.

Legal services, these are really very hard to gauge but, at the end of the day, general counsel services, which Scott usually does, includes just your general counsel work and the Ryan litigation and the litigation that will be to get quiet title on these parcels that the tax collector issued deeds on that were really not a part of the foreclosure action. That's what

that includes. The foreclosure counsel, Scott's work is related to that with, for lack of a better term, being on hold at the moment, waiting for a decision from the bondholders. For the current fiscal year, I haven't estimated much of that, but if that gears itself up again next year, at least we'll have sufficient funds in order to make those payments.

Trustee counsel is Greenberg Traurig who represents the bondholders and the trustee. We actually don't even see those bills; those are billed directly by Greenberg to U.S. Bank; they pay the bills. I see the bill being paid, but I don't actually see the bills, so we account for them here as a part of your General Fund budget. Engineering services, I did lower that, simply because there doesn't seem to be a lot of engineering work that needs to be done in the past year, and I don't foresee that for FY 2012, but I'll talk about it for just a little and a few others in a minute or so.

On page two, I included the Charlotte County Sheriff's patrol for FY 2012 it's 960 hours for the year, so that will give us a sufficient number of hours if we need to keep those up at various times throughout the year. The repairs and maintenance on the lake banks, we had nothing in the current year; I don't expect to see any. It might not be a bad idea to continue to hold that line item for next year. The lake spraying, we have a contract with a specific firm, and that contract will carry us through next year at the current rate. The lake vegetation removal, you'll notice we haven't spent a lot of money to date.

I had asked Bill to ensure that in the coming months we get the balance of the cattails out of these lakes that are surrounding the resident's portions of the lakes, and that's why you see us spending the balance of the money in FY 2011. I don't anticipate our need to do that in any of the undeveloped areas for next year. Once they're out, we'll be able to keep them clean under the normal aquatic maintenance program.

Upland Monitoring and Maintenance; we had a budget of \$6,500 for the current year, which we spent nothing. We have two open items, and we'll talk a little bit more about it later in the meeting, but we had some monitoring and maintenance that are related to the DRI obligations, which Charlotte County seems to be fine with not requiring us to do anything at this point in time. The Southwest Florida Water Management District has rung our bell a few times over the past few months about the monitoring and maintenance requirements related to our wetlands program.

In the last couple of weeks, the Army Corps has also done an onsite inspection of Tern Bay and have noted deficiencies in the project. We will be spending some money between now and the end of this fiscal year with whoever the company is that does that work to try to work through the Army Corps issues with them.

Ms. Montgomery asked have they issued a notice of violation or they've just raised questions?

Mr. Ward stated they did an onsite inspection; most of the emails have been related to trying to figure out who Tern Bay LLC is or whatever the name of that old company is. So they're still dealing with that particular problem, but I assume they'll end up coming to our doorstep shortly. If not, I think it's probably a good idea that we go to them and say, this is the status of the project, and that's what I've asked Bill to do, is to retain the company Earth Balance.

Mr. Riley stated yes, they're the original environmental, Earth Balance; they're familiar with the permit.

Mr. Ward stated right, at least have a meeting with the Army Corps folks and walk them through what the problems and the issues are in Tern Bay, and just tell them we're here and we want to work with them and see what open items we have. The big issue in the Army Corps permit is the canoe launch that we have, which is a permitted activity that we haven't been able to construct, simply because we don't have title to the underlying land. So that seems to be one of the bigger Army Corps issues.

Ms. Montgomery stated yes, when does that permit expire?

Mr. Ward stated I don't know; I haven't even seen the permit yet. Do you know, Bill?

Mr. Riley stated I believe it was, in the email correspondence, in '09 when we either asked for an extension or be terminated, then they left the number of deficiencies within the permit and the mitigation, monitoring and maintenance, those things that bordered jurisdictional waters. That's the Corps' control over that canoe launch, the two biggest issues.

Ms. Montgomery stated well, it doesn't apply to the Corps, but if we have other permits that we didn't extend last year, because they expired this year, they just signed the Senate Bill and they just signed House Bill 7001 last week, so that now gives you the window from September of '08 to January of '12, so it's another year window. So if we

didn't extend something last year that expires this year, we can get another two years, so you might want to look at those and just see what else we can extend.

There's another bill, and I don't know where it is right now, that was going to give DRI seven years, but that one is still floating around. But, for sure, the two years.

Mr. Riley stated Southwest Florida Water Management District, I've spoken to them and explained the conditions of the District and the property, and their issue is with the monitoring and maintenance of the wetlands and sloughs in the property. We're meeting with them; we've spoken to them verbally a few times to see what extensions we can get from them regarding the permit to act or a adjust the program itself.

Mr. Ward stated so for purposes of the budget, I budgeted \$55,000 for next year to deal with any of these permitting extensions or work that needs to be done on Tern Bay in order to keep those permits. One of the biggest problems we had with any of these permits is the fact that none of these are in the District's name. To a great extent, we have no control over the underlying fee title to the land at this point in time, so there are difficult legal issues, along with the fact that they're also permitting issues that we need to get through. But we'll try to work through this over the coming months, at least, with respect to the permits and the work programs for next year.

Ms. Montgomery stated so, at some point in time, for some of them, probably not all of them, we're going to transfer them?

Mr. Ward stated yes, I mean the goal is certainly to try to keep these permits alive, and if we need to transfer them, we'll need to come back to you and ask you to do that, and then go forward and make the transfers and then take on the obligations. I don't think it's a good idea not to keep any of them alive at this point in time, so we'll try to do that, but those are the two major ones I'm aware of at the moment.

Mr. Ward continued Professional services, Bill's services, so for FY 2012 is based upon knowing he used to deal a lot with these permitting agencies, and I've had him in the current year much more involved on a day-to-day basis out in the field with residents to ensure that the services are being provided. The assessments for Charlotte County were not budgeted this current year, so we budgeted the correct amount of funds next year to deal with the assessments for the storm water system that they have or levy assessments for.

Electric services and street lights seem to be relatively easy at this point. What you see in here, which you'll notice, this professional services appraisal that was the payment that the trustees made to Cushman & Wakefield for whatever appraisal services that the bondholders authorized. So I show that to you in this budget and in your financials, simply because it was a payment that comes out of those bank accounts. I didn't budget it for next year, because I'm not aware that there will be any authorizations given by the bondholders to do any further work that's related to that matter.

Your common area landscaping common area maintenance and material replacement, we've upped that a little bit for next year in terms of the maintenance activity, and left the material replacement the same. I asked Bill to take a look over the next few months of what materials need to be replaced, at least in the areas where residents are to see. If we need to spend any money in the current year to do that, and then budget it at similar amounts for next year in order to do that. I think the new vendor and your irrigation system are in better shape than they were a year or so ago, and it's probably a good idea that we just try to keep the front entrance of this community in relatively decent shape.

Our routine maintenance on the irrigation system and the pumps and wells, that number will be what that number will be when we spend it, so it just is what it is at this point. Line distribution system, I really don't anticipate we need that line item for next year, and that's why it's been deleted. Most of that really is in the common area maintenance that you'll see come about, and fixing the irrigation system on a regular basis. So that seems to be working relatively well.

Then the next page is simply an analysis of the Fund Balance, and all this is really showing you is the fact that since the project went under, for lack of a better term, the trustees have anticipated to be funded through September 30th of this year roughly \$1.7 million in cash out of the bank accounts. That's what we call our projected Fund Balance will be this year, so about a \$1.7 million is what they have spent, plus next year it will be another \$550,000, so these are significant cash payments that are coming from the trustee in order to keep this District alive.

The next few pages are really just a short script of items, the line items that I just about a few minutes went through with you. The only other page that I will call your attention to is the very last page, actually, page 13. The two tables just really show you what

the assessment levels are anticipated to be. The General Fund is \$226.97 per unit per year. The foreclosure units get an additional \$76.92 added onto it, which is really nothing more than the legal fees associated with the foreclosure. So if you live in a unit that's in foreclosure, your General Fund Assessment is \$303.89, none of which they're paying by the way. Then \$226.97 for the General Fund.

What's interesting to point out is the fact that of the half a million dollars, \$14,000 of it is really all of we get from residents in order to fund the General Fund operation and the trustees fund the balance of it, either through just returning the debt service monies that these fine folks paid to us or through the construction account. The bottom chart simply indicates to you what your assessments are on a per unit basis for what we call the Series A and Series B, and it's really about the third set of columns over. It says the Debt Service Fund assessment per unit, Series A and Series B, and you can look at what size unit you have and down that column if you own a unit.

All of the residents that are currently in Tern Bay, that is what we call our on roll, they do not have a Series B assessment, simply because when they were sold their unit by Lennar, Lennar paid off the B portion of that assessment. So they're only subject to the A, but those are the two levels of assessments that you have. Again, those total, roughly \$3.4 million in total debt service assessments and \$584,000 in General Fund assessments.

So, with that, we can certainly spend some more time and go through, and I'll answer any questions you all have.

Mr. Gillis stated this is a very good presentation; it's a lot clearer this year than last year.

Mr. Ward stated thank you.

Mr. Gillis stated I'm a little concerned about the legal fees, and I agree it's really difficult to put any kind of number on it, but it's under general counsel. If the Ryan Golf situation is coming out of that number, I'm not sure that number is enough. I don't know what the alternative number would be, but I'm concerned about that number being exceeded. I guess my other comment would be should we have a contingency number in here, for example, on the lake bank repair and maintenance. Should that \$20,000 just go in the contingency pot and that cover, potentially, that item or some other item that comes up.

Ms. Montgomery yes, and I was wondering if we really are going to spend that much money on the foreclosure attorney this year.

Mr. Ward stated the \$10,000? Let me answer Mark's question first.

Ms. Montgomery stated well, I guess I'm in for the next year; its 125, right?

Mr. Ward stated right, I'll do both. First, with respect to this general counsel, some of that is coming out in the current year, so you'll see between now and the end of this year. Scott's general counsel fee is just for board meeting attendance and general stuff; it's actually pretty low, it's really nonexistent, but where he spends the money is really in the Ryan Golf matters. So you'll see we spent \$29,000 year-to-date, and I anticipate we'll spend a significant portion between now and the end of this year, plus the \$50,000 for next year. So I was thinking between almost ending the Ryan Golf matter, either by September, at least by December.

He's working on next year; that is related to general counsel matters, it's this quiet title issue, as he calls it, for that conservation area property or whatever it is. I thought it was sufficient. I actually ran the numbers by Scott to makes sure he was comfortable with them, which he was. Could we make it \$60k; yes, I think we can get there easily when we're in any of these kinds of litigatory matters.

Mr. Gillis stated well, I'm not really saying that we should increase the number; I mean if you're saying that you think the Ryan Golf is going to be done by the end of this year, then that would make me feel better.

Ms. Montgomery stated I still think that's enough.

Mr. Gillis stated yes, I'm looking at some of the bills for the Ryangolf thing; that's really getting up there. So I don't know that just kind of jumped out at me as being a concern.

Mr. Clark stated let me just weigh in on that. I agree with Jim's comment. The Ryan Golf matter is really coming to a head during the next five to six months. I'll report a little bit more elaborately when we get to my section. But most of that is going to happen in this fiscal year, and I don't see that carrying forth to next year. The quiet title stuff, to the extent, I see that kind of as a subset of the foreclosure action; I looked at it in the same lump of money. There's not that much, per se, to do in the foreclosure other than just to issue it when our bondholders release us to do that.

But there are some other things that are cleanup as a result of that, and I categorize the quiet title thing in that aspect.

Mr. Ward stated does that make sense?

Ms. Montgomery so, basically, he says he's not doing the quiet title out of the 50, he's doing it out of the 125?

Mr. Ward stated yes.

Ms. Montgomery stated I agree with Mark; I don't think the numbers are right, but due to the way he's taking the money out, that's fine.

Mr. Ward stated that's fine.

Mr. Gillis stated I don't mean to be picky; on the first page on the resolution, first line: Resolution of Board of Supervisors of Tern Bay Place Community; I think its Tern Bay rather than Place.

Mr. Ward stated, in the title.

Mr. Gillis stated yes.

Mr. Ward stated sorry.

Mr. Gillis state then under section four, second line, Manatee should be Charlotte.

Mr. Ward stated thank you.

Mr. Gillis stated but, again, I thought this was very good.

Mr. Ward stated as to your last question on the lake bank.

Mr. Brylanski stated whether it's in that category or it's moved around in contingency, we can move it around whenever, as long as we have a pot of money.

Mr. Ward stated so we'll increase it by 20 grand; I'm comfortable with that, that's for sure.

Mr. Gillis stated yes, eliminate the number under the lake banks and just put that in maybe something else in contingencies.

Mr. Ward stated okay.

Mr. Morris stated quick question; let's talk about doing the deeds back and forth over to the CDD. Have we already created legal descriptions for all of those, or is that something we're going to do?

Mr. Ward stated we have created legal descriptions. They have not been reviewed. We had that done, I'm going to say, two plus years ago now, and so I know I have the stack

of legal descriptions, so I know they've all been created. They've got to be completely reviewed to make sure they're right though.

Mr. Morris stated I just want to make sure if we had to create some descriptions, to make sure we had them, there's enough money there to do that. If you say they're already done, it's just to be reviewed.

Mr. Ward stated right, and if we get to that point, because we started going like in two years now and not have to do anything with that. If we really do, I can come back to you and amend this budget, and we can just amend it with a trustee at that point in time. Any other questions from the Board? Any question from the audience?

Mr. Fillenworth Jim, I just have one question. You mentioned that on these assessments here, I'm on page 13, and I'm looking at our single-family home with 60-foot lot It shows that we have a \$226.97 assessment for the General Fund assessment per unit.

Mr. Ward stated yes, sir.

Mr. Fillenworth is that added to the Series A assessment?

Mr. Ward stated yes.

Mr. Fillenworth stated we're actually being charged more than that. Is there a reason for that?

Mr. Ward stated yes, the reason is that the way Rizzetta calculated the Debt Service Fund's assessments; they based that on what we call maximum annual debt service. Well, that doesn't happen till sometime in the future. I calculate these numbers based upon what the actual debt service is for the year which we're in, so these debt service numbers are actually slightly lower than what was on the rolls from the prior years, and that's why you're seeing a little bit of a difference here.

Ms. Montgomery stated did you want to pay more?

Mr. Fillenworth well, we actually do pay more; we actually are paying more, that's the issue.

Mr. Ward stated there's two ways to do it. I mean I've seen consultants, managers do it the way Rizzetta does it; I don't do it that way. I do it based upon what the actual debt service is. What happens when you do it as maximum annual debt service, it builds up this cushion in the debt service bank accounts, but it just sits there, and you really don't need it. So I just calculate this number every year based on what the actual debt service is. The only

problem with it, it's not really a problem, but it's just sometimes it goes up and sometimes it goes down, but it will be what it will be based upon what the actual debt service is.

Mr. Fillenworth stated it does seem to me, like the first year, 2008, somewhere in there, that there was a change. If we were doing it according to your figures, it would be \$1,607.03 and, according to the Rizzetta, it comes out to \$1,714.59. I haven't gone back and researched that, but there was a change here in 2008.

Mr. Ward stated it could have been, but please don't ask me research any more of Rizzetta's records; I've done enough of that.

Mr. Fillenworth stated it's always puzzled me, because I've looked at that and looked at that, and then looked at what we're giving.

Mr. Ward stated I have a friendly recommendation; get over it and move on.

Mr. Fillenworth stated well, thank you, Jim.

Mr. Ward asked if there were any other questions.

Mr. Karlen stated it's in the same vein of what Tom was asking. It seems to me, and I know this is coming from a point of ignorance as to how this is all going to work out ultimately, but land values, loan values, everything is being modified, everything is being changed. We're still being billed as the original assessment, as if everything was golden and we were still moving forward with the project as is. Of course, that's not the case. Is there going to be a day that it's all going to be recalculated, and the worth of what we're paying is going to drop dramatically. The few homeowners that stuck it out will have paid more than what future bills will be, because of this recalculation of actual worth of the property.

Mr. Ward stated you sort of asked two questions; one is: will it be recalculated at some point in time? The answer is it has to be, simply because whenever the bondholders do a workout with whoever purchases this property, those new bond numbers will be a result of that. Part two of your question is: are we going to be able to make modifications to what you have on your property based upon what those new numbers are? I can't tell you the answer to that question. I suspect the answer would be no from the bondholders, but I don't know with certainty what will happen at that point in time. It will be something that has to play out as it plays out in the next few years.

Mr. Karlen stated I realize it probably doesn't seem this way to the Board, being that there's so much expense put out on a piece of property that is somewhat defunct at this

point. But, for us, we're still paying top dollar and not having top dollar results by any means, and it's difficult; it's hard to pay out that much County tax and that much CDD tax, only to see what we see as a result.

Mr. Ward stated I agree with you. I think it is a difficult thing, and it's clearly an issue that's going to wind up at the bondholders when and if we get to the point of actually dealing with any workout situation with any future developer. What they will do, I have no idea.

Mr. Karlen Yes, and that's just something to put out there for everybody to consider.

Mr. Brylanski stated just a question; has the County dramatically changed your appraisal on your property over the years?

Male Speaker: Um-hm.

Mr. Morris stated I guess that's how they justify it.

Mrs. Karlen stated they dramatically lowered it.

Mr. Karlen stated they raise our taxes and lower our value.

Ms. Montgomery stated yes, it's a funky way that save our home's works. It does make you crazy, because it seems counter intuitive, but it happens.

Mr. Karlen stated oh, yes.

Mrs. Karlen stated well, they still need X number of dollars for their pot.

Mr. Karlen stated yes, for them to operate. You were talking about the assessment to the foreclosed land in 2012. Can that assessment even be paid on the foreclosed land? I mean is it possible for somebody to come in and make that payment? Do they then catch up on the old assessments or are those assessments added to the 2012 assessments, so if they were to pay the bill, it would be all of the assessment? Then the last part of that question is: don't they owe the entire amount of assessment to pay off the bondholders completely?

Mr. Ward stated if I understand about three questions, the answer to all of it is yes, but in parts. I think they can that; it's subject to the bondholder's approval of doing that, which they have not. We really have not asked them to do that, or nobody has really asked them to do that, at least on these larger tracts of land. We have one small, single family guy that's asked a question, but no response at this point.

Mr. Clark stated they've actually given their preliminary indications that they will allow that one owner to catch up his back payments and reinstate.

Mr. Ward stated so they can.

Mr. Karlen asked does that set precedent then?

Mr. Clark stated I don't think it's binding on them. I think they have the right to deal with it on a case-by-case basis. But, yes, I think they'll be consistent if they start letting people reinstate on the platted lots, which is what this is, then I think they'll do it for anyone who wants to do it.

Mr. Karlen asked including Tarpon IV?

Mr. Clark stated yes, but Tarpon IV is not going to do that.

Mr. Karlen stated it's a big function, because, as brought up at the last Board meeting, this can either be a development or this can be a neighborhood. If it turns into a neighborhood, the value of the development for us drops dramatically, neighborhood being just a random bunch of homes built helter skelter, any way they feel like it, as long as the County approves their design. For us, as a development, there's a continuity that would be lost. So if these people are allowed to catch up and they come in, we, again, will lose another big chunk of what we paid out for originally, which is a development as opposed to neighborhood; big difference.

Ms. Montgomery asked don't you have deed restrictions with architectural review?

Mr. Karlen stated those all went out the door with the homeowners' association. So, without that, people could come in, put in a tin roof, three stories, who knows. If the whole design changes, they could even put in a double wide if the County approves it. You just have no idea what they're going to put in, and that's the fear the residents have of where our community is going to go. We bought into it as a development and a universal design and a set of rules that have gone by the wayside. If the bondholders start allowing individuals to take possession of their property, it's helter skelter. It goes from there. I know I harp on this every time, but it's a huge deal to us.

Mr. Fillenworth stated it's really true. The residents sit there, starting with the state we're in now; we've been misled all the way. We were misled by the developer, we were misled by the builder, and we're going to end up with a double wide next to us; maybe that's an exaggeration.

Ms. Montgomery stated no, I don't think you can do that under the zoning.

Mr. Karlen stated double wide, tin roof, wooden structure compared to concrete. Whatever the zoning for the County allows is what will be the dictator, as opposed to what we were allowed per our agreement with the developer, and that changes the entire scope and look of the community. There'll be no continuity whatsoever if they're allowed to catch up and make payments and take possession of these properties. Whereas, if we act as a group and everybody states: no, you owe the entire the amount, pay the whole thing; they won't do it. They'll fall apart; the developer will come in; take possession of the land and develop it as a single entity, and it's a huge thing.

I mean I cannot tell you if one person is allowed to come through this net, then you might as well just forget there's a net. Everybody will jump in.

Mr. Ward stated I don't think the bondholders have said: negotiate out the discounted rate to bring your assessments current. I think what they've said is: if you want to bring your assessment current; if Tarpon IV wants to walk in the door and do it or a single family guy wants to come in and do it, that's not necessarily a bad idea. I mean you bring up ancillary issues related to the development itself.

Mr. Karlen stated yes.

Mr. Ward stated and, unfortunately, I don't know how the bond holders could ever solve that particular problem at this point in time, other than making the decision to sell this property in whole to a large developer.

Mr. Karlen stated, that is the decision.

Mr. Ward stated but that, unfortunately, is not our decision, that is theirs, but I assume they know that. I assume they paid someone a ton of money to do an analysis of this property, and I don't really see them moving forward to try to piecemeal it or wholesale out this property to individual property owners to do what you suggested. So we can only hope.

Mr. Karlen stated, this one issue has come up right here. As Scott said, there's one landowner. If one landowner gets it, everybody can get it.

Mr. Ward stated that's like three or four single-family lots. So, in perspective, two or three who happened to have gotten in front of this property to attack the deed/foreclosure issue. So I think expanding that to say from three or four single-family lots, we're not going

to have double wides in all of Tern Bay, that's an exaggeration. I don't think you need to go there at this point in time. Maybe it might be true at the end of the day, but it's still an exaggeration of what's going on in reality at Tern Bay. If one guy wants to come in and pay off his \$16,000 or \$20,000 or \$30,000 assessment, and that's not a bad thing for the District or the bondholder, but we are not sure how we could preclude that. We can't, actually. There's nothing we could do.

Mr. Karlen stated, you guys pursued a very expensive lawsuit against the bank to foreclose, not just on the property but on the overall debt assessment. That was the whole deal that the bank could no longer keep the property unless they were to pay off the entire amount owed to the bondholders. But now that the bank is out of the way, we're discussing the exact same situation on an individual lot situation.

Mr. Ward stated correct.

Mr. Karlen stated yes, so you paid all that money for the court to decree, yes, you're correct, and then you start backsliding off of that decision. You didn't say: okay, from now on, well, now we're going to let individual lot owners do it.

Mr. Ward stated we have clearly gotten off this budget issue, and we need to get back to it. I don't mind your question, but we really need to do those kinds of questions under audience comments.

Mr. Karlen stated, I was thinking about the assessments.

Mr. Ward stated if you don't mind, we'll go back and finish where we get to, and then we'll come back to your stuff if you want to.

Mr. Karlen asked on insurance, you said that there's insurance for 2012; does that include liability for the CDD?

Mr. Ward stated yes. If there are no other questions on the budget, then a motion to approve Resolution 2011-7 with the budget amended include an additional \$20,000 for contingencies will be appropriate.

On MOTION by Mr. Morris and seconded by Ms. Montgomery with all in favor, Resolution 2011-7 as amended to include an additional \$20,000 in contingencies was approved.

A. District Counsel - Scott Clark

Mr. Clark stated several cases going on, so let me take them one by one. As to the foreclosure, as Jim mentioned, we've been in this holding pattern coming upon a year now. I did happen to be sitting in a room last week with the majority bondholder on another matter, and we talked a little bit about where Tern Bay was at. He indicated to me that they don't really have any deals working on Tern Bay right now. They have worked a deal, looked at one other potential one, but they really don't have a strategy with a particular developer or a particular sale right now. I encouraged him strongly to make some decisions that we're willing to be cooperative and helpful but didn't want to stay in a holding pattern, and I didn't get an answer to that on the spot.

I've pushed a little harder, and I know that these bondholder groups, including our majority bondholder, Oppenheimer, have been a little bit more aggressive here in the last few months in taking over properties than they were last year. So we'll see where that goes. I'm anticipating probably having a conference call in the next couple of weeks to see if we can get any direction on that. That's where the foreclosure is right now.

I'll talk briefly about Ryan Golf. Since the last meeting, we've filed our summary judgment motion. We're struggling a bit right now to try to get hearing time on that. Hearing time is something that the courts are very jealous about, because of the foreclosure dockets and other things. Some judges were sort of reluctant because of the funding issues with the Legislature, and I think they've reacted a bit by just becoming more difficult and blaming the Legislature. I'm not saying our judge is doing that, since this is being recorded; I'll disavow that. But there is a general slowness in getting hearing time.

As we talked about earlier, the Ryan Golf matter is either going to go to summary judgment or go to trial. I believe that either one of those will happen before the end of this fiscal year. One way or another, we're going to get to the end of it and have a decision and have it over with. As I've said before, our position is that they issued us a final invoice, we paid it, and under the contract; we don't owe them anything. That's the position that we'll take to the hearing or the trial.

There are some interesting twists on the third item, which is the quiet title action that we discussed at the last meeting. After the meeting, we did our updated title work, we put

our arguments together and started working on that, and it came to light as to tract C, which is the huge development, undeveloped, future development tract on our plat, which contains the parcels that we want a quiet title to. Last summer, without making the District a party to it, which I questioned, Tarpon IV went to the tax collector, did a stipulated lawsuit, a stipulated judgment to have their tax deed cancelled on parcel C. So under that judgment, they no longer own title to parcel C.

They now hold a tax certificate again on parcel C rather than holding title to it. That means that the tracts that the District claims revert to where they were before the tax deeds were issued, and where that is, there's still some issues that have to be cleaned up, but Tarpon is not one of them. Now we have a judgment that was wrongfully entered in the Hawkins matter, and a judgment that was wrongfully entered in the Ocean Bank matter that touched on the District's parcels, even though the District wasn't a party to either one of those lawsuits. So we will still be proceeding with the quiet title to get rid of those judgments.

As to what is now a tax certificate, we filed and are following another procedure. There's a procedure in the tax code that says when you think a tax certificate was issued wrongfully on a piece of property, you petition the tax collector and you ask them to correct it. So we have filed a lengthy analysis with exhibits with the tax collector, basically telling them that you've issued tax certificates on property that the District owned within parcel C that was not subject to being taxed, and so we want you to correct that and eliminate any interest that Tarpon may have under its tax certificate in those parcels.

We have filed that; they've got probably another 20 days or so to consider it and agree to that or disagree to it, and after that, if they don't, the tax collector and Tarpon become a defendant in the overall quiet title to try to get rid of the tax certificate lien on the District's parcels. That was a lot of information, somewhat technical, so you may have some questions about what I just said. But, essentially, we're proceeding on that quiet title action. It took a different turn, and one of the implications for the bondholders in that is if they tell us to go ahead and take title, they're going to be subject to paying the Tarpon taxes on parcel C that they didn't expect to pay before, and that's probably about an \$800,000 issue for them.

But the taxes are part of their responsibility going forward anyway if they're going to complete the foreclosure. I have made trustee's counsel aware of that as well.

Mr. Ward asked if there were any questions from the Board? From the audience?

B. District Engineer

Mr. Ward asked Joe, do you have anything?

Mr. Menen stated no.

C. District Manager

I. Field Management Report

Mr. Ward stated under Manager's report, primarily I give this time for Bill to go through any operating issues that he has with you and address any questions or concerns that we may need to address. Bill.

Mr. Riley stated overall, the property is in pretty good shape. Landscape is improving. We have some sod, replacing some plugs in some areas that died last year from chinch bugs. Valley Crest, we went out to walk to identify the areas. Some dead trees and shrubs we're trying to replace; not replace, remove and there's some that are leaning. They're going to be pulled out and replanted. We haven't had any security issues. We had the police on-site. There's been a chain-linked fence with barbed wire put around the pump station, which was vandalized, a security light also and a siren. We haven't had any issues since the last time we met.

There are still people accessing the property through the back where it came to the woods. Put some things out there to identify if they were coming through and they moved them. I haven't had any reports of vandalism or tried to grab them on the weekend sometimes, (Inaudible) but we haven't found them, but they haven't gotten into anything as of lately. The issue is with dry weather and irrigation, get some flushing down on mains and snails; it's pretty common this time of year on properties as the basis of maintenance.

The bridges, there's money in the budget next year, they're going to be cleaned, the boards replaced, (Inaudible) and resealed with the money in the budget next year to do that. They're starting to wear; they're about five years in their life cycle now. There's been some hog damage under the bridges, which I have to get someone out there to take care of. Moving forward, I have a company to do all my handy man work. They'll be onsite from now doing some minor repairs, like filling in the holes where the hogs dug under the bridges, the

piling and things like that, so we get a quicker response, and it's cheaper than going to the street and bringing a vendor in. So I'll probably have them out there once a week, come around and do some odds and ends, things like that, clean storm sewers and things like that. After rain, they get covered up with vegetation. That will help with some things.

Lennar has continued to rent out their homes; they have quite a few. The residents would probably know that number more than me. A resident called me, not only they've had complaints, and I've expressed them to Lennar and they've changed their management company regarding that. Also the presence of wildlife in the lakes, particularly alligators. I'll go into more detail with that.

Ms. Montgomery stated do you have signs like: don't feed alligators, stupid.

Mr. Riley stated yes, we're going to post them. The District hasn't taken title to the lakes, is that correct?

Mr. Ward stated correct.

Mr. Riley continued as far as I know, the Sheriff's Department has been on-site, and someone can give them direction as far as ownership of certain things out there, they will not enforce, I've called Fish and Game. But, unless they actually see the violation or the residents see the violation, Fish and Game responds to things like that. It's a large concern they have. I've spoken to the management company of Lennar. They've expressed that they were going to instruct their renters only to fish behind their homes or a common space; they're not allowed to be behind anyone else's homes. They're coming up and setting up shop behind someone else's home, so they expressed they'll pass that word along to their renters.

We've mowed the right of way along the back major roads and around utilities where trees have grown. We will probably do it on a quarterly basis to keep it under control for access and just general safety visibility. Myself and Joe are working; he'll probably speak a little bit on the Army Corps permits used. He's got a little bit of history on that and the letter of correspondence that came out regarding that. I have received quotes from environmental contractors to do the monitoring and maintenance of our wetlands, moving forward if we have to do anything, what it would cost, number of events, etc.

The longer it waits, the more they'll grow in, there will be more for the initial cleanup cost, and then there's an additional maintenance moving forward after that. It's a couple

years now where they haven't been maintained, so they get more aggressive as time goes on, spreading out throughout the wetlands. That's about it.

Mr. Ward asked if there are any questions for Bill? Joe, did you want to make any comments on the Army Corps?

Mr. Menen stated if you'd like, I can elaborate on what happened. I received an email from the original developer, which is David Nash. He had received an email from the Army Corps of Engineers, stating that they went out there and did an inspection, and that there were a few items that were noncompliant with permits. David Nash had clarified that the development was turned over to a new owner and that he was no longer associated with that, so what's going to happen is the Army Corps is going to probably get in touch with the Tern Bay CDD to let them know what the noncompliance issues are. We also have to address the permits being in the name of the original developer. I guess what I'm recommending at this point is maybe get together with Scott Clark, once we get the letter in hand, and address the ownership issue.

As far as the noncompliance, we're anticipating that it has to do with some wetland mitigation, and we were going to consult with Earth Balance to see where the progress is with that, and coordinate that with the Army Corps. Our game plan is to try to address these issues with the least amount of effort as possible, and see if we could delay this until a new developer comes on board. We're coordinating with Earth Balance and with Bill, and once the letter comes in, I'll keep everybody up to date.

Ms. Montgomery stated so it seems like there was exotic clearing that was supposed to happen and it didn't or what is it or don't you know what the noncompliance is?

Mr. Menen stated we don't know yet exactly what it is. It probably has to do with the mitigation, that there are exotics in there growing back and things of that nature.

Ms. Montgomery stated that would be my guess.

Mr. Menen stated yes.

Mr. Ward asked if there were any other questions for Bill or Joe?

Mr. Karlen stated yes, for Bill. The budget that you guys allotted for the lakes, you had mentioned that it is for the lakes in association with where the neighborhood is and where the people live. In reality, there are three lakes that are crucial to the functioning of the irrigation pump and, during various times of the year, we have issues with that. Are

those lakes being maintained? One lake is being pumped out of with pumps into a holding lake, which is then gravity fed to the pump station lake. So are those lakes also in the maintenance schedule and cost?

Mr. Riley stated no, they're not maintained. That's part of the vegetation; they're not maintained.

Mr. Karlen stated the last time I remember talking about that, we discussed back that the vegetation will cause problems, both for the pump from the first primary lake to the holding lake, and then the spillover of the holding lake into the gravity fed. That pipe has clogged in the past and not fed the irrigation lake, and so the irrigation lake becomes too low, and the irrigation pump starts sucking mud. There's some real issue there.

Mr. Riley stated we have not had to, and I have someone on property, I have them run the pumps and transferred water from lake to lake. The amount of water since the golf courses shut down, just what the common grounds uses, is minimal compared to the holding of the main golf lake, so we haven't actually turned those pumps on and transferred water from lake to lake. But we run the wells periodically, just so the well won't seize up. They need work just like the transfer pumps and you work throughout the system, which, again, is a large expense, but at the time we haven't had to use those facilities, just because of the amount of water that the property uses. It's been a minimum lake that I'm just not sure of the acreage. It's probably about six acres that the golf pumps out.

Now it's beginning to extend the period of drought. I don't think we're going to need it at the time. I'll tell you, moving forward, as the infrastructure ages, starts degrading, keep it on life support, but it gets to the point, like with bridges and different things, where things will need to be repaired and maintained more frequently. Beginning the lifecycles, we're going to start, when we do routine maintenance on the pump stations quarterly, they come out to do inspections, let us know what needs to be repaired, and try to do it on an as needed basis for what we need currently.

But not to say its more hands on, because we're doing the landscaping, which is going to require some more water to do some more acreage. We'll have to see, and if we have some additional demands that warrant any repairs from those facilities.

Mr. Karlen stated my concern is the pumps in particular, if they haven't been run; there's always been an issue. They've never run well since we first moved in. If they have to

be maintained, sometimes it's easier to be more gentle on your budget to maintain on a regular basis than to suddenly say: oops, now, we got to fix, we got to repair, we got to replace. So maybe something could be considered about that and about checking those pumps every now and then on the maintenance schedule.

What about those weed spraying the streets for the cracks between the pavement and the curbing?

Mr. Riley stated Valley Crest has been contracted with to do that work.

Mr. Karlen stated because I haven't seen any change in that, and I know that's where we probably mowed back so that they could get that spraying.

Mr. Riley stated yes, along at the edge of pavement, yes, they could do that.

Mr. Karlen stated I don't know if the Board is aware of this, but the pavement is put in, in layers, and the initial pavement was thin, and it was just to service the homes to get the homes built. Then once the big trucks got off that pavement, they were going to come back in and put a new coat. Well, that's never been done. Now the homes are being rented, and so now there's traffic on those roads that was never anticipated at that stage of the road development. Like over by the condos, that is very thin, and I don't know what CDD's requirement is to come in and repair that road, but there's potholes, there's going to be more and more of that happening as Lennar increases the uses of the roads.

Mr. Riley stated there's an initial three quarters of an inch of asphalt, but there will be a maintenance thing as more traffic goes on it; it will start to wear thin.

Mr. Karlen stated that I just wondered about the budget and if that pothole filling, repairing.

Mr. Riley stated that maintenance, I mean this guy he'll take care on an as needed; he goes wherever. He's familiar and been in our communities for years and can take care of things just before they get to be a bigger problem.

Mr. Karlen stated I'll make sure everybody is aware of that. Is it an ongoing, upcoming expense?

Mr. Riley stated yes.

Mr. Ward asked if there are any other questions for Bill?

II. Report on the Number of Registered Voters residing in the District

Mr. Ward stated this is a statutory requirement that the District makes a determination each year of the number of registered voters. It's important when you reach two thresholds, the first is six years from the date of establishment and the second is 250 qualified electors, you must reach both, and then what you do is begin a transition to an election, which is based on a qualified elector basis. For Tern Bay, we have a whopping 13 registered voters residing within the District, as of April 15th of this year, there's actually no action required of the Board. It's filed just as a matter of record and law.

At some point it becomes germane when we switch to qualified elector-based elections. If you have any questions, I'll be glad to answer them.

III. Financial Statements for the period ending March 31, 2011

Mr. Ward stated is your March 31st financial statement. I included the March 31st in your package, and I e-mailed your April 30th ones, the day before yesterday, I believe. Just briefly, I did a relatively lengthy presentation to you at your last meeting with respect to these unaudited financial statements. The April ones have been updated from March to reflect the audit adjustments that Carl Riggs made during the presentation of their audit, and we cleaned up a lot of the items that I had mentioned to you at the last meeting.

There is one item that I still shake my head at sometimes, because of the accounting procedures we have. If you look on page two on the balance sheet, what we call the general long-term debt account group. There's \$56,455,000.00 in outstanding debt on this property. We also show in the Debt Service Fund what we call the long-term portion of \$5,413,000.00. What that represents is principal and interest that has come due over time that has not been paid. When I read these kind of financials, it almost looks to me like they're additives, but they're not. The \$56 million includes the \$5.4 million that's in this debt service. I don't particularly like the way that's presented but, unfortunately GASP pronouncements aren't as forward thinking as where we are in the state with respect to projects that are in foreclosure.

Beyond that, these statements are now consistent with the audited financial statements that you have seen. There's really nothing in here on a monthly basis that's cause for any concern. It's consistent with what we talked about over the past few months, and I'll be glad to answer any questions you have with respect to them.

Hearing none, I've also enclosed the last two requisitions that were paid by the trustees on general operating and maintenance expenses. They get a much different level of review from Bill and I on all of these on a periodic basis, and there's really nothing in here that's of any great concern. It's all consistent with our contracts.

Something that you see or just things you deal with on a regular basis with respect to repairs and maintenance that are required. The trustee is actually very good at making payment on these accounts, clearing up all of these past due balances. If there are any questions, I'll be glad to answer them for you.

SEVENTH ORDER OF BUSINESS**Supervisor Requests, Audience Comments**

Mr. Ward asked if there is anything additional from the Board?

Mr. Gillis asked how many renters are out there?

Mr. Ward stated I don't know.

Mr. Fillenworth, asked how many renters?

Mr. Gillis stated yes.

Mr. Fillenworth stated let's see; I think we've got three over in one of the four plexes right now, and then we've got maybe eight, so 11 right now. But I was told just last week by the representative of the company that's renting them that Lennar is in the process of opening all of them. So there are 50 doors out there, and there are five owners. So that would be 45 renters, I assume, once they get it all done.

Mrs. Fillenworth stated they anticipate having them rented by fall, all rented by fall.

Mr. Karlen stated they don't seem to be having any problems; as soon as they get them open and livable, they're rented.

Mr. Fillenworth stated it's really inexpensive. I mean they are 2,000 square foot coach homes going for \$1,100, and the 2,500 square foot homes with a swimming pool are going for about \$1,400 a month. Can't beat that. If I could sell my house, I would rent one for myself.

Mr. Ward asked if there are any other questions? Then a motion to adjourn would be in order.

Mr. Karlen stated, I did have one other question. I'm sorry; I didn't realize you were moving for adjournment. It goes along with what I was talking about, this part of the budget that needs to be put at the end, and one of the statements I just wanted to make was any new developer that comes in, the more single family homes or lots that are closed on by the bondholders, the less value there is to the developer. Because, generally speaking, the developer will probably come in and want us to get onboard with the homeowners' association and other things, other aspects that have to do with being a developer, and having the property as a development as opposed to a neighborhood. Those people aren't going to want to join a homeowners' association

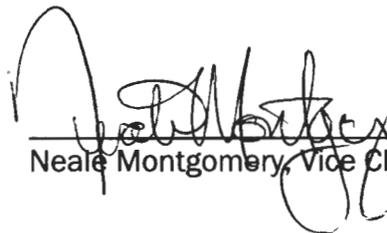
EIGHT ORDER OF BUSINESS

Adjournment

Mr. Ward: Any other comments? A motion to adjourn would be in order.

On MOTION by Mr. Morris and seconded by Ms. Montgomery with all in favor, to adjourn the meeting at 9:33 a.m. was approved.


James Ward, Secretary


Neale Montgomery, Vice Chairperson