

MINUTES OF MEETING
REUNION WEST COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Reunion West Community Development District was held Thursday, June 9, 2011 at 3:02 p.m. at Reunion Resort: Osceola Room, 7593 Gathering Drive, Reunion, Florida.

Present and constituting a quorum were:

John Gray	Chairman
David Burman	Vice Chairman
Marty Pawlikowski	Assistant Secretary
Lee Beekman	Assistant Secretary
Rocky Owen	Assistant Secretary

Also present were:

George Flint	District Manager
Colt Little	District Counsel
Steve Boyd	District Engineer
Alan Scheerer	Operations Manager
Several Homeowners	

FIRST ORDER OF BUSINESS

Roll Call

Mr. Flint called the meeting to order.

SECOND ORDER OF BUSINESS

Approval of the Minutes of the May 12, 2011 Meeting

Mr. Flint stated on the minutes there were a couple of people who were misidentified and I would like to ask the Board to allow us to go back and re-look at those and bring them back for your consideration at the next meeting.

THIRD ORDER OF BUSINESS

Consideration of Default Expenditure Requisitions

Mr. Flint stated the next item is consideration of default expenditure account requisitions. We have 66, 67 and 68 for Latham Shuker Eden and Beaudine in the amount of \$2,378.75, \$244 and \$244 and the invoices and requisitions are in your agenda packet. We are asking the Board

to approve these but they are submitted to the trustee for processing and paid out of the trust funds.

On MOTION by Mr. Pawlikowski seconded by Mr. Burman with all in favor default expenditure requisitions 66, 67 and 68 were approved.

FOURTH ORDER OF BUSINESS

Staff Reports

A. Attorney

i. Status of Foreclosure

Mr. Little stated I have two foreclosure actions to update you on. I will reiterate what I said in Reunion East meeting with respect to Ginn Reunion Borrower, both defendants were served following the filing of the complaint in that suit. We received an answer from Ginn Reunion Borrower and that was about a week or so ago and we are still determining how we want to respond to that. We have not received an answer from the defendant Wells Fargo/Morgan Stanley Trust and their due date for that answer has passed and we are moving to ask the court to enter a default against that defendant and we will proceed from there. If they continue not to respond we would be entitled to a default judgment against that defendant only. I will keep you updated on the ongoing status of that litigation as it progresses.

The Fourth Quarter litigation the hearing was set for Tuesday. To Brian's credit as representative of the bondholders he has been asking Fourth Quarter/Wachovia to negotiate with us, talk to us let's converse about this problem and save everybody a lot of time and money if we can just sit down. They didn't do that for a long period of time they actually did contact us last Thursday with a settlement offer of sorts and asked that we postpone the hearing to negotiate this. Since then they have mutually agreed to postpone the hearing and the bondholders through their trustee and our office have sent a counter proposal to the settlement offer from Wachovia with respect to the Fourth Quarter litigation. That is being discussed and negotiated between those parties right now and I can't divulge any of the details but we are hopeful that might provide a more expeditious conclusion to all this in some way, shape or form.

Mr. Gray stated I have been working with Jason to create a calendar of events on all of the foreclosures so we can all see the dates when action was taken by the Board or not at the request of another group and it sounds like there is nothing that we can do today as a Board to try

to push Fourth Quarter faster because the bondholders and Fourth Quarter have asked to talk a little bit.

Mr. Little responded exactly. It is the Fourth Quarter litigation but just so no one is confused it is Wachovia as the lien holder and lender with a large stake and interest in that property that is negotiating on their behalf to protect their interests. Fourth Quarter as an entity did enter and answer pleading months and months ago when this complaint was initially filed. They have not participated in the litigation since then, not mounted any kind of legitimate defense and essentially at some point and we would do this all at the same time if we don't reach a settlement negotiation with Wachovia we will get a judgment entered against all the defendants at the same time. Assuming we reach a settlement with Wachovia we will then have a judgment entered against Fourth Quarter as the owner with respect to their interests in the property. That is assuming there is not some kind of alternative, creative outcome that obviates the need for foreclosure action but at this point we are just waiting for them to conclude any settlement negotiations they might have and we will proceed from there whether it means pressing forward with foreclosure or unless they achieve some type of arrangement between them.

A resident stated you mentioned the negotiations are between the bondholders and Wachovia. How does a settlement let's presume they reach an agreement without divulging where the settlement offers are and all of that, how would a potential agreement between them affect the CDD?

Mr. Little responded essentially as we mentioned earlier with respect to the Ginn Reunion Borrower foreclosure if the District forecloses on that property all the debt and the assessments are wiped out. Then we are just stuck with the property with whatever it is worth today as the only asset we have as a District to recoup the unpaid assessments. Of course that property is not worth what we would like it to be worth in the event we do end up being the title holders to it. This is all hypothetical I am not even a party to the settlement negotiations but if some arrangement can be worked out where the District does not foreclose the property and the assessments remain in place and any third party comes in and takes title to the property and is able to rehabilitate it under some kind of new structure and then the assessments begin to be paid that of course is probably and I say probably because it is speculative as to what the details of the arrangement might be but usually that would be preferable to taking title to the property and having all the assessment wiped out and having to start over as a property owner.

A resident asked why isn't it a three way negotiation instead of a two way negotiation?

Mr. Little stated we are the vehicle for the litigation but we are not driving the litigation because of the default and the bondholders are the ones with the real interest in the property not the District itself.

Mr. Flint asked would the Board have to approve any settlement?

Mr. Little responded yes.

Mr. Flint stated even though they are negotiating it ultimately it would have to come back and probably the Board would hold an executive session initially and they would have to take action in a public meeting.

A resident asked so they would put a proposal to the Board?

Mr. Flint responded right. At some point the Board would have to approve.

Mr. Little stated the litigators in my firm are part of those negotiations, I personally have not been but we as the initiator of the suit of course will be the one actually agreeing to the settlement. It is our right to foreclose that we would give up in the settlement but because it is the bondholders' money they are an interested party as well.

A resident stated it just seems strange that the Board isn't a party to define the deal that they expect as apart from being offered a deal take it or leave it which sounds like the direction you are walking.

Mr. Little stated not essentially. Our office has been involved in the negotiation process and George has been made aware of some of it. It would be my anticipation that at some point at a minimum John would be involved and as George indicated it would come to the Board for discussion in a closed session.

A resident stated so it probably at some point will turn into a three way negotiation.

Mr. Little responded yes. In this situation we have a lot of interests aligned with the bondholders. Everyone wants this property to be worth as much as possible and as profitable as possible so in that sense the better deal for the bondholders the better deal for us. The only way we are going to realize value out of that is either someone comes and develops the property and makes it worthwhile or if we have to foreclose then we are going to be stuck with the current value of the property.

Mr. Glasser asked during these negotiations the use for which that property has been zoned remains as is?

Mr. Little stated that is not for us to determine. Certain entitlements were granted to those properties by local governments and we don't have control over those entitlements.

Mr. Glasser asked rezoning is not part of the negotiations?

Mr. Little stated we don't own the property yet so we don't have any say over how it might be used. If someone who wants to purchase that property or Wachovia decides to pay off the debt and they want to take title to the property then it would be up to them to negotiate any change in entitlements with the county on the property.

A resident asked are you aware of anyone trying to do that?

Mr. Little responded no, I'm not aware of that.

A resident asked it is not zoned specifically?

Mr. Little responded the entitlements on it were commercial, mixed use, hotel units, multi-family. Those are the uses currently on those parcels and there are several of them.

B. Engineer

There not being any, the next item followed.

C. Manager

i. CDD Action Items

Mr. Flint stated under the action items the first item is an issue of common area landscaping which I believe Mr. Glasser met with Mr. Searles and he committed to do plants and trees.

Mr. Glasser stated the sprinklers are working, there are some trees there. The area now has the color green not brown anymore which is wonderful but it is a bit sparse. We are looking for trees.

Mr. Scheerer stated on Davenport Creek Austin Outdoor has been given the okay and will start the removal of excess debris to the point where they can do that. I was hoping they would start this week but it appears it is going to be sometime next week and they will be working from the beginning of the creek at Grand Traverse all the way to the end of the property line.

On May 19th I met at the mail kiosk at the corner of Grand Traverse and Tradition with Tiffany Ch----- of Progress Energy and we discussed and drove Grand Traverse all the way up

to where the lights begin and we asked them to provide us with a quote to install the lights. We gave them a plat map of that particular parcel they came out revisited the property with their other engineers, they have located the proper spot for all of the lights, they are plotting that information onto a map as we speak and we should by the next meeting have all the costs associated with that; the cost of the lease, the cost of the light installation and the quantity of lights on Grand Traverse.

Mr. Flint stated the next item Colt has already addressed.

Mr. Little stated to set the record straight on that, that looks like a duplication from the East side to the West. There are not any conservation areas that I am aware of in the West.

Mr. Flint stated we will take no. 4 off.

ii. Approval of Check Register

Mr. Flint stated you have the check register for the general fund for checks 539 through 543 in the amount of \$10,851.35 and payroll of \$754.80. Are there any questions on the register? If not is there a motion to approve the check register?

On MOTION by Mr. Pawlikowski seconded by Mr. Beekman with all in favor the check register was approved.

iii. Balance Sheet and Income Statement

Mr. Flint stated you have the financials through April 30, 2011. There is no action required but if you have any questions we can discuss those.

iv. Status of Direct Bill Assessments

Mr. Flint stated we are 73% collected on the on roll and the direct assessments the status has not changed since your last meeting.

FIFTH ORDER OF BUSINESS

Other Business

There not being any, the next item followed.

SIXTH ORDER OF BUSINESS

Supervisors Requests

There not being any, the next item followed.

SEVENTH ORDER OF BUSINESS**Audience Comments**

Mr. Glasser asked the continuation of Sinclair Road when is that scheduled to be done if at all?

Mr. Pawlikowski stated I don't believe that there is a plan for it under the current development scenarios to be built.

Mr. Glasser asked from the county or the city?

Mr. Pawlikowski responded the county, it is not a county funded project or project that is within the county's capital improvement program.

Mr. Flint stated it is a DRI requirement that when certain trip counts are met then the road has to be constructed. The trip thresholds are not being met right now so that requirement is not in place but it is a requirement of the DRI. The brief history on that is that the District through the bond issue funded a two-lane road in an alignment that the county had agreed to. When we began the process of actually bidding and constructing the road the county said we want to change the alignment and we may want to go ahead and four-lane it because ultimately it was designed to be four-lanes and we were going to construct it as a two-lane road and they were going to come back at some future date and four-lane it. They asked the District to hold off because they wanted to change the alignment, which would require condemnation and some other things then they decided they may want to four-lane it and then there were a number of turn over in staff. We tried to get them to agree to construct the road and we would provide them the money so they would release the District from the requirement. You approved a two-lane road and an alignment and you approved it and we are ready to build it, if you don't want it in that alignment and want to four-lane it we will give you the money to build it in its current configuration and you build the road. We had drafted an interlocal agreement and they had turnover in staff and it ended up going nowhere so there has been no progress in probably two years on that issue.

Mr. Glasser asked with that as a background at some time in the future if they decide to construct a two or four-lane the capital obligation that we have either to build it or to pass the money onto them to build it remains at \$10 million or will increase from \$10 million and is that \$10 million going to be secure for all time not utilized in any other way so that again homeowners are not caught up?

Mr. Flint responded that is obviously an issue. It goes back to the issue we talked about on East with the construction account and the loss of control of that money. When the District went into default on those bonds the District lost control of the trust funds, which includes the construction account, which includes the \$17 million that is in those accounts. We are going to have to have that conversation with Trustee's Counsel about the DRI requirements and what obligations from a developer perspective the DRI has going forward in the future.

A resident stated so the money isn't there anymore.

Mr. Flint responded it is there but we don't have the control to access it.

Mr. Little stated it has been a long time since we negotiated that agreement but I was under the impression that that specific obligation to construct that road under the DRI was a developer obligation that the District didn't specifically accept but that was still planned under its capital improvement plan to be a District funded improvement. In other words we didn't specifically assume the obligation under the DRI, in other words we wouldn't be held liable if the road wasn't build on schedule but that being said it was included as part of the District's capital improvement plan and that is why we have funds for it.

Mr. Pawlikowski stated that is correct.

Mr. Little stated I wanted to make that clear for the record that it is not specifically a District obligation.

Mr. Flint stated but the District did issue bonds to do that and it will impact the development.

Mr. Gray stated if the cost were to exceed what the District allocated that is not the obligation of the District to come up with that additional money.

Mr. Little stated right and as George said even though it is not a direct obligation of the District it is a DRI requirement it will impact the development of Reunion West and it is something the bondholders are going to be concerned about completing at some point or at least addressing in some way because it does impact the development of Reunion West which is their security. There are little nuances there.

Mr. Glasser asked whose security?

Mr. Little stated the bondholders' security.

Mr. Flint stated it affects the value of the property, which affects the value of their security.

Mr. Hobbs asked can we ask if there were any caveats, when that \$10 million was put there for that reason was it fenced in any way that it can only be used for that piece of the development or is this just in a free fund?

Mr. Little stated it is in the general construction account but within that account there was a construction budget in the District's capital improvement plan that line items that specific improvement with a dollar amount.

Mr. Flint stated there was an Engineer's Report also that was prepared when the bonds were issued that described the improvements and that is the guideline we have to use to spend the money.

Mr. Hobbs asked would that be strong enough to defend its use against something else?

Mr. Little stated you would have to amend the Engineer's Report.

Mr. Hobbs stated I'm just asking if that particular report is enough to say that is what it was for therefore, it must stay there for that.

Mr. Little stated normally that would be the case but when the District defaulted and we lost control of those accounts I can't tell you exactly what happened to those funds but again that is mitigated by the fact that the bondholders also have an interest in the District improvements being constructed.

Mr. Glasser asked who does have knowledge of the control of those funds and where they reside at the moment?

Mr. Little stated they are in the District's construction account.

Mr. Flint stated but the District doesn't have access to them.

Mr. Little stated we don't have control and access to that account anymore because of the default but George can tell you exactly which account they are in.

Mr. Pawlikowski stated I think what might clarify it more and I think where your questions are coming from is that your concern is that based on the fact that at some point in the future that you as a homeowner is going to get a special assessment because this road if not constructed and it has to be constructed in the future. To address that I would have to say that that is not going to happen because essentially the way it is tied is that once your lot is developed and you have your certificate of occupancy you are not affected by that road or the obligation to construct that road. The only thing you are affected by is a potential inconvenience that you don't have this other travel way that gets you around traffic. Where the obligation comes in at

this particular point is all the undeveloped land that is out there because the county is going to say based on a snapshot picture of where the project is today it is generating X amount of trips and because of those trips that it generates it has flipped the switch that says that road has to be developed and for me to approve your plan to put in those units, additional units that don't exist today that road has to be built and it puts the burden on the owner of that property whoever that might be to build that road.

Mr. Glasser stated you said on undeveloped property.

Mr. Pawlikowski stated undeveloped not platted property, basically what you would classify as bulk, developable land.

A resident stated single-family lots that don't have homes are not affected.

Mr. Pawlikowski stated essentially all the lands that are in the foreclosure proceeding.

A resident stated so you could conceivably be assessed twice for that road, the undeveloped part and the people that are already paying for it now.

Mr. Pawlikowski stated no.

A resident stated that is what you just said. If that undeveloped parcel has to have the road then they are going to be responsible to pay for it.

Mr. Pawlikowski stated that is correct.

A resident stated there is money twice.

Mr. Pawlikowski stated I don't understand how you say there is money twice.

A resident stated if there is \$17 million in there now and we are saying there is a possibility that money could be spent and if it is not in the District's coffers then those people have to come up with it on the other side.

Mr. Pawlikowski stated it would be whoever develops that parcel.

Mr. Glasser stated I asked the question so that I could understand that it now doesn't become a responsibility if the project becomes not a \$10 million project but a \$15 million project that it doesn't become a responsibility again of the homeowners on that side.

Mr. Pawlikowski stated the reason why the agreement with the county was never consummated was because the CDD's contribution was \$10 million, the county's concern was that both the consultants for the CDD and others couldn't agree to the construction price. The CDD's price was lower the county's consultant said no it is \$15 million and they wanted the difference to be the liability of the developer and the CDD for anything over and above the \$10

million on a road that was to be constructed at some date in the future. If you can tell me where construction costs are going to go either five years from now ten years from now or twenty years from now.

Mr. Flint stated plus they wanted the District to pay for a four-lane bridge and we said we are only obligated to build a two-lane road why would we pay for a four-lane bridge, there was some of that stuff going on and it ended up not going anywhere.

On MOTION by Mr. Pawlikowski seconded by Mr. Burman with all in favor the meeting adjourned at 3:30 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman