

**MINUTES OF THE JOINT MEETING
OF THE POINCIANA & POINCIANA WEST
COMMUNITY DEVELOPMENT DISTRICTS**

The joint meeting of the Board of Supervisors of Poinciana Community Development District and Poinciana West Community Development District was held on Tuesday, October 4, 2016 at 1:00 P.M. at the Starlite Ballroom, 384 Village Drive, Poinciana, Florida.

Present and constituting a quorum of the Poinciana CDD Board were:

Robert Zimbardi	Chairman
David Lane	Vice Chairman
LeRue "Skip" Stellfox	Assistant Secretary
Richard W. Kellogg	Assistant Secretary

Present and constituting a quorum of the Poinciana West CDD Board were:

Charles W. Case III	Chairman
Leonard Vento	Vice Chairman
Bill T. Brown	Assistant Secretary
Sidney Rosenberg	Assistant Secretary

Also present were:

Gary Moyer	District Manager
Michael Eckert	District Counsel
Kathy Leo	District Engineer
Kraig Carmickle	Evergreen Lifestyle Management
Audience Members	

The following is a summary of the actions taken at the October 4, 2016 joint meeting of the Poinciana CDD and the Poinciana West CDD Board of Supervisors.

FIRST ORDER OF BUSINESS

Call to Order and Roll Call

Mr. Zimbardi called the Poinciana CDD roll call.

Mr. Case called the Poinciana West CDD roll call.

SECOND ORDER OF BUSINESS

Pledge of Allegiance

The Pledge of Allegiance was recited.

THIRD ORDER OF BUSINESS

Audience Comments

The Boards solicited comments from the audience at this time.

An audience member addressed items he read in Lifestyles such as the following; outside membership, guest use of amenities, the possibility of changing resident's lifestyle from living in a 55 and older community if memberships are sold to outsiders. He also inquired and commented on the Reserve Funds. He noted if the CDD buys the amenities, the community could lose its current Solivita identity and become more of a family neighborhood and if the CDD buys the amenities for more than seventy million we will have overpaid, short of our reserve and will eventually be replaced by assessments. He expressed his opinion and advice to residents to run from this deal.

Another resident noted he echoes the previous speakers' comments regarding the reserves. He noted the amenities would only help AV Homes in selling more homes here and across the street, not just a benefit to residents here.

A resident, Ms. Marie Berringer, addressed the Board on what she read in the Purchase and Sale Agreement. She is concerned that AV Homes wants 1,000 guest passes to allow Solivita Grand residents to use our Solivita amenities. Ms. Berringer believes this will be a great burden on Solivita residents as we do not have enough room now for existing residents. Parking facilities are already inadequate and there will be additional wear and tear on the amenities and road. She opposes the granting of 1,000 guest passes to non-Solivita residents. It will repeat negative impact on Solivita lifestyles.

Resident, Mr. George Stanberger, commented on the Valuation Report and the Reserves. He noted AV Homes is asking us to shift the burden of the R&R Reserves into our Operating Funds as opposed to funding them from the bond proceeds. There is no contingency reserve built in to the R&R Reserves at the present time and we need a contingency reserve.

Mr. Jerry Sylvester addressed the Board noting he is here looking for transparency in the sales agreement. It states all contracts would be turned over at the time of the sale and Mr. Sylvester believes all contracts should be turned over prior to sale, prior to any negotiation that would include our new food and beverage operation, and any personnel contracts so we can decide if we are able to terminate any contracts without major liability. He sees nothing in the document that says we audited the club O&M portion, not the AV Homes portion and there should be funds available at the time of the sale to be transferred. There is nothing in the documents that says who controls the new amenity fees, who will put it in the bank and make interest on it. The Board previously said they would control the funds and authorize the payments, etc. and that is not in the document.

A resident inquired if the amenities we are about to buy are enough to take care of 11,000 to 12,000 people or will there be the need to build additional amenities.

A resident addressed the Board about the liquor license and noted we should not have any need to own a liquor license.

FOURTH ORDER OF BUSINESS

Approval of the Minutes of the July 20, 2016 Joint Meeting

As requested, the changes to the July 20, 2016 minutes were noted and will be made part of the final minutes for the record.

On MOTION by Mr. Lane seconded by Mr. Kellogg with all in favor the minutes of the July 20, 2016 meeting were approved as amended by the Poinciana CDD Board.

On MOTION by Mr. Brown seconded by Mr. Rosenberg with all in favor the minutes of the July 20, 2016 meeting were approved as amended by the Poinciana West CDD Board.

FIFTH ORDER OF BUSINESS

Review of the Valuation Report

Mr. Scott Harder, President and CEO of the Environmental Financial Group addressed the Board and noted he previously presented preliminary results of the Valuation Report and recently submitted to the Board the final Valuation Report. He gave a brief review of the numbers previously presented and discussed where the numbers are today.

Mr. Harder noted the report in front of the Board today is consistent and uses the same method that was presented to you in July. We took the 5.4 million, 2016 club fee, capital revenue and we made a judgement based on what you need to hold back and came up with a split of 3.9 million per year.

Mr. Harder offered to answer questions from the Board.

Mr. Case asked if Mr. Harder evaluated the impact of the offer from AV Homes and how it was related to the reserves.

Mr. Harder responded we received the offer letter a few days ago and met by telephone yesterday with AV Homes and again this morning. We have a complete understanding of what they are offering.

If the Board gives Mr. Harder the go-ahead to look at this offer and report back today, Mr. Eckert and Mr. Harder could come back to the next meeting in October with an analysis and recommendation.

Mr. Eckert noted before this meeting is concluded today we need to decide whether we will have our regular October meeting on the 19th as a joint board or whether we push that off until October 24th.

Mr. Harder noted we need cash flow forecast out 5 to 10 years clearly detailing the kinds of monies you need to put in to certain reserve funds for bond issue plus operations.

Mr. Tony Iorio addressed the Board and noted the following:

- We have stressed that our goal was to keep the fees the same and from an O&M standpoint, we worked hard to make sure that would be the same and we tried to pursue an opportunity to build additional facilities. We believe we now have an opportunity to make that work.
- Since we only had an inspection report to go by in the past, we now had an opportunity to have two reserve studies done. Since that time we made tremendous progress with the inspection report as over 90% of the items have been corrected or on their way to be corrected.
- We believe that when we put our contribution in from the 5590 units, you will see in the budgets ELM has put together that there are adequate reserves to handle everything that is being proposed by EFG, which is the \$600,000 reserves they are looking at and truly funded. It is over a seven or eight million dollar number that you are looking at for the next seven to eight years that are being funded to the reserves.
- We believe all of the goals we set can be achieved and we disagree with the methodology that was used. We are proposing to fund the reserves through the O&M.
- I am available to take questions along with our attorney, Mr. Gary Shullaw who is in attendance at this meeting.

Mr. Carmickle commented briefly on the budget he prepared and offered to take questions.

Mr. Stellfox inquired about the surplus in the numbers discussed by Mr. Carmickle.

Mr. Carmickle also indicated he would have the budget posted on line and it has already been sent to some residents already.

Board members continued to ask questions of Mr. Carmickle regarding the budget.

A Board member asked will this budget have to be transferred to become compatible with what we are currently doing right now.

Mr. Moyer responded because this is assessment based and we received these monies through assessments, this will be a government fund account. To the extent of what we are talking about this has business components such as running a restaurant that would be accounted for as an Enterprise Fund. Government has two types of funds, Government Fund Accounting and Enterprise Funds. He does not see anything in the budget presented that would be any concern that it would somehow co-mingle the funds because they will be separate funds. There will be a General Fund and an Amenities Fund, which will be identified separately.

It was asked if Mr. Carmickle and his group will be coming before the Board on a monthly basis during Board meetings to discuss the budget, the expenses, spending and reviewing the check registers, and where the District stands month to date, etc.

Mr. Moyer indicated the process would be the same as is being done now.

SIXTH ORDER OF BUSINESS

Status of Purchase and Sale Agreement

Mr. Eckert noted there are two documents in the Board's agenda packages regarding this item. The first document is a memorandum from our office, dated September 25th and it is a snapshot of due diligence items that the District needs to be considering performing as well as a description of some of the areas where we have not been able to reach agreement in terms of a draft agreement. We have not been able to reach a preliminary agreement for the Board to even sign off on. I would like us to give me some firm direction on where we should go on some of the items.

Mr. Eckert noted he wants to talk about the open items on the Purchase and Sale Agreement from staff prospective.

1. Purchase price – this is partially dependent on the valuation and the work Scott will do between now and October 24th, but remains a Board decision.
2. This is an outstanding issue, the liquor license. We recognize this is an important issue and also AV Homes recognizes that we shouldn't have a disruption in service. Even though Hampton Golf is the holder of the license ultimately, we must make sure we plan if Hampton Golf isn't there anymore that the license gets conveniently transferred and whether or not we are a co-permittee on that license or whether or not we have some sort of power of attorney to get the transfer accomplished. None of this can be worked out until

I see the agreement between Hampton Golf and the developer, which would then become our agreement.

In response to a previous question about the contracts, Mr. Eckert noted we are required to be given a list of the contracts they asked us to accept and we have the right to not accept them if we don't want to and the determination of those is borne by AV. The Board will have an opportunity to make sure you are not bound by contracts or leases you are not satisfied with.

Mr. Vento asked about a current contract between Hampton Golf and AV Homes to take care of all the restaurants; Hampton Golf runs the restaurants now. Are you saying we are not obligated to continue this contract?

Mr. Eckert responded right now you are not obligated do anything. If this agreement is signed, it contemplates that the contract will be presented to this Board and they will decide whether or not they want to proceed with the transaction with that contract in place.

Mr. Vento asked if we buy the amenities, do we have to contract with Hampton Golf if that is the situation that exists.

Mr. Eckert responded not necessarily, but an agreement has never been provided to me. All I can say is we are building in as much protection to the District as we can in the agreement to make sure the District doesn't get forced to take a contract they don't want. Some of the contracts will be provided to the Board for review before the PSA is signed and some of the contracts will be presented during the due diligence period for the District to decide whether or not they're acceptable and try to negotiate changes if they want to stay with the same vendor. You will not be in a position where you must close on this transaction with a contract that is binding you that you don't think is acceptable.

Some items that Mr. Eckert needs input from the Board on are as follows:

- Cash flow – AV Homes has said they are willing to work with us in terms of paying some of their assessments early rather than doing a direct collect.
- A significant issue is that we are on a fiscal year that starts October 1 and ends September 30th. When we go on the tax roll, we will be on the November tax bill, we will not start getting any money in from the tax collector until December. This means we have bills coming in October, November and the first part of December.

The current CDDs handle these first three months of bills with money already collected and when the new assessments are collected that money is replenished, but there has to be a one-time influx of cash to build up that operating reserve and this is an open issue. If AV Homes pays early, this will help some but at some point AV is not going to own any lots and we do not want a three month hole to be there so we need to do a cash flow analysis, there needs be a component of the operating reserve in the O&M budget, which there isn't right now.

- The collection costs factors into the purchase price because you are going to get up to 4% collection costs from the tax collector property appraiser.
- There is also a discount for early payment. We gross up our budget by 4% on top of the collection fees to account for the people who pay early.
- An option agreement for the sales center has been provided to us and we have taken an initial look at it. Questions on this agreement have been forwarded to AV Homes. This is the idea of someday the District getting a deed to the sales center administration building without having to pay for it. This still needs to be negotiated.

Mr. Iorio was asked if AV Homes intends to use the sales center for Solivita North.

He responded that decision has not been made yet but ideally it would be while the construction is going on over there, at least from a preview standpoint to demonstrate what is planned over there and make the transition over there to show the type of facilities we build and community we build. I think that would be appropriate and make sense, at least in my mind.

- The issue of the equalization of assessments to what they are currently, there needs to be a deduct from the acquisition value to deal with that. That is how you make that contribution.
- There is also a provision in there dealing with certain qualifications that a Community Manager would have to have; there are four qualifications.

Mr. Eckert continued they have put some provisions in the agreement that say the representations they made, in terms of the conditions of the contracts and the representations will only survive for up to one year now from execution. My advice, from a legal standpoint is the Florida Legislature designated statutes of limitations for claims for you to bring and I

would go with those. From AV Homes perspective they expressed to me that their concern is they are a publicly traded company and they want to be able to provide some certainty to investors that they have moved on from a transaction without all kinds of contingent liabilities hanging out there. I need some direction from the Board on where you want me to go on that issue.

The Board indicated they wanted to go with the Florida Statute.

- AV Homes proposes a basket and cap structure of \$50,000 for the basket and if the damages are over one million five hundred thousand, which is the cap, then you will bear the loss of whatever is over one million five hundred thousand. If there was a problem with this transaction that the District feels they should be pursuing AV Homes for, their liability would fall somewhere between \$50,000 and \$1,500,000.00. I cannot recommend the basket and cap method to the Board, but it is the Board's decision.

Board members requested to hold this item over for further research until the October 24th meeting before making a decision.

Mr. Shullaw, Executive Vice President and General Counsel with AV Homes addressed the Board regarding the review of the Purchase and Sale Agreement. He noted the issues that are outstanding are quite small. It is important to note this is an asset sale and as far as litigation, everything that has happened before the transaction closes is the liability of AV Homes; your risks should be reduced because of that. We will do our best to accommodate the District with this transaction.

SEVENTH ORDER OF BUSINESS

Discussion on Additional Amenities/Renovation and Expansion of Amenities to be Acquired

Mr. Eckert noted this item is a one page document. When we go to validate our bonds we have to tell the court in general terms, but somewhat detailed, what we are going to do with the additional money we would get. With the \$11.2 million we have some sort of an idea what we will spend that money for and if anybody doesn't want us to spend the money on that, they have the opportunity to tell the court in validation they don't think the court should allow this.

We put together a one page document on proposed improvements, which is included in the agenda package and will be posted on line. The total estimated cost would be \$14,316,000 in terms of what we would take into validation and get authority to issue bonds up to. The footnote at the bottom of the documents shows that even though our menu of assets we might construct or

reconstruct is \$14,316,000, at this point in time, we only anticipate issuing bonds to pay for \$11.2 Million. The Board will need to prioritize these and stage these improvements.

The Board will need to approve this for purposes of us including it in the Validation Report so that we can get started on that process, which can be a lengthy process. A motion to approve is not needed at this time.

EIGHTH ORDER OF BUSINESS **Amended and Restated Solivita Club Plan**

Mr. Moyer noted this item is only informational.

Mr. Vento pointed out Section 6.2 of the document included in the agenda package to residents in attendance at the meeting because this is very similar to what we are talking about doing in the future.

NINTH ORDER OF BUSINESS **Review of Gate Protocol**

Mr. Eckert indicated the Gate Protocol included in the agenda package is the gate protocol that bond counsel has looked at and has given a preliminary opinion that this gate protocol, if followed, would allow you to issue either tax exempt or taxable bonds. This gate protocol coupled with the agreement we will have with the HOA satisfies the State law requirements in terms of how the gates would need to operate.

Mr. Vento noted he wants to be sure our security people have seen and acknowledged this and know what is coming and what is happening now.

TENTH ORDER OF BUSINESS **Discussion of the Annual Pass Program**

Mr. Eckert indicated we put together a kind of Q&A document regarding this item and it was also posted on the District's website.

ELEVENTH ORDER OF BUSINESS **Audience Comments**

A resident, Mr. Kessler noted he previously expressed his opinion that what the Board is doing is illegal, but Mr. Kessler now states it is not illegal. It turns out there are some conditions under which you can acquire an amenity and it would be legal so long as it is indoor or outdoor recreation. He noted he is familiar with real estate contracts and all real estate contracts are either buyers or sellers contracts. He asked if counsel will counter the seller and say we cannot buy some of your amenities but we would love to buy your golf course.

A resident, Mr. Syrtec provided the following comment, he has been on the Poinciana CDD website and it is hard to navigate. He cannot find position descriptions for Board members. He would like to request the descriptions be added to the website or if there, direct him where to find them. Mr. Syrtec also expressed his opinion regarding the basket/bucket issue. He also inquired on where to find the annual audits on the website. Mr. Moyer explained where to find the audits posted within the website.

Resident, Mr. Michael Espy addressed the Board regarding the 1,000 passes; are those individual passes or family passes. Mr. Eckert responded they would be household passes. This Board will come up with how to deal with the rules for passes. There is typically a limit on users on a household pass.

A resident noted Poinciana West owners received a letter 10 days ago about refinancing the current bonds. There is a deadline of next week in the letter if we wish to pay off our current bond indebtedness it must be paid by next week before any additional fees are incurred. Please explain.

Mr. Moyer responded we anticipate that most people will not pay off the principal balance of the outstanding bond but will continue to avail themselves of the annual installment. The reason we are giving this opportunity is to say no, I don't want my principal balance to increase slightly even though my annual installment goes down.

Mr. Eckert offered to stay after the meeting to assist the resident with his question regarding the Poinciana West letter he received.

Resident, Mr. Joe Gesevitch addressed the Board on the basket/bucket issue and expressed his opinion that the resident CDD should never relinquish their rights under existing law.

Resident, Ms. Marie Berringer noted she assumes the people who receive the 1,000 passes will pay the same as we are paying. Will AV Homes pay us the same as we pay? Do they pay up-front or as they use them?

Mr. Eckert responded the intent is on the AV Homes undeveloped land in Poinciana CDD and Poinciana West CDD they will be paying the highest rate that anybody is for the capital side as well as paying their equal share of the O&M going forward. They would pay the same as you are on undeveloped land until such time they sell it to someone else and that person would start paying.

A resident of 690 Voltaire, complimented Mr. Eckert on his response to who would control the \$11.2 Million. He asked when does the 5% fee get charged to AV Homes.

Mr. Eckert responded the \$11.2 Million will be held by a Bond Trustee, which is usually US Bank and then the Board will approve the spending of that money, will send a requisition signed by the Chairman to the Trustee and the Trustee will then authorize the disbursement of those funds. AV Homes will have no control over those funds except that AV Homes and the Districts are going to agree on what generally we are going to use that money for up front, but in terms of actual spending of that, that will be in charge of the Board.

TWELFTH ORDER OF BUSINESS

Supervisor Comments

Mr. Vento asked the representative of AV Homes about the property across from where the theater will be built what is the status/plan for that and is there a plan for that. Can it be used for something amenity-wise?

Mr. Iorio responded there are plans for town houses in there; the plan shows 34 or 42, not many.

Mr. Stellfox noted as we get closer to this, if in fact we do it, we will need some focus groups. I would like the very active theater group here have some input into what goes into that and be recorded so it can be taken into consideration when the plans are finalized. It goes the same way with the Health and Wellness Center and the outside activities. People who are interested should have an opportunity to voice their opinions.

Mr. Stellfox would like to go back to the people he contacted before to get an estimate on what it would cost to do these focus groups if we go ahead. It will probably be different than what I had before but if I have an informal agreement from you folks, I will start the investigation.

Mr. Iorio noted this is something that has been in the planning stages and would have tremendous input from any outside consultants that are needed.

Mr. Eckert asked if the Boards want to schedule the Poinciana and the Joint Board meeting for the 24th instead of the 19th.

Mr. Case noted he will not be available.

Mr. Eckert stated the District Manager will notice for a Poinciana and a Joint meeting for October 24th.


Mr. Moyer stated the public hearing for Poinciana West is advertised for 1 P.M. The joint meeting would follow around 1:45 P.M and then Poinciana would follow.

THIRTEENTH ORDER OF BUSINESS


Adjournment

On MOTION by Mr. Kellogg seconded by Mr. Stellfox with all in favor the Poinciana CDD meeting was adjourned.

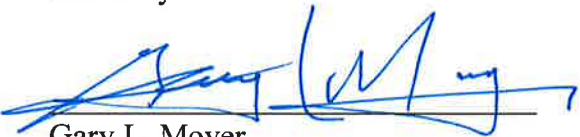
On MOTION by Mr. Brown seconded by Mr. Vento with all in favor the Poinciana West CDD meeting was adjourned.



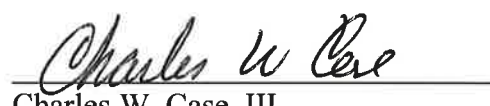
Gary L. Moyer
Secretary



Robert Zimbaro
Chairman, Poinciana CDD



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