ROLLING HILLS
COMMUNITY DEVELOPMENT DISTRICT

A special meeting of the Board of Supervisors of the Rolling Hills Community Development District was held Thursday, October 22, 2015 at 1:10 p.m. in the Rolling Hills Amenity Center, 3212 Bradley Creek Parkway, Green Cove Springs, Florida 32043.

Present and constituting a quorum were:

Bill Tew	Chairman
Jody Smith	Vice Chairman
Rose Bock	Supervisor
Kurt von der Osten	Supervisor
Stephen Grossman	Supervisor

Also present were:

Jim Oliver	District Manager
Katie Buchanan	District Counsel
Keith Hadden	District Engineer
Bill Huck	Developer
David Guy	Developer

FIRST ORDER OF BUSINESS **Roll Call**

Mr. Oliver called the meeting to order at 1:10 p.m.

SECOND ORDER OF BUSINESS **Audience Comments**

There not being any, the next item followed.

THIRD ORDER OF BUSINESS **Affidavit of Publication of Public Hearing**

Mr. Oliver stated the next item is affidavit of notice of public hearing. We are having a public hearing today and that notice of public hearing was published in the Clay Today Newspaper twice as required by statute.

FOURTH ORDER OF BUSINESS **Discussion of Bond Restructuring**

Ms. Buchanan stated at the last board meeting we discussed the assessment methodology and I explained that the legal process was that we mailed notice to the landowners that were going to be affected by our change in bonds and change in assessments and then we would have a public hearing. It was our goal to have all of the details of the transaction ironed out during that 30 day period but that hasn't happened. We have made a lot of progress, we have piles of documents, but we don't have final form of documents yet. That being the case I'm always reluctant to have an assessment hearing and close it because I like to tie the pre-closing of the bonds with the assessment hearing to make sure that there are no changes between that very short period of time. I would like to walk you through this agreement relating to the restructuring, we can talk about the deal, we actually have the sources and uses if you want to see how the money is expected to flow and where it is coming from now and then ultimately we would continue the hearing to a later date to allow us time to finalize the documents. Mr. Grossman will remember in Nocatee we met every week for two months. That is not our goal here, we are going to lean on the side of caution and give ourselves a little extra time so we don't have to bring you back unnecessarily. The other thing I want to point out is that I don't expect you to adopt this agreement today I just wanted to give you something to peruse over so that you could read it, understand the deal points and give us some numbers.

Mr. Huck is here and he is with the landowner who is the impetus of this restructuring and I want to give him a chance to say a few words.

Mr. Huck stated thanks to the board members and staff for all you do during the year I know you meet frequently sometimes perhaps too frequently. We talk often with Jim and with Keith and Katie and sometimes between meetings. We are very, very pleased with the progress that we together have made in this community since we first darkened your door two years ago. David can probably tell us how many homes have been built during that time but I know we have sold over 150 lots to Richmond American and LGI. I heard Jody and Keith discussing some of the pains of construction that I have heard before with vehicles and human beings being out there building homes and we appreciate the patience of the residents of the community and the board with that evidence of progress.

The restructuring that we have proposed and have been working with your staff on is well along. My background is in the municipal bond underwriting and sales business, I was with a regional California firm for 30 years, they finally retired me and I started my own firm 3 ½ years ago, met David Guy who has the real estate experience of actually developing property and building homes that was not part of my background. I have been taking the lead on the bond restructuring while David continues to take the lead on the real estate development; that is how we divide our talents. The bond restructuring really tracks the real estate development and we have proposed dividing the roughly $10 million of bonds into four tranches or pieces with an A1 piece that corresponds to the completed homes that haven't paid off their assessments. As we all know any homeowner can pay off their assessment whenever they want to but most of them have not. The lots recently acquired by LGI and Richmond American those are considered to be the highest quality-wise, a completed home there is someone living in it, they are paying their taxes or there are lots owned by publicly held homebuilders that are perceived to have more money than we have. So the A2 Bonds correspond to the lots that we own. We are very pleased with those lots and most of them are in escrow now to LGI and will be taken down over a period of the next 15 months or so. Our pockets are not as deep as a publicly held home building company so the credit quality was perceived to be a step less. Those are the A2 Bonds and there are roughly $1.9 million of those roughly $2 ½ million in the A1 tranche. There are about $2.25 million of B Bonds those relate to the finished lots that we own. As we sell lots to LGI or Richmond American the B Bond debt is paid off there is still some B Bond debt out there because we still own some lots that are in escrow most of them to LGI. The fourth piece of it is the A3 Bonds, the A3 Bonds correspond to the 439 paper lots, the land in Phase 2B and 3 of the project.

That is the structure that has been proposed, we have made good progress, there are still some fine-turning going on, that fine-tuning is questions like, is there a way to combine the A1 and the A2 Bonds together, that is one of the principal issues we are working with and as you can imagine if you have enough attorneys, investment bankers and consultants in a room you can make a simple question like that take two or three weeks to resolve sometimes and that is kind of where we are in the process. Again, with my thanks and David's thanks for all of your work, we appreciate it and we are delighted to be here.

Ms. Buchanan stated there are three things that I would like to do today. The first is to walk through the restructuring agreement, the second is to highlight a deal point with you that will change one of your existing rights and benefits in connection with the call provision and then the third is to talk to you about how the assessments are different than what we discussed last time. Because I think that might be the shortest discussion let's start with the assessments. If you recall last time the A3's which were on the unplatted lands was going to be what I call a capital appreciation bond, convertible capital appreciation bond, and that is where it sort of accrued interest off the books with a deferred payment for several years instead of more like a current interest bond, which is comparable to a mortgage. That complexity has been eliminated, at this point they are all current interest bonds, which means it will be similar to the way a mortgage functions so that you have an interest rate that is set. The reason I tell you this is so you know it is different but I do want to assure you that the amount that was in the notice that is required by law was still higher than the amount that we will eventually end up with so we don't have to re-notice, it just makes it a simpler deal, we are still within the confines of the law regarding those requirements. That is our assessment point.

The second is what are the call provisions. The bondholder in this instances feels very strongly that they want to protect their interests and make the bonds unable to be exchanged, they can't be called for 10 years from the date of closing on this transaction. That would push the call out to 2025. Right now under our existing documents the call provision is 2017 so just understand that is one thing you are going to be giving up in exchange for getting these bonds restructured and getting the forward progress that the developer and the lot holder needs. Does anyone have concerns or want to talk about that point?

Mr. Smith asked what is the impact of that financially?

Ms. Buchanan stated should the rates remain low or drop, which they may not they may go up we wouldn't be able to refinance as early as we could under the existing documents. I will tell you that the bondholder thinks it is really important. The B Bonds are going to be paid at closing so it only affects the A's.

Mr. Smith stated so there is ability there for the rate to change.

Ms. Buchanan stated interest rates change. It would be like your bank telling you that you can't refinance for 10 years.

Mr. Smith stated it seems like the right thing to do now.

Ms. Buchanan stated I will turn to the agreement and I won't walk through all the whereas clauses because we are not adopting this today but basically they cover the history of the district, noting that we had an event of default and that we had a forbearance agreement in place, the forbearance agreement was extended and now we are trying to accomplish a restructuring in connection with the forbearance. What Bill indicated is absolutely correct and you can look in section 3 on page 3 and that basically describes the restructuring so we are going to issue the restructured bonds in exchange for and in cancellation of the 2006 Bonds. Our bonds right now will be eliminated completely in exchange for the 2015 Bonds. I will note that the balance of the 2006 Bonds is higher than the 2015's and there is going to be a cancellation.

Section 2 details how the money in the trust estate is going to be spent. Jim has a schedule of use that goes through and tells you how much money is in which account. We don't have any construction money left, we haven't had any of that in a while, so the funding that is in there is generally committed to reserves or prepayment money.

The indentures that our bond counsel prepared has certain provisions relating to how this money is going to be reallocated in the new transaction. This is just a summary as it stands of where the money is going to go. Our outstanding principal is $11,495,000 and the total exchange principal is $10,525,000 that difference of $970,000 is what is being cancelled.

The fourth section is delinquent interest, the forbearance agreement deferred collection and payment of both principal and interest so there is some amount of delinquent interest that is going to be paid and some that is going to be forgiven and that would be the $68,473 that is forgiven and the $85,129 and that is a total of $153,602 in interest that will be forgiven.

The second to the last section are the existing account balances. You will see that the 2006B prepayment account is the largest because that is where money goes any time there is a lot sale to builders and we recently had a fair number of those. That is why the balance is so much higher than all the rest of them.

The very last section is how the sum total of the above bonds is going to be spent. There is a very large payment of delinquent interest because that is what the bondholder prefers, that we pay interest instead of principal, both of which are due and owing. Then there is going to be a deposit in the debt service reserve fund for the A-1's and the A-2's and that is going to be $98,000 and $152,000 respectively. The A-3's for now do not have a debt service reserve fund and that is a risk the bondholder is willing to take. Finally, there is a small deposit to the revenue account and there is a fair amount of money that is dedicated to the cost of issuance. You will note that there is a deficit and the developer will be responsible for making that payment.

We will change these numbers again probably, tweak them, just know that but I wanted to give you a big picture of how the flows are going to move through.

If you go back to the restructure agreement, third paragraph subsection 3, the restructured bonds are going to be secured by assessments consistent with the terms of the second, third and fourth supplemental indenture. Those are documents that bond counsel is preparing and we are going to basically have a contract with the trustee for each series of bonds out there with the understanding that the A-2s and B's are going to be one indenture because there is a senior/subordinate relationship between the two so they have to stay together.

Four, it is going to include cancellation of the $190,000 in A Bonds and $780,000 in principal of B Bonds and we just want to make sure that those bonds are officially cancelled.

Five, relates to the cancellation of the delinquent interest.

These two documents run together clearly, the goal is to start a new series, four new series to be exact.

Section 5 basically deals with how we are going to cancel the bonds and the requirement of the trustee to do that.

Section 6 deals with something we have talked about before, which is when assessments aren't paid under Florida Law the balance of the assessments are fully accelerated and there are penalties and interest that accrue on that balance. Here, we are making sure that the trustee on behalf of the bondholder accepts that we are not going to collect that so that they don't come looking to us, the district, for payment of that.

Section 7 essentially will pick up something similar to the numbers that we just looked at on the Excel spreadsheet and requires the developer to pay the deficit amount.

The last section I will point you to is 11. Basically we are requiring a mutual release from all parties involved, the trustee and the landowner, any person who works with them that once we sign this agreement any claims in existence prior to this date are done, if you missed your opportunity to raise then we are starting with a fresh slate. This doesn't release anyone from the obligations under this agreement for future assessments, it just wipes the slate clean for all past transactions. You can take this with you and if you have any questions give me a call.

We are thinking that we can come back the week before Thanksgiving to try to get this finalized and what you can expect at that time is that we would actually have the restructuring agreement for your approval, we would have a bond resolution that you would consider, we would have an assessment resolution and methodology that is final and we would have a hearing on those final documents as well. I'm going to do my best to get everything to you about a week in advance so that you have time to read it in advance of the meeting. I don't want to walk you through anything the day of if I can help it.

Mr. Grossman stated I won't be in the area during that time period but you will have a quorum without me I'm sure. Nothing we have said changed the payments by the present homeowners, right.

Ms. Buchanan stated right, it is still the same, a resident will not be affected by this transaction.

Mr. von der Osten stated that is the A1 Series the current homeowners.

Ms. Buchanan stated and A2's.

Mr. Huck stated all the current homeowners are in A1, those homes under construction won't be affected either and they are in A2 for the most part. The dividing line was whether we had closed a sale of lots to LGI or Richmond American before today. We had a closing last Monday or Tuesday and those lots that we sold to LGI last Monday are in A1. Everything we have sold to date A1.

Ms. Buchanan stated ultimately the only portion of the district that we financially impacted by this transaction are the A-2's to the extent of the B Bonds but that is something the developer will satisfy at closing it won't pass on to the end user and the A-3's.

Mr. von der Osten asked this doesn't really pertain to this set of bonds but the 400 unplatted lots is it contemplated that additional bonds would be issued for that infrastructure?

Mr. Huck stated that is a great question and I appreciate you asking it because we would like to discuss it at some point. David can give you a sense of when that might be but homes are being sold right now at a pace that would indicate that in a year and a half or two we will be out of lots on which to build new homes. We might be back in a year or so asking you to consider issuing bonds to finance new roads and other infrastructure for the unplatted lands.

Mr. von der Osten asked do you think those would be B Bonds or would you need both types?

Mr. Huck responded it might be a combination of both. We spent some time this morning and over the last week talking with Keith a little bit about what infrastructure will be required, how much will that cost. We have been talking to builders that if they were to build homes on the land that is presently unplatted how would they feel if the debt service on those homes were slightly higher than people who have been here for five or six years. Is that a good thing or a bad thing? We would almost certainly expect that those new homeowners coming in, in the year 2018 or something like that would have a longer mortgage period, original 30 year mortgage period. We would expect to come back and ask you to issue the new bonds, would it be A Bonds and B Bonds it would depend on the total cost of the infrastructure and it will also depend on our sense and the builders' sense of the market and whether a new 30 year deal was possible.

Mr. Smith asked in the undeveloped phases if we decide to take lots and restructure them to do something else with it such as a second pool or something like that, I'm assuming that is going to change the structure on that particular set of lots.

Ms. Buchanan stated there is a true up requirement in place or there will be in connection with this transaction so the developer is agreeing to a certain number of lots that we are going to have and if we end up with less than those lots they would be responsible for paying that portion of principal and interest of the bonds to pay them off.

Mr. von der Osten asked if new debt were issued on those lots would any of it be assessed to these existing lots here?

Ms. Buchanan responded it would be difficult. There is a system of improvements that justifies the way existing assessments are laid out the new improvements depending on the studies between our engineer and our assessment methodology consultant would likely be more specific to neighborhood improvements.

Mr. Huck stated we don't contemplate anything that would affect existing residents.

Ms. Buchanan stated that is sort of the deal in a nutshell. I do encourage you to read things and look at these numbers and call me if you have any questions. Bill is here and he is available to answer any questions you have about the community or his plans to some extent.

Mr. Huck stated David could answer better than I can the questions on the real estate development side.

Mr. von der Osten stated I would add on to what you said about an additional swimming pool, my guess is that would be a communitywide improvement that would be layered on.

Mr. Smith stated the only reason I brought that up is the fire code on this pool deck here is 248. By the time the existing phases are built out that fire code is going to get routinely exceeded. One of the reasons why is because we rent the pavilions out for parties and you bring 75 people in here for a party, the pavilion is considered part of the pool deck and it affects the fire code. At some point when you talk about developing the undeveloped phases I think you are almost going to have to look at some point of building a second pool because we are going to run out of space here when you get these phases built. Especially when you start to build the undeveloped ones, they are undeveloped now. That is something that is probably going to have to be considered.

Mr. Huck stated I appreciate you mentioning that. That is the kind of thing that David would take responsibility for us on.

Mr. Smith stated you are not talking about something elaborate like this amenity center; you are talking about a pool and restrooms.

Mr. Grossman stated we did that in Nocatee several times we put some developments in with pools but they are open to the whole community.

Mr. Huck stated that is a good sign that people are using the amenities.

Mr. Smith stated because of the amenities there are resident sponsored events, this pavilion and amenity center gets a lot of use, rental use. It is very popular. I wanted to throw that out there because that is something that is going to have to be looked at eventually.

Mr. Huck stated thank you.

Ms. Buchanan stated unless you have any other things what I think we should do is officially open the public hearing and have a motion to continue the public hearing.

FIFTH ORDER OF BUSINESS **Public Hearing on Assessments**

On MOTION by Mr. Smith seconded by Mr. Tew with all in favor the public hearing was opened.

Mr. Oliver stated the public hearing is open and there are no members of the public here. We need a time and date to continue the public hearing.

On MOTION by Mr. Tew seconded by Ms. Bock with all in favor the public hearing was continued to Thursday, November 19, 2015 at 4:30 p.m. in the same location.

SIXTH ORDER OF BUSINESS **Other Business**

There being none, the next item followed.

SEVENTH ORDER OF BUSINESS Supervisors Requests

Mr. Smith asked where do we stand on what we discussed at the last meeting about putting together quotes for the CDD property in the back being developed and all that kind of stuff or is Brian working on that?

Mr. Oliver stated Brian is working on irrigation and sodding. Also we shared with David the discussion of a berm.

Mr. Smith stated I wasn't looking at the complete development of a park and playground but if we could till it and sod it just to give them a place to play back there it is better than what they have.

Mr. Oliver stated when I get those numbers from Brian I will share them with everyone.

Mr. Smith stated I'm thinking of the future residents you have homes being built and a lot of lots that just got cleared and it is all right in front of that right of way that is all CDD property along that lake that when residents move in there I'm sure they would like to see that land look the same way as this looks.

EIGHTH ORDER OF BUSINESS Audience Comments

There being none, the next item followed.

NINTH ORDER OF BUSINESS Next Scheduled Meeting – 12/02/15 at 6:00 p.m. at the Rolling Hills amenity Center

On MOTION by Mr. Smith seconded by Mr. Tew with all in favor the meeting was continued to November 19, 2015 at 4:30 p.m. in the same location.

Secretary/~~Assistant Secretary~~

~~Chairman~~/Vice Chairman