

**MINUTES OF MEETING
FIDDLER'S CREEK
COMMUNITY DEVELOPMENT DISTRICT #1**

The Continued Meeting of the Board of Supervisors of the Fiddler's Creek Community Development District #1 was held on **Wednesday, July 8, 2009 at 9:30 a.m.**, at the **Fiddler's Creek Club and Spa, 3470 Club Center Boulevard, Naples, Florida 34114.**

Present at the meeting and constituting a quorum were:

Phillip Brougham (via telephone)	Chairman
James Curland	Vice Chairman
Jim Schutt (via telephone)	Assistant Secretary
James Robertson	Assistant Secretary
Robert Slater	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Terry Cole	District Engineer
Doug Gonzalez	Special Counsel - Weiss, Serota, et al.
Julio Aponte	Trustee Counsel
Patrick White	Key Bank
John Perrin	Resident

FIRST ORDER OF BUSINESS

Call to Order/Roll Call

The meeting was called to order at 9:33 a.m. Mr. Adams announced that all Supervisors were present at Roll Call, with Supervisors Brougham and Schutt participating by conference call.

SECOND ORDER OF BUSINESS

Continued Discussion: Foreclosure Action

Mr. Adams stated the purpose of today's Continued Meeting is to meet in the event that a Forbearance Agreement has not been finalized between the Bondholder, the Developer and the Trustee. Mr. Adams said that has not officially occurred; however, his understanding is that the Bondholder and Trustee are favorable to extending the need for official foreclosure action until the next meeting, which is scheduled for July 22nd. He indicated he will ask Mr. Aponte,

Trustee's Counsel, with Greenberg Traurig, if he wants to make a statement, on the record, with regard to that.

Mr. Aponte stated he had a conversation yesterday with two (2) attorneys from Stearns Weaver, who represent the Developer. He said, to date, he had not had much communication with the Developer regarding the forbearance or the restructuring; however, for the last two (2) days, he had some conversations with the attorneys representing Gulf Bay Properties. They informed him, and he has verified, that they have made some headway in trying to bring in a partner, or various groups, with capital, in order to infuse some capital and cash flow into the project and, hopefully, make things work going forward. That being said, he indicated they asked if we would be amenable to waiting until the next meeting, on July 22nd, to actually authorize foreclosure, because they were of the opinion that, taking the official action to initiate the foreclosure proceeding, at this time, would hinder the progress made with those groups. Mr. Aponte said he had an opportunity to speak with the bondholders and the Trustee and they want to work in good faith with the Developer. They are amenable to waiting another two (2) weeks and having the Board entertain a foreclosure action, at that point, should there not be an agreement in place, at that time.

Mr. Adams stated, for the record, Mr. Doug Gonzalez is with us this morning. He represents Weiss Serota, the Special Counsel, engaged at the last meeting, to handle any prosecution of foreclosure, to the extent that we need to do so, as a result of Mr. Pires' and his firm's conflict.

Mr. Brougham stated he would like to pose a hypothetical situation to Mr. Gonzalez. He added, if the Developers and the bankers do not agree and new capital does not flow, and we are out two (2) weeks from now and are requested, as a Board, to initiate foreclosure procedures, aren't we, in fact, talking about the same "land" that is held in collateral by the bankers, as well as the Bondholders.

Mr. Gonzalez responded that is his understanding. He stated there is still information that needs to be supplied to his office, in the event foreclosure is necessary, so he is not absolutely certain, yet, what parcels would be subject to a foreclosure action, but, based on the discussions he has have heard today, it seems to him that would be the collateral the bank has used for its bonds and the loans that have been made.

Mr. Brougham asked, if the District was obligated to initiate foreclosure proceedings over the delinquencies in bondholder principal and interest payments, who has precedent in terms of that land? Ultimately, would the District or the bondholders or the bankers own the land if it is foreclosed on.

Mr. Aponte responded, the answer is the assessment lien that is levied by the District and is pledged as collateral for repayment of the Bonds is, in all respects, basically like a tax lien, which is superior to the lien of a bank, as a mortgagee. In a foreclosure proceeding, since the bank has a junior lien interest in the property, they would be served as a defendant in the foreclosure action and they would have the ability to answer and pose legal defenses, to the extent there are any.

Mr. Brougham asked, if we took this to the ultimate conclusion, is there the potential that the District would, in fact, take title to this land.

Mr. Aponte responded it would either be the District, in its own name, or some affiliate entity of the District, like a special purpose entity.

Mr. Brougham asked, if that were to occur, would the District, or this new entity, be responsible for future bond principal and interest payments, as well as operating and maintenance assessments against that land.

Mr. Aponte responded the landowner, at that point in time, would be responsible for O & M assessments, which continue in perpetuity and are assessed on a yearly basis; however, by virtue of the foreclosure action, once it comes to completion, the assessments would be wiped out because they would merge with the property.

Mr. Schutt asked Mr. Gonzalez to explain the process of the foreclosure action, the steps taken, who ends up owning the property, when the property can be sold to recover the money and how the distribution of the money takes place.

Mr. Gonzalez stated the process begins with doing a title search to determine all the various liens on the properties or parcels to be foreclosed. Once the lien holders are determined, a foreclosure lawsuit is filed in the Circuit Court to seek the foreclosure. He said he suspects there will be a lot of defenses that will be asserted. It would be a process to get to the point where the Court would grant a judgment, whether that be through a trial, or more likely, through summary judgment to the CDD, which means there is no trial, and then the property would be scheduled for foreclosure sale. Likely, the successful bidder at the sale will be the CDD, given

the political and economic climate. The CDD would become the title holder to the property, having extinguished all of the inferior interests. As Mr. Aponte indicated, there would probably be some type of special entity form to take title to the property. There are tax consequences and other consequences that, perhaps, can be avoided, to some extent. At that point in time, the CDD would be able to do whatever it would like to do with the property.

Mr. Schutt asked what is the timeframe to reach summary judgment or a jury trial.

Mr. Gonzalez responded the answer is driven by the magnitude of defenses that are asserted by the Developer, or the owner of the properties, and the quality of those defenses. If they are defenses that can be resolved through summary judgment, the process probably takes four (4) or five (5) months. If those defenses are such that it prevents getting a summary judgment and it goes to trial, then the District is looking at close to a year, depending on the court's docket, to resolve all of the issues involved. The minimum amount of time, from granting authority to seek foreclosure, doing the title work, getting the complaint filed, getting in all of the responses that are due and, perhaps filing of the motion for summary judgment, is anywhere between three (3) and six (6) months.

Mr. Schutt asked Mr. Aponte what are the bondholders' intentions, relative to any unspent monies for ongoing work.

Mr. Aponte stated there are many things that can be done with that money. If the District ends up going through a full foreclosure, taking title to the property and taking care of it for some period of time before the bondholders decide what they want to do with it, they will need to preserve monies in order to do that and the only monies available for that purpose are the monies remaining in the trust estate, either Debt Service Reserve Funds or in Construction Accounts, because money has not been spent to complete certain parts of the project. Another avenue that is sometimes explored with the excess proceeds is, once they have determined that they have enough money to carry the project forward and to take care of any contingencies, it can be used to cap off the project where it is now, given the market, as it currently exists, and use those excess proceeds to redeem bonds at par and that ends up decreasing the amount of the assessments that are on the property.

Mr. Brougham stated we have some things that are ongoing, relative to the property in question, where money is being spent. He asked if the bondholders have the authority to say "cease and desist".

Mr. Aponte responded affirmatively; stating once there is an Event of Default, pursuant to the Indenture, the Trustee has complete control over the monies in the trust estate. There can be an Event of Default for a number of reasons. In many instances, it is triggered when the amount of monies in the Debt Service Reserve Fund are depleted. Under the terms of the Indenture, the monies that are held by the Trustee for the benefit of the bondholders, which includes all of the monies in the Construction Account, DSR funds, or whatever funds are set up on the trust estate, will be under the control of the Trustee for direction from the bondholders.

Mr. Brougham asked if, to our knowledge, there has been no order issued for stopping of any ongoing work, at this stage.

Mr. Aponte responded affirmatively.

Mr. Adams opened the meeting for audience comments.

Mr. John Perrin, a resident, stated he wanted to address the question of actual cash and submitted a scenario. He said if a foreclosure suit is filed and Boards #1 and #2 win the lawsuit, at that point in time, they have not recovered any money and all they have is title to the property. He said, as title owners, they are stepping into the shoes of the current Developer, which means that the bondholders still have to be paid. He asked where that money comes from?

Mr. Aponte responded the purpose of going through a foreclosure proceeding, in this instance, is very similar to the purpose of going through the foreclosure proceeding in the common mortgagee situation. If you own a home and you fail to pay your mortgage payments and the bank forecloses on you, the remedy that the bank has against you is the collateral that you have pledged to make your debt obligation, which is your property. By virtue of foreclosing, your debt is extinguished. The same holds true here. Once a foreclosure has gone through the sale and the property is sold, the assessments merge with the property and, therefore, they are wiped out. The property is free and clear of any assessments or junior liens, which would include a bank lien.

Mr. Perrin stated that seems to only apply to the existing shortages.

Mr. Aponte stated, as part of the foreclosure proceeding, the assessments are accelerated, in the same way that a mortgage would be accelerated. Even though one (1) or two (2) installments have been missed thus far, by virtue of the documents and by virtue of Florida Law, the District is allowed to accelerate the entire assessment that is due and that is what is being foreclosed upon.

Mr. Perrin asked where the money comes from to pay that.

Mr. Aponte stated, to the extent that there is a viable third party at the foreclosure sale who wants to purchase the property for a price that the bondholders determine is reasonable, up to the par amount of what is owed, the money will flow from the cash that is exchanged for the property at the foreclosure sale, or if there is no willing party to bid at the foreclosure sale, then the bondholders get the land. Then they will have to do something with the land to eventually sell it to generate cash.

Mr. Perrin asked if the cost of the foreclosure will be borne equally between Boards #1 and #2.

Mr. Adams answered when we get to the point where we file a foreclosure, we will look to cover the expenses through an Amendment to the Trust Indenture that will allow the use of existing Debt Service Reserve Funds or Construction Funds to help offset those costs in what is known as a Remedial Account. The Bond Issues themselves are over specific geographical areas. The expenses will be incurred over those geographical areas and any actions taken over those areas will come out of existing funds in the trust estate and an agreement with the bondholders. It will not have an impact on your Operating Account.

THIRD ORDER OF BUSINESS

Adjournment

There being no further questions or comments, the meeting adjourned.

**On MOTION by Mr. Slater and seconded by Mr. Curland,
with all in favor, the Continued Meeting was adjourned at 9:53
a.m.**


Secretary/Assistant Secretary


Chairman/Vice Chairman