

**MINUTES OF MEETING
FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #1 &
FIDDLER'S CREEK COMMUNITY DEVELOPMENT DISTRICT #2**

A Joint Special Purpose Meeting of the Boards of Supervisors of the Fiddler's Creek Community Development District #1 and Fiddler's Creek Community Development District #2 was held on **Monday, April 18, 2011 at 8:00 a.m.**, at the **Fiddler's Creek Club and Spa, 3470 Club Center Boulevard, Naples, Florida 34114.**

Present at the meeting were:

For Fiddler's Creek CDD #1:

Phillip Brougham	Chair
Jim Curland	Vice Chair
Jim Schutt	Assistant Secretary
Gerald Bergmoser	Assistant Secretary
Robert Slater (via telephone)	Assistant Secretary

For Fiddler's Creek CDD #2:

James Robertson	Chair
Manuel Correia	Vice Chair
Victoria DiNardo	Assistant Secretary
Gretchen Scott	Assistant Secretary
Peggy Schmitt	Assistant Secretary

Also present were:

Chuck Adams	District Manager
Cleo Crismond	Operations Manager
Terry Cole (via telephone)	District Engineer
Ron Albeit	Fiddler's Creek Foundation
Aleida Martinez-Molina	Weiss Serota, CDD #1 Special Counsel
Robert DeMarco	Treiser Collins, CDD #2 Special Counsel
Paul Battista	Genovese, Joblove, Battista, Debtor's Counsel
Keith Fendick (via telephone)	Holland & Knight, LLP
Tony DiNardo	Gulf Bay, Developer
John Hutton	Greenberg Traurig, Trustee Counsel, Representing US Bank
Andrew Sanford	ITG Holdings, LLC
Amanda Barton	ITG Holdings, LLC
Mike Falcone	Municipal Mortgage & Equity

Jordi Guso	Berger Singerman
Dan Carter	ITG Holdings
Chris Webecker	Municipal Mortgage & Equity
Elliott Miller	Resident
Jack Perrin	Resident
John Hutt	Resident
Peter Blicher	Resident
Gary Rosen	Resident
Torben Christensen	Resident
Bruce Edwards	Resident
Shelly McGuire	Resident
Jesse Fritz	Resident
Steve Coleman	Resident
Charles Turner	Resident
Carl Johnson	Resident
Bob Chaney	Resident
Jim Mahill	Resident
Jack Toole	Resident
Dave Yates	Resident

FIRST ORDER OF BUSINESS

Call to Order/Roll Call

Mr. Brougham called the meeting to order at 8:05 a.m. He stated Supervisors Brougham, Curland, Schutt and Bergmoser were present, in person, for Fiddler's Creek CDD #1. Supervisor Slater was attending via telephone. Supervisors Robertson, Correia, DiNardo, Scott and Schmitt were present, in person, for Fiddler's Creek CDD #2.

SECOND ORDER OF BUSINESS

Introductions: Boards/Staff/Presenters

******This item, previously the Third Order of Business, was discussed out of order.******

Mr. Brougham introduced the presenters: Mr. Paul Battista, counsel for Fiddler's Creek LLC; Mr. John Hutton, trustee/bondholder's counsel; Mr. Jordi Guso, representing the Unsecured Creditors Committee; Ms. Aleida Martinez-Molina, representing CDD #1; Mr. Robert DeMarco, representing CDD #2.

THIRD ORDER OF BUSINESS

**Welcome/Opening Remarks/Ground
Rules**

******This item, previously the Second Order of Business, was discussed out of order.******

Mr. Brougham noted the meeting was for informational purposes in which the lawyers were not going to debate with each other. He stated the allocation of time for presentations will be fair and the meeting minutes will be available on the website, after they are approved at the next Board meeting.

FOURTH ORDER OF BUSINESS

**Presentations by Debtors/Counsel
(Fiddler's Creek LLC et al/Genovese,
Joblove & Battista)**

Mr. Battista recalled his original presentation to the homeowners and Board, about 14 months ago, in which there was not a lot of support for the bankruptcy or the developer and a lot of skepticism. He stated he has achieved a great deal with the focus of preserving the community. Mr. Battista reported deals were reached with nearly all senior secured creditors including, Regents Bank (\$45 million), FifthThird Bank (\$15 million), Key Bank (\$7 million), Textron, Melon Bank, Florida Financial, and, most recently, Colonnade Naples Land (\$52 million). He stated, currently on file, the aforementioned senior secured creditors are going to be supporting the plan of reorganization. Mr. Battista stated a deal was reached with the unsecured creditors committee to resolve their issues and the deal is documented in a term sheet attached to the proposed plan to be approved and confirmed. Mr. Battista reported a deal was made with the golfer's ad-hoc committee and is subject to confirmation. If confirmed, the escrow deposit issue will be resolved. A deal was made with the homeowners committee and the official unsecured creditors committee with respect to the Foundation. He noted the management fees were resolved, all to the benefit of the Foundation and the homeowners. The deals are conditioned on confirmation of the plan and, if confirmation of the plan is not achieved, the deals will not go into effect.

Mr. Battista noted favorable "yes" votes are needed from CDD #1 and CDD #2, with respect to the confirmation of the plan. He noted the additional expense and risk in achieving a confirmation of the plan, if a "no" vote or abstained vote is submitted.

Mr. Battista recalled that the developer was seeking an equity partner, a joint venture partner. He stated the partner was found and is a New York hedge fund, Mount Kellett Capital Management, who committed to invest between \$30 and \$50 million in the community,

conditioned on confirmation of the plan. Mr. Battista reported the equity partner acquired the Key Bank debt and they are about to acquire the Colonnade debt.

Mr. Battista noted the debtor is paying the off-roll operation and maintenance assessments throughout the case and advancing funds to CDD #2 to assist in the shortfall. On confirmation, he stated the debtor proposed to bring all the operations and maintenance assessments current, as of that date. He stated the debtor agreed to write a check, on the effective date of the plan, for the on-roll assessments, to bring all the past due amounts current, for both Districts.

Mr. Battista stated he has provided to pay all the bond debt assessments, in full, with interest, including interest on interest and asked for time to accomplish the payment. At the end of the plan process, the bondholders will be fully paid. He anticipated having a legal opinion from bond counsel that the proposed restructuring of the bond debt assessments will allow the bonds to be tax exempt. Mr. Battista stated the debtors agree that the bondholders, in the trust indenture, can have standing to object to the confirmation of plan.

If confirmation of the plan is achieved, all the described benefits will go into effect, shortly thereafter. Such confirmation will substantially improve the community, provide funds to pay the unsecured creditors and consummate deals with secured creditors. Mr. Battista could not anticipate what would happen if the plan was not confirmed. He stated if the plan is not confirmed, there will be no payments to the Districts, unsecured creditors, golfers and the Foundation. He noted the mortgage on the club and spa, in which the debtor negotiated a deal to postpone foreclosure and maturity through September 2011, and anticipates the ability to resolve the debt with the equity partner. Mr. Battista noted the potential for the case to convert to Chapter 11 bankruptcy, either in its entirety or in parts.

Mr. Battista requested two (2) "yes" votes in respect of the plan.

FIFTH ORDER OF BUSINESS

**Questions from CDD Board Members
only**

Mr. Brougham opened the floor for any questions from a CDD Supervisor.

Mr. Robertson recalled that Mr. Battista stated all bond debt assessments will be fully paid but there will be a time delay. He asked the reason for the time delay. Mr. Battista noted the debt assessments are tied to 30-year bonds and the debtor proposes to take the past due

interest, not paid pre-bankruptcy and during the bankruptcy case, and roll it into the principal balance. In some cases, the debtor asked for a one (1)-year or two (2)-year forbearance on payments. He noted a buy down is required during the post confirmation period of selling real estate, before the expiration of the forbearance period.

Mr. Curland noted the debtor has been significantly against the issue of standing for the bondholders and asked the reason for the debtor's change in opinion.

Mr. Battista stated it allows the parties to avoid fighting over administrative issues and get into what is really at stake.

Mr. Schutt noted the projected sales in the business plan, presented in the disclosure statement, have been described as aggressive or optimistic. He questioned what happens if the plan is not met. Mr. Battista replied, an expert, Dr. Hank Fishkind, is willing to testify as to the feasibility of the projections. Assuming the debtor is unable to achieve the real estate projections, the debtor would be, potentially, in default of the plan and look to the equity partner and Mr. Ferrao, to assist. Assuming neither party provides additional funds, he stated the full benefits will have been received and payments made, as of the effective date.

There were no further questions.

SIXTH ORDER OF BUSINESS

**Presentation by Bondholders
Trustee/Trustee Counsel (Greenberg
Traurig)**

Mr. Brougham introduced Mr. John Hutton, counsel for the trustee. Mr. Hutton introduced Mr. Mike Falcone, CEO of Municipal Mortgage and Equity (MunieMae), to speak to the Board. He noted MunieMae holds 100% of the 2004 CDD #2 bonds, 75% of the 2005 CDD #1 bonds and is a minority holder in other series of bonds.

Mr. Falcone summarized that MuniMae bought about \$25 million of the \$100 million issued bonds and has not been paid since November 2008 because the developer has not paid real estate taxes. Under the current plan, MunieMae would not be paid for another two (2) years. He noted MunieMae is a long-term investor in the community and intends to earn interest for 30 years. Mr. Falcone stated he believed the best hope for Fiddler's Creek is to have a deep-pocketed developer that can realize the vision of the community and preserve the value for homeowners. He believed the proposed plan does not bring enough equity to the table to make

the project successful and recalled that the developer originally sought \$100 million and has only received \$30 million. Mr. Falcone noted much of the funds end up being circled to the developer and there is not enough money for the bankruptcy to work over the long term. He noted the main argument has been that the process should be opened to all potential investors, who can bring capital to the table. Mr. Falcone noted that if the District votes "yes" to the plan, the judge does not have to determine whether or not the plan is reasonable. If the District votes "no", the judge has to determine if the plan is reasonable. He recommended having the determination made in a court room setting, with the judge hearing the expert and making decisions on reasonableness.

SEVENTH ORDER OF BUSINESS

**Questions from CDD Board Members
only**

Mr. Brougham clarified that no votes will be taken today.

Mr. Robertson questioned if Mr. Falcone bought a substantial amount of the debt and, as a bond investor, how he would classify the debt. Mr. Falcone replied the debt was bought upon issuance and the bonds are unrated. Mr. Robertson recalled Mr. Battista's statement that the plan allows for repayment of 100% of the bond debt assessment. Mr. Falcone explained that the developer pays the debt assessment to the District and the District pays the debt; if the plan works, the bondholders will get paid. He believed that the plan, as described, will not work because there is not enough capital coming into the equation for the developer.

Mr. Schutt asked Mr. Falcone if he knows of any interested investors. Mr. Falcone stated there are several interested investors that have been unable to participate in the process, given the way that the process has unfolded.

Mr. Correia questioned the process, if the plan is turned down, and noted the financial position of the Districts.

Mr. Falcone noted the process is overseen by a bankruptcy judge, which will ensure that the process occurs in a timely fashion.

Ms. DiNardo asked for clarification on the judge's role. Mr. Falcone explained that the judge makes a final decision in bankruptcy but there is a requirement that if the District's vote "no", a hearing will be scheduled to determine if the plan is reasonable. The requirement is waived if the District votes "yes". He stated he would like to have a judge determine the reasonableness of the plan.

Mr. Bergmoser asked if the original purchased bonds were resold to a mutual fund or other vehicle. Mr. Falcone replied no and explained the bonds are owned directly. Mr. Bergmoser noted the bondholders have standing in court and asked why the votes of the Districts are important. Mr. Falcone explained the bondholders have limited standing, on certain questions, as agreed by the developer, going into the court hearing tomorrow.

Mr. Brougham recalled dialogue within the community as to other plans that are governed by the Chapter 11 process. He noted the court has declared that the debtor has the rights before the court to advance the plans of reorganization. Mr. Brougham recalled a proposed, competing plan, by Colonnade, that was not allowed by the court. He noted unless the court terminates the exclusivity given to the debtor, or the plan is not confirmed, the only plan before the court is Fiddler's Creek.

Mr. Slater asked if the bondholders are not willing to wait for the two (2)-year time period that Fiddler's Creek will repay this bond. Mr. Falcone noted the bondholders did not agree to that and did not believe the money would be there in two (2) years. Mr. Slater noted the bondholders must have something that allows another person to come in and provide funds, during the interim period. Mr. Falcone stated the bondholders have been arguing for an open; competitive bid process so that all entities can see if there is a better long-term plan that will invest more capital in the community.

Mr. Schutt noted part of the plan being presented by the debtor includes the anticipation of the additional \$45 million in bond funding needed to build the second golf course, golf course clubhouse and expand the club and spa. He asked his belief of the impact on the investment community by virtue of the fact that the investment community has been denied full standing. Mr. Falcone noted the standing is only part of the issue and the broader issue is the underlying economics of the community and the fact that, as bondholders, they will not have been paid for five (5) years. He noted the CDD market in Florida is expensive, with very few buyers.

Mr. Curland noted Mr. Falcone did not present any factual information and recalled Mr. Hutton's firm sending a threatening letter to the Board.

Mr. Falcone stated he is asking the Boards to vote "no" so that the bankruptcy judge, who sat through hundreds of hours of hearings, can determine if the plan is reasonable.

Mr. Curland noted a hearing on April 19 regarding the standing of the bondholders. He asked, if the bondholders are allowed standing in court, what purpose the Districts' votes have

and whether the bondholders vote of no would achieve the same result. Mr. Falcone did not believe that standing is the same as the District vote.

Mr. Hutton stated if the debtor gives them standing to object, it is one thing but the Districts' votes are still going to determine the treatment of the bond debt.

Ms. Scott recalled Mr. Correia's question and noted the residents appreciate that their debt service portion is fixed and tied to their specific property. She noted concern for the annual operation and maintenance assessment that would, potentially, be in limbo, if the Districts vote "no". Ms. Scott noted if the plan is approved and lots are sold, the immediate CDD buydowns will be paid to the Districts. She speculated if those payments could sustain the bondholders until the debtor's payments are made. Mr. Falcone stated he does not believe the lot sale projections, in the developer's plan, make sense. Ms. Scott noted the buydown is a form of guarantee. Mr. Falcone replied it is only guaranteed to the extent that there are future sales equal to the developer's projections.

Mr. Brougham explained the assessment process and that a homeowner's portion of the bond debt was fixed at purchase. A property owner's annual payment towards the bond debt will not increase. He explained the bondholders debt is paid two (2) ways; through property taxes, on-roll, or by direct bill, off-roll assessments.

EIGHTH ORDER OF BUSINESS

**Presentation by Bondholders
Trustee/Trustee Counsel (Holland and
Knight)**

Mr. Fendick, counsel for US Bank, introduced himself and referred to Ms. Amanda Barton, counsel for the largest bondholder, ITG Holdings.

Ms. Amanda Barton, representing the ITG Tax Free Income and Capital Appreciation Fund, explained the fund is a local, private fund. The general partner is Mr. Dan Carter, a resident of Naples, Florida for 30 years. Ms. Barton discussed the rumors within the community, including the belief that bondholders want to separate the community and sell it off. She noted the bondholders want to see the community succeed and protect the investment. Ms. Barton stated the debtor wants to divide the community and she presented a map of the community, indicating areas with a mortgage with Colonnade. She stated, under the existing plan, the debtor

plans to give the land back to the Colonnade. Ms. Barton noted today is the first time she was aware of a deal between the debtor and Colonnade.

Ms. Barton discussed the myth that if the Districts do not vote in favor of the plan, the community will be liquidated and auctioned into pieces. She noted that voting "no" will force the debtor to prove, to a judge, that the plan is feasible. She discussed the projections in the plan, including the projection of an additional 387 golf memberships, within the next (5) years, with only 123 existing golf memberships. Currently, there are 159 Tarpon Club memberships and the plan projects an additional 614 memberships in five (5) years. Ms. Barton noted the equity partner only committed \$30 million and debtor will only be able to access \$15 to \$20 million in the first year. On the effective date, there are four (4) things to be paid in full, immediately, including the DIP loan to Gulf Bay Capital, for about \$5 million; the Textron DIP loan, for about \$2 million; the investment banker, Moelis, for \$3.5 million to \$ 5 million. She noted \$7.58 million is going to purchase Runaway Bay. Ms. Barton noted the Runaway Bay property was intentionally withheld from bankruptcy. She stated within the first year of emerging from bankruptcy, the real estate taxes, in the amount of \$2.5 million, will have to be paid.

NINTH ORDER OF BUSINESS

**Questions from CDD Board Members
*only***

There were no questions from the Board.

TENTH ORDER OF BUSINESS

**Presentation by Unsecured Creditors
Committee/Counsel (Berger Singerman)**

Mr. Jordi Gusó stated he represented the Unsecured Creditors Committee. He explained that in large cases, the office of the United States Trustee, a division of the Department of Justice, appoints an official committee of unsecured creditors to represent the interest of unsecured creditors, generally, in the case. Since late February, the committee has been serving in the cases, and, although it is titled an official committee of unsecured creditors, it has really been a committee of homeowners. The committee was reconstituted last year by the United States Trustee to add two (2) unsecured trade creditors. They are creditors that traded with the company and do not have interest as homeowners or members. Both of those members resigned after they were appointed, due to the time commitment. For many months, the committee has

been comprised of people representing homeowners, golf club members and Tarpon Club members and served as admirable volunteers to advocate the interest of the community. He noted bankruptcies are often negotiated, not litigated. In this case, the committee engaged the debtor in negotiations, over a very long period of time, for a number of community issues. Mr. Guso recalled that the plans provide for the payment in full of unsecured creditors on the effective date of the plan, implementation of collateral to secure about \$13 million in golf escrows under the golf membership agreements and for the assumption of those agreements under the plan, modification to the Tarpon Club membership agreement, which will assure the preservation of the access rights to the beach property, modifications to the management agreement for the club and spa, and elimination of the profit sweeps. Mr. Guso stated the bondholder's reservation for the success of the plan is an issue that the bankruptcy court will have to address at confirmation. Mr. Guso stated even if the debtor achieves confirmation by consent, that is every class of creditor's votes in favor of the plan, the bankruptcy has, nonetheless, an independent statutory obligation to assess the feasibility of the plans. He recommended, assuming that the bondholders are right and as a member of the community, asking oneself if they are better off opposing the plan now or accepting the treatment that the plan provides and enjoying the benefits that will be received. Mr. Guso stated, as a whole, the plan provides material benefits to the community and the committee urged the Districts to vote in favor of the plan.

ELEVENTH ORDER OF BUSINESS

**Questions from CDD Board Members
*only***

Mr. Schutt noted Mr. Guso's statement regarding the judge's obligation to determine the feasibility of the plan was indifferent to Mr. Falcone's statement that the judge's ability is waived. Mr. Guso replied, under Section 1129 of the bankruptcy code, there are 11 criteria that the court must evaluate in determining whether a plan should be confirmed. One of those elements is feasibility.

TWELFTH ORDER OF BUSINESS

**Presentation by CDD #1 Special Counsel
(Weiss Serota Helfman)**

Ms. Martinez Molina, representing CDD #1, noted the deadline for voting in the bankruptcy is May 16 and District #1 will be voting on four (4) different plans of reorganization. She noted there are over two (2) dozen different debtors. This particular ballot is for DUIFC, one of the combined plans of reorganization. The Board of Supervisors has to vote accept or reject. Ms. Martinez Molina noted the Board is still in the process of garnering the necessary information to cast their vote. She noted the District is a secured creditor, District #1 is still owed monies, post-petition, for operations and maintenance. The District also has a contractual obligation to the bondholders and the bondholders would say this issue is of extreme importance and the Board must act at the direction of the bondholders. Ms. Martinez Molina noted the bondholders have been forthright in their opinion as to the vote issue and noted that the District's obligation to the bondholders is a contractual obligation.

THIRTEENTH ORDER OF BUSINESS

**Questions from CDD #1 Board Members
*only***

Mr. Bergmoser asked if Ms. Martinez Molina foresees a difference in the weight that the vote may bring forward, after tomorrow's hearing. She noted the Districts are the only parties that have yet to cast their vote and the judge will take into consideration the thought behind why the District has yet to cast their vote.

FOURTEENTH ORDER OF BUSINESS

**Presentation by CDD #2 Special Counsel
(Treisser, Collins & Vernon)**

Mr. Robert DeMarco, representing District #2, noted the interesting situation in which the bondholders are not, strictly speaking, parties to the bankruptcy. He noted the latest development that the bondholders are going to be allowed some limited standing to be able to have some input, by way of discovery against the debtor, to obtain information with respect to issues relative to the confirmation of the plans. They are going to be allowed an opportunity to voice their objections to the judge with respect to whether or not the plans meet the burden of Section 1129 and the other criteria that the bankruptcy court process requires for confirmation of the plan.

Mr. DeMarco noted the Districts are caught between the indenture trustee and the bondholders' demands and as a party to the debtor's bankruptcy. He noted there could be mutual

exclusivity with respect to the positions being taken by the debtor and the bondholders. Mr. DeMarco explained the District will be voting on the plans, based upon what they consider to be their obligations to the community, debtor and the indenture trustee. He anticipated holding an executive session in which the Board will discuss all the information relative to the voting. He explained the Board Members are representatives of the District. Mr. DeMarco suggested the community make the Board Members aware of their thoughts and opinions.

FIFTEENTH ORDER OF BUSINESS

**Questions from CDD #2 Board Members
only**

There were no questions or comments from Board Members.

OPEN FORUM: 2-MINUTE LIMIT (*strictly enforced at the discretion of the Moderator*)

SIXTEENTH ORDER OF BUSINESS

**Questions/Comments from Other
Affected Parties/Counsel**

There were no questions or comments from other affected parties or counsel.

SEVENTEENTH ORDER OF BUSINESS

Questions from the General Public

Mr. Brougham opened the floor for comments from audience members and noted there is a two (2) minute time limit, per speaker.

Mr. Elliot Miller, a resident, recalled Mr. Falcone's comments regarding the lack of adequate working capital in the proposed plan. He stated Mount Kellett is putting up real money and already signed for the Key Bank and Colonnade loans.

Mr. John Hutt, a resident, questioned if approval of the plan by the Districts, based on the arrangements shared by debtor's counsel, and the agreements preclude the solicitation and contractual agreement to dispose of the property to other outside potential developers and investors. Mr. Battista, in an attempt to clarify the question, asked if confirmation of the plan would eliminate the opportunity for a third party to come in and make an investment in Fiddler's Creek. Mr. Hutt replied affirmatively and included the possibility of a third, fourth or fifth party.

Mr. Battista stated if the plan is confirmed, the third party coming in to make the investment is Mount Kellett Capital Management, in conjunction with the debtor. Once emerged from bankruptcy, the combination of the debtor and Mount Kellett can make their decisions, as

long as they comply with the plan. He stated, at this point in time, there is no opening for any additional party to come in and make an investment. Mr. Battista explained that Mount Kellett is not acquiring any property; they are making a loan investment through acquiring the Key Bank and Colonnade's loan and a joint venture partner. The idea is to build out the entire community, not sell it to Mount Kellett.

Mr. Jack Perrin, a resident, stated he has heard two (2) different views as to whether the judge has the discretion to determine the reasonableness of the plan. Mr. Battista noted, even if the plan is confirmed, the debtor has to provide proof to a judge, under Section 1129 11 factors, including that the plan is feasible and not going to be followed by liquidation. The judge has to make that independent evaluation based on the debtor's proof and experts, notwithstanding of the votes.

Mr. Dan Carter noted, through his experience as a DIP lender, he has never seen a bankruptcy judge overrule a consensual plan. He stated he believed that if everyone consents to the plan, the plan will go through, regardless of the feasibility. Mr. Carter asked Mr. Battista to comment on Ms. Barton's statement regarding the money accessed in the first year. Mr. Battista stated the projections show that the debtors will not be in immediate default and noted Ms. Barton's comment that the debtor is limited to \$15 or \$20 million. He stated that is a requirement of how much has to be taken; the debtor can take down up to the \$30 million, soon to be \$50 million. Mr. Battista stated he believed the projections were fair and reasonable and that it will have to be told to the judge. He disagreed with Mr. Carter's observation that the plan is completed if everyone votes in favor. Mr. Battista stated the fact that the trustee has standing, even if there are more votes in favor of the plan, the bondholders' counsel is still going to make objections to the judge. He anticipated a hard fought confirmation battle, even with the Districts voting in favor of the plan.

Mr. Peter Blicher noted the bondholders do not own 100% of the bonds and did not believe the community had time to wait for a mystery investor. He discussed the possible growth and changes in the future. He recommended going with the plan.

Mr. Gary Rosen noted the \$30 million was confirmed and asked about the proposed \$50 million. Mr. Battista replied there is a written commitment for \$30 million and is negotiating to increase the amount to \$50 million. He stated the projections come from the company and Dr. Fishkind has reviewed the projections and assumptions. Mr. Rosen asked if there was a

possibility of giving back land. Mr. Battista replied that the original plan was to give real estate back to Colonnade; however, a deal was made last week and the land will not be given back, as the debt is going to be acquired by Mount Kellett. Mr. Rosen asked if any of the property is commercial. Mr. Battista stated there are two (2) parcels that are zoned commercial and it is the debtors' intention to retain the property for the development.

Mr. Torben Christensen stated he heard that if the confirmation did not go through, the homeowners could not be held liable for the tax part of the assessments; however, the operations and maintenance is part of the homeowner's assessment. He questioned the approximate size of the O&M that would fall on the homeowners. Mr. Brougham replied it varies between Districts. Mr. Adams stated District #1 has a budget of about \$2 million, with about 40% of it funded by the developer. District #2 has about 80% funded by the developer.

Mr. Brougham noted a homeowner's debt service assessment is fixed and paid through a portion of the property taxes. The O&M budget is apportioned, equitably, over all the District's units, including some acreage owned by the developer. The total budget for each CDD is divided equitably amongst all the ERUs and that is the portion of O&M that is assessed to each owner. The O&M money shows up as a portion of the property taxes. To the extent that the developer defaults or some other legal action causes his portion, as a landowner, of the O&M annual assessment not to be paid, ultimately, the District would be forced to special assess other property owners. If and when that should ever happen, and the District is forced to special assess to keep operations running until someone started making those payment, the funds would come back because the defaults are, effectively, liens against the land. When the defaults are paid, they would be refunded as per the assessments.

Mr. Bruce Edwards asked what Mount Kellett is getting out of putting in \$30 million.

Mr. Battista replied they are making an investment that provides a 10% interest rate return and an additional 15% return on the overall investments. The internal rate of return is 25% and will actually be paid from Mr. Ferrao, who is the ultimate equity owner in Fiddler's Creek. Mr. Edwards asked how the payment would be made. Mr. Battista speculated the payment is made monthly but he could not confirm the payment method. Mr. Edwards noted the real estate market and speculated as to the reputation of the community. Mr. Battista noted he has reasonable projections and the ability to attract builders and buyers.

Ms. Shelly McGuire noted the investors made a risk and noted the vision needed for a successful community. She stated Fiddler's Creek is a premier spot where people want to live a lifestyle that is known. She recommended the community pull together to change the community's reputation, emerge from bankruptcy and vote "yes" to the plan.

Mr. Jesse Fritz, a resident, noted the integrity of the community and recommended parties pull together and let the judge make the determination. He recommended supporting the plan.

Mr. Steve Coleman, a resident, asked Mr. Hutton if the District reached a vote to approve a plan, what types of rights or remedies will the indenture trustees, at the direction of the bondholders, enforce against the Districts. Mr. Hutton replied if the Districts vote in favor of the plans, the judge still has to determine feasibility. He noted the other issue is whether treatment of the bond debt assessment is fair and equitable. If the District votes "yes", the ability to have the court consider whether the treatment is fair and reasonable is lost.

Mr. Charles Turner, a resident, recalled that community evolves in stages. He noted the bondholders will be paid, with a delay, and that people are continuing to express interest in the community.

Mr. Carl Johnson asked for any thoughts regarding the accommodations of the existing infrastructure for the club and spa. Mr. Brougham suggested he stay after the meeting and someone will answer his question.

Mr. Bob Chaney, a resident, recommended exiting bankruptcy so that lots can be sold. He recommended voting for approval of the plan.

Mr. Jim Mahill, a resident, stated he was in favor of the plan and presented signatures of residents who were unable to attend the meeting and were in favor of the reorganization plan. Mr. Brougham requested the signatures be made part of the Districts' records.

Mr. Jack Toole, a resident, noted his approval of the reorganization plan.

Mr. Dave Yates, a resident, asked why the debtor is using the funds to purchase Runaway Bay. Mr. Battista stated the debtor believes the property to be valued at \$15 million. He stated he does not know how the current owner is carrying the property. Mr. Yates noted that Mr. Ferrao is actually going to walk away with a check from bankruptcy around \$10-\$20 million, his DIP loan is going to get repaid and the land is going back to Mr. Ferrao. Mr. Yates noted the bondholders want the plan open so that parties like Starwood, that were chased away earlier, can come back to the table and put real money in to make sure the vision continues and is successful.

Mr. Andrew Sanford, of ITG Holdings, noted that Mr. Fishkind, for the 1996 bonds, projected 3,500 within the first 15 years. He asked how Mount Kellett is treating the Colonnade note and how much capital is actually going to Mount Kellett. Mr. Battista stated he is not sure how it is going to be treated by Mount Kellett but the entire contribution will be 25%.

A resident asked if anyone has done a break-even analysis to see the minimal number of sales needed to keep things moving forward. Mr. Battista noted there are cushions in the projections to back out to reach the break-even level.

EIGHTEENTH ORDER OF BUSINESS

Final Comments by Board Members *only*

Mr. Correia asked the residents for their opinions and provided his email address. He noted the Board is in a hard place, in terms of the decision making capabilities.

Mr. Bergmoser recalled the receipt of an email with a threat of personal liability. He requested opinions and thoughts.

Mr. Brougham thanked the attorneys for attending. He noted that both Boards have serious thinking to do and that opinions are important to the Board. He recommended that if there is any confusion or there are any questions, to contact him and he will try to explain the situation, to the best of his ability.

NINETEENTH ORDER OF BUSINESS

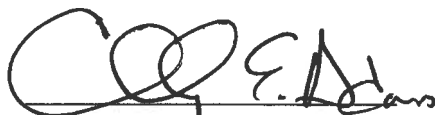
Adjournment

There being no further business, the meeting adjourned at 10:05 a.m.

**FIDDLER'S CREEK CDD #1 &
FIDDLER'S CREEK CDD #2**


April 18, 2011

Fiddler's Creek CDD #1


Secretary/Assistant Secretary


Chair/Vice Chair

Fiddler's Creek CDD #2


Secretary/Assistant Secretary


Chair/Vice Chair