MINUTES OF MEETING
NORTH SPRINGS IMPROVEMENT DISTRICT

A special meeting of the Board of Supervisors of the North Springs Improvement District was held Wednesday, December 21, 2011 at 4:00 p.m. in the district office, 10300 N. W. 11 Manor, Coral Springs, Florida.

Present and constituting a quorum were:

David Gray	President
Vincent Morretti	Secretary

Also present were:

Doug Hyche	District Manager
Dennis Lyles	District Counsel
Jane Early	District Engineer
Brenda Schurz	District Clerk
Donna Holiday	GMS-South Florida, LLC
Rhonda Mossing	MBS Capital Markets, LLC
Dave Green	CH2M Hill
Denise Ganz	Greenspoon Marder
David Ross	SunTrust

FIRST ORDER OF BUSINESS **Roll Call**

Mr. Hyche called the meeting to order at 4:00 p.m.

SECOND ORDER OF BUSINESS **Adoption of Final Revised Engineer's Report Relating to Funding for Water and Wastewater Projects**

Mr. Hyche stated item two is adoption of final revised engineer's report relating to funding for water and wastewater projects.

> On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the revised engineer's report was approved.

THIRD ORDER OF BUSINESS **Consideration of Issuance of Water and Sewer Revenue and Refunding Revenue Bonds Series 2011 to Finance Improvements**

to the Water and Sewer System and Refund Outstanding Water and Sewer Revenue Refunding Bonds, Series 2010A and Water and Sewer Revenue Bonds Series 2010B

Mr. Hyche stated item three is consideration of issuance of water and sewer revenue and refunding revenue bonds series 2011 to finance improvements to the water and sewer system and refund outstanding water and sewer revenue refunding bonds, series 2010A and water and sewer revenue bonds series 2010B.

Presentation from MBS Capital Markets, LLC

Ms. Mossing stated we have final numbers regarding the financing with SunTrust Bank, the total par amount of the bonds is $50,065,000 and it is in accordance with a proposal that we received from SunTrust Bank. We have with us today David Ross from SunTrust and the proposal we received from SunTrust is based upon a letter from them dated November 30, 2011. The interest rate on the bonds is a fixed rate at 3.23% and the other terms in the letter are outlined in the bond series resolution that you have in your package today that was provided in advance of the meeting.

Ms. Ganz stated I will explain the financing structure overall and then we can talk about the maturity and put and those kinds of things. Last year we issued the 2010 bonds under a brand new water and sewer bond resolution. When we started working on the new bond issue to do a new financing for additional improvements to the water and sewer system it became apparent that there could be savings in refinancing for interest rate savings the outstanding 2010 bonds. Because there were no other bonds outstanding under the 2010 resolution and they were going to be paid off and they will be paid off on Friday we would be able to defease in effect that existing resolution, provide a brand new water and sewer bond resolution that was very similar to the one you approved in 2010 but had certain features that liberalized the test for issuing bonds in the future to enable you after this bond issue if you have other projects in the future that you would like to finance for new money purposes you would be able to take into account as an example the type of rate increases you approved on the 7th, rate increases that are not effective today but you have approved and will become effective in future years. We did some tinkering to liberalize some of those tests in the bond resolution and later today you will be asked to approve that new master bond resolution, which basically will be the document that you will use going forward in issuing your water and sewer bonds whether for new money or refunding purposes. The way this structure is set up it provides that every time you go to issue a specific series of bonds under that master resolution to adopt what we are calling a series resolution. That series resolution has very specific details of that particular bond issue. This bond issue for 2011 that has refunding and new money purposes will be issued under the master as supplemented by the series. If we come back in a couple of years we will have another series resolution, the master will always stay the same.

What the master resolution does is basically provides for a pledge of all of your water and sewer revenues and the terms and conditions on which you would need tests for issuing bonds in the future for new money and refunding purposes.

The series resolution deals specifically with the bonds that are going to be purchased by SunTrust and provides for the various purposes of the bonds including to pay for the new project that is described in the engineer's report, to pay capitalized interest on the bonds through the construction period plus one year, to fund a reserve fund that is sized at 50% of maximum annual debt service. Publicly sold bond issues might have required full funding of the reserve up to maximum annual and this is 50%. Then there is money in the bond issue to pay on Friday the outstanding principal and accrued interest on the 2010 bonds for debt service so those bonds will be gone and you will just have the 2011 bonds.

The final maturity of the bonds is October 1, 2031 and interest on the bonds is going to be paid semi-annually as you have been doing with your existing bonds and there is a put feature in the bonds that Rhonda will discuss in terms of the bonds being subject to mandatory purchase at a certain point in the future. In addition to the put that Rhonda will describe the bonds are subject to optional redemption subject to a prepayment premium with the exception of certain excess construction proceeds. When you are finished with the 2011 project you will be able to either use any excess money that is in the construction fund to either redeem bonds up to $3 million or potentially with the consent of the bank be able to use that excess money for another project that you may have. It makes certain findings with respect to the placement of the bonds to SunTrust. That basically is the material terms of the series resolution.

FOURTH ORDER OF BUSINESS **Consideration of Proposal Letter from SunTrust Bank for Term Loan in a principal Amount not to Exceed $50,465,000**

Ms. Mossing stated as Denise indicated the purpose of this bond issue is to refund the 2010 bonds, which are outstanding at 4.39% and the interest rate on this is 3.23% so that will reduce the debt service on those bonds and to issue new money for the construction project for the 2011 project, $25,650,000 to fund the water treatment plant project.

These bonds will be amortized over a 20 year period but there is a 15 year put clause where the bank has the option to put those bonds after 15 years and if they do you can either refinance those bonds at 15 years or replace them with the bank at whatever the prevailing interest rates are at that time with the bank. Those are the terms of the put.

Mr. Gray asked the current 2010 bonds didn't have that feature?

Ms. Mossing responded no, they mature in 2023 and 2025.

Mr. Ross stated one was a 15 year and the other was a refunding so I think it had about 13 years left on it.

Ms. Mossing stated those were the maturity dates on those bonds, both of those bonds have now been extended to 2031 so they already matured prior to the 13 and 15 years. Now they have a 15 year put on them and they have been extended to 20 years.

Mr. Gray stated so the interest rate could change in 15 years is what we are saying.

Ms. Mossing responded they could.

Mr. Gray stated if the rate is higher they will change.

Ms. Mossing responded it could.

Mr. Gray stated if the rate is higher they will change and there is a very good chance the rate will be higher in 15 years. It goes past the other date anyway.

Mr. Lyles stated the important thing to remember is you are not locked into SunTrust at that point, we are not at their mercy and that will be a negotiable rate and there are transaction costs for them and potentially us so the idea would be at that time we will look at what's out there, we may well go to another source of funding. It may well be that publicly issued tax exempt bonds have a different structure all together and are still being done in a different way from a privately placed transaction. There are a lot of factors that none of us can really project with any accuracy at this time. At 15 years everybody will take a look at where we are and there is even a small window that it will stay exactly the way it is. It will depend on the market at that time.

Mr. Gray asked what is the total length of maturity?

Ms. Mossing stated 20 years.

Mr. Gray stated so it is only another 5 years anyway.

Ms. Mossing stated there will just be a small amount of debt remaining at that time.

Mr. Lyles stated that is the other thing it will be substantially less. That option the bank has is reflected in the rate we are getting for the 15 years we are about to embark upon.

Mr. Gray asked we currently have about $25 million now and the new project is about $25 million so we have effectively $25 million we are refinancing and $25 million new.

Ms. Mossing stated currently we are paying off about $15 million in debt.

Mr. Ross stated plus the other obligation so it is about $20 million that you are paying off.

Ms. Mossing stated $20 million we are paying off in debt plus interest then we are borrowing another $25 million for the new project.

Mr. Gray stated that leaves another $5 million.

Ms. Mossing stated capitalized interest of $2.5 million through the construction period so that money will pay the interest on the bonds until the construction period is over, debt service reserve fund of approximately $1.8 million and cost of issuance of $523,000.

Mr. Gray stated I was trying to figure out the difference and that is the difference right there.

Mr. Lyles asked do you want to explain what happens to the debt service reserve, the $1.8 million?

Ms. Mossing stated those will be used to pay the principal and interest on the bonds should there ever be a shortfall and then at the end of the day it will pay the final principal and interest payment on the bonds.

Mr. Gray asked how long are we projecting the construction phase to be?

Mr. Hyche responded 18 months to 2 years.

Mr. Gray stated then we have it covered with the capitalized interest.

Mr. Lyles stated this was to summarize for you the terms between North Springs and the bank that are set forth in writing in your agenda package under item three and there is a letter in your agenda package regarding all this so with the terms set up so I think a motion to approve the proposal from SunTrust would be in order.

Ms. Ganz stated subject to it's having been amended or changed pursuant to the resolutions.

Mr. Lyles stated a motion to approve the term sheet and the proposal from SunTrust would be in order at this time.

Mr. Gray stated I do have one question on the highlighted area in the letter. Under capital adequacy you have a highlighted section.

The bank shall have the right to adjust the interest rate upwards in order to maintain the same after tax yield on the bond if the adoption or taking effect of, or the change (including by interpretation or application) of any laws, regulations, rules, guidelines directives or treaties adversely affect the Bank's after tax yield regardless of the date adopted, enacted or issued. Any change that is the sole result of a deterioration in the Bank's credit rating will not be included, unless such change triggers or causes a capital increase under any change in law that has occurred. Additionally, provided that at such time the bank shall generally be assessing such amounts on a non-discriminatory basis against borrowers having loans similar to the loan evidenced by the bond.

So they have the right to increase the rate if any laws affect their yield. The second part says that deterioration of the bank's credit rating won't have an effect unless it triggers or causes a capital increase under any change in the law. Their credit rating can impact whether or not our rate increases if that deterioration impacts some regulation that applies to them as a bank. Is that correct?

Ms. Ganz stated that is the way I understand it. That was their requirement.

Mr. Ross stated this is something we added in as a concession, the district shouldn't be penalized if the credit rating drops and this was added to the proposal. Just to state more clearly it was a concession to the district to add that but it qualifies it by saying that if our drop in credit rating has a capital adequacy impact on us and it is because of certain legislation that occurred then it would apply but if it was just solely because of our credit rating it would not apply. It actually gave you more leniency in this and we went on to add it is going to be non-discriminatory so we can't just say you, it would be a class of loans. That was something we talked to Rhonda and Kevin about.

Mr. Gray asked do you feel comfortable with everything?

Mr. Lyles stated let's backtrack a second. The general protection the bank is looking for with this language in this section has to do with federal government change in the rules on what is and isn't tax exempt.

Mr. Ross stated there are two things and that is the one thing related to tax exempt.

Ms. Ganz stated capital adequacy is not related directly to the tax exempt or taxable status of the bonds. It goes to if they have to maintain certain reserves or do other things just merely as a result of making this loan, regardless of whether it is taxable or tax exempt. This is something I have seen in all bank deals generally speaking in one form or another. Dennis was getting to another issue about what happens if there is a change in the tax exempt status of the bonds.

Mr. Lyles stated that is the routine part of all this that you see in every transaction starts with that concept of something happens in Washington that affects the tax exempt status of the bonds and therefore the bank is protected on its yield from our bond issue by this language. In this one we have some additional language that got into the capital adequacy changes that might be triggered by some other type of legislation or something that causes the bank to have to put more cash or more money into it and reduces the yield to them and if that is caused by a change in federal law, something beyond the bank's control as opposed to the bank's falling on hard times and having their capital requirements increased by the regulatory agencies then they are protected. They are protected if it is a federal law change, they are not protected and they eat the problem if it is because of their own poor performance or the rating agencies put additional requirements on them for capital.

Ms. Ganz stated not exactly, if there is something that goes on and they say our credit is deteriorating there are certain requirements even internal requirements that the bank might have where we have to put up more reserves, that is not going to be an issue. If their deterioration requires them to put more money and again reserves is the best example, as a result of some federal legislation that says if your credit falls below X, Y or Z you have to have more reserves that is being excluded, that is carved out from the exception, they are basically saying if there is something in the law that changes and it is tied to their deterioration that would still be an issue but they are saying they would have to treat all of their borrowers in the same fashion by saying you have to make us whole on this change in law.

Mr. Lyles stated they are going from a broad simple protection regarding a change in federal law that affects the tax exempt status of public offerings down to changes that might occur that don't affect the tax exempt status but do affect their credit calculations and the necessity of them putting more money into this and if it is because of a change in law or regulation then that becomes our problem. We have to make them whole on that. If it is a matter of their own performance being inadequate but not accompanied by any changes in federal regulations or law that is their problem. That is the simplest way I can think to express that. They are saying they want to be protected in this transaction from changes in federal law that affect how this transaction gets booked and funded and what the yield is on the interest. If it is something within their control or is their own internal problem deteriorating conditions because they lose customers then that is their problem we don't have an obligation to make them whole.

Mr. Gray asked am I understanding correctly the after tax maintenance they're quoting a 35% tax rate so their after tax income is based on that, the higher the tax rate the bigger benefit to them of a zero tax product whereas if the tax rate were dropped their yield goes down on an after tax basis so if a Republican got in office and lowered the corporate tax rate our rate would go up on our bond.

Mr. Ross stated yes. There were certain amendments and modifications in the document. The proposal only has one way meaning the tax rate goes down your rate goes up, what was negotiated was the two-way so if the tax rate goes up your rate will go down.

Mr. Gray stated that was my question does it work both ways and this statement says yes.

Mr. Ross stated it is subject to 30 day notice by either party. If we notice you we can increase 30 days if you notice us then 30 days later we will lower the rate.

Mr. Gray asked if we have another beneficial way out are we allowed to take it? If the rate is going to go up and we have a means of getting a lower interest rate elsewhere are we allowed to take that or we are bound for the rest of the time based on the higher rate?

Ms. Mossing stated there is a prepayment penalty.

Ms. Ganz stated in terms of the increase in rate it will never exceed what was agreed upon as the taxable rate. If the bonds ever became taxable it was agreed upon that the rate would go to 4.2% what we put in the documents is that if there was a change in the rate because of this change in the federal corporate tax rate it would never go past the taxable rate so it is capped.

Mr. Gray asked if we were doing a normal bond issuance rather than through a bank would there be a prepayment penalty? Can that change or is it a locked in deal? This rate could change if the law changed. If we did a normal bond procedure is that rate static with no possibility of change?

Mr. Lyles responded typically yes. That is the downside of a bank deal versus going out to the market and issuing bonds but if we were issuing bonds we wouldn't get this rate.

Ms. Mossing stated the reserve fund would be higher and you have call protections on bonds.

Mr. Lyles stated we need a motion to approve the proposal.

> On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the proposal letter from SunTrust was approved as amended by the ultimate final documents, which will be definitive as to the terms.

FIFTH ORDER OF BUSINESS **Adoption of Resolution 2012-08 Authorizing the Issuance from Time to Time of Water and Sewer Revenue Bonds; Pledging Certain Net Revenues of the Water and Sewer System for the Payment of Such Bonds; Providing for the Rights of the Holders of Such Bonds; Authorizing the Issuance of Such Bonds In Various Series; Fixing Certain Terms and Details of Such bonds; Appointing U.S. Bank National Association as the Trustee; Bond Registrar and Paying Agent for the bonds**

Mr. Lyles stated the next item is Resolution 2012-08.

Ms. Ganz stated that is the master bond resolution that I described earlier.

> On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2012-08 was approved.

SIXTH ORDER OF BUSINESS **Adoption of Resolution 2012-09 Providing for the Issuance of its $50,065,000 Water and Sewer Revenue and Refunding Revenue Bonds, Series 2011 under Resolution 2012-08**

Mr. Lyles stated that takes us to what has been described as the series resolution, which is 2012-09.

Ms. Ganz stated this deals with the specific terms of this bond. It also appoints U.S. Bank National Association as the trustee for the bonds, they have been serving as the trustee for the 2010 bonds.

> On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor Resolution 2012-09 was approved.

On MOTION by Mr. Gray seconded by Mr. Morretti with all in favor the meeting adjourned at 4:27 p.m.

Vincent Morretti
Secretary

David Gray
President