

INDIGO
COMMUNITY DEVELOPMENT DISTRICT

The regular meeting of the Board of Supervisors of the Indigo Community Development District was held Wednesday, June 25, 2014 at 1:00 p.m. in the Holiday Inn Daytona Beach LPGA Boulevard, Ballroom, 137 Automall Circle, Daytona Beach, Florida.

Present and constituting a quorum were:

| | |
|-----------------|---------------|
| Robert E. Welsh | Chairman |
| Edward Bertsch | Vice Chairman |
| John McCarthy | Supervisor |
| Donald Parks | Supervisor |
| Thomas G. Leek | Supervisor |

Also Present were:

| | |
|--------------------|--------------------------|
| James Perry | District Manager |
| Jonathan Johnson | District Counsel |
| Kurt von der Osten | Field Operations Manager |
| Jamie Rountree | Team Rountree |
| Adam Krug | Hayman Woods |
| Stephen Greathouse | Consolidated Tomoka |

FIRST ORDER OF BUSINESS

Roll Call

Mr. Perry called the meeting to order at 1:00 p.m.

SECOND ORDER OF BUSINESS

Audience Comments

There not being any, the next item followed.

THIRD ORDER OF BUSINESS

Approval of the Minutes of the April 2, 2014 Meeting and May 28, 2014 Meeting

Mr. Perry stated item three is approval of the minutes of the April 2, 2014 meeting and May 28, 2014 meeting. You have in front of you a redline copy of some corrections to each of those minutes and those were also provided to you by email. There were a number of corrections to the April 2nd meeting and we went back through and made a lot of edits to those minutes. There were a few additional edits by counsel. You also have a redline version of the May 28th minutes and a clean copy that shows the red line changes being incorporated into the minutes.

On MOTION by Mr. Parks seconded by Mr. Welsh with all in favor the minutes of the April 2, 2014 and May 28, 2014 meetings were approved with all the changes that have been made.

FOURTH ORDER OF BUSINESS

Discussion of Fiscal Year 2015 Approved Budget

Mr. Perry stated item four is a placeholder in regard to the discussion of the fiscal year 2015 approved budget. As you will recall at our last meeting this board approved the budget for next fiscal year. There was a slight reduction in the assessment for a single-family home and that went from \$559 to \$548. In regard to the budget our public hearing for adoption will be August 27, 2014 at this location and we told you that we are going to look at the collections on the tax certificate sale. Yesterday we received confirmation from Volusia County and we don't have the detail yet so we don't know what makes up all the parcels related to it but the district received \$683,000 related to the certificates. We are going to go back and look at reducing the O&M assessments from a level of about \$548 to about \$478 or so.

Mr. Leek asked when will you know whether that can be done?

Mr. Perry responded I'm pretty confident it can be done right now but we want to go back through and see what makes up that detail of the receipts and do a little bit more analysis but in your agenda package that will be provided prior to the public hearing will have a budget proposed for adoption, which would incorporate that reduction.

Mr. Leek asked we don't need a meeting prior to that?

Mr. Perry responded I don't think so, I don't believe we are going to get many more receipts in if any. We were quite surprised that it was going to be at that level, we were expecting about half of that. We have asked the county for the detail and we don't have that yet. We feel pretty comfortable about reducing the assessments. That will also reduce the assessments on the unplatted lands. I believe in total it is about a 14% reduction so it would be about the same for the unplatted lands. We want to get the detail and make sure it is accurate because it is quite a bit more than we were expecting.

FIFTH ORDER OF BUSINESS

Staff Reports

A. Attorney

There not being any, the next item followed.

B. Engineer

There not being any, the next item followed.

C. Manager

Mr. Perry stated we have a number of supervisor seats that will up for election this year and I think all of you have qualified and you are unopposed and the qualifying period is over.

D. Field Operational Manager

Mr. von der Osten stated I have one proposal for the overpass. We completed the letters on the north side and I have received a lot of compliments on that. The south side is a much simpler project and the proposal is \$5,500 and it is a split cost with Consolidated Tomoka.

The logos were replaced on the neighborhood signage with the new logo.

On MOTION by Mr. Welsh seconded by Mr. Leek with all in favor the proposal for the installation of the letters on the south side of the overpass in the amount of \$5,500 to be split with Consolidated Tomoka was approved.

Mr. Welsh stated some of the mulch is starting to thin out in some of the islands. Do we need more mulch or can we get more mulch?

Mr. von der Osten responded we are on a typical mulching schedule that we have always been on. Is it the CDD or HOA areas?

Mr. Welsh stated both.

Mr. von der Osten stated it may be the HOA because I think the CDD areas are pretty well mulched right now.

Mr. Rountree stated we did make a change three or four years ago when we did our first budget cut we went from X number of cubic yards per year to a smaller amount and we only did it once a year versus having 70 cubic yards to use throughout the year. Over time because those areas are so small we get an overlap on mowing so those areas thin out faster than around the tree rings.

Mr. von der Osten stated we can spot check it I don't think we need to go through and hit the entire community. If there are some areas we need to touch up we can address that. I will look at it this afternoon.

Mr. Welsh stated we are starting to get more runners and people on the sidewalks with bikes and when the storms come through they knock debris from the trees onto the sidewalks. Do we have somebody to clean those sidewalks? Who does that the city or us?

Mr. von der Osten responded if it is clippings from lawn debris then yes.

Mr. Welsh stated it is the Spanish Moss that comes down onto the sidewalk.

Mr. von der Osten stated that comes back to pressure washing or blowing. We don't plan to pressure wash the sidewalks again this year.

Mr. Welsh asked have we decided what we are going to do about the sprinklers?

Mr. von der Osten stated we were coming in August with revised budget numbers for upgraded controllers and the lighting project also.

SIXTH ORDER OF BUSINESS

Supervisors Requests and Audience Comments

Mr. Bertsch stated I have had several people complain to me about the sidewalks near the entrance to Champions. I didn't look at it myself but they said the sidewalks are a little slippery. I would like to compliment Jamie Rountree that the community is really looking sharp.

Mr. Rountree asked are the sidewalks you are talking about at Champions right at LPGA?

Mr. Bertsch responded yes right by Jubilee.

Mr. Rountree stated all the main monuments at the entrances are due for power washing in July and when we do those monuments those areas around the fountains and the first 20 to 30 feet behind the monuments will all get power washed.

Mr. Bertsch stated I think that is what they are referring to.

Mr. Leek stated Lionspaw Grand is converting from gas streetlights to LED and that project will be going on for a couple of months and shouldn't disturb anybody else. I think we can get a pretty good test of that to see what we want to do communitywide.

I know we have one meeting in between but on September 14th there will be a 5k 10k as part of the Boys and Girls Club fundraiser. That is a Sunday at 8:00 a.m. and the 5k will take the ordinary route up Champions and back to LPGA Clubhouse, the 10k, which is new this year will go up to Tournament turn left on Tournament go down and make that loop around back to

Tournament and it will come to Lionspaw Grand to make the small loop inside Lionspaw Grand and then finish in front of the clubhouse. We will get letters out and give everybody plenty of information. It was minimally disruptive last year and I think it will be the same because we usually try to keep the running lane narrow and let people get around.

Mr. Bertsch asked have there ever been discussions about putting in sidewalks along LPGA from our entry on Champions over to International Golf Drive? Is that something we can request the city to put in?

Mr. Perry responded you could request but they would probably deny it. You could possibly fund it.

Mr. Bertsch stated if you look around at other developments everybody has a sidewalk outside their development we have nothing.

Mr. Leek stated I think a lot of that depends on the commercial development around the loop. On LPGA itself when you build a building you have to put a sidewalk in front of it. If you walk through our neighborhood you will see the vacant lots don't have sidewalks. That is a requirement of the homebuilder.

Mr. Greathouse stated on the LPGA signage we are fine to go ahead and do that. Now that the ETM and everything has been adopted, when does the pay down of the 2005 bonds occur and are the new debt service assessments complete now starting in 2015 or will it be prorated in 2014? How does that work?

Mr. Johnson responded now that assessment process is complete I think that those are the assessments you would see coming out of this budget cycle. What you start receiving in November to be paid on a going forward basis the trustee is in control of when those moneys in the construction account are redeemed and therefore, the debt is removed. I don't think that has happened yet. We have asked them to let us know that and the assessments that we are certifying assume that is going to happen.

Mr. Greathouse stated the process because the engineer has deemed it complete there is nothing else to do.

Mr. Johnson stated there is nothing else that they are waiting on us for.

Mr. Rountree stated your next annual rotation will start the end of the week and the beginning of next week. All entrances should have new flowers for the 4th of July.

Mr. Krug stated the first item is a correction not necessarily to the minutes because what was said was said but as to the perception or misperception that Coastoak Group is somehow still involved. Tom was quoted in the minutes as saying that I was misleading in saying that they were no longer involved. They haven't been involved in three years that is a factually accurate statement and it remains true to this day. Their name may appear in some entity name, that entity was formed in 2010 when we acquired land in various different entities. All of those entities are controlled by us, Coastoak Group as an entity has no involvement in anything that goes on with respect to our land holdings here. It is not misleading for me to have said that whether or not their name appears somehow in some entity name or an address matters not as to their involvement. To the extent that was ever confusing to someone it shouldn't have been a result in my statements being misleading.

With that clarification done the last time I was in front of the board in April you adopted a revised methodology that imposed incremental burden on Parcel NW 21 as you knew at the time we were under contract to sell that parcel, that closing was supposed to happen the middle of May and closing did not happen, our buyer called me the day before closing and backed out. They shared a few reasons with us, one is the incremental financial burden imposed on the parcel was problematic from an economic perspective for them, in addition some of the provisions that were being negotiated in the final settlement were overreaching and unnecessary and tried to impose an undue burden on them as a new landowner in the community. Some of those details are invisible to you in terms of the negotiations but the fact is they were unnecessarily burdensome and part of that was driven by trustee's counsel giving direction as to the bondholders, part of it was driven by district counsel in response to that. But the fact is that it was a problem for the buyer. They didn't close and therefore, the payments that we had talked about with you obviously were not made and that parcel remains as it was when we last met.

Today in terms of an update we are trying to finalize a revised contract on that parcel at a lower sale price. That will be contingent on zoning being approved for that parcel. One of the attractive things about that previous sale to the Blackwater Group was that it was not contingent on final zoning being approved. They were a very unique prospective buyer in that regard. That they were scared off and ultimately didn't close which has resulted in the next potential buyer that we have close to signing a contract, paying a lower price and making their closing contingent on zoning. What that means is there were never any economics for us in the sale

because of all the past due amounts anyway but there are negative economics for us and as I have told this group before we have to start somewhere in terms of developing the undeveloped land in the community and we are still trying to start here because it is the most developable parcel and the most marketable undeveloped land that exists in the community today.

I'm here to tell the group that we are finalizing a contract on that site. With respect to the site plan you know where that site is. From a development cost perspective the previous purchaser shared with us the engineering cost estimates that they had done for this site. There is a massive \$2 million fill component associated with their development plan that is one of the contributing factors for why the deal didn't close. The fact is that fill component is just dirt that is required to elevate the property from a drainage perspective and provide stable soils. The new buyer that we are working with in order to try to reduce that \$2 million development cost is working with land planners to reduce the actual number of lots that are in that parcel. It was previously contemplated to be 151 and they are looking at a land plan that has something more like 135 so a 10% reduction in total lots. The reason is so that they can take those lots, dig a bigger lake to use that fill to improve the balance of the property for development. Therefore, the number of lots they are able to get out of it is less, the amount they are able to pay for the lots is less and the double whammy besides the incremental \$300,000 that the revised methodology you approved burdens the site with when there are 135 units developed instead of 151 the spiral of the true up only gets worse for the buyer. It is really a problematic situation that has been exacerbated by the recent actions and any closing there, which will trigger any payment of the past due amounts will depend on zoning being approved. Their plan is to do very similar housing as to what was planned there before on 60 foot lots and homes that will hopefully sell in the \$300,000's. That is the plan that is what they are spending money on that is what we are spending money on and I wanted to make the board aware of that. In addition, the next parcel we have been negotiating on is SW 28 Parcel and this parcel is only burdened by the 1999 debt. Any sale and development of this parcel will be on the same terms as the NW 21 Parcel in terms of zoning being approved. Any ability for us to make payments at closing, which is what we committed to do here is going to be contingent on the zoning being approved by Volusia County and I encourage the board to keep that in mind as these zoning cases move forward that any payments associated with these parcels is contingent on that closing. Are there any questions specifically as to the two parcels that I can answer?

Mr. Parks asked what is your timeline?

Mr. Krug responded the outside timing for them to close is 120 days but a zoning case in Volusia only moves as fast as the county allows it. Obviously, extensive engineering and planning work has been done on this parcel, we are paying for it to be done on the second parcel but as we sit here in late June it is realistic for a fourth quarter closing on both of those.

You will note from the last meeting minutes Mr. Johnson answered some questions about foreclosure and the discussions between the trustee's counsel, bondholders, etc. with us. As part of our whole negotiation with you and the bondholders on this we proposed a framework for a broader settlement with the bondholders on all the remaining undeveloped lands in the community and I personally worked very hard to get that deal verbally approved by the bondholders, which we got to in early May. That basically would have allowed this parcel sale to go through and obviously, the buyer for that went away so the deal that was on the table went away. The bondholders and the district need to start evaluating and considering how you are willing to participate in that deal is the following: These two parcels, which are the most likely to be sold and developed, they are the most developable lands in LPGA our proposal to the bondholders and our proposal to the district is to pay all of the past due amounts on these parcels that is to say any outstanding property taxes, O&M and debt service at par on these parcels. It is specifically to waive the statutory penalties that are assessed on these parcels. Paying in full all of the assessments, waiver of the penalties on these two parcels. That is part one of the proposal. Part two of the proposal is a two year forbearance agreement that would cover a variety of undeveloped lands but not all of the balance of undeveloped lands in the community. That is these parcels, which are commercial and intended to be multi-family according to the original development plan and according to the assessment methodology that you recently approved. One is anticipated to be commercial and one is anticipated to be multi-family. These parcels, which are affectionately referred to as the five sisters, there is technically five different parcels of land that are intended to be single-family residential and certain parcels in the north.

Mr. Krug pointed out on the map the location of the various parcels and stated we proposed to enter into a two year forbearance agreement whereby all assessments are frozen on those parcels for two years. The reason the bondholders are willing to agree to that is they have recognized if these two sales move forward there is about 375 units to be developed here that is at least two years of lots sale inventory more likely four years so the odds of any other parcel

being reasonably feasible to be developed in the next two years are nil. Therefore it is prudent in their opinion, obviously our opinion, that a forbearance exists on those parcels that are future developable so long as development happens here, sales happen here and the community moves forward. That is the second part of the proposal, a forbearance agreement on all those parcels.

Mr. Perry asked for clarification is forbearance only on debt?

Mr. Krug responded the bondholders could only agree on debt.

Mr. Perry stated I understand so you are not asking the board to forbear O&M.

Mr. Krug stated I am going to be asking the board to largely consider O&M and how it is addressed. The third part of the proposal is the deeding of a bunch of land primarily here (again Mr. Krug pointed out an area on the map) to the district and bondholders to do with as you wish. Bondholders at first said they were willing to accept that and now they don't really know if they want to accept those lands. That is the third part of the proposal. It is a three part proposal, a forbearance agreement on those parcels, which basically freezes everything to the extent anything is sold in here the assessments that are forbearance get paid at the time of that sale. It is just a freezing. In the event there is a sale during the two year period there is a catch-up where all the assessments get paid. After the two year period the assessments recur as usual. Then, this is a deeding of hundreds of acres of property that in our opinion is not feasible for development. That is the proposal. As it relates to O&M and the district and Mr. Perry's question about what we are asking the district to do I'm trying to give you a framework, it was very important for us to talk to the bondholders first we have done that and this is a framework that they have blessed expecting this to close. It didn't happen, pushed too hard with the assessments and broke the glass and the deal didn't happen. Now we are trying to do that again. I believe the bondholders will agree to that framework that I just laid out for you. It is the same deal for them. It is the same deal as to this parcel for you that was already on the table. We never negotiated anything less. Today as you look at the balance of undeveloped lands in this community there are somewhere between \$3 million and \$4 million of past due O&M assessments some of that is on roll some of that is off roll. The fact is that as part of this global settlement of past due issues that number is part of the equation. Landowners making concessions, bondholders making concessions and before this agreement to move forward the district will have to make concessions as well. I don't have a dollar proposal for you today I'm merely trying to educate the board as to what we have worked on with the bondholders and the direction we are going

down and that it will require the board's participation in some regard as to what happens on all the past due O&M assessments. That is the update from my perspective. Are there any questions?

Mr. Leek asked does this plan include the development of a road between the south and the north?

Mr. Krug responded the road is right here at the end of 29 and it will go to here (again Mr. Krug pointed out the location on the map).

Mr. Leek stated then it does not connect the north and south.

Mr. Krug responded correct. The \$6.8 million in construction funds that were refunded were intended to do that now those are gone. That is a development cost.

Mr. Leek stated I was asking because I think we would probably need to float bonds again to support that.

Mr. Krug stated I think it is prudent to have a connection there but it is not an obligation for anybody.

Mr. Leek asked do you own the land in between?

Mr. Krug responded no.

Mr. Leek asked when do you think you will be coming back with a formal proposal as to what you will be asking us to do?

Mr. Krug responded I think probably in the next 30 days assuming we get both these parcels under contract and get the bondholders based on these to sign off. My intent all along was to get the bondholders to sign off first it is more difficult for you to deal with. I made a deal with them already, they agreed and I believe I will get that same deal with them. If I get these two contracts signed and get bondholders to verbally sign off on that in the next 30 days then I can show you what that means on paper and set some things in order for evaluation.

Mr. Welsh stated then we need another meeting in July.

Mr. Perry stated our next scheduled meeting is August 27th.

Mr. Krug stated as history has proven timing has not been friendly so I might suggest for your consideration that in the event I get these things done, bondholders approved and send this proposal to the district manager and counsel then you can call a meeting so you don't otherwise plan your schedules around just that.

Mr. Perry stated we just need 10 days to run the ad and schedule a meeting to make sure we have a quorum. With the schedule right now I would hate to set a date then if it needs to be a week later.

Mr. Welsh asked will you email us as to what the status is and then we can consider it?

Mr. Johnson stated I think if it is your desire to have that meeting then as soon as we receive that proposal we will notify all of you and start conducting a quorum check, pick a date and set it.

Mr. Perry stated if it looks like it is moving forward we will contact each of you. I know some of you are on vacation towards the end of July. We will need three supervisors and we will schedule a meeting and we will need about 10 days for our notice to do that.

Mr. Bertsch asked in your negotiations on those two parcels with whoever is interested in them would it be feasible for you to throw in their connecting road?

Mr. Krug responded the onsite development costs to give you round number estimates for both parcels, meaning what it costs to build the streets, the utility infrastructure to serve and create a finished lot that a homebuilder buys and builds a home on those infrastructure costs today approximate \$30,000 per lot. That is without some soft cost design, engineering, permitting and things like that. That will give you an idea of what it costs to develop those lots. The past due amounts on these lots today approximate \$13,000 to \$14,000 per lot and what home builders are willing to pay for finished lots today is about \$50,000. You can do the math and there is no developer profit. I have no idea what the road would cost but they have construction estimates from six or seven years ago for this entire stretch and the development of part of the stretch is being taken on as part of this and that will be included in the \$30,000 per lot number. There are things impacting the construction of this road such as wildlife crossings and detention, I don't know if that cost is segmented. Kurt may have some previous estimate but to impose that \$1 million cost burden on this parcel is not economically feasible. From the district's standpoint there is a lot of future infrastructure that will have to be built to the extent development happens in the south and the district's ability to reimburse some of that master infrastructure through a future bond issuance certainly exists. Whether or not this buyer is willing to put that in I will tell you they are not. To the extent they were able to be reimbursed in the future may be a different story.

Mr. Bertsch asked wouldn't that be of some added value to the south area if you could say it was truly a golf community?

Mr. Krug responded presumably, the connectivity to the club and all the fabulous amenities attached to it should create more value for these lots. Some people believe that and are willing to pay for that and some people believe that and they are not willing to pay for it. The homebuilder who has no connectivity doesn't feel like the residents having to drive around is an imposition therefore; they don't ascribe incremental value for building that entire road today for the future of that road. I agree with your statement that connectivity should have perceived value.

Mr. Parks stated he could put in a gravel cart path.

Mr. Bertsch stated I think one of the reasons the south portion didn't take off is because of the lack of connectivity.

Mr. Krug stated if property values were to continue to increase and development activity happened then there could be a cost justification for that road. It doesn't exist today for it for the financial reasons I shared with you.

Mr. Bertsch stated if I have to believe what I have been reading in the paper lately property values are escalating quite fast and I have witnessed it in my neighborhood.

Mr. Leek stated as you have seen this board has been willing to waive penalties within our ability and we would like to see the proposal. Your opening remarks said that I said you were misleading, which minutes was that in?

Mr. Krug responded the very end of the May minutes. It indicated that my previous statements about Coastoak Group were misleading because I said they weren't involved for the last three years.

Mr. Leek stated I will look at that, I don't think that is what I intended to communicate.

Mr. Perry stated I think some of that stemmed from the registered landowner on a number of the properties is CG and Coastoak they hadn't changed.

Mr. Krug stated we have a variety of entities, some is GC Land, which is Grand Champion Land, CGC Investment Land but regardless if there is an entity called Coastoak on the tax rolls that shows as an entity name it is merely a relic of the past. That group has no involvement in what we are doing.

Mr. Leek stated I get that, my recollection is I was trying to get clarification as to why Coastoak was on the roll if it wasn't involved.

SEVENTH ORDER OF BUSINESS Approval of Check Register

Mr. Perry stated the check register is included in your agenda package and the total is \$78,818.69 and they are normal and customary items of the district. Our largest items are related to the landscaping.

On MOTION by Mr. Parks seconded by Mr. Bertsch with all in favor the check register was approved.

EIGHTH ORDER OF BUSINESS Financial Statements as of May 31, 2014

Mr. Perry stated next is the financial statements as of May 31, 2014, including the balance sheet with the general fund, debt service, capital projects and as noted earlier in the capital projects we still have funds remaining through the 1999C and 2005 bond issue that the trustee has control over and are to be closed out but they haven't made those bond redemption calls at this point in time. After that you have the general fund statement of revenues and expenditures and for the most part we are on track with almost every expense item. There are a few variances but none that are material. Then you have the debt service funds for the 1999A, 1999C and 2005 Series Bonds and the capital projects statement.

The last thing is the debt assessment schedules and this is not reflective of the amounts I spoke of earlier that we just received from Volusia County and we will provide that information to the board as soon as we know the detail of that receipt.

NINTH ORDER OF BUSINESS Other Business

There not being any, the next item followed.

TENTH ORDER OF BUSINESS Next Scheduled Meeting – 08/27/14 at 1:00 p.m. @ Holiday Inn

Mr. Perry stated our next scheduled meeting is August 27, 2014 at this location and if anything happens in the interim we will need about ten days to schedule a meeting and for those that may not be in attendance we will provide the documents and it sounds like it would be a

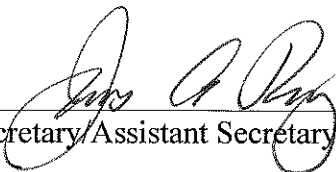
related joint effort of the bondholders and Mr. Krug so we would provide those documents to you so that you have time to review those prior to the board meeting and understand what is going to be asked of you or what you need to consider in regards to that. For those of you who cannot make the meeting we will have the phone set up for you to call in and you can participate by phone.

Mr. Leek stated I know it is one of the things that I asked to be corrected and even though we already approved them in the April 2 minutes on page 13, where it says my remark, I would like to hear a response or rebuttal from Jim on the under "pendings" of the methodology, that is "underpinnings". Adam you seemed to indicate that I implied that you were misleading us with my remark, I'm reading it in the minutes and what I said was, on Table 5 we have three entities that are in care of Coastoak Group why are we still carrying those that way if Coastoak Group is no longer associated with Hayman Woods? That was a question, which was answered by Mr. Perry to say that it is a holdover and you would have to look at the tax ownership to see why that was still carried that way. That was my recollection that I wasn't directly saying or implying that you were misleading anyone I was trying to get a clarification on why Coastoak was still on the roll.

Mr. Krug stated I respect the question. The statement in the May meeting is the one I was referring to.

Mr. Leek stated okay.

On MOTION by Mr. Bertsch seconded by Mr. Welsh with all in favor the meeting adjourned at 2:00 p.m.


Secretary/Assistant Secretary


Chairman/Vice Chairman