

Longleaf Community Development District Review of Financial Status and Impact to Community

This summary is provided to respond to recent communications received by the District regarding concerns about the District's ability to fund annual debt service payments on Bonds issued to fund community infrastructure improvements and operational and maintenance ("O&M") needs. The statement provided below is intended to provide clarity regarding the District's current financial position.

The "short and sweet" summary of the District's financial position is as follows:

The Developers defaulted on their obligations to the CDD for both their debt obligations and for their payments for maintenance and operations. The debt cannot be shifted back onto the residents, so there is no reason to believe that the Bond obligations of any of the current residents will change.

The District has enough money to operate through the current fiscal year, which ends next September 30th. All of the Developer's current and past due operations assessments have been placed on the county tax bill, and failure to pay those bills will result in a public sale of the tax certificates in approximately six months if the tax payment is not made. If someone purchases the tax certificate, then the CDD will get all of its assessments at that time. The property taxes (including CDD assessments) would have to be paid for anyone to be able to retain ownership of the land and or develop it.

The Board of Supervisors is closely monitoring the situation and residents should feel confident in the knowledge that the Board is controlled by the residents and that the District has been successful in requiring the Bondholders to support the foreclosure action without the need to dip into the operating funds to pay for the legal costs associated with the collection activity underway.

A detailed explanation of District circumstances is provided below:

The District issued its Series 1999B Bonds in the sum of \$4,565,000 and Series 2001 Bonds in the sum of \$2,045,000, both of which are short-term Bonds for which **the developer/builder is wholly responsible for payment, not the resident.** Both series of Bonds matured in 2009, resulting in the obligation to remit payment in full for the remaining balance in the approximate sum of \$1.150MM plus accrued interest. The developer did not remit payment for such balance, which created a default on the Bonds and a material notice event. The developer's failure to make such payment has no impact to any of the residential units in the community for which transfer of ownership has occurred from the developer.

To aid in an understanding of the process, here is how it works – short-term Bonds are issued typically for a 5-8 year period. As units are sold to residents, the principal balance on the lots sold must be paid in full and associated liens on the property must be released upon payment to the trustee. **Consequently, residential property owners are not**

impacted by a default in payment. The impact of the lack of payment is on the unplatted lands owned by the developer/builder for which lots have not been sold; not on homes owned by residents. The District is currently pursuing foreclosure action against lots owned by the developer for which the principal balance remains unpaid.

Additionally, the District issued two long-term Bonds (both maturing in 2030); the Series 2005 Bonds issued in the sum of \$6,270,000 and the Series 2006 Bonds issued in the sum of \$4,350,000. The Series 2005 Bonds encumber Neighborhoods 3 and 4, with an assessment allocation across 715 units. Platted units comprise 221 units, with the remainder of the assessments related to developer-owned lots which are billed to Crosland Longleaf LLC. In the Fiscal Year 2009, the Series 2005 annual debt service payments were satisfied in full by both platted units assessed on the tax roll and payments required from the developer. In terms of O&M collections, the District has received full payment for assessments levied through the tax roll; however, the District has an accounts receivable balance of \$200,625 owed by Crosland Longleaf LLC. The Series 2006 Bonds encumber a total of 366.3 units, for which 317.3 units are platted and assessed through the tax roll, and the remaining 49 units are owned by and billed directly to Maricopa Development Company. In the Fiscal Year 2009, all debt service payments were collected in full for units assessed through the tax roll and directly billed to the developer. To date, \$25,094.65 remains outstanding on O&M side by Maricopa Development Company. In the Fiscal Year 2010, all O&M assessments have been levied through the annual tax bill, to include the prior year's unpaid assessments. **It is important to note that the surplus balance in the general operating fund is sufficient to allow continued operations for the current fiscal year which ends September 30, 2010 despite the lack of funding from the development entities referenced above. The Board of Supervisors and management are closely monitoring the developer assessments which are on the tax roll and will take the appropriate actions to ensure that the operational needs of the community are satisfied.**

Should you require additional information related to the correspondence provided above, please contact Leah Johnson with District Management Services at (813) 873-7300, extension 338 or email at ljohnson@dms-us.com.

****Common CDD Questions and Answers:****

What is a CDD?

A CDD is a governmental unit created to serve the long-term specific needs of its community. Created pursuant to chapter 190 of the Florida Statutes, a CDD's main powers are to plan, finance, construct, operate, and maintain community-wide infrastructure and services specifically for the benefit of its residents.

What will the CDD Do?

Through a CDD, the community can offer its residents a broad range of community-related services and infrastructure to help ensure the highest quality of life possible.

CDD responsibilities within our community may include storm water management, potable and irrigation water supply, sewer and wastewater management, and street lights.

How do CDD's Operate?

A CDD is governed by its Board of Supervisors which is elected initially by the landowners, then begins transitioning to residents of the CDD after six years of operation. Like all municipal, county, state, and national elections, the Office of the Supervisor of Elections oversees the vote, and CDD Supervisors are subject to state ethics and financial disclosure laws.

The CDD's business is conducted in the "Sunshine," which means all meetings and records are open to the public. Public hearings are held on CDD assessments and the CDD's budget is subject to annual independent audit.

What is the Relationship with Home Owner's Associations?

The CDD complements the responsibilities of community home owner's associations (HOAs). Many of the maintenance functions handled by these associations in other communities may be handled by the CDD. However, the associations have other responsibilities such as operating amenities and ensuring that deed restrictions and other quality standards are enforced. The CDD may contract with the Master Home Owners Association to perform maintenance functions.

What is the Benefit of a CDD to Residents?

Residents within a community with a CDD may expect to receive three major classes of benefits. First, the CDD provides landowners consistently high levels of public facilities and services managed and financed through self-imposed fees and assessments. Second, the CDD ensures that these community development facilities and services will be completed concurrently with other parts of the development. Third, CDD landowners and electors choose the Board of Supervisors, which is able to determine the type, quality, and expense of CDD facilities and services.

Other savings are realized because a CDD is subject to the same laws and regulations that apply to other government entities. The CDD is able to borrow money to finance its facilities at lower, tax-exempt, interest rates – the same as cities and counties. Many contracts for goods and services, such as annually negotiated maintenance contracts, are subject to publicly advertised competitive bidding. Residents and property owners in a CDD set the standards of quality, which are then managed by the CDD. The CDD provides perpetual maintenance of the environmental conservation areas. This consistent and quality-controlled method of management helps protect the long term property values in a community.

How are CDD Fees Paid?

The cost to operate a CDD is borne by those who benefit from its services. Property owners in the CDD are subject to a non-ad valorem assessment, which appears on their annual property tax bill from the county tax collector and may consist of two parts: an annual assessment for operations and maintenance, which can fluctuate up and down from year to year based on the budget adopted for that fiscal year, and an annual capital assessment to repay bonds sold by the CDD to finance community infrastructure and facilities, which annual assessments are generally fixed for the term of the bonds. Because costs and services vary depending upon the individual CDD, specific fee information is available for each community.

In the Event of a Lack of Payment of an Assessment, What is the Recourse?

CDD assessments may be levied through the Uniform Method of Collection, which means that assessments will be collected by the County tax collector. Alternatively, Districts may levy assessments directly to the property owner. In the Longleaf community, annual assessments are levied by the County tax collector, with exception to debt assessments on unplatted lands owned by the Developer. In the event taxes are unpaid, they are subject to tax certificate sale in June of every year. Upon sale of the tax certificate, assessments will be paid in full to the District. In the

event an invoice that is direct billed to the property owner is delinquent, the land is subject to foreclosure.

How Does Longleaf Compare to Neighboring Communities?

The Longleaf community has successfully upheld a reputation for being a premier community in Pasco County. Due to efforts by residents to maintain the appearance of the community and a high collection rate on resident owned lots, the community has been able to function at a level superior to many other communities facing a difficult real estate market. In the tax year 2008, the District wholly collected assessments levied through the tax collector. This compares to many communities with collection rates at or below 85%. This has provided for sufficient operational funding to the District to meet ongoing operational needs, while many other communities have either been faced with increased assessments or sacrifices in terms of service.

The District's Board of Supervisors has done an excellent job of evaluating the financial circumstances outlined above and has chosen a strong path for pursuing unpaid assessments. The community should feel confident about the future of the development as both the Board of Supervisors and the residents within the community are diligent in addressing issues that arise in a timely, efficient manner and have managed to maintain a level of excellence that will promote stable property values and the continued enjoyment of residents.