

Leon County Educational Facilities Authority

February 19, 2015 Meeting

SouthGate

Authority members in attendance: Chairman, Billy Hilaman, Joe Weil, Lori Billberry, Dennis Bailey, Mary Ann Lindley, Pat Dallet, Lynn Tipton, Tom Proctor by phone and Director Emeritus Bob Kellam. Also in attendance were Randy Guemple, Executive Director; Terry Madigan, Counsel to the Authority, Ken Mills of Asset Campus Housing, Ray Allen of Coastal Properties Management and Kevin Warrren of James Moore.

The meeting commenced at 12:00 PM

The minutes of October 16, 2014 were unanimously approved by motion of Lynn Tipton and second by Lori Billberry.

-Chairman Billy welcomed Dennis Bailey as the newest member of the Authority and wished Lynn Tipton the best of luck as her job duties require that she move to Orlando in August. She is resigning from the Authority after this meeting.

-Joe Weil presented a draft of the 2014 audit and noted an unqualified opinion on the fairness of the financial statements. Joe reviewed some of the financial highlights noting that the operating results of Heritage Grove have improved significantly as compared to last year but noted that it will be very difficult to meet a 1.00 FCCR with the current building issues which has caused rent concessions to be granted. Southgate results have also improved. He also pointed out that in the administrative fund legal fees related to the construction lawsuit are putting pressure on cash reserves. Finally he reviewed the internal control comments and the corrections that the Authority intends to implement. Bob Powell, who had joined the meeting by telephone, indicated that Joe had so thoroughly reviewed the financials that he had nothing to add to the discussion. Upon motion by Joe Weil and a seconded by Lynn Tipton the audited financial statements were unanimously accepted as presented.

-Ken Mills of Asset Campus Housing provided an update on SouthGate. Ken indicated that the rentals for the 2015/2016 rental year are ahead of the previous year. Improvements are essentially complete with a desire to provide WIFI throughout the building. Estimates are in the \$110,000 range.

-Randy Guemple gave an update on the progress towards a possible sale of SouthGate. Before anything can proceed approval is needed from 100% of the "B" bondholders. Mr. Guemple reported that verbal approval has been received from all bondholders. These approvals were contingent on net proceeds to the "B" bondholders of at least 60% of the par value of the bonds or \$12,300,000. LCEFA will receive a fee of \$1,250,000 and if the net proceeds exceed 60% LCEFA

will receive 10% of the excess. Soon the written term sheets will be sent to the "B" bondholders for signature. Chairman Billy Hilaman reminded everyone how important it would be that current management be retained at least for one year to assure continued success.

-Ray Allen reported that due to the construction issues that rentals for the 2015/2016 year are running behind last year. It has been very difficult getting renewals especially with the uncertainty. It would be helpful if some repairs could be started on building #3 which would help set some minds at ease that the problem is being addressed. Terry Madigan updated the Authority on the construction issues. The litigation and the hope of mediating a settlement have moved much slower than hoped. On October 13th our structural engineer, Allen Lougheed, visited the site to provide an update on the condition of the buildings. We expect to get his written report in approximately 7 days but from conversations with him it appears that the repairs for Building #3 will need to begin as soon as possible and can no longer wait on settlement of the litigation. We are waiting on a report from Alan Lougheed which should outline a protocol for addressing the problems in building #3. Getting adequate financing to repair either just building #3 or all repairs will be a challenge

-Next, our new financial advisor, Kevin Quinn of Wye River joined the meeting by telephone and reviewed with the Authority his presentation and thoughts on possible solutions to our financing problem. Since the current FCCR is barely over 1.00 he thinks it will be difficult to refinance or obtain any subordinate financing. He feels that our best opportunity may be through FSU since they have a vested interest in the success of the project and recommends that we consult with them as soon as possible. He is not giving up on the other options but wanted to make us aware that since our current cash flow is so tight it may be difficult to get outside interest in financing.

-Mr Guemple discussed the Security Agreement with the FSU Police. Just today he received an invoice from FSU for \$30,000 with no indication that the contract at that annual amount would extend out for 4 additional years. The Authority recommended that Terry and Randy craft a reply.

- The next meeting is scheduled for April 16, 2015.

-The meeting was adjourned at 1:55 PM